

fully under its control by ensuring HCL's presence and branding these channels well before the competitions start expanding their reach.


### The One Chart

I would love to conclude the whole discussion in one diagram and I am sure, none other than Igor Ansoff can do it better. Box 1 gives Ansoff's Product-Market Growth Matrix<sup>6</sup> for plotting HCL's strategy for growing the business via existing or new products, in the existing or new markets.

### The Final Word

Towards the end of the Case, from the small section on communication amongst the top management of HCL, it is loud and clear that the greatest challenge for HCL is not external; rather it is more internal. The experienced

band of professionals in the Management should first focus on their core strengths and optimize those strengths to attain the low hanging fruits, e.g., expanding distribution width of laptop, piggy riding on desktop reach.

Once the quick wins are achieved, the team will get a kick of motivation to move forward. And that is the time HCL's top management would need to align all functional heads to work from strength to strength towards an ambitious but realistic Corporate Vision, which is yet to be developed. Hence, the key priority for the HCL leaders today is to develop a comprehensive Corporate Vision with clear-cut roadmap and specific timelines. And, once the vision and the roadmap are created, the management needs to finally share the Vision and the Roadmap with the 'Vision Community' – the employees who will translate the vision into workable reality. 

### Box 1: Ansoff's Product-Market Growth Matrix

	Existing Products	New Products
Existing Markets	<ul style="list-style-type: none"> <li>Leap-frogging on desktop distribution strength laptop retail width can be optimized in all possible traditional channels. This ensures HCL's laptop category availability in all the desktop retailers.</li> </ul>	<ul style="list-style-type: none"> <li>To develop products with a trendy outward look and contemporary colours, shades, and designs to attract the fastest growing target group, the young adults.</li> <li>Customized, need based, uniquely configured laptops for the largest consumer segment, mid-level corporate executives.</li> <li>Enterprise segment can be offered extended services of System Integration, Telecom services, and Office Automation under one roof.</li> </ul>
New Markets	<ul style="list-style-type: none"> <li>To exploit alternate channels, the outlets where conventionally computers are not sold but the target consumers visit frequently and spend time and money.</li> <li>Desktop category to shift focus to small towns and rural geographies as the future market space for the category.</li> </ul>	<ul style="list-style-type: none"> <li>Customized low-priced netbooks/laptops can be a big hit in the untapped consumer category of high school students, as the traditional education system is gradually getting shifted to the internet platform.</li> </ul>

## Case Analysis III

### Nitin Pandey

Founder, CEO-Learnmile<sup>7</sup>  
e-mail: nitin@learnmile.com

### Background and Key Challenges

The Case brings to light the key challenge of transforming a business to an aspired-for consumer

brand and the associated hurdles and challenges. HCL, a leading desktop player, wants to acquire a significant standing in the laptop segment too. The company has its eyes set on the booming laptop category growing at double digits in the household category compared to the B2B space. The segment is presently in its fastest growth phase and a sharp strategic move now may trans-

<sup>6</sup> Ansoff, I (1957). "Strategies for Diversification," *Harvard Business Review*, 35(5), September-October, 113-124.

<sup>7</sup> Learnmile is an Education-focused Market Research and Advisory firm, based in India.

late into a sizeable gain in market share for HCL in this high margin and high image segment. HCL is on a growth path but does not enjoy a healthy margin and needs to grow to a certain scale (15% market share in two years) to be reasonably profitable. The business challenge hence is to scale up profitably and the key marketing challenge is to increase the market share in a highly competitive market within the inherent constraints of being an Indian value-for-money brand.

### Environment Scan

The laptop segment is on a growth path aided by falling prices (10% YOY), rise in consumers' need for portability, and their improved affordability. The segment is dominated by the heavily marketed MNC brands, perceived to be better in quality than Indian brands. Laptops are sold from retail outlets, largely through multi-brand retail with metros showing the best growth rates year on year. The overall ad spends are growing by 100 per cent year on year, with HP leading the market on the "Innovator" plank. With what looks like a "higher spends lead to better market share" approach on the surface, the conclusion still needs to be examined in depth. (Exhibit 2)

### Consumer Behaviour

The laptop category is divided into business (establishment) and individual (household) buyers. While the business buying is done in bulk and through tenders, individual purchases rest on the price-value equation. There is a completely new set of habits, characteristics, and consumer behaviour emerging in the evolving laptop segment. Consumers' belief, that MNC brands are better in quality than Indian brands in the laptop category, hinges on the perception of MNC brands as new, young, and modern. The retail segment reflects in-

creased knowledge levels and improved negotiation power for the consumer. Laptop is largely a personal purchase for work and entertainment supported by the convenience of portability. It is also seen that laptop consumers are mostly image- and brand-conscious.

