

External analysis of hewlett packard



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Hewlett Packard is one of the leading global providers of technology products, software, solutions and services serving more than 170 countries. Hewlett Packard was founded in the year 1939. The company offers a wide range of products such as Notebooks, Tablet PCs, Desktops, Workstations, Servers, Storage, Printers and Imaging products, Software and services, enterprise information technology (IT) infrastructure, and technology services. Hewlett Packard has an approximate of 3, 04, 000 employees and it is head quartered at California, USA. With revenue of \$126. 6 billion USD during the fiscal year ended October 31, 2010. It is currently ranked at 10 among the fortune 500 companies. The company provides a wide range of supports to Businesses such as Banks, Doctors, NGO™s, Infrastructure, Animators in Hollywood and turning the business worldwide across the globe. It is also ranked 7th as World most innovative Company in 2009 by business week and also declared as one of the most sustainable corporations among the global 100 companies and Ranked 1 in Greenest Big Companies and Corporate responsibility Officers.

External Environment of Hewlett Packard is analysed in this report by using the Michael Porter™s Five Forces model. This report concentrates on Personal computer, Printer and Server from its product portfolio. By doing so it is found that the threat from the new entrants is low, Threats from the Competition is high there are many branded companies which manufactures the similar products. Threat of Substitute is relatively Moderate, since it doesn™t have a huge impact over its business. Even though the pricing is a key factor, purchasing decision of buyers has mostly rested towards the quality of the product. Hence the bargaining power of buyers is moderate.

Bargaining power of Suppliers is moderate since the both rely upon each other.

The Report concludes with the methods used by Hewlett Packard to analyse its external environment and it also explains about the Hewlett Packard laboratories, which mainly carries out the research works of the organisation. And provide the necessary recommendations for the organisations which may help the organisation.

2. 0 External Analysis Using Porter™s Five Forces Model

Dr. Micheal Porter, Professor of Harvard business school indicated that the type and size of the competition in the business depended on 5 forces namely the Threat of New Entrants, Threat of Competition, Threat of Substitutes, Bargaining power of Supplier and the Bargaining power of Buyers. This part will analyse the external environment of Hewlett Packard with the Five Forces model.

2. 1. 1 Threats of New Entry

Capital cost for entering into hardware and software market is not so easy. The high cost of developing the products forbids the new entrants into the market. It needs a huge financial amount to get into this venture. The newcomers also have a problem of facing the existing well reputed business giants in the market such as Dell, Acer, Sony, Lenovo, Toshiba, Canon, Xerox, Epson and other local companies in the market. The newcomers into the business also need skilled labour, brand name, better understanding of the business environment. Hewlett Packard has different product portfolios into various parts of Software and Hardware.

It will take at least 5 years to gain a reputation in this business. It will take at least more than one year to design a product and need to wait for at least 3 years to find out the profit achieved. New inventions are coming every day. Computers and Laptops are becoming outdated in 1 year from its released date so new entrants should be able to launch a product which should be able to meet the current market expectations. Hence the Threat of new entrant is low for Hewlett Packard.

There new releases from its competitors may also affect the business of HP in future. Dell is all set to release its XPS range A laptop this year and Acer releases its dual screen laptop Iconia is planning to release it during the September of the this year. Apple is in the process of introducing its next iPad 2 with comes with USB port, dual camera and with 4G bandwidth, which is expected to hit the market in the early next year. Apart from this blackberry is also releasing tablet PC named as Playbook which expected to hit the market in early during this year. Both these tablets directly compete against HP tablets. Tablets are looked as a future generation of computing. According to HP™'s vice president personal systems group, one in five adults is predicted to have a tablet in 2014.

2. 2 Threats from the Competition

The necessity of personal computing has overstepped the outlooks. HP faces competition from Dell, Acer, Lenovo and Toshiba. Dell has managed to get the second position in market share pushing Acer right back into the third place. Dell acquired a 144% rise in the third quarter of 2010. Both Dell and HP has a standardised performance. Dell™'s Studio series Laptops competes directly HPs pavilion and Inspiron series competes with HP CPQ. Taiwanese

Acer which offers relatively low priced PC™s when compared with HP. In case of personal computer it also competes with assembled computers which can be customised based on the requirement of a person.

Hewlett Packard also maintains its lead in printer industry toying against other competitors namely Epson, Canon, Xerox and Dell. EpsomsB-150DN and Epson B-510DN is competes HP Office Jet Pro 8000 Wireless Printer from Hewlett-Packard Co from Epson Imaging Devices. It also faces competition from re-fillers of inkjet printers which saves the near to half of the cost than purchasing a new cartridge.

Data management centre is highly competitive market where Hewlett Packard is drifting from its competitors. American IBM has been a market leader in this business with a strong base. Sun Microsystems which was acquired by Oracle in 2009 is also attempting to acquire and dell is now in the process of advancing in Infrastructure management with a new server, software solutions and services. (Bonasia, 2009)

With more than 70 years of experience in business, HP has been the market leader since 2007. Hewlett Packard has been outstanding in its quality and performance which has helped the organisation to sell it against customers and keeps them right on top in Hardware and Software industry. Hence Threat from Competition for Hewlett Packard is high.

2. 3 Threat of Substitutes

The substitute for Hewlett Packard depends upon the product. The Substitutes for Personal Computers is an Apple™s ipad which operates in same interface. The ipad which came into market during April 2010 has
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attracted a quite a lot peoples because of its think and sleek style, prolonged battery life it™s comfortable to present the documents by using an ipad. This has also attracted companies to manipulate for their business. It also has drawbacks like lack of DVD drives, USB ports and Webcam and cannot be used for long business works such as making documents for 40 pages or creating a presentation, which has led to choose Netbooks and Notebooks. (Edward, 2010)

The substitute for a printer is Copier, which is cheaper than taking print outs. So when a huge number of copies are required, there are more chances of opting for photo copying preferably than printers. Toner can produce copies more than four to five times larger than an inkjet printer. Also an inkjet printer should be continuously used otherwise the ink may get clotted which reduces the less number of pages.

