Research Hewlett Packard through its Value Chain

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Abstract

The objective of this project is to identify what we real understand the value chain in organization after we completed course of value chain management. In this study, we examine the value chain from one of the well known global organization - Hewlett-Packard by utilizing many available literatures. This report covers HP company profile, its role in value chain, their customers and value propositions. It also explores from a value chain perspective to determine how HP creates value to its customers.

Keywords: Value chain, Customer value drivers, Value proposition, Partners' roles, Value delivery

1. Introduction

Many organizations are current facing the greatest struggle to survive their business in marketplace during this world economic disaster since October 2008. Today, many people believe this crisis could be worse, deep and dangerous than any of previous recessions. Of course, this recession is jolting every industry. How to sustain and progress the business in today's circumstance becomes a hot topic of discussion. With a focus on business process and value chain, we choose the one of the Fortune 500 companies, Hewlett-Packard (HP) as a research object.

This report analyses the value chain of HP, highlighted its role in value chain and value proposition. Through this study, it enables us to truly understand how a successful organization is to maximize their public value through value creation, increase interoperability, reduce total cost and improved business performance.

2. Company Profile

Hewlett-Packard (HP) was founded in 1939. Now it is among the world's largest IT companies and it operates in more than 170 countries. Its products include personal computers, servers, storage devices, printers, and networking equipment. The company's service unit provides IT and business process outsourcing, application development and management, consulting, systems integration, and other technology services.

With revenue totaling US$118.4 billion, profit US$8,329 million for fiscal 2008, HP has leap into ranking No.9 in fortune 500 this year (previous ranking 14). Although its 2008 revenues were shielded from the economic disaster that was last November and December, HP's performance is still impressive with revenue and earnings rose 13% and 15% respectively, buoyed by strong demand for laptops (up 21%) and services (10%). And that latter figure doesn't even include the impact from newly acquired EDS (Jon Birger, Fortune 500 in 2009, April 19, 2009). According to HP reports 2Q 2009, the company has announced financial results for its second fiscal quarter ended April 30, with net revenue of US$27.4 billion. (www.hp.com)

Today, HP provides consumers a wide range of products and services from digital photography to digital entertainment and from computing to home printing. This comprehensive portfolio helps the company match the right products, services and solutions to their customers' specific needs.

3. HP's Roles in Its Value Chain

Value chains are formal linkages of businesses that can meet cost reduction target, improve market efficiencies, enhance customer service, and ultimately improve financial and competitive positions for the organizations participating in the value chain relationship (Michael Haines, 2005).

The concept of the value chain was initially introduced by Harvard professor Michael Porter in his book 'The Competitive Advantage' in 1985 (Porter, 1985). He suggested that activities within the organization add value to the service and products that the organization produces, and all these activities should be run at optimum level if the organization is to gain any real competitive advantage. These value chain creating activities include all elements such as logistics, operations, marketing and sales, and service. Michael Porter also suggested that the organization is split into 'primary activities' and 'support activities'.

The primary activities include inbound logistics, operations, outbound logistics, marketing and sales, and service. The support activities assist the primary activities in helping the organization achieve its competitive advantage. They include procurement, technology development, human resource management and firm infrastructure. (Gregory G, 2004)

From **Figure 3.1** we can see, the value chain encompasses the whole organization and looks at how primary and support activities can work together effectively and efficiently to help gain the organization a superior competitive advantage.

Follow the Porter's value chain model we examine the primary and supportive activities individually for HP's roles as below.

3.1 Primary Activities

3.1.1 Inbound Logistics

HP Design for Logistics program improves transport efficiency to reduce energy use and cost, by shifting product transport to more efficient methods, optimizing their distribution network, influencing transport providers to improve the environmental performance. HP Financial Services established relationships with some of the world's largest and most reputable shipping companies, allowing HP to offer very economical pricing.

