A Case Study on Intel Corporation Completed a Business Transaction with Moovit: An Additional Strategic Dimension for Intel

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Abstract

Intel Corporation is basically an American multinational and technology company headquartered in California. It is the world largest semiconductor chip manufacturer with reference to revenue. Intel also supplies microprocessors to the companies like Apple, Lenovo, HP, Dell etc. In 1990s Intel had invested a lot in new microprocessor design to find relevance in the era of modern computer. On the contrary Moovit originally called as Tranzmate from Israel is a start up which started in the year 2012. The product offerings of Moovit are a real time journey planner mobile and web app which helps to navigate public trasit networks with GPS navigation in buses, trains, car sharing etc. Users are allowed to access a live map to view nearby stores on their current GPS location. In May 2020, Moovit was acquired by Intel at the price of 900 million USD.
Let us try to find out the effectiveness of the diversification of Intel and whether the move can provide something to Intel as far as revenue generation is concerned.
Key words: Acquisition, Market share, Technology solution

About Intel

Intel Corporation is a world leader in the field of design and manufacturing of extremely essential technologies which helps to implement the power of the cloud computing and an increasingly smart and connected world. The company offer computing, networking, data storage and different types of communication solution to diversified and varied set of customers across the globe spanning multiple industries from different fields. The technology which is used by the company has been always at the heart of computing breakthroughs since inception and they are always trying their level best to innovate and incorporate the best possible technology solutions

in the world. Intel Corporation now at the starting point of huge corporate transformations as they able to grow beyond their traditional PC and servers related businesses into data driven marketplaces which is trying to address data processing, analysing, data store management, transferring data at various levels etc. The transformation of business processes happened quite extensively with the organisations' data-centric businesses representing good contribution to their overall revenue and the market share of the company has also gone in upward direction. The top management of the company defined a vision to built a smart and connected world which actually e depends on Intel solutions and further it should help in different patterns of data processing which will help the company to build the market leadership globally. The management is not at all complacent about the brilliant history of the company but they have decided to do something exceptionally fruitful and wonderful for the business.

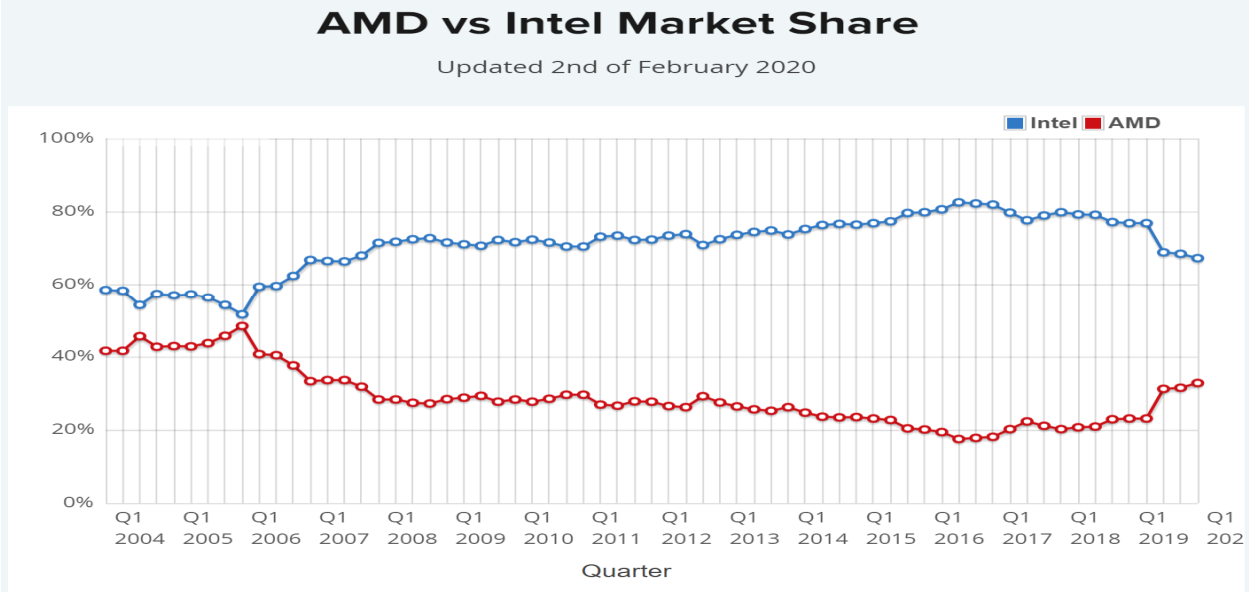
Intel started their journey with the product called memory chips including the world's first metal-oxide-semiconductor, the 1101 but unfortunately due to some reason the sell didn't happen well. So, it can be said that the start wasn't very good for the company. However, the similar kind of product that they have launched in the market, the 1103, a 1 kilobit Dynamic Random Access Memory (DRAM) chip was quite successful there in the market and it can be regarded as the first chip to store a significant amount of information and that could be one of the reasons for their significant success. The product was first purchased by an American technology company named Honeywell in the year 1970 while they were involved in replacing the core memory Technology in its computers. As DRAMs were cheaper and used less power than core memory, very quickly it picked up well the technology market worldwide and had become the standard memory devices in computers in different parts of the world. Once DRAM had become very successful in the global market, it became the public company in the year 1971. In the same year Intel had introduced other chip named erasable programmable read only memory (EPROM) chip which was also companies one of the most successful product until 1985 and it had contributed maximum to the revenue of the company. Such products helped the company to gain the competitive advantage and with the help of that they had become quite successful in the transnational market. In the year 1971, one more a phenomenon happened when Intel engineers Ted Hoff, Federico Faggin and Stan Nazir involved in one of the trendsetting innovations and invented a general-purpose 4 bit microprocessor and one of the first single chip microprocessors,

