

# Qualcomm

## Inventors Dreamers and what to do next

### Company

In 1985, seven industry veterans led by the Jacobs brothers decided they wanted to build “Quality Communications” and outlined a plan that has evolved into Qualcomm. Qualcomm set its mission to “focus on a single goal—invent mobile technology breakthroughs” (1)

In 1988, the Company launched OmniTRACS, a satellite-based data communications system that enables truck fleet operators to effectively track and monitor their vehicles in the field.

In 1993, Qualcomm demonstrates basic packet data (TCP/IP) services over CDMA, establishing leadership as an early advocate for mobile Internet connectivity. The U.S. Telecommunications Industry Association adopted CDMA as a cellular standard positioning Qualcomm as a first mover and industry leader

In 2007 Qualcomm was named the world’s leading mobile chipset provider, citing the Company’s strong position in supplying integrated circuits (chipsets) to manufacturers of advanced 3G mobile devices worldwide. (1)

### Market

Billions of times a day, people around the world touch something made by Qualcomm. It could be the smartphone, the tablet, a wireless modem or the navigation system in your car or camera. Qualcomm’s business is built on selling wireless communications technology, including processors (Snapdragon) and licensing IP to Carriers like AT&T and device manufacturers like Samsung. Exciting new markets for wireless communications are appearing in Education, Healthcare, IOT, Drones, and Wearables.

### Competition

Qualcomm results in terms of profits and stock price growth were exceptional. Lately however, industry financial publications like Motley Fool (2) are featuring stories on Qualcomm’s future, “Qualcomm looks to stop its Slide”.

Qualcomm faces many challenges as its dominant position in the mobile chipset segment of the semiconductor industry comes under pressure. The power of the Carriers, Qualcomm’s traditional customers, is declining. Electronics companies like Apple and Samsung are now driving demand and producing their own processors. Increased competition from companies like Mediatec in China (lower cost lower performance) are putting pressure on Qualcomm’s (premium price and performance) processor business. Qualcomm’s IP royalty rate is declining from 5% to 3.5% of the price for chips incorporating Qualcomm technology.(3)

The technology for wireless communications has also changed from 3G. The industry switched to LTE instead of adopting 4G where Qualcomm developed proprietary technology. Qualcomm responded to the market and switched to LTE but lost its first mover advantage as industry standard setter. Qualcomm does however continue to have influence over the industry. The industry is now moving again toward the next generation technology.

### **Qualcomm's response**

To meet these new challenges Qualcomm has appointed a new CEO, Steve Mollenkopf, whose mission is to lead the company forward into new markets as a technology leader. Qualcomm has completed several acquisitions including CSRI a fabless semiconductor company in the UK focused on connectivity, imaging, and location chips and Atheros and Wilocity, two wireless chipset technology companies. Several new market initiatives have been launched in ecommerce, video, display, healthcare and drones. Operating costs are being reduced with the layoff of 4500 workers. Recently an activist shareholder joined Qualcomm's board to push for financial performance improvement

### **Study Questions.**

- 1) What was the source of Qualcomm's initial success?
- 2) What new competitive forces are driving the market?
- 3) What are Qualcomm's strengths and weaknesses in meeting the new competitive environment?
- 4) How would you describe Qualcomm's strategy now?
- 5) What should the CEO Steve Mollenkopf be most worried about?
- 6) What recommendations would you make to deal with these?

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- (1) [Qualcomm](#)
- (2) [Motley Fool](#)
- (3) QUALCOMM INC., 2009-2015 David B. Yoffie