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**Marketing and New Product Innovation**

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# **Executive summary**

The report aims to establish As-a-service as an existing service line but new for the HP Company. HP company multinational incur and it has its headquarter in California; it one of the most known market players in the computer industry. The report has identified a market opportunity for HP and prepares the new product development strategy. The report has seven sections, including the introduction part, market audit, new service, market objectives, marketing mix, financial evaluation, and monitoring and control.

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# **Introduction**

The plan aims to introduce an as-a-service model that will provide the customer with endpoints to interface with API driven or Web. The as-a-service will provide service for up/down scalability, resiliency, and tolerance services to meet the capacity and performance requirement of the customer’s workload. The as-a-service exists for other companies, but HP will provide as-a-service, which will promote a substantial shift from CAPEX to OPEX, changes in hardware design, and promotes long-term engagement with the supplying vendors. The proposed as-a-service will provide service at a slightly low subscription cost than other companies.

The corporate strategy of Hewlett Packard (HP) is a diversification strategy; this strategy focus on economies of scale, increased sales and profits, risk management, and growth. Diversification strategies allow companies to enjoy economies of scale, thus driving their costs down. HP also focuses on increasing its market share and maximize on its profit. Diversification strategy also enables HP to diversify and reduce risks associated with the business. The computer market is saturated with many competitors; thus, HP focus on escaping the stagnating market in the hope of acquiring better markets. HP offers a variety of products and services, including software solutions, energy efficiency and recycling, mobile technology, and computer sales (Verbeke, 2013). Diversification strategy allows HP to implement cross border strategy or a global expansion strategy. Through the strategy, HP focus on lowering production costs and increasing sales worldwide. HP also diversifies to other products that are not related to its core business. For example, HP had started producing software products.

HP is currently experiencing stiff completion from Nokia for mobile phones and IBM for software development. As a result, the company has focused on the acquisition strategy of companies dealing with these products. As a result, the company has acquired several companies dealing with mobile services, software, and hardware. These companies include Compaq, OPSWARE Inc., EDS Information Technology, and 3COM Computer Networking. Based on the HP corporate strategy of diversification, the proposed as-a-service is among the services offered by HP (Burgelman, 2016). However, HP can diversify to other products that are not related to its core business as it had started producing software products. In addition, the computer market is saturated with stiff competition, and diversifying to other services will allow the company to remain competitive in the market.

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# **Market Audit**

{Write introductory statement}

## **1. Macro-analysis**

Increasing advancements expose HP to stiff competition from companies such as Lenovo; currently, Lenovo generates more revenue and is selling more computer products than HP. Because Lenovo offers the same products but with advanced technology and at a lower price. Data protection has become one of the critical issues that rise the attention of every country. As a result, different countries have established data protection laws; for example, countries such as China, the EU, and India want to save their data in their country. Other social factors, including the level of education and cultures and demography of a country, also affects the operations of HP (Ali & Khan, 2011). For example, western countries such EU and the US have the majority of population 40 years and above they population demand their products to be customized with their need. On the other hand, countries with a high level of education have many students graduating; thus, they require more computers. Typically, India has a high demand for laptops because most of the population is educated.

## **2. Micro-analysis**

Micro factors such as suppliers, customers, market, workers, and competitors affect the operation of HP. Customers have different preferences and tastes for HP products thus, and it has become a challenge for HP to customize a product that meets the need of all its customers. The computer industry is saturated with many competitors, including Microsoft, Toshiba, Lenovo, Dell, Acer, among others (Ali & Khan, 2011). For example, Lenovo products are more concentrated in China market than any other computer brand.

## **3. Internal Analysis**

An increase in technology advancement results in greater challenges to HP due to stiff competition from other industry players such as Lenovo. Lenovo offers a variety of computer products with advanced technology at a lower price. As a result, HP is spending more research and Development R&D to remain competitive in the market. For example, currently, 5G technology is the technology trend in countries like India; thus, it forces HP to customize its products to meet the market demand. In addition, countries with growing economies provide markets for HP products, thus generating more revenue (Ali & Khan, 2011).

## **4. Situational analysis**

Situational factors which affect the operation of HP include climate and weather; HP tends to incur more costs with countries with extreme weather and climate conditions. HP has to build quality products to withstand the environmental condition and spend more on the supply chain for products to reach the target customers.