3.1.2 Operation

HP has been cutting its operating costs since 2005 by removing several layers of management, phasing global operations into all of HP's business segments, and outsourcing more production to subcontractors. By mid-2008, more than half of HP's PCs are built entirely by subcontractors. These measures considerably improved HP's profitability as its operating margin rose from 4.0% in 2005 to 8.4% in 2007 and to nearly 10% for the first half of 2008. HP plans on continuing to look for areas where operating efficiency and profitability can be improved, such as the development and installation of its own new IT databases or the improvement of their supply chain. (www.wikinvest.com)

3.1.3 Outbound Logistics

The 3PL model dramatically reduces HP's fixed costs. Globally, HP works with upwards of 40 3PLs and there are about 9-12 "core" partners. To be pre-qualify 3PL for HP, it would be a formal certification process and also a very long questionnaire used by HP that emphasizes the 3PL's technology capabilities. (David Hannon, 2006)

3.1.4 Marketing and Sales

Although HP's main competitors are Dell and IBM, each of these companies has a different focus area. Dell makes most of its money on PC and server hardware, while IBM has shifted towards an IT services provider. HP provides both of those offerings but maintains a large cash cow business with its printers, which generate half of all operating profits.

3.1.5 Service

An integral part of HP's infrastructure is the software and services. In 2006, HP acquired Mercury Interactive Corporation, a leader in information technology services and software. Through the Mercury acquisition, HP has become the dominant player in the IT services and software market, where it will be competing directly with general IT companies such as IBM and IT consulting and services firms like Accenture.

3.2 Support Activities

3.2.1 Procurement

HP uses the most advanced technology to optimize the relationship with the supply base, including electronic auctions, e-quoting, e-invoicing and e-payments. Suppliers that have a demonstrated capability of supporting this type of activity will receive primary consideration. In consolidating the meetings spend globally, procurement at HP has selected its preferred suppliers and standardized terms and conditions of contracts it negotiates with them. Procurement also built a central process for employees to use when planning meetings and installed technology tools. It also introduced a credit card for its meeting planners to use to pay meeting-related expenses. (Susan Avery, 2008**)**

3.2.2 Technological Development

HP created a unique service which called Adaptive Network Architecture (ANA) to deliver the ability of managing an adaptive enterprise to its major customers (HP Services Features, 2008). Beside, HP attaches great importance to R&D. In the 2008 fiscal year, the company has invested $3.5 billion in its research programs,

including HP Labs and plan to continue to invest in R&D.

3.2.3 Human Resources Management

With 172,000 employees, HP recognizes that the large size of their operations comes with large responsibilities. The ways in which they manage their facilities and conduct their business activities can have significant and far-reaching impacts on the environment as well as the welfare and safety of the employees. HP is working to minimize those impacts and have made operations a cornerstone of their commitment to environmental responsibility.

3.2.4 Firm Infrastructure

HP has six business segments which are Personal System, Imaging and Printing, Enterprise Storage and Servers, HP Services, Software and HP Financial Services. Since 2005, HP has undergone significant cost cutting measures by highly decentralized, in which the process of reducing the number of their facilities to reduce cost.

4. Customers and Their Value Drivers

4.1 Definition of Customer Value Drivers

Values are the abstract concepts of what is right, worthwhile, or desirable. Customer value is 'the satisfaction of customer requirements at the lowest total cost of acquisition, ownership, and use.' In other words, from customer's perspective, value can be defined as 'a tradeoff between the benefits received from the offer versus the sacrifices to obtain it (Johnson, W. C. & Weinstein, A., 2004). Customer value is created for all participating parties and providing outstanding customer value has become one of the responsibilities of management. Customer values drivers normally include service, product quality, image, and price. Top companies often build legendary reputations and differentiate themselves largely due to singular attributes. Focusing on key attributes seems to be advisable. Moreover, firms must 'meet acceptable threshold levels with respect to each dimension' because there is little space for any weak area under fierce global competition (Johnson, W. C. & Weinstein, A., 2004).