### Individual Buyers (Household) Segment

The household segment has the following characteristics.

- **Fastest growing segment:** Young students and the newly-employed  
*Characteristics:* Value for money; entry level and lowest-priced laptops with most features; first-time buyers; prefer MNC brands
- **Largest segment:** Middle level executives  
*Characteristics:* For work and play, to climb up the corporate ladder; second purchase; value-seeking
- **Smallest segment:** Senior executives  
*Characteristics:* Laptop as a fashion accessory; high-end features; low on knowledge; most purchase Sony and Apple.

### HCL vis-à-vis Market

HCL has grown at a healthy rate in the laptop segment, matching the growth rate of the household segment and inching up on market share. HCL being a seasoned desktop player has set up a widespread desktop distribution channel over the years but has not been able to leverage the network for laptops. HCL's financial results show that the margins for the Info System Business are under pressure and it is only the computer business, which has shown any kind of growth in profitability (Exhibit 1). HCL is growing at a rate, which is twice that of its direct competitors, Dell and Acer.

**Exhibit 1: HCL Performance vis-à-vis Market and Direct Competitors (Dell and Acer)**

Items	2008	2009	Delta	%
Computer systems, product and services Sales - HCL (INR mn)	34,139	35,340	1201	4
Desktop sales - HCL (Nos.)	660,113	550,689	-109,424	-17
Laptop sales - HCL (Nos.)	161,088	292,785	131,697	<b>82</b>
Desktop overall sales (Nos.)	5582,107	5208,046	-374,061	-7
Desktop sales - Organized (Nos.)	2523,756	2217,252	-306,504	-12
Laptop overall sales (Nos.)	2315,214	4085,743	1770,529	76
Direct competitors - Laptop	692,276	1012,205	319,929	<b>46</b>
Household - Laptop (Nos.)	769,760	1409,785	640,025	83
Establishment - Laptop (Nos.)	746,699	1098,779	352,080	47

HCL is perceived as a trustworthy, value-for-money, and old-fashioned brand in comparison to the MNC brands in the success critical (20-35 years) customer age group. However, MNC brands have a wider range in the value-for-money entry-level laptops with more variants, as well as being perceived better on quality. Discounting has resulted in neck-to-neck pricing in the entry-level segment. *The key challenge in retail hence is to have the consumer preference on non-price metrics.* Both Acer and Dell have a wide product portfolio in the entry-level segment. While Dell enjoys the 'high-performance' perception riding on its enterprise equity, it has also been investing on creating a fresh physical channel apart from selling online. Acer has benefitted from the rub-off from its brand ambassador, Hrithik Roshan.

## Marketing Analytics

The equation between ad spend and gain in market share is peculiar to a high-activity market going through a paradigm shift and points to some interesting patterns (Exhibit 2). The overall ad spend is growing at a higher rate (100%) than the market growth rate (83% Household and 47% Establishment).

HP, the market leader, has gained 2.5 points in market share in 2009 with a 262 per cent increase in ad spend, but Lenovo has gained 1.3 points in market share with a 35 per cent drop in ad spend. Dell, the largest spender (42% saliency of ad spends in 2009), still lost market share in 2009, whereas Acer, which spends less than 25 per cent of Dell on ads, enjoys a market share on par with Dell's. Return on Marketing (Exhibit 2) reflects the ad spend per market share point for each player and hence

the effectiveness of money spent to retain market share by each player.