{Introduce and label the table}

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weakness | Opportunity | Threats |
| **Strong portfolio**- HP offers a variety of computer products including desktops, laptops, and related peripherals at varying prices. Thus both high-income and low-income consumers can acquire the products. | **Growing operational costs**-HP has experienced increasing operation costs since 2018 it raised $54.4 billion from $48.5 billion the previous year and since then the cost has continuously increased | **Marketing and customer engagement**-The introduction of new technologies such as AI and digital technology provide HP with an opportunity to improve in marketing and customer engagement strategies | **Cost of raw materials-**The high operation costs experienced by HP results from the cost of raw materials and labour, thus creating pressure on the profit margin. |
| **Brand equity**-HP focus on customer experience and quality of product thus has helped in building brand image. | **Declining PC market**-The market for Pc has been decreasing over the past years dues to introduction of mobile devices including smartphones reduced PC and laptops sale. | **Diversification**-HP has the opportunity to enter into new market and business for faster growth and grow its revenue, sales and customers base | **Regulatory pressure-**The issue of data protection results in regulatory pressure as every country has its own regulations for PC companies like HP |
| **Product innovation-**The leadership of HP in the computer industry market is based on its consistent focus on research and innovation. |  |  | **Competition-**HP is exposed to stiff competition from industry giants such as Apple, Dell, and Lenovo which are focused on innovation. |
| **Leadership position-**HP is among the strongest personal computer brands which have remained successfully retained its leadership position in market |  |  |  |

# **The New Product/Service**

{Write introductory statement}

1. **As-a-service (AAS)**

From purchasing and support to subscription, just like cloud-based subscription model functions. The cloud-based model provides various services, including movies on demand and personal care products, to consumers across an array of market sectors. As-a-service focuses on adding more features and providing services such as keeping data and software in the cloud for consumers to access content from everywhere (Duan, Cao & Sun, 2015). The As-a-service is designed for companies that want to take advantage of new technology because AAS provide value-added expertise, lifecycles services and combine innovative devices into all-inclusive managed solution. Therefore, the customer will only need to invest in the asset they want, after which they can scale device deployment up/down to accommodate changes in their workforce.

As-a-service will encompass various technology applications, including workstations and smartphones. AAS will allow subscribers to access new versions of software and models to reduce to enhance efficiency by mitigating issues resulting from the inefficiency of old models like slower performance. As-a-service also supports the deployment of new and efficient technology. AAS relieved companies from the costs and burden of maintaining and managing computer assets; thus, IT departments will focus on strategic initiatives that move the company ahead, meet competitive challenges, and serve customers (Duan, Cao & Sun, 2015). In addition, the service guarantees employees that their devices are well optimized and supported whether they are working remotely or from the office.

# **Concept Statement**

From the old days when computers were first introduced during 1950 to the 1980s with large telecom companies and mainframes, everything was provided as service. People did not have to buy their computers, but people subscribed on monthly fees to use services such as cable boxes. Mainframes came with services required by customers, and then people were allowed to rent to use these services. Other companies such as AT&T and IB have benefited from this type of model; however, due to competition, IBM emerged to be stronger, and AT&T gave up for completion. However, their downfall resulted from poor customer relationships, and customers revolted. Therefore, this is not a new idea; furthermore, currently, most companies are trying to implement the technology but primarily focus on Capital expenditure (CAPEX), but HP will focus on operating expenses (OPEX). OPEX refers to day-to-day expenses that the company incurred to maintain business operations (Kumar et al., 2020). CAPEX refer to major purchase that companies make that are designed to be used for a period. As-a-service

## **Target Market**

As-a-service target financial companies to ensure overall execution of financial service over the web. It will also ensure that digital banking service is available on-demand and operates within a set time frame. As-a-service also focuses on serving healthcare, insurance, Production, real estate, non-profit, legal, and hospitality organizations.

Non-profit organizations focus on running operations at lower costs within a limited budget; thus, buying machinery and asset again and again can be a challenge for the organization. Legal organizations are associated with large amounts of data that they need to store effectively for a long period of time (Marston *et al*., 2011). These data need to be secure and accessible; accordingly, the as-a-service provides recovery, failover, backup, and computing to allow legal firms to access data. As-a-service will allow real estate firms to keep an eye on the personal listings as they focus on new ones; thus, real estate will stay ahead to close deals and get referrals as well as streamline its marketing executions.

