

# [The hewlett packard economic analysis business essay](https://assignbuster.com/the-hewlett-packard-economic-analysis-business-essay-essay-samples/)

Hewlett-Packard is the worlds largest technology company. Based in Palo Alto, California, HP maintains segments that cross sectors such computing hardware (printers, personal computers, servers, and storage), software, cloud computing services, IT infrastructure, and connectivity products. HP offers its products to over 1 billion customers in over 170 countries. HP has roughly 332, 000 employees worldwide. The company ranked No. 10 in the Fortune 500 rankings, and its revenue for 2012 was approximately $120. 4 billion (Hewlett-Packard Development Company, L. P., 2011).

Hewlett-Packard was one of the first technology based businesses in Silicon Valley. HP was founded by Stanford graduates David Packard and William Hewlett. They began the company, in 1939, in a garage next to Packard’s home in Palo Alto, Calif. As the company grew, the founders based the organizational structure on an informal, non-hierarchical culture (Hewlett-Packard Development Company, L. P., 2011). In order to foster and environment of innovation, they allowed engineers to access tools and parts after hours.

Hewlett-Packard Company (HP) is a provides numerous products, technologies, software, solutions and services to private consumers, businesses of all sizes, including the Government, health and education sectors. Its operations are organized into seven divisions including the Personal Systems Group, Services, the Imaging and Printing Group, Enterprise Servers, Storage and Networking, HP Software, HP Financial Services and Corporate Investments. HP’s offers products for personal computing, customer services, infrastructure technology, business process outsourcing, application development and support services, and imaging and printing products.

Since HP extends across numerous IT markets, it has numerous competitors in each Market. For instance, in the personal computing market Apple and IBM offer very similar products and would be considered direct challengers. In the printing sector, direct competitors are Epson, Cannon, and Lexmark. In the server sector, again IBM is direct competition along with Dell.

Overall, HP had a 3. 3% market share in the IT market. That number is based on industry wide revenue figures for 2012. HP’s 2012 revenue was $123 billion out of roughly $3. 79 trillion spent within the industry worldwide (Hewlett-Packard Development Company, L. P., 2011). In comparison, the No. 1 vendor was Apple Inc. with revenues of $149 billion and a 3. 9% market share.

(Hewlett-Packard Development Company, L. P., 2011)

(Hernandez, 2012)

(Hingley, 2012)

According to the course text, “ the concept of elasticity involves the percentage change in one variable associated with a given percentage change in another variable” (Hirschey, 2009, p. 170). Elasticity relates to the principles of supply and demand. When something changes in a market, elasticity conveys how much other elements will change. For instance, price elasticity conveys the amount of impact a change in price will have on consumer willingness to buy that item. If prices rise, the law of demand dictates that the quantity demanded will decrease. Price elasticity of demand points out how much the quantity demanded decreases. Elastic demand means that “ the consumers of that good or service are highly sensitive to changes in price” (Tuck, 2013). Typically, a good or service which is not a necessity or has multiple substitutes has elastic demand. Inelastic demand has the converse meaning and indicates that consumers are not highly sensitive to price changes.

Price elasticity of a product is calculated as “ the percent change in the quantity demanded of a good divided by the percent change in the price for that good” (Tuck, 2013). A result greater than one means that the product is elastic and that demand is highly sensitive to changes in price. Elasticity less than one means that a product is inelastic and price change will have a minimal impact on the quantity demanded.

HP is a technology and hardware company. Any consumer that has been to an electronics store knows that there are a tremendous amount of hardware and software options available. There are numerous competitors that offer similar printers, computers, servers, and software packages. In addition, the technology market is rapidly evolving and new products are being consistently released onto the market. This drives short life cycles for products and rapid obsolescence. Though, technologies have become a necessity worldwide, consumers are extremely price sensitive due to the high number of alternative products available. These factors drive a high level of elasticity in the technology sector, which impacts many of HP’s products.

Regression analysis is “ statistical technique that describes the way in which variables are related to one another” (Hirschey, 2009, p. 85). This type of analysis is commonly used to identify demand, cost, and profit relations. For the purposes of this assignment, the regression analysis can be used to demonstrate the relationship between total sales, employment rates, and personal income levels.

Sales Levels (Revenues Fiscal Year 2012)

Unemployment Rate

Personal Income (Monthly)

Oct-11

$32, 122, 000. 00

8. 5

$3, 044. 00

Jul-12

$29, 669, 000. 00

8. 2

$3, 088. 00

Oct-12

$29, 959, 000. 00

7. 9

$3, 088. 00

(Bureau of Labor and Statistics, U. S. Department Of Labor, 2010)

In order to accomplish this, the equation:

Sales Levels (Y) = a + b1\*Personal Income + b2\*Unemployment Rate + e

y = 230100 + -966. 67×1 + -62. 341×2

Based on the analysis that has been done to this point, it appears as though software revenue grew 14% year over year with a 27. 2% operating margin. Software revenue was driven by 9% license growth, 9% support growth, and 48% growth in services. HP Financial Services revenue grew 1% year over the year. However, there was a decline in other aspects of the business as the personal systems, printing, and enterprise server and storage, as revenues declined in each of these areas.

The technology market and these statistics indicate that HP should continue to develop its software and financial services divisions. These aspects of the HP organization have demonstrated growth and the company should continue to move toward expanding in these sectors. Despite declining revenues, HP is still a leader in the hardware market as well. The company may want to leverage the software division and work toward integrating more of the licensed software into the hardware products. For example, the HP server and storage division could incorporate HP software bundles, used to drive the technology, at a reduced price. This would make the hardware more lucrative to enterprises and personal consumers. Instead of purchasing software and services from a competitor, a more cost effective, all-in-one solution could be bundled by HP.

Apple Inc. has become a dominant competitor in the technology market. They have accomplished this with an emphasis on design, not hardware. HP should also make an effort to replicate the Apple model to a certain extent. They need to place resources into the design and innovation of new products. The technology market demonstrates a high level of price elasticity. So, HP needs to push towards well designed products that provide unique and cutting edge tools for users. Any edge that the company can gain without increasing prices will ultimately improve their bottom line.