Further, the effectiveness of ad spend can be analysed in depth to assess the marketing effectiveness. This is best reflected through the Multiplier (See Exhibit 4). Multiplier is the amount of money spent by a brand (in INR 100 mn) to gain 1 market share point in 2009 over 2008. The lower the Multiplier corresponding to the gain in market share, the more effective is the marketing strategy over a short-term period, like one or two years. Lenovo and HP have been effective overall with Acer being the most effective in HCL's competitive subset; e.g., Multiplier (HP) =  $(470-130) / (2.5*100) = 1.4$  (in 100 mn)

## Some Observations

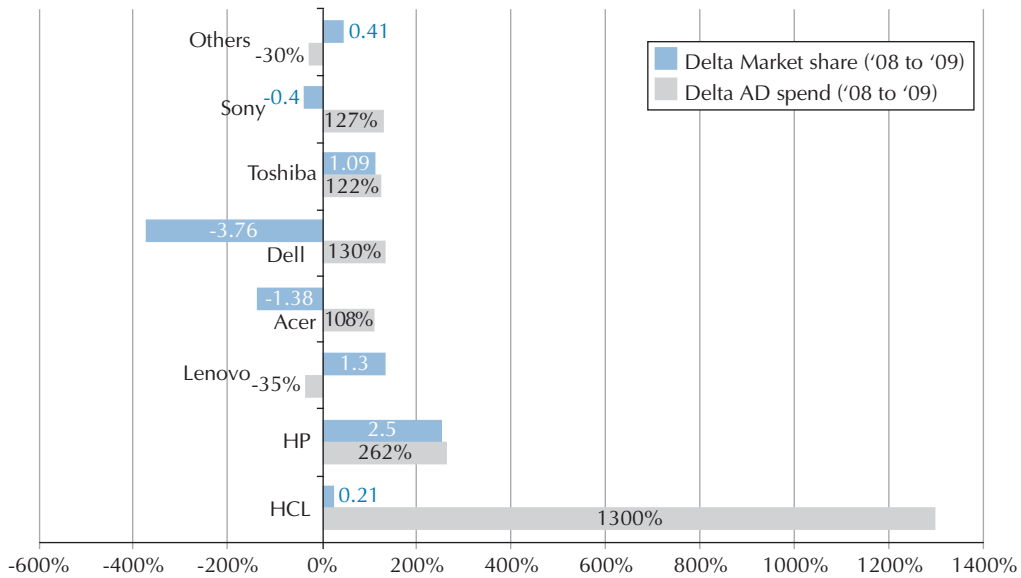
- Dell, in spite of doubling its ad spend and higher saliency of ad spends, lost market share in 2009.
- Lenovo, in spite of reduced ad spends, gained 1.3 per cent share.
- It is not just the value of money one is spending but also how it is being spent that is important. For example, Dell spends more money but is on par in market share with Acer, which spends less than 25 per cent of Dell (2008,'09-ad spends).
- ROM may lag ad spends
- Purchase decision shows the importance of brand pull for the household laptop category in multi-brand retail.
- HCL is struggling on ROM and the multiplier and is certainly not among the front-runners on either parameter currently.