The production industry is one of the largest industries, and all firms involved find it difficult to manage diverse locations and supply chains that require large intricate database applications. Thus, As-a-service will allow production firms to connect anywhere and provide any infrastructure required to effectively manage all locations. The hospitality business is a scalable business type, and it has never been solid. Hospitality has dynamic needs and thus sometimes tends to but assets that become unnecessary when business is altered (Marston et al., 2011). As-a-service provides for up/down scalability, offering services that can easily be changed to meet the need of hospitality providers. As-a-service focuses on assisting insurance companies in experiencing real-time collaboration while communicating within channels. As-a-service also targets healthcare organizations because they take a long time for transition due to issues of security. Thus As-a-service will ensure that healthcare organizations obtain data and software to easy transition.

## **Product positioning**

HP will position As-a-service as an online service that users can log in to the HP website and order package subscriptions. Thus, HP will become an online retail business, and subscription packages will be available on the company's website sold under the HP brand. As-a-service is positioned for companies that require data storage, access to computer resources including software, and access to remote access to work-related data.

# **Objectives**

{Write introductory statement}

## **Trial and repeat**

The success of the As-a-service launch will depend on market objectives; the market objective for AAS will be trial and repeat. As-a-service will generate appeal to experience the service, and appeal will translate to trial. Since the broader the appeal, the greater the trail, and the bigger the sales, HP will communicate the services concept through regular advertisements on print media, social media, and TVs. Repeat purchases will come in handy will adoption, which will result from great experience by the consumers (Wright & Stern, 2015). The willingness of consumers to buy the service or product after experiencing the new brand will determine the success of the As-a-service in the market. As-a-service is developed to exceed customers' expectations, and when customers' requirements are achieved, the greater the adoption rates. The higher the level of adoption, the greater the extent that As-a-service will be channelled into consumers' repertoire of purchase.

HP will monitor the trial and repeat purchase metric of the new services to determine its market potential. As-a-service appeal will be described in terms of packages, uniqueness, reliability, flexibility, and adaptability. HP will continue product trials to raise awareness of the As-a-service and try to convince customers to try it. HP will first reach the primary users of the service, including financial, healthcare, hospitality, production, insurance, legal and non-profit organization through advertisement. During the launching of the service, HP will have to offer lower trial prices for the subscription packages to attract more customers (Banerjee, Wei & Ma, 2012). HP will later increase the package subscription prices upon gaining a great market share. HP will also offer user testing trials where customers will be given a free user trial package for a particular period of time.

## **Financial objectives**

As-a-service is primarily introduced for sales and profit maximization; during the early stages of service, HP will focus on maximizing sales even at lower profits. Increased sales will result in increased market share, which will result from increasing monopoly power; thus, it will allow HP to adjust the prices up with the increase in the market and make more profit in the long run. The increased sale will result in to increase in revenue for the company; thus, HP is likely to generate more revenue from the As-a-service sales (Zharfan & MP, 2020). The service also focuses on increasing the profit margins that are the difference between the expenses and the sales made during a particular period. HP will increase its profit margins by lowering its expenses by streamlining its operations because the lower the expense, the high the profit margin. Another long-term objective for As-a-service is the return on investment. HP will determine the return through capital gains and interest gains because the investment are non-physical properties.

## **(c). Societal Objective**

HP focus on providing quality service, adopting fair trade practices, and contributing to the general welfare of society. HP aims to provide quality services at affordable prices and ensure that it adheres to fair trade practices. HP will avoid all forms of corrupt practices, including the black market because they hamper the image of society. HP will also create employment opportunities by introducing As-a-service into the market, and jobs will be offered without any form of discrimination based on race, sex, color among others. HP will also participate in community development projects such as donating money for social and religious activities, charitable dispensaries and setting up for schools (Talan & Sharma, 2020). Another concern will be on employee welfare, and HP aims to provide reasonable and fair wages and better working conditions for the employees. Finally, HP will focus on environmental protection. It will take all reasonable steps to maintain and protect the environment.

# **Marketing Mix**

{Write introductory statement}

## **Product**

As-a-service will come as a service package with various services, including data storage, software models, backup services, recovery and many others. However, the service package will be customized based on customer needs because different companies have different needs and specifications. Customization will also ensure scalability because companies may decide to either scale up or down to meet market demands (Singh, 2012).