4.2 Importance of Customer Value Drivers

In the new service and information-based economy, it is critical for all organizations to manage customer value, because companies created maximum value for their customers will survive and thrive and they will gain progressive competitive advantages in marketplace (Johnson, W. C. & Weinstein, A., 2004) Great companies not only simply satisfy customers, but also create 'superior customer value', that is, they are 'continually creating business experiences that exceed customer expectations'. Customer value-driven strategies make a great contribution in marketing based on the following areas:

(1) Understanding customer choices;

(2) Identifying customer segments;

(3) Increasing competitive options (e.g. offering more products);

(4) Avoiding price wars;

(5) Improving service quality;

(6) Strengthening communications;

(7) Focusing on what is meaningful to customers

(8) Building customer loyalty;

(9) Improving brand success;

(10) Developing strong customer relationships. (Johnson, W. C. & Weinstein, A., 2004)

4.3 Customer Base of HP

HP' customer categories are made up of individual consumers, small- and medium-sized businesses (SMBs), large enterprises, and the public and education sectors (www.hp.com). HP owns the most complete and comprehensive product portfolio which helps to match the right products, services and solutions to its customers' specific needs and defeat its competitors to achieve the target in each of its key businesses (Burrows, 2003).

4.4 HP's Customer Value Drivers Mechanism

4.4.1 Product Portfolio Strategy

Customer value drivers are evolving with the process of economic development and globalization and HP

emphasize on creativity, innovation and invention to differentiate themselves from its competitors in technology industry. HP established a product portfolio strategy targeted to meet various customers' expectations at the same time; it is probable for HP to produce customized product at a relative low cost or combine products ranges more conveniently (www.hp.com)

4.4.2 Customer Value Management

HP also utilizes customer value management to evaluate customer expectations; it can be specified into six categories as followings (HP, 2007):

(1) Asset management: All customers seek to maximize usability of its products;

(2) Performance management: Enterprises expect multiple functional service support;

(3) Cost management: Customers for commercial use are keen on reducing expenses;

(4) Time management: Customers   seek to save more time through effective and efficient IT support to focus on their own customer services;

(5) Information management: Transparency, accuracy and timely concerning are essential for SMBs and large enterprises'.

(6) Risk Management: It is a pre-integrated, prepackaged solution including a comprehensive physical data model, a high-performance database server, and consulting and implementation services (HP, 2006).

4.5 Customer Value Drivers in HP

HP provides a wide range of products, solutions and services to respond to the various requirements in different business fields and customizes various products to meet customers' specialized needs and wants (HP, 2008). Detailed customer value drivers of HP are illustrated in Figure 4.6.1.

5. Value Proposition

The value proposition, always referring as customer value proposition, is to identify and satisfy unmet needs for the target customers. Typically, it should be a statement of customer value attributes (Walter and Rainbird, 2007). HP's value proposition can be illustrated from two aspects: to meet the customer expectation and satisfy its stakeholders, including shareholders, suppliers and alliance partners, employees and other stakeholders.

5.1 HP Meets Customers' Expectations

Generally customers expect to get reliable, efficient, effective and confident product and/or service from company (Neese, 1999), so as HP's customers do. In HP, customers not only include mass private users but also have a great deal of business users from small private sector to large corporation company worldwide.

On one hand, HP has labs that pursues and coordinates research collaborations with top researchers and entrepreneurs in academia, government and business around the world, together with an enormous number of technical engineers, product manager and other groups are all devoted to ensure products designing to be as feature-rich and simply to use as possible. On the other hand, HP adopts a number of mechanisms to provide high level of services to its customers: HP official website provides enough information of customer services, where you can chat with an online support technician, email and phone about any questions and feedbacks about HP products, and find HP dealers and service centers worldwide; HP gets feedback from the technical support calls to understand useful functions and capabilities; HP has periodic studies of customer satisfaction rate and repurchasing rate; and HP conducts a good deal of global market research to talk to private customers and business users to figure out different needs and wants in different countries. (www.hp.com)

It seems that HP has met its customers' expectations successfully; Technology Business Research (TBR) recently published its 2Q-2008 x86 Server Customer Satisfaction Study results which show that HP did the excellent job. For all important category of overall satisfaction, HP gained higher score than industry averages. According to TBR, HP'S customer expectations continue to go up in the following aspects: new technology advances; attractive purchase pricing; server value incorporates all expectations; reliability to technical support and management tools; influencing of relationship quality; and placing management higher. (HP's community, 2008)

5.2 HP Meets Other Stakeholders' Expectations

5.2.1 Meet Shareholders' Expectations

There is no doubt that shareholders of HP are seeking high and long term return on their investments and HP is always a company that can deliver meaningful value to their stockholders for the long term. HP delivered:

(1)   From the year 2006 to 2008, HP's Earning per Share has increased gradually.