the 4004, under a business contract to the Japanese innovative manufacturer name Nippon Calculating Machine Corporation which later on let Intel retain all rights to the technology and it was a big boost towards the innovation for Intel.

The journey in the innovation based technology business for Intel was not always very smooth going as many of their early attempts in technology field were not at all successful. The top management of the company in the year 1972 decided to enter in the growing digital watch market by acquiring Microna. Intel in those days was not mature enough to do research and development to understand the overall consumer behaviour and due to lack of real understanding about consumer behaviour their overall sales related to watch making were disturbed and due to this they sold the watch making company in the year 1978 at a loss of 15 million USD.The company didn't have any option other than selling that. However, in 1974 Intel controlled approximately 83% of DRAM chip market but at the same time the foreign semiconductor companies started doing well globally and Intel did not able to compete in the global market effectively and due to that their market share got affected badly and dipped to approximately 1.5% by 1984. So, it can be seen that the company failed to monitor the global market penetration. So, the company realized that one of the options to stay relevant there in the market to extend their product mix. Thereafter, Intel had shifted from memory chips to microprocessor business hence, in the year it produced 8008 an eight-bit central processing unit (CPU). The company tried to strengthen their product portfolio and came up with 10 times faster processor than 8008, called 8080 in 1974 and interestingly they had come up with 16 bits microprocessor, 8086 in the year 1978. Then in the year 1981, one more American computer manufacturer IBM chose to select Intel's 16 bit microprocessor 8088 to be the part of their CPU for their first Personal Computer which was manufactured by IBM to address the mass market globally and to lead the market share in the global market. IBM PC and its clones boosted the overall demand of the desktop and portable computers worldwide. Whatever number of microprocessors Intel had produced in the market, one of the best and crucial was 80386; a 32 bit chip released in the year 1985 and it had shown the maximum promises there in the market. Application developers and PC owners was absolutely happy to use the 32 bit chip and it was compatible with newest models as well. After these number based microprocessor the era of Pentium microprocessor started in the year 1993. From mid 1990s Intel tried to expand its business in different ways and

they came out of only chip market and entered in building motherboards which was used by lots of small scale PC manufacturers other than companies like IBM and HP etc. By 1995, the company was involved in selling more than 10 million motherboards worldwide and eventually that helped them to enjoy almost 40 percent market share in PC market worldwide.

Exhibit 1: Intel's market share in recent time and fluctuations



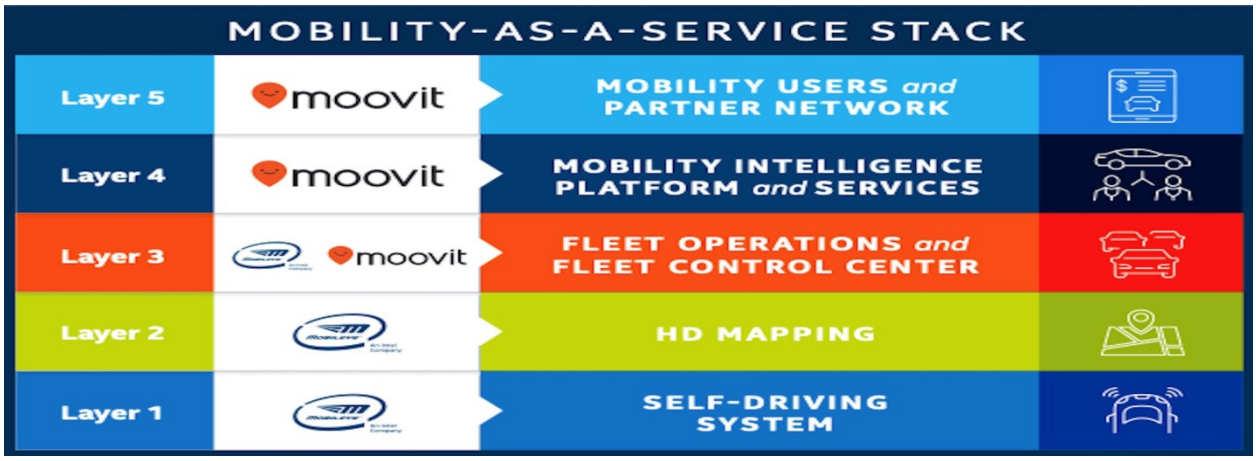
Source:https://www.reddit.com/r/AMD_Stock/comments/exvrkr/amd_vs_intel_market_share_updated_2nd_of_feb_2020/