## **Price**

HP will adopt subscription-based pricing for As-a-service, where the customer will pay on a regular basis for the service. Subscription payment will lower service entry barriers into the market and allow more customers to purchase the product. Subscription will also promote regular interaction between the company and customer, thus building strong bonds and trust; with recurring bills s, HP will be able to predict its revenue (Londhe, 2014). In addition, subscription payment allows businesses to plan with their resources effectively.

## **Place**

HP has its headquarters in California but also has multiple subsidiaries in Rivonia, Victoria, Singapore, Houston, Tokyo, Geneva, Ontario, and Miami. As-a-service will fall under the Developer & Solution Partner Program (DSPP). HP operates in the global market based on the program. Subscription services will be provided from the HP website and from the subsidiaries. Customers close to some of the company’s subsidiaries would seek services from the branch offices, but customers who cannot access the branch offices will use the HP website (Singh, 2012). HP will locate well-trained and mannered employees at each subsidiary to deal with customers directly and efficiently about the As-a-service.

## **Promotion**

HP will use its website to incorporate videos and navigations arranged by business applications as a form of reaching its regular customers. HP will also promote discussion blogs where employees can have a discussion with customers covering topics related to services offered in As-a-service. HP will form certain tie-up and sponsorship deal with various companies (Londhe, 2014). During the service launch into the market, HP will announce the periodic discount for the new service in the market. HP will sponsor shirts for premier league clubs to reach a great market share.

# **Financial Evaluation**

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**Sales Forecast and Rationale**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Services** | **Subscription costs** | **No of customers** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **Databases** | **$150** | **50** | **$17500** | **$18500** | **$19000** | **$18500** | **$18000** |
| **Servers** | **$200** |  | **$30000** | **$35000** | **$40000** | **$38000** | **$35000** |
| **Software** | **$100** |  | **$15000** | **$20000** | **$25000** | **$18000** | **$15000** |
| **Storage** | **$50** |  | **$3000** | **$4000** | **$4500** | **$4000** | **$3500** |

When the product is launched from the first 2022, its main focus will be to create awareness of the new services. HP will establish various promotional strategies to reach the customer base; as part of the promotion, HP will offer discounts on the subscription fees to encourage the customer to try the product. In addition, HP also focuses on providing a testing trail to customers by allowing customers to access services freely for two months. HP will communicate to customers during this time to tell them how As-a-service is different from exiting services and benefits associated with the new technology, which makes it unique. The company will have a lower profit margin because sales on discount and operational costs will be high (Chung, Niu & Sriskandarajah, 2012).

HP is likely to acquire more customers during the second year of operation because if the customers provided with a free trial test find the as-a-service valuable, they will subscribe for more packages. In addition, As-a-service will start to penetrate into the customer base as others start to recommend others to use the As-a-service from HP. As a result, HP is likely to make more sales. Just like the first year, HP will still use discount pricing strategies to lure more customers. The company will realize a lower profit margin due to discounts and increasing operational costs incurred in the promotion. During the third year, the product shall have acquired a big customer base, and it is important (Schneider et al., 2021). However, HP will still focus on acquiring more customers. At this time, customers are aware of the brand, and only loyal customers will recommend other customers to use the service. Like in previous years, HP will still offer subscription discounts for new customers. This year, HP will not make huge sales because most of the customers have already subscribed, and the only loyal customers recommend other customers to use the service.

During the fourth year, HP shall have acquired a great market share; thus, it will increase the service fee to compensate for expenses. HP will also not provide discount services as a promotional strategy. Because the company will eliminate some of the promotional approaches and discounts sales, and increase prices for the service package (Danese, 2011). With the elimination of discounts and increasing service fees, HP will likely make low sales because only loyal customers will buy the service, and the company will realize an increase in profit margin.

# **Monitoring and Control**

For effective monitoring and control, HP would listen using customer satisfaction score (CSAC) tools to evaluate their level of satisfaction with the company service. HP will also use the Customer Effort Score (CES) to evaluate customer experience with company services. It is also important to know how a particular group of customers are loyal to the company's services. In this case, HP will use the Net Promoter Score (NPS), which will measure the loyalty level of customers and build a meaningful relationship with customers. HP will focus on capturing customers' feedback from feedback channels and asking customers what they think (Meyer, Wortmann & Szirbik, 2011). HP will use quality monitoring to identify skills gaps and provide the employees with learning opportunities where there are no adequate skills. Finally, HP will measure results and keep track of continuous feedback and evaluation.

Conclusion

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