

Intel Chairman Andy Grove and President and CEO Craig Barrett discuss Intel's vision for growth through the Internet transformation.

**How do you see the big picture of computing changing?**

**Andy**→ We're in the midst of a transition to a pervasively digital world. In the rise of the Internet, the expansion of e-Commerce and the boom in mobile communications, we are witnessing a fundamental shift in how the world operates. All the daily transactions that a consumer or business undertakes are being repositioned on digital technology. Material is created, transmitted and managed digitally—everything from purchase orders and manufacturing supply lines to checking accounts and art—and this trend will only continue. It's going to touch all endeavors of everyday life all over the world.

**Craig**→ This transition is a long rollout process, and worldwide we're just at the beginning. But we know it will continue—the benefits of managing



**Andy Grove**

# ← interview →

Our products are essentially the bricks that form the infrastructure of the Internet economy. When you produce the basic elements of construction, the long-term demand for your products is going to be strong.



**Craig Barrett**

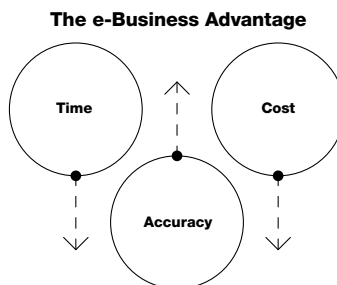
information digitally will make it imperative to get on board. For example, at Intel, we used to handle almost all of our customer orders via fax, but now we take orders online for 90% of our business. This reduces handling time and costs and improves accuracy. These are just some of the benefits of doing business online. Despite any temporary economic pressures, it would be foolish for organizations not to avail themselves of the opportunities that this technology provides. We expect the Internet to continue to increase the productivity of individuals and organizations for a long time. Right now we are seeing global investment in the Internet infrastructure to make this transition happen.

**What is Intel's role in this transformation?**

**Andy**→ We are in the fortunate position to provide the essential technology building blocks that power many aspects of this evolving networked

infrastructure. We are building on our core strengths, which are expertise in integrated circuits and a deep understanding of how to handle digital information, and we are applying those strengths across the board.

**Craig**→ We are focusing on PCs, servers, and networking and communications products, with integrated circuits tailored to each of these parts of the Internet infrastructure. We've had great OEM acceptance of our products and technologies in many of these areas: Pentium® III Xeon™ and Itanium™ processors for servers, Intel® XScale™ micro-architecture for wireless applications, our flash memory and communications chipsets for cell phones and other communications applications, and our networking silicon products, which power the hubs, routers and switches of the Internet. The challenge is to diversify into these other areas while maintaining our core business and showing the growth characteristics that the market is looking for.



### How would you assess Intel's competitive environment?

**Andy**→ All the market segments that we serve are exciting and lucrative with lots of potential, and they attract well-financed, competent players. So we have competitors in each of the segments, but we do not have one single, overarching competitor. The variety of competition makes everyone work more aggressively and effectively; at the same time, I take a certain pleasure in the fact that we're holding our own against tough competitors in each segment, and nobody else spans all the segments that we do.

**Craig**→ I actually think the greatest challenge we have is not external but internal. We must perform internally with enough rigor to demonstrate to the outside world that we have strong growth potential. We have been perceived as a strong, high-tech, high-growth company for almost all of our history, and we want to continue to merit that image in the future.

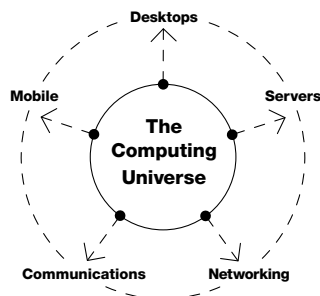
## What are your views on Intel's execution in 2000?

**Andy**→The tasks that we've set for ourselves have grown more difficult, and we have to ramp up our execution skills to keep up with the demands of the more complex product markets that we're serving now. The demands on operational excellence have increased at a time when operations are tougher, broader and more diverse than ever before.

**Craig**→That's right. The things we do become more complex each year. However, people still expect the same performance from Intel, and we intend to deliver it.

## What have you done to improve performance?

**Craig**→We've announced some management changes. We've stepped up efforts to analyze whether we are in fact following our proven practices and policies. We've re-dedicated ourselves at every level to operational



excellence. In fact, we've made specific organizational effectiveness goals a top priority to which every employee's bonus compensation is linked. We have the Intel quality reputation to protect. Our goal is to maintain and enhance the excellence of our brand. To do that, we need to get the best performance out of our current products, increase the productivity of our design efforts, and deliver great new products with flawless introductions and rapid ramps. We need consistent performance, and that comes from getting new products in the marketplace and demonstrating growth.

**As you continue Intel's product transition, what percentage of your business do you think will come from microprocessors in the future?**

**Craig**→For the foreseeable future, our core business of microprocessors and chipsets for PCs and servers will produce the majority of our revenues. In 2000, microprocessors and chipsets constituted about 80% of our revenues,

but our goal is to see networking and communications products account for a larger percentage each year.

**Andy**→ Connectivity is certainly what's driving the growth in computing right now. The growth opportunities for silicon in networking and communications products are tremendous. So, as always, our product mix will reflect the opportunities in the market.

**The environment for high-tech companies was rough in 2000. What is your perspective—is the high-tech boom over?**

**Craig**→ Absolutely not. There's no question that the long-term opportunities for growth continue to be huge. There has been a shake-out of dot-com companies that perhaps weren't founded on solid business models. But for companies that have useful products to sell, and make them well, the potential is vast. The overriding trends in the industry are clear: the establishment of an infrastructure for the Internet, the growth of electronic commerce, and the convergence of voice and data. How can we talk about high-tech growth being over when most people in the world still don't have PCs? All these indicators point to a very positive picture of long-term demand for our products. We shouldn't confuse the long-term, positive landscape with a snapshot of the business in 2000.

**Andy**→ We are confident because the products we build are essentially the bricks of the structure of industry and commerce for the foreseeable future. Construction rates may be moderate now, but when you are producing the basic elements of construction, the long-term demand for your products is likely to be strong.

**Craig**→ We're like a brick manufacturer at the start of the construction of the Great Wall of China. Intel delivers the basic building blocks that will be used in a massive worldwide infrastructure construction project for years to come. We are in a great position for the future.