Net EPS	2008	2007	2006
Basic	USD$ 3.35	USD$ 2.76	USD$ 2.23

(2)   HP's shareholders can obtain stable cash dividends on their investments.

	2008	2007	2006	2005
Cash dividends per share	$ 0.32	$ 0.32	$ 0.32	$ 0.32

(Source from www.hp.com)

Sound investments are made to protect brand and high end lines of HP. For example, with the acquisition of Electronic Data Systems Corporation (EDS), HP further provides unparalleled capabilities for delivering end-to-end solutions. More importantly, EDS provides a strong base of recurring revenues and a meaningful opportunity to capture synergies and expand earnings per share. (www.hp.com)

Shareholders also expect companies, and their managers and directors, to act responsibly and ethically (ASA, 2005). Outstanding executive leadership team of HP provides competitive advantages in: strong balance sheet; diversified revenues; a lean and variable cost structure; and proven financial and operational discipline. The team also promises to continue to make strategic investments in sales coverage, opportunistic acquisitions, research and development, and customer service. (www.hp.com)

5.2.2 Meet Suppliers and Alliance Partners' Expectations

Suppliers and alliance partners are basically expecting the company is existent and running businesses in compliance with the laws, and then they concern profitable transactions, ongoing relationships, and growth and market volume advantages. (David Walters, 2008)

Referring to HP's annual report, the company enjoyed a continued revenue growth, with an average growth rate of 10%; it can be seen from the following table. This indicates that HP will have a strong market position and partners can enjoy a stable relationship with HP. (www.hp.com)

(USD)	2008	2007	2006
Net Revenue	$118,364 M	$104,286 M	$91,658 M
Growth Rate	13%	14%	6%

Suppliers expect a quicker payment after purchase and HP shorts its payment days of purchases outstanding in accounts payable, which decreased from 59 days in 2006 to 50 days in 2007, and then further decreased to 49 days in 2008. Last but not least, HP promotes diversity in its supply chain and built up long-term strategic relationship with suppliers by maintaining a Corporate Supplier Diversity Program (SDP). Once registered in SDP, companies' information can be shared all HP supplier and partner alliance decision makers. (www.hp.com)

5.2.3 Meet Employees' Expectations

Employees would have strong expectations of the operation and future development of the company, such as fair pay rates, employment continuity and job satisfaction. Understanding these expectations will enable group participants to be better prepared for employment, because they have strong influence to an organization's business (Curtice, 2006).

HP gives numerous opportunities to employees to develop and gain exposure to global business and rewards as employees grow. HP is committed to providing employees with the tools, information, options and resources to thrive, and HP encourages employees to plan and create their own development path via various training programs. HP's compensation and benefits program is one example to encourage employees' growth; the program is called Total Rewards, which consists of base pay, performance-related pay, comprehensive benefits and stock ownership. HP is recognized as the good place to work; the following are award HP gained in 2008:

●   #1 Best of 2008 Slovak Employers, HP Slovakia – Hewitt Associates, May 2008

●   #2 Best Employers for Central and Eastern Europe, HP Slovakia – The Wall Street Journal Europe, 2008

● #2 Employer of the Year 2008, HP Czech Republic – jobpilot.cz, June 2008

● #1 Employer of Choice, HP Singapore – HRM awards, 2008

(Source from www.hp.com)

5.2.4 Meet Other Stakeholders' Expectation

The other stakeholder group includes the government, communities, cooperative institution and the others, which provide infrastructures and markets to organizations, and their expectations could conclude as presume upon the firms taken social responsibilities (Vinsign, 2009). Social responsibility is the obligation of organization management to take actions that will enhance the welfare and interests of society, for instance, involving in activities and programs that support the development of the whole community. (www.corpgov.net)

HP aligns business goals with its impacts on society and the planet and this commitment rooted in HP's founding values. HP has higher standards of integrity, contribution and accountability in it all business activities, it puts energies and expertise in five areas: ethics and compliance; human rights and labor practices; environmental sustainability; privacy; and social investment. During years, HP has done a lot to follow its commitment:

(1)   Developing social and environmental responsibility (CSER) program, aiming to integrate a range of ethical practices, social and environmental responsibilities.

