

## RUNNING CASE WITH REAL DATA

### CASE 1.1 HEWLETT-PACKARD (HP)

#### Using Marketing Research to Gain a Competitive Edge

The Hewlett-Packard Company (HP) is known worldwide for its printers, personal computers, and related services. With Headquarters in Palo Alto, California, it has a global presence in the fields of computing, printing, and digital imaging. It markets products such as printers, cameras, and ink cartridges to households and small business. It also provides software and services ([www.hp.com](http://www.hp.com)). The company once catered primarily to engineering and medical markets but spun off that line of business as Agilent Technologies in 1999.

Founded by Stanford graduates William Hewlett and David Packard in Palo Alto in 1934, Hewlett and Packard started HP with an investment of \$538. The company incorporated 15 years later and went public in 1957. Not until the 1960s and 1970s did HP recognize the market for information technology products. As a consequence of meeting this need, HP introduced the computer industry to Silicon Valley. At the time, products from Silicon Valley were limited to calculators, converters, and semiconverters. In the 1980s, HP began to develop industrial laser printers for desktops and prospered.

In the 1990s, HP expanded its computer-product line, which initially had been targeted at university, research, and business customers, to consumers. Later in the decade, HP launched [hpshopping.com](http://hpshopping.com) as an independent subsidiary to sell online, direct to consumers; the store was rebranded "HP Home & Home Office Store" in 2005. HP also grew through acquisitions, buying Apollo Computer in 1989, Convex Computer in 1995, and Compaq in 2002. Compaq itself had bought Tandem Computers in 1997 (which had been started by ex-HP employees) and Digital Equipment Corporation in

1998. Following this strategy, HP became a major player in desktops, laptops, and servers for many different markets.

HP posted \$91.7 billion in annual revenue in 2006 compared to \$91.4 billion for IBM, making it the world's largest technology vendor in terms of sales. In October 2006, HP gained the number one ranking in worldwide personal computer shipments, surpassing rival Dell. The gap between HP and Dell widened substantially at the end of 2006, with HP taking a near 3.5 percent market share lead. In 2007 the revenue was \$104 billion, making HP the first IT company in history to report revenues exceeding \$100 billion.

As of 2008, HP is a global technology company. It generates net revenue and earns its profits from the sale of products, technologies, solutions, and services to consumers, businesses, and governments. HP's portfolio includes personal computers, handheld computing devices, home and business imaging and printing devices, publishing systems, storage and servers, a wide array of information technology services, and software solutions. HP has a dynamic, powerful team of 150,000 employees with capabilities in 170 countries doing business in more than 40 currencies and more than 10 languages.

According to Computer Industry Almanac Inc., in 2005, in the first 30 years of the PC industry worldwide—from 1975 to 2004—cumulative PC sales have surpassed 1.4 billion units, reaching nearly 130 million units in 1990, and over 1.6 billion units in 2005. As seen from Table 1, the leading PC companies have changed considerably in the last 20 years. Apple and IBM were the worldwide leaders in PC unit sales until the early 1990s. Since 1994, Compaq, Dell, or HP has been the leader in PC unit sales.

**TABLE 1** Worldwide Unit Sales of PCs: 1991 to 2010

Worldwide Sales	1991–1995 (Sales in Millions)	1996–2000 (Sales in Millions)	2001–2005 (Sales in Millions)	2006–2010 (Sales in Millions)*
Dell	5.4	42.1	133	246
HP and Compaq	21.3	95.0	130	205
IBM and Lenovo	18.0	43.5	64.8	107
Acer	1.7	9.5	28.8	79
NEC and PB	9.3	25.7	26.5	38
Apple	16.2	17.6	17.2	33
Toshiba	4.6	15.9	24.2	41
Gateway	3.8	18.0	16.5	32
<b>Total PC Sales</b>	<b>201</b>	<b>492</b>	<b>810</b>	<b>1,300</b>

\*Estimated

### Marketing Issue and Marketing Research

HP identified that the technical trials that customers often face crop up at the most unexpected and inconvenient times in the daily course of business. Equipment and applications are going to break down, most often right when a critical project is due or while the customer is on the road. The customer's first line of action is usually to call in to the support helpdesk or perhaps research the problem online. HP Services addresses the customer's pain points in these situations by understanding the critical role support plays and how quickly the customer needs resolution. HP's award-winning support organization is dedicated to getting the customer up and running as quickly as possible and preventing future problems so companies can continue to meet their business deliverables. In fact, HP Services customer support organization is becoming increasingly recognized as a leader, ahead of IBM and Dell.

As early as 2004, the industry acknowledged HP's commitment to customer satisfaction with more than seven honors

and awards. HP earned the highest overall rating from its customers in a Computerworld/InterUnity Group Inc. survey of nearly 1,200 information technology managers and professionals. In this study, customers gave HP the top satisfaction marks in six of eight categories, including meeting customer expectations, contributing to customer profitability, product quality, product reliability, and licensing policies.

Given its commitment to customer service and satisfaction, HP conducted a survey of recent purchasers of HP PCs and notebooks. HP wants to understand how its consumers use their HP computers. It also wants to understand the level of satisfaction that consumers are deriving from HP's products. HP wants to estimate the probability that customers will be repeat buyers and whether current customers will recommend HP to their friends and family. Finally, HP wants to determine if there is any correlation on any of these identified usage factors and the underlying demographic characteristics of its customers. The questionnaire that was used is provided here; the associated data collected can be downloaded from the Web site for this book.

### References

1. Wikipedia, "Hewlett-Packard Company," online at <http://en.wikipedia.org/wiki/Hewlett-packard>, accessed May 19, 2008.
2. B. Bergstein, "HP Extends Lead over Dell in PC Market," *International Business Times*, January 17, 2007 (Online). Available at [www.ibtimes.com/articles/20070117-add-pc-shipments.htm](http://www.ibtimes.com/articles/20070117/add-pc-shipments.htm), accessed May 19, 2008.
3. Computer Industry Almanac, Inc. "1.3B Cumulative PC Sales over Next 5 Years: Dell and HP Will Each Sell Over 200M PCs in Next 5 Years," June 12, 2006 (Online). Available at [www.c-i-a.com/pr0606.htm](http://www.c-i-a.com/pr0606.htm), accessed June 10, 2007.
4. Hewlett-Packard, "HP Surveys Nation's Small Businesses to Learn What Fuels the Engines of Today's Economy," HP News Release, 2007. Available at [www.hp.com/hpinfo/newsroom/press/2005/050427a.html](http://www.hp.com/hpinfo/newsroom/press/2005/050427a.html), accessed June 19, 2007.

**Note:** This case was prepared for class discussion purposes only and does not represent the views of HP or its affiliates. The problem scenario is hypothetical and the name of the actual company has been disguised. **However, the data provided are real and were collected in an actual survey by a prominent marketing research firm, whose name is also disguised.** Some questions have been deleted, and data for other questions are not provided because of proprietary concerns.

### HEWLETT-PACKARD (HP) PERSONAL COMPUTERS INTERNET INTERVIEW

Thank you for your interest in our study.

Burke is an independent marketing research firm that has been commissioned by HP Computers to get the honest opinions of recent purchasers of HP personal computer systems. You will be asked to offer your views about HP and describe your Internet usage.

This survey should only take a few minutes of your time. By completing this survey, you will be automatically entered into a drawing for \$100 gift certificates that can be used at a variety of major online retailers. If you don't complete the survey, you may qualify for the drawing by writing to the address contained on the email inviting you to participate in this project.

Unless you give us your permission at the end of the survey to release your name to HP along with your responses, your individual responses will be kept confidential.