Intel Slashes Prices on Pentium, 486DX2

Low-End Pentium Hits $418—Now Less Expensive Than DX4

by Linley Gwennap

Continuing its campaign to push Pentium into the mainstream, Intel plans to quickly reduce the price of low-end Pentium chips by as much as 38% using an unusual two-step pricing move. As Figure 1 shows, the company cut prices on its x86 chips at the beginning of the third quarter (7/1) as usual, but it also plans to drop the price of 60- and 66-MHz Pentium chips again on 8/1. This second round of cuts leaves the price of a 60-MHz Pentium at $418. Dell has already cut the entry price of its Pentium line to $1,999, and other PC vendors are sure to follow.

The new Pentium pricing shows Intel is using the carrot approach in its effort to reduce demand for its DX4 chips *(see **0806MSB.PDF**)*. By August, the price of a 60-MHz Pentium will be lower than that of a 75-MHz DX4, and the 66-MHz Pentium will be about on par with the 100-MHz DX4, motivating system makers to choose the Pentium processors. Intel hopes to lock its customers into the single-source Pentium before its competitors deliver 486 chips similar to the DX4. These competitive chips are expected to ship before the end of this year.

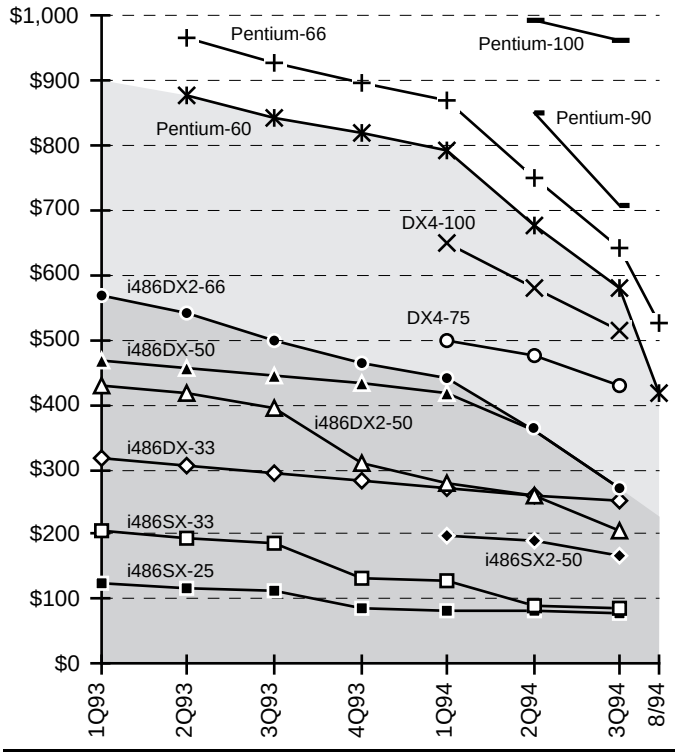

Figure 1. By 8/94, the 1,000-piece price for a low-end Pentium chip will drop below that of the DX4 and reach a price point held by the 486DX2 as recently as the beginning of this year.

As the market leader, Intel typically rolls out new pricing in a staid and orderly fashion, but the company feels compelled to respond to a competitive threat by accelerating its price cuts. In addition to addressing DX4 competitors, the new prices also make it harder for NexGen to undercut Pentium with its 586 processor.

As Table 1 shows, Intel is also rapidly dropping the prices of its DX2 processors to close the gap with SX2 chips. Competitors like AMD and Cyrix have recently deployed SX2 chips at 50 and 66 MHz, offering the same integer performance as Intel's DX2 chips at much lower prices. Although Intel has begrudgingly delivered a 50-MHz SX2, the company intends to reduce the premium it charges for the math coprocessor instead of increasing the speed of its own SX2 chips to 66 MHz and beyond. As the figure shows, the prices of the 50-MHz DX2 and SX2 are converging and, at their current rates of decline, will reach parity in 1Q95, eliminating entirely the premium for the math coprocessor, at least for clock-doubled chips.

By increasing the number of systems with math coprocessors, Intel hopes to convince software vendors to make more extensive use of this feature. This, in turn, will pressure competitors like TI that lack a math coprocessor. Furthermore, software that makes heavy use of floating-point math will entice users to buy Pentium systems, which feature a more powerful coprocessor.

Not all prices are plummeting. Intel continues to deemphasize the 33-MHz 486DX, allowing its price to stay well above the 50-MHz DX2. The company also held the 100-MHz Pentium to a nominal price cut, as that part is not quite ready for high-volume production. ♦

	2Q94	3Q94	
	Price	Price	% Drop
Pentium-100	$995	$964	3.1%
Pentium-90	$849	$707	16.7%
Pentium-66 (as of 8/1)	$750	$525	30.0%
Pentium-60 (as of 8/1)	$675	$418	38.1%
DX4-100	$580	$516	11.0%
DX4-75	$475	$429	9.7%
DX2-66 / 486DX-50	$360	$271	24.7%
DX2-50, 5 V / 40, 3.3 V	$260	$204	21.5%
DX2-50, 3.3 V	$322	$224	30.4%
486DX-33	$261	$251	3.8%
486SX2-50	$189	$168	11.1%
486SX-33, 5 V, PQFP	$85	$83	2.4%
486SX-25, 5 V, PQFP	$77	$75	2.6%

Table 1. Intel's third-quarter, 1,000-piece pricing shows a phasing out of the 486DX-33, as the price of the 486DX2-50 is now lower than that of the DX-33 and rapidly approaching that of the SX2-50.