(2)   HP developed its environment program to reduce the environmental impact of products by using less material that are more energy efficient and able and easier to recycle.

(3)   During fiscal year 2006, HP contributed more than $45 million in resources worldwide, helping students, teachers and community residents.

(4)   HP communicates environmental policies and programs to all its stakeholders in order to ensure all stakeholders are aware of their role and responsibility to protect environment.

(5)   HP evaluates its social responsibility performance by monitoring ongoing performance results and through periodic management reviews. (Source from: www.hp.com)

6. Partners' Roles in Value Proposition

6.1 Identify Partners

In general terms, business partner is referring to a commercial entity with another commercial entity which has some form of alliance. This relationship can either be highly contractual, where both partners commit not to ally with any third parties, or very loose, only to impress customers and competitors with the size of the network the business parties belong to. (www.businesspartners.com). In brief, customers who have large impact for the company; business partners can be suppliers which provide resource to the company; and distributors that deliver products to customers and vendors like services providers.

6.1.1 Customer Partner

HP encourages its customers to embraced HP as their suppliers through partner programs, these programs offer a solution service provided by Hewlett-Packard and details of these programs are summarized in Table 6.1 below:

6.1.2 Suppliers and Alliance Partners

According to Mentzer et al (2000), partnerships can be divided into operational partnering (short-term alliances and partnerships) and strategic partnering (Long-term alliances and partnerships). Strategic partnering is sometimes very costly and requires much time and effort to maintain a higher level of cooperation. HP's partners can be subdivided into operating partners and strategic partners.

HP purchases materials, supplies and product subassemblies from a substantial number of operating partners. Generally, HP is in a dominance position with suppliers and has many options over available vendors. However, it does rely on sole sources for laser printer engines, LaserJet supplies and parts for products with short life. HP is dependent upon Intel as a supplier of processors and Microsoft for various software products (HP annual report, 2008).

For strategic partners, they include distributors who resell HP products internationally; service co-provider and product co-developer. This type of strategic partnerships is listed below:

(1)   In February 2004, HP claimed a worldwide agreement with Ericsson to jointly deliver a unified communications solution for businesses. The solution compromises telephony and IT infrastructures, as well as service provider and private enterprise networks.

(2)　In May 2004, HP announced a $1.5 billion deal with BT, one of Europe's leading providers of telecommunications services. HP and BT have developed a strategic go-to-market alliance, where the companies utilize their combined capabilities in delivering enhanced service offerings to the growing global ICT market.

(3)　Moreover, Hewlett-Packard and fashion designer Vivienne Tam have provided a special-edition notebook they've partnered to create, during a fashion show of Tam's Spring 2009 collection during New York's Fashion Week (Colleen, 2008).

(4)　HP and NetSuite have announced a partnership to offer software as a service (SaaS) business applications to the small and midsize business (SMB) market. The relationship enables the HP channel of 15,000 value-added resellers (VARs) in the United States to offer cloud services to SMB customers (Calif, n.d.).

(5)　HP and Accenture design solutions with the strategic content, products and services that clients need to help them optimize their business outcomes. HP and Deloitte are coordinate to deliver strategic services and solutions to both mid-sized and large enterprise businesses.

HP is also an operational partner with leading providers of software, services and operating systems together to bring customers with fully optimized computing solutions. Partners include Cisco, IBM software group, McAfee, Microsoft and SAP.

6.2 Partners' Roles in Creating Value Proposition

As Webster (1994) stated that positioning and the development of the value proposition should based on an assessment of the product offering and the firm's distinctive competencies relative to competitors. Referring to Walter and Rainbird (2007), in the first stage of creating value proposition, identify partner value expectations is crucial in demand chain analysis and management. Unless potential partners realize their value expectations there will be no possibility of customer value delivery transmission occurring. Therefore, the value delivery must deliver mutual benefits to customers and partners which is an essential condition for competitive necessity. As showing in the following Graph 6.2.1, suppliers and channel partners are important in resource management; A cooperate and coordinate relationship with suppliers and channel partners can bring a company competitive advantages over its competitors by getting quicker response with lower product price. Other alliances, including product co-provider and co-developer, enhance the company's competitive advantage by saving research and development costs and offering more products options for customers.