### Exhibit2: Return on Marketing Spends<sup>8</sup>

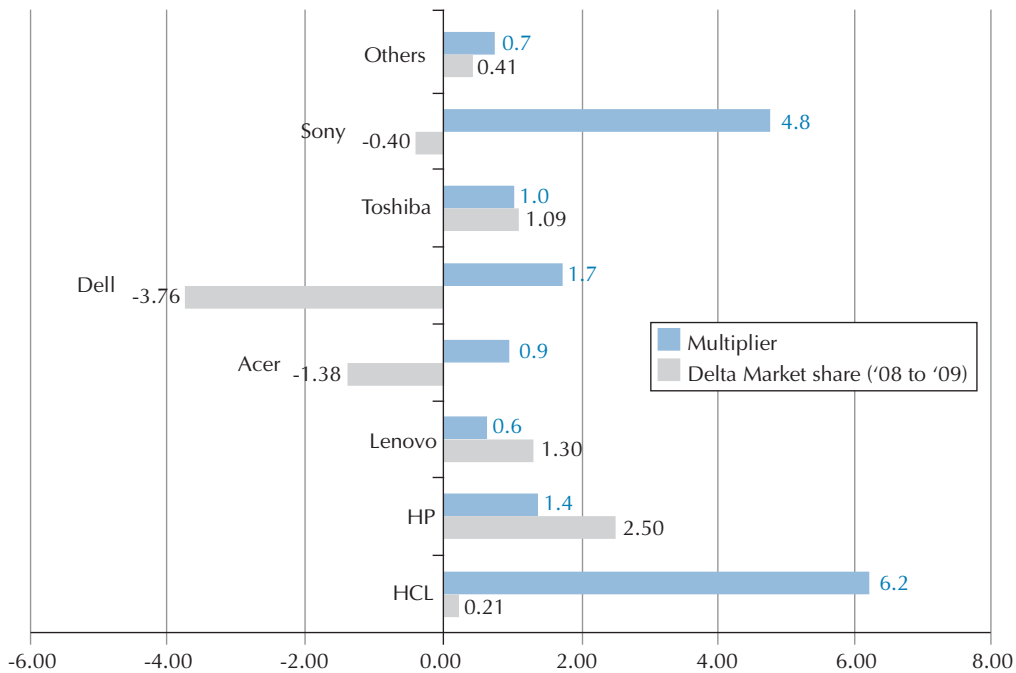
Brands	2008		2009		Delta AD Spend %	Delta Market Share	2008		2009	
	AD Spend (INR mn)	Market Share	AD Spend (INR mn)	Market Share %			Saliency of Ad Spend %	ROM	Saliency of Ad Spend %	ROM*
HCL	10	6.96	140	7.17	1,300	0.21	1	1.4	5	19.5
HP	130	31	470	33.5	262	2.5	10	4.2	17	14
Lenovo	230	13	150	14.3	-35	1.3	17	17.7	5	10.5
Acer	120	13.5	250	12.12	108	-1.38	9	8.9	9	20.6
Dell	500	16.42	1,150	12.66	130	-3.76	38	30.5	42	90.8
Toshiba	90	3.61	200	4.7	122	1.09	7	24.9	7	42.6
Sony	150	3.9	340	3.5	127	-0.4	11	38.5	12	97.1
Others	100	11.69	70	12.1	-30	0.41	8	8.6	3	5.8
<b>Total</b>	<b>1,330</b>		<b>2,770</b>		<b>100</b>					

<sup>8</sup> (ROM=Ad spend/Market share)

### Exhibit 3: Correlation between Ad Spend and Market Share



### Exhibit 4: Effectiveness of Marketing



- Laptops have a better acceptance and are growing faster in the metros and the next 4 towns

#### Scenarios to Choose From

Given the current dynamics, Ajai has the following scenarios to choose from:

- Intense consumer advertising on the lines of (a) Dell and/or (b) Acer

- Focus on a particular segment - B2B space
- Focus on a particular segment - Youth in retail segment
- Focus on a particular segment - Mid-level corporate executives

It is crucial to examine the scenarios through the competitive landscape and HCL's position so as to check the strategic fitment and to assess whether it is in line with

HCL's core competence and constraints (Refer to Exhibit 5). The Strategic Fitment Matrix reflects the fitment of probable strategies with respect to HCL's strengths, weaknesses, and the current reality.

A strong strategic fitment occurs when the approach leverages HCL's core competence and strengths and is possible within the constraints faced. Clearly, the choice is between Scenario 1b – Intense consumer advertising on the lines of Acer and Scenario 3 – Focus on youth in retail segment. Both look strong in strategic fitment for HCL.

### Suggested Approach for HCL

First, let us see how Acer is pegged with a similar market share as Dell in spite of spending 78 per cent lower than Dell on ads. Perhaps Acer is doing something which Dell is not. Is it the MNC imagery, product portfolio, discounting or something else? The Case details out that most of these are on par. Has it got something to do with more entry variants coupled with Hrithik Roshan as the brand ambassador for Acer? Perhaps there is merit in evaluating this combination. Looking at the ad spends to market share statistics (Exhibit 3), Acer had a negligible fall in market share compared to Dell in spite of Dell spending INR 900 mn more than Acer. There seems to be no set formula that the growth in ad-spends would necessarily translate into growth in market share. Dell, Sony, and Acer have lost market shares in spite of spending more in Advertising over last year's spend, whereas Lenovo has gained market share in spite of reduced Ad spends.

The numbers show better return on marketing spends (ROM) for Acer compared to Dell and even better than HP who is the market leader. The multiplier for Acer is 0.9 compared to 1.7 and 1.4 for Dell and HP respectively. This coupled with the fact that Acer is a direct competitor of HCL and competes for the same consumer in entry-level laptops makes this worthy of further attention.