About Moovit

Moovit Originally known as Tranzmate, Moovit was founded as a promising start up company in Israel in 2012 by developers Nir Erez, Roy Bick, and Yaron Evron. The business model of the company was so effective that they raised 3.5 million USD in its first round of funding from Gemini Funds and BRM Capital. So, they got a decent enough boost at the very beginning of their journey. At the starting point of 2013, the company gained an identity in the global market quite significantly. In the year 2013, Moovit again received of 28 million USD venture-capital funding from BRM Group, and Gemini Funds. In March 2014, Moovit launched an interesting service "community editor" and with the help of that they tried to penetrate the market. The

service allowed volunteer editors to generate, schedule and map data, and effectively providing transit data for areas in which no data is officially available to app developers. So, they tried to focus on untouched business areas and through that they were gaining competitive advantage over their competitors. Since inception they had shown promises in delivering quality service. The company had shown significant growth and it had recorded that in February 2020, the app reached 720 million users in different parts of the world and provided service in almost 100 countries, and by May 2020, when Intel acquired Moovit, it had 800 million users.

Exhibit 2: Moovit services

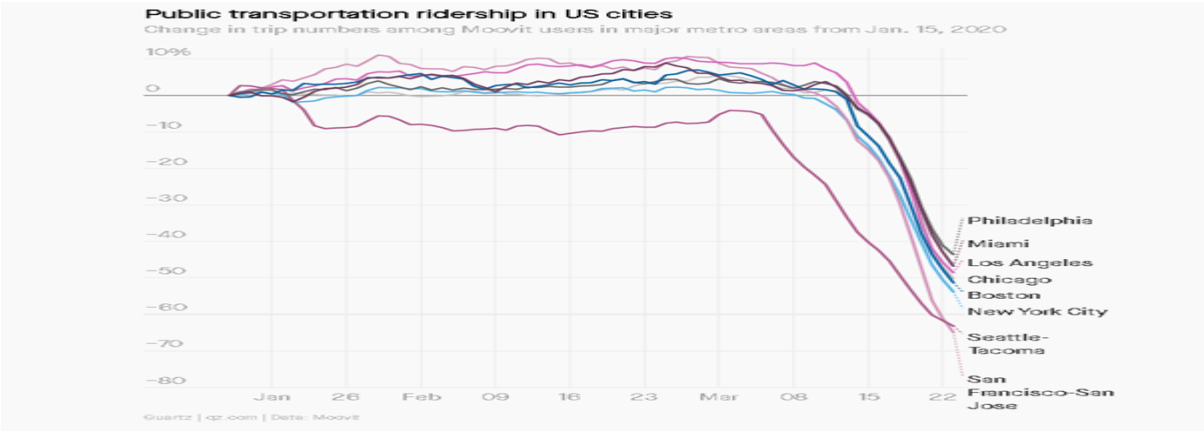


Source: https://www.thedetroitbureau.com/2020/05/intel-beefs-up-autonomous-vehicle-efforts-with-moovit-acquisition/

Moovit was operating at the global space as a Mobility as a Service (MaaS) provider and the world's No.1 transit app which is from Israel and was doing quite well in the global market for the long run. The actual function of Moovit was to simplify the urban mobility operations in more than 2700 cities all around the world and making it thoroughly effective and efficient at every place, making getting around different towns through mass transit easier process and making it more convenient for all. Moovit was actually enjoying more than 300 million users across the globe, and was named Best Local App of 2016 by Google and Best of 2017 app by Apple. This is an indicator that how brilliantly they were operating at different places without much issues or problems. They were famous for their prompt and quality service in all over the world.

