

## **Note on Compaq Computer Case Study: Consumer Research<sup>1</sup>**

Compaq Computer Corporation was founded in 1982. It produced some of the first IBM PC compatible computers, being the first company to legally reverse-engineer the IBM Personal Computer. Unlike many startups at the time (e.g., Dell, Gateway), Compaq differentiated its offerings from the other IBM-clone manufacturers by focusing less on price and more on new features, such as performance, better graphics displays, and portability. Compaq's first product was the IBM PC-compatible Portable (aka known as a "luggable," as the weight was nearly 30 pounds). Later products more closely resembled today's laptops. Throughout the 1980s Compaq excelled in developing and producing the highest performance PCs available.

Compaq became one of the world's top computer manufacturers, with a significant share of business customers for desktop PCs, laptop notebooks, and servers. Until the early 1990s its products were targeted at business users. Compaq had also some success selling desktop PCs to consumers, but sales of notebooks to consumers had been weak. In an attempt to correct this Compaq reorganized, shifting from a product-driven organization (desktops, servers, notebooks) to one based on markets (consumer, business, enterprise). In 1995 (the time of the focus group), Compaq had 3% share of the consumer computer notebook market, far below the market leader, Toshiba, which had 60%.

Compaq, however, had great hopes for a new notebook designed especially for the consumer. The design drew on the expertise of engineers in Compaq's commercial notebook division and other divisions. All agreed that notebooks had to optimize on size, weight, and battery life. Code-named Shark, the new machine offered a large screen for the time (about 10 inches), and provided a CD-ROM, modem, and floppy drive as a single attachment that snapped onto the notebook. This allowed the weight-sensitive consumer to leave the accessory base at home. The machine without the base would cost and weigh substantially less than a fully-equipped version. The CEO and the rest of the executive committee had approved the new design, and a launch was scheduled and approved for late summer of 1996 to reap back-to-school demand.

Prior to developing the Shark, Greg Memo, leader of the consumer notebook design team, had ordered a set of focus groups as part of his efforts to design the new machine. Although they now seemed unnecessary, as Memo explained, "We'd paid for them. We figured that we could always use them to develop price points or refine a marketing message. So we went ahead." The research consisted of 8 focus groups (4 groups each in Boston and Atlanta), each with eight participants, conducted in late 1995. Participants had been screened as people who had recently bought or intended to buy a portable notebook computer in the next six months. Memo had segmented the market based on the type of use the machine would receive: 2 groups of college students, 3 groups of consumers who purchased or intended to purchase the computer for work-

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<sup>1</sup> This note is based on HBS Case 9-599-092 and other sources.

related use, either in a home-based business or to perform work brought from the office, and 3 groups who used or would use the notebook for non-business purposes.

## **The Focus Groups**

Early focus groups focused on:

- *Motivation*: Why they purchased/intended to purchase a notebook instead of a desktop.
- *Decision process*: How they decided/would be deciding on a particular brand and model, including specific features and functionality.
- *Usage*: For what applications they used/intended to use their notebook; where they used/intended to use their notebook.
- *Budget*: How much they spent/intended to spend on the machine including accessories.
- *Brand influence*: The importance of brand in their selection.

After this discussion, participants reviewed several different product descriptions, based on features (e.g., screen size/quality, price, weight, etc.), and identified the two models that seemed best for them. Participants were blind to brand names, but were informed that the machines would be manufactured by a top-tier computer maker.

Later focus groups (as will be seen in the video) changed in their focus somewhat, and sought reactions to prototype notebook versions, which were presented for consideration.

Here is the link to a video of a later Compaq focus group:

[https://ensemble.syr.edu/app/sites/index.aspx?webSiteID=jHtXYc\\_Td0WAOspqqkANGg&videoID=kdWXNnaWX0KAnwsPIcj2UQ](https://ensemble.syr.edu/app/sites/index.aspx?webSiteID=jHtXYc_Td0WAOspqqkANGg&videoID=kdWXNnaWX0KAnwsPIcj2UQ)

## **Questions for consideration**

1. What did Memo learn about consumers' notebook preferences from the observed focus group? Focus on the key insights.
2. Given the insights gleaned from the focus group, describe what you think should be Memo's next step(s). Be specific.