6.2.1 HP Partners' Roles in Creating Value Proposition

As a leading global provider of products, technologies, software, solutions and services to individual consumers and businesses, HP needs to handle its partner issues well in order to maintain and improve.

Firstly, HP believes its operations depend on its ability to anticipate its needs for components, products and services and suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices in time to meet critical schedules (HP annual report, 2008). HP has developed HP Supplier Portal to help manage supply relationships. As a leading company, many manufactures around the world want to become a supplier of HP. Thus, HP can obtain benefits including lower price over competition between available suppliers. Moreover, in order to build up good relationships with vendors, Developer & Solution Partner Program (DSPP) is traduced to manage supply relationships. Through collaborating with partners, who share HP'S values, go-to-market approach and who have high-quality solutions, HP and its suppliers complement each other's applications, technology and service portfolios and competitively address the growing needs of customers (www.hp.com).

Secondly, HP realizes that its relationship with retailers was one of its biggest weaknesses. The new CEO Mark Hurd stopped trying to compete with Dell on direct sales, putting its attention back to building deep relationship with retailers (Townsend, 2007). Using Partner ONE program for resellers in the U.S, HP stands behind its partners with more marketing and channel support, and a new membership structure that rewards partners according to their contributions to HP (www.hp.com).

Lastly, by setting up co-develop and co-supply relationships with other business entities, HP enables itself to providing variety of products and services, comprising information technology, personal computers, notebook computers, network management software, servers, printers, digital cameras, calculators, PDAs, workstations, and home-small business computers. HP today promotes itself as not just being a hardware and software manufacture, but also one that offers a full range of services, which architect, implement and support today's IT infrastructure.

7. Value Delivery Implementation

IT industry is a rapid upgrading and fierce competitive industry. To keep the leading position in the market, HP not only must have "values", but the key is how to express and delivery these values to the customers. Because the customers currently are not only aware of the brand, they begin to pay more attention to the quality of the products and service, in other words, they care about what they can really gain from the companies.

7.1 Achieve Effectiveness and Efficiency through Platform

In an effort to improve effectiveness and efficiency in customer value delivery, many companies are utilizing platform-based products to increase variety, shorten lead times, and reduce costs. It can be cost-effective to meet diverse and individualized needs of customers and it is easy for customer to upgrade the system with low cost in the future (Simpson, Siddique and Jiao, 2005).

Depending on the customers' expectation and market position, HP has introduced wide range of products and services which are different in function and price. This comprehensive portfolio helps HP match the right products, services and solutions to customers' specific needs. Thus, the customer value can be addressed in increased quality and reliability, faster delivery/launch cycles, greater flexibility, and stepwise investment possibility and so forth (Karandikar and Nidamarthi, 2007)

7.2 Enhance Customer Service

Customer value also can be delivered by means of selecting and managing a distributor network to provide distinctive 'logistics service', improving service level and executing Customer Relationship Management (CRM) program.

The products and services HP provided to customer are distributed by direct and channel. Within the channel, there are various types of partners that they utilize for various customer groups. The partners include: retailers that sell its products to the public through own physical or internet stores; resellers that sell its products and services, frequently with own value-added products or services, to targeted customer groups; distribution partners that supply its solutions to smaller resellers which do not have direct relationships with HP, etc. (www.hp.com)

The mix of HP's business by channel or direct sales differs substantially by business and region. They believe that customer buying patterns and different regional market conditions necessitate sales, marketing and distribution to be tailored accordingly. HP is focused on driving efficiencies and productivity gains in both the direct and indirect business.

The customer service of HP is expressed as follow: customers can do enquiries and get technical support by ways of online interaction with a support technician, sending Email, call the service centre or find various HP and partner offices seeking for solutions. Customers can help themselves on the website of HP with software and driver downloads, see support and troubleshooting information, searching the nearest service partner location, review, revise, or