

Hewlett-Packard gets a clear picture (Feb 2002)

The mission

Retain the number one market position and strengthen market share by ensuring that HP's large format printers (LFP) are competitively priced.

The solution

Commission Cambashi to undertake a quarterly survey of pricing in five European countries.

The results

Sensitive pricing contributes to the maintenance of HP's lead position in the LFP market. HP continues to dominate the technical market and, despite strong competition, is also a leader in the graphics market.

The customer

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Gianluigi Rankin, European Designjet Product and Programme Manager, HP

HP has been the world's leading manufacturer of large format printers (LFPs) for several years. It produces printers ranging in price from 1000 to 20,000 Euros. HP's intention is to maintain its number one slot so it has to grow at least as fast as the market in order to retain its position. It actually aims to grow faster than the market so that it can increase market share. It is also looking to enter new markets.

Gianluigi Rankin is European HP Designjet Product and Graphics Programme Manager. He is responsible for forecasting and pricing of each printer model until a replacement is launched. On the programme side, he focuses particularly on graphics market sectors where there is the most potential for growth. His objective is to meet a yearly sales quota and growth target.

He described the particular challenges that HP faces. "In the traditional technical market HP's reputation is extremely strong. However this market is slow and is currently growing by less than 5%. In contrast, growth in the graphical market is between 10-20% yet HP's brand name is not quite as strong in this area. One competitor in particular has concentrated on this market in the past and has established good awareness."

Despite competition from established companies and new market entrants, HP products retain a clear advantage in terms of speed and reliability. Some competitors, however, are achieving similar standards of image quality. Due to the very fragmented European Market, the HP organisations in the individual countries play an important role when it comes to creating demand for HP products. Price is one of the key elements of this process.

HP sells Designjets through resellers. A majority of the resellers tend to give high discounts resulting in significant differences between the HP list price and street price. It is important to HP to keep track of prices, for its own products and for those of its competitors. Gianluigi Rankin explained why, "We need to know how competitive we are. We know the functionality of our products and those of our competitors so we know where we should be. We need to ensure that we do not outprice ourselves against the competition."

Individual countries within HP's European operation originally took responsibility for monitoring prices. However it proved to be a very time consuming task for the countries to gather price information. In talks with Cambashi, HP came to realise that this specialist work could easily be outsourced.

Cambashi now carries out a quarterly survey of LFP prices in France, Germany, Italy, Spain and the UK. It utilises its global associate network to carry out the pricing investigations in local languages. The results of the survey are delivered to Gianluigi in a report which details all the price points for HP's LFP products and those of its major competitors.

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When Gianluigi receives a report he spends some time going through it in detail and pulling out certain information to pass on to colleagues and discuss. "I then carry out simulations to illustrate what would happen if we made certain choices on pricing. We are dealing with small movements in price, it's important to understand them and respond sensitively."

Relevant information from the report is sent on to each country unit. "We make some decisions centrally and then leave individual countries to make use of the results in their locality" said Gianluigi. "There are thousands of resellers that sell our Designjet printers, the countries focus on building relationships with those that are dedicated to LFP."

During the four years that Cambashi has delivered the report it has continually looked for ways in which to make improvements, for example in the methodology of the survey. At first Cambashi relied on information from resellers, who often did not wish to divulge prices. They now also use the web and magazines to carry out extensive research on prices.

"Since the methodology changed, the results have become even more relevant to our pricing model" reported Gianluigi. "At the beginning we were getting prices only from recognised resellers, who generally sell at a higher price. Now we get the actual street price; this is more useful. The report itself has improved as well. It now includes a summary; the representation of data is better and Cambashi incorporates interesting market information that it picks up. This might be news of a potential takeover or details of promotions that our competitors are running."

Gianluigi's verdict: "I am very satisfied with the work Cambashi does. There are lots of research companies but there are not many specialists in this area. Cambashi understands the market and our business."