### Assumptions

- Ad spends growing at 100 per cent YOY as seen from 2008-2009 data (Exhibit 4 from the Case)
- Youth segment for laptop is growing at a rate of 110 per cent
- 2008-2009 is taken as 2008 and 2009-2010 is taken as 2009 (Exhibits 1, 2, 5, 6, 8, 10 from the case)
- HCL buyers are mostly first-time buyers.

One of the challenges faced by HCL is to overcome the "old and cheap Indian Brand" image. A brand ambassador approach can definitely help HCL reposition itself, improving itself with sophistication and become a better-valued brand. From the ad spends data, year on year ad spends is growing by around 100 per cent. HCL, with INR 600-800 mn estimated range of advertising budgets for 2011, would have a good 11-15 per cent saliency in total ad spends for the laptop category if the ad spends carried on with the same growth rate of 100 per cent. The brand proposition, for example, could be "Choose the smart value-for-money HCL laptops, endorsed by Yuvraj Singh and backed by a wide service network." This would translate into choosing a value

### Exhibit 5: Strategic Fitment Matrix\*

No.	Scenario	Factors in Favour of HCL	Factors Not in Line with HCL	Strategic Fitment*
1a	Intense advertising on the lines of Dell	Features, pricing for entry laptops	Strong equity in Enterprise, specialized network, 42% saliency of market spend (INR 1,150 mn), the elusive MNC Tag	Weak
1b	Intense advertising on the lines of Acer	Value for money, entry laptops, network, 7% saliency (market spends), moderate spends 2009	MNC image, product variants, brand ambassador route to advertising (Actors rub off sophistication)	Strong
2	Focus on B2B space	Widespread network, proven experience in the space	Lower margins, brand disloyalty, network suited for desktops but struggles in the laptop category	Moderate
3	Focus on Youth in Retail Segment	Value for money, entry-level laptops, affordable options	Product variants with a lot of features, attracted to MNC brands	Strong
4	Focus on mid-level executives	Widespread service network	Value-seeking, image conscious, for work and play	Weak

for money and reliable<sup>9</sup> laptop on par in quality with the MNCs. This approach would help HCL reposition itself, and give a PAN India reach riding on the brand ambassador, especially, the Rest of India.

This could perhaps help HCL in reaching around 8.5 per cent market share at a growth of 200 per cent in a year's time (Exhibit 6). However, this approach has two major limitations. First, that the middle-level executives would not find HCL appealing when seeking value. Second, this approach does not propel HCL to a premium fashion accessory to be chosen by the senior executives. Clearly, this would fetch traction mainly with 20-35 year old first-time buyers.

On the other hand, if we apply the same brand ambassador approach on a focused segment (Scenario 3), e.g., Youth (20-35 years) first-time buyers, there is not only an exact fitment, but this approach gives HCL the opportunity to make a much more focused impact on the fastest growing and most knowledgeable consumer segment. Chances are that, this segment may become the

largest, both in number and influence for laptops. They may graduate to becoming middle-level executives who would use an HCL laptop and if they find them delivering on quality, they may become the Early Adopters in the mid-level executive consumer segment.

Building this approach further, suppose the brand proposition is, "HCL-sub brand (to be positioned for younger audience, e.g., ME) laptops for 'value for money,' endorsed by Virat Kohli backed by a wide service network." This would translate into choosing a smart and refreshing entry Laptop (backed by a reposition itself as a young and reliable brand with a better acceptance in metros and the next 4 towns, growing faster than the rest of India). This approach perhaps gives HCL the best chance to cross the 10 per cent market share with a growth of 400 per cent (Exhibit 7).

### NET-NET

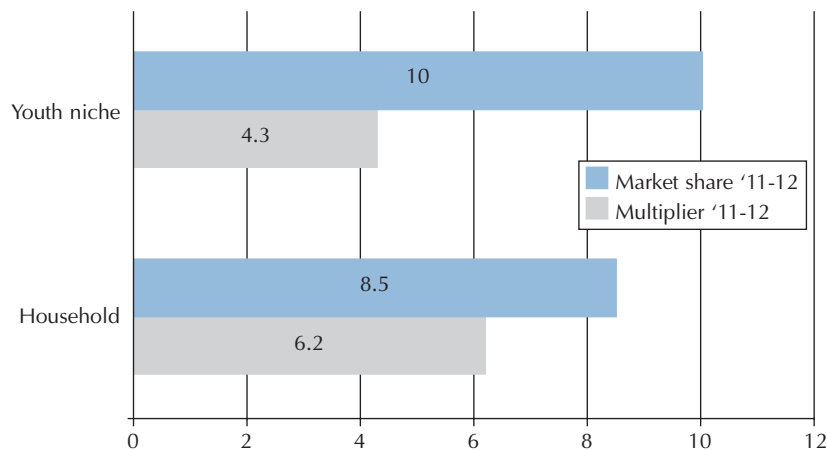
Focusing on a particular segment, with a sub-brand for youth in retail, riding on a youth icon as the brand am-