There actually no substitutes for HP server business. The substitute product for HP™s computing and Printing has a moderate effect on HP. Looking at these examples we consider the threat of substitutes for this organisation is relatively moderate.

2. 4 Bargaining Power of Buyers

More than 20, 000 brains of HP are serving 409 public sectors in 32 countries. 94% of fortune 100 companies, 95 out of 100 world™s largest bank operates with HP software. 130 Stock exchanges are provided with HP worldwide. The customers have an option to switch to another supplier if the prospects do not cope with. As provided in the Figure below the prospects

may be a Product feature, Quality, Price, Service, Market Maturity and the Brand name of the product.

Figure 3. Conceptual Model of Purchase Decision (Ray, S. 2009)

HP sales in Indian market laptop accounted for 2% which is infact less when compared with countries like Singapore, Thailand and Malaysia. Some of the issues which are currently faced by HP notebooks get heater more than any other notebooks, which make it uncomfortable for using long hours. This has led the buyers to shift their purchasing decisions towards another brand in the market. The price of HP™ s products in countries like India is quite expensive which makes them shift their choice towards the other brand. For example, the price of HP pavilion starts from approx. INR 45000/- whereas the HCL laptops with high configuration than a Pavilion costs from approx. INR 35, 000/- has an adverse effect over the sales. (Ray, 2009)

The Netbook industry globally declined after the arrival Apple™ s ipad in market. In the first quarter of 2010 shipment of Netbook was expected to be 4. 8 million units which is 33. 6% rise when compared with its previous year where 3. 6 million units were sold with rise of 872%. Demand for Netbook has also slumped. The LCD manufacturing firm in the last year announced production cuts due to less production. Even though there are many brands in the market. Hewlett Packard has managed to standardise its products and have good reputation in its business, which has led the sales growing upward when compared with its rivals. As a result, the bargaining power of buyers is moderate for Hewlett Packard.

2. 5 Bargaining Power of Suppliers

Hewlett Packard has the prominent supply chain in IT industry over 700 suppliers in production in 1200 locations globally. Some of the key suppliers of Hewlett Packard are Microsoft Corporation, Advanced Micro Devices, Intel Corporation, NVIDIA Corporation and Sony Corporation. Switching has not been possible with supplier like Microsoft Corporation which supplies the Operating System for HP products. Similarly with Intel Corporation and AMD both provide mother boards. It also not possible for HP Switch from Intel to AMD or vice versa, both the mother board have their known specifications and it™s not possible to use only one of them for its products

Hewlett Packard has always managed to get the best from its suppliers, receiving the products right in time for delivery which helped to ship around 100 million products in 2008 and 3. 5 products are shipped every second. It focuses on enhancing the communities in the suppliers workplace. It alleviated the communication gap between trade union and employer for tier 2 supplier of HP in Thailand and shared that experience in Global Supplier conference. In china, the company identified and solved the issue of excessive working hours by reporting specific key performance indicators.

HP always maintained farsighted relationships which helped to work efficiently. Currently it is dealing with its 95 percent of speculative facilities in obtaining the best from its customers. It also prescribes the social and environmental responsibility towards its supplier companies.

3.0 Hewlett Packard™s External Monitoring of Environment

The research works of Hewlett Packard is done by HP labs, which is a research group started in 1966. The principle aim of HP Labs is to undertake the challenges from the society as well the buyers for the next ten years. HP labs are found in seven different parts of the world. HP Labs concentrates on each and every part of the business such as Technical, Business etc. External Environment of the Hewlett Packard is monitored by the HP Labs using three models such as SWOT analysis, PEST Analysis and the Porter™s Five Forces model. HP Labs has followed all the three models to analyse its external environment which is evident in study made during the year 1999 to cull out the Structure and Trends of the ISP Market. These 3 strategic methods provide the better understanding of the external environment in different perspectives.

SWOT analysis sublimates the four major aspects such as Strength, Weakness, Opportunities and the Threats, SWOT analysis could have been done at the growing stage of an organisation which provides a check in finding out the position of venture in the market.

PEST another strategic tool is used to analyse the Political, Economical, Sociological and Technological which gives another view of external environment PEST analysis should be done before making Joint venture in a new country. For instance, HP made a JV with NCS in Bahrain, which helps to find out the opportunity or Threats before starting a business and Porter™s Five Forces which mainly focuses on the threats from competition and the external factors which affect the business.

Conclusion

From the analysis of porters 5 forces it™s understood that the competition for Hewlett Packard is moderate. Since HP has managed to stay in right in top of other global hardware and Software Industry. Global PC market is seeing positive outlook after the gone through economic slowdown. The demand for global PC is getting higher new inventions each day. HP should be able to meet those needs of the people without any backlogs. Hewlett Packard should also concentrate should on manufacturing more Eco-friendly since the number of computers, laptops, printers and storage devices will be increasing in the near future and also try to solve technical issue like overheating, and delay of shipments

Hewlett Packard is attractive to buyers since it centres on the Good Quality, reasonable Price and Good service, Product features, brand name and well experienced in the market. This has turned the old auto garage to world™s No. one Company in Software and Hardware Computing in the past. Hewlett Packard should maintain this standard always and stay ahead from other manufacturers in the industry.