By combining information from public transit operators and authorities with live information from the user community, Moovit offered travelers a fabulous service of a real-time picture of the place, including one of the best routes for their journey for the traveler. The Moovit community sent active reports about their travel experience which ultimately helped people to understand the actual status of traveling and other services such as bus congestion levels, cleanliness, and more to help others have a better travel experience. With the help of such services they were trying to help the customer to get the real time picture of the place where they were operating. Moovit eventually generated up to four billion anonymous data points a day that comprised of the world's largest repository of transit data. With the help of such huge databank they able to serve the customer in proper way. It is suggesting that Moovit started using Big data application long back and they were doing it with utmost care to make their operations more effective and efficient. The Big Data gathering is aided by Moovit's network of more than 500,000 local editors, called "Mooviters", who helped in mapping out and maintain local transit information in cities that would otherwise be not been taken care properly. Moovit is available for free on iOS, Android & Web in over 2,700 cities, across 86 countries worldwide, and can be used in 44 languages.

Exhibit 3: Moovit performance



Source: https://seekingalpha.com/article/4349598-lyft-well-positioned-to-weather-downturn

Moovit actually offered a real-time journey planner related to mobile and web app to navigate public transit networks with GPS navigation across transit modes that ultimately helped the

traveller from different parts of the world, including cars, buses, metros, subways, trains, trams, car sharing, any two wheelers movement etc. The facility provided by the platform is users could able to access a live map, and view nearby stops and stations based on their current GPS location and at the same time they will able to access the real time data which would be extremely beneficial for the users at any place. Their plan trips across transportation modes based on the available real time data that was very easy to access from any place at any time.

The application differs from traditional public transit applications as it integrates official public transit data from transit operators with real-time data collected from users. So, it is quite evident that the company was using the actively sharing data through a specific technology and In addition to that passively sharing data, users can actively send reports, including reasons for delays, overcrowding, satisfaction with their bus driver, and Wi-Fi availability. In short, Moovit used to provide a multi tasking platform for the users from different parts of the world and on the basis of that users were using the platform quite satisfactorily.

Intel acquires Moovit

Over a period of time Intel realized that to stay relevant there in the market they need to concentrate on upcoming technologies and they may need to invest on disruptive innovation and to fulfil that Intel invested on brand new technologies in the market and expanded its product and service portfolio to serve new data-rich market opportunities, including the fast-growing market for ADAS, data and MaaS technologies. Intel understood that innovation is the key to stay afloat in highly competitive global market. In microchip segment, Intel had shown extraordinary growth and promises, now, gradually they moved their business towards trendy opportunities.

Intel Corporation had announced that it has acquired Moovit, an interesting start up from Israel, the company involved in the Mobility-as-a-Service (MaaS) solutions across the globe, for approximately $900 million. Moovit is known for its urban mobility application that offers travellers multimodal trip planning by combining public transportation, bicycle and scooter services, ride-hailing, and car-sharing etc. “Intel’s purpose is to create world-changing technology that enriches the lives of every person on Earth, and our Mobileye team delivers on that purpose every day,” said Bob Swan, Intel CEO. “Mobileye’s advanced driver-assistance systems (ADAS) technology is already improving the safety of millions of cars on the road, and

Moovit accelerates their ability to truly revolutionise transportation – reducing congestion and saving lives – as a full-stack mobility provider."

Intel Corporation is into manufacturing processors, micro chips etc. Mobileye, a company from Israel, which is already acquired by Intel in 2017 for 15.3 billion USD, used to make sensors, and Moovit had business related to mobility data. Due to interesting acquisitions by Intel Corporation eventually all three companies are under Intel's roof and they all are collaborating on technology for autonomous vehicles which had shown enormous potential in the global market.

Conclusion

Intel acquired Moovit for the purpose of using Moovit's proprietary data to improve sensors and algorithms being developed by Mobileye, an Israeli company. Moovit, tried to market themselves quite successfully as a mobility-as-a-service provider, the company functions as a trip planner that combines information from public transit authorities with live information from users of mobility services to tell people, in real time, their fastest options to get where they're going and during the process if there is any issue they were trying to find transit related solutions to the client. The business wasn't free from challenges. One of the obstacles for governments working with mobility software has been a responsible handling of data, and Moovit has made that a selling point. The way Moovit went ahead with mobility as one of the unique selling propositions, that helps Intel to move in the global market significantly. The technology used by Moovit, that helps the company only to store analytics related to transit usage and doesn't collect private information such as age or gender or any other demographic profile related data. Intel's news release said that with access to this database, amassed over years of working with more than 7,500 agencies and operators, Mobileye will be able to improve its predictive algorithms for self-driving vehicles. So, the success factor at the global platform depends on the effective and efficient coordination of all three companies at large scale and they are functioning together to bring fresh innovation in the digital world and try to gain maximum competitive advantage.

So, let us try to find out whether the product diversification of Intel at the global platform with two extremely promising Israeli companies would be beneficial for long run or not?

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