**Exhibit 6: Projected Scenarios**

Scenario	Target Customer	Metrics	Multiplier ('11)	Projected Ad spends mn INR	Projected Delta in Market Share	Estimated Market Share
1b	Entire household category	Growing at 83%	6.2	800	1.3	8.5
3	Youth niche within household category	Fastest growing*	4.3	800	1.9	9.50~10

\* Youth being the fastest growing has been assumed to be growing at 100%+

**Exhibit 7: Projected Multiplier & Market Share of HCL**



<sup>9</sup> endorsed by an Achiever Indian player and backed by a wide service network.

bassador seems to be the best way forward for HCL as this is in line with HCL's strengths and limitations, and still presents an opportunity to grow to 10 per cent market share with improved profitability and renewed brand imagery. The next best alternative is to go for the entire household category but this may backfire and also result in the classic "spray everywhere and you may touch your consumer" outcome. There is also a high need for HCL to seek in-depth information around purchase decision-making for laptops especially from the youth and mid-level corporate executives.

This warrants the need to do an in-depth research across some metros and smaller towns, to know the emerging gaps and to be the first to address them. HCL also needs to make sharp choices between investing in R&D, design, product portfolio, innovation and laptop-focused distribution network. There is merit in going with investments in design, features, and variants for now and outgrowing competition riding on the fastest growing youth segment. It needs to consistently appeal to the youth with new design variants so as to build a strong pull and improve its marketing multiplier. ✓

## Case Analysis IV

### Moutusy Maity

Assistant Professor

Indian Institute of Management, Lucknow

e-mail: mmaity@iiml.ac.in

The key concerns that HCL faces in this Case are: (a) It needs to zero-in on a positioning strategy based on its identification of the segment of consumers that it wishes to attract; (b) It needs to ascertain that the strategy it chooses to pursue will help it to achieve a market share of at least 15 per cent, which will allow it to achieve economies of scale and hence, greater profitability (the assumption is that an expenditure of between INR 600-800 million will allow the company to reach out meaningfully to its target segment). The following discussion centres exclusively around the laptop market, and does not discuss the desktop market at all.

### Target Segment and Positioning Strategy

The laptop market, as presented in the Case, consists of several players comprising *premium* and *value* brands. Sony and Apple are *premium* brands. HCL is a *value* brand, and considers other value brands such as Acer, Lenovo, and Dell as its direct competitors. These three laptop brands have developed strong positioning, but, none of them is pursuing any particular target segment with their product offerings.

An average laptop in the marketplace (as presented in the case) costs around INR 40,000. An HCL laptop is priced at about 2 to 5 per cent lower than those offered by the leaders in the market. Thus far, most of the communication undertaken by HCL has emphasized the

functional attributes offered by its products. There is a need to establish a strong brand image in the minds of consumers. To that end, HCL needs to pursue a positioning strategy that will clearly distinguish it from its competitors. In addition, there is an opportunity for the brand to target a specific segment (especially a segment that is growing rapidly) with its positioning strategy and product offerings. This strategy will provide an edge over the competitors. The questions that HCL should address to achieve the above are:

- Which segment should it target?
- What are the positioning and communication strategies pursued by the competitors? Does a clearly identifiable positioning gap exist in the market?
- What should be HCL's positioning?

### Consumer Decision Making

A closer look at the laptop as a product, and the consumer decision-making involved in purchasing the product, reveal that when it comes to purchasing a laptop, two factors are important to the consumer: (a) the price that the brand demands (consumers are price-conscious); and (b) the laptop brand name. Therefore, consumers tend to carefully examine the product features that are available for the given price range. At the same time, purchase decisions are also influenced by the image of the brand. In other words, one can say that