AMD exec: Nvidia fell for our double bluff



Enlarge / AMD’s Scott Herkelman explains to HotHardware how he “jebaited” Nvidia.

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Earlier this month, AMD Radeon VP Scott Herkelman tweeted a single, cryptic word: jebaited. If you’re not a big Twitch person, that probably doesn’t mean much to you. Thankfully, Herkelman made it clear for the rest of us a week later, when he appeared on HotHardware‘s 2.5 Geeks podcast to talk about the Radeon 5700 launch.

The first half of the 45 minute interview goes by with Herkelman propping up his gamer cred, then he walks through AMD’s usual talking points about contrast-adaptive sharpening and doing the usual “we love the reviewer community” routine. But about 26 minutes later, HotHardware’s Dave Altavilla asked Herkelman about the tweet—which referenced AMD’s Radeon pricing strategy—and things got more interesting.

[embedded content]
Ever seen a T-shirted division vice president of a $35B company crow about “jebaiting” a corporate opponent by “double bluffing the Super strategy?” No? Well, today’s your day.
AMD first unveiled its new Navi cards in June, with Nvidia’s forthcoming “Super” line of upclocked refreshes waiting in the wings. While the RX5700 line promised a better performance-per-dollar ratio than competing Nvidia cards—a promise that has been borne out by third-party reviews—Nvidia still had the possibility of muting AMD’s thunder with a well-timed Super release, which might bring that price:performance ratio back into line. Herkelman’s cryptic tweet dropped when Nvidia acted—and the next day, AMD slashed prices on the new cards enough to bring the entire line under the new RTX 2070 Super’s $499 asking price.

In the 2.5 Geeks interview, Herkelman expands on his tweet and says that AMD had planned the price drop all along. According to Herkelman, this whole thing was a chess match, and Nvidia fell into his clever trap as planned. AMD initially bid the card high, Nvidia undercut it with the lowest price it could afford, and AMD then dropped the hammer on Nvidia with *its own* lowest price.

Some consumers might think the whole thing seems needlessly complex and unlikely. Why wouldn’t you just set the price of the card where it ought to be in the first place? But such a strategy does make some business sense. As much as some of us might prefer companies to just set an honest price and let the chips fall where they may, an initially low price might have cemented a market impression of the new Navi cards as budget options rather than serious competitors.

Had AMD led with the low price, Nvidia might have taken exactly that strategy—confidently pricing the new Super cards high and giving the complementing impression that its cards were the ones for serious gamers who were willing to spend a few bucks extra. An AMD pre-planned strategy of debut high,

wait for Nvidia’s response, then cut prices might allow the underdog company a chance to both reap a few higher-margin sales in the opening weeks and bring better long-term optics to a new line in one fell swoop.

Or, more cynically, one might assume that Occam’s Razor applies, and the situation is exactly what it looks like: AMD debuted, Nvidia responded, and AMD adjusted its prices reactively rather than as part of some grand, moustachio-twirling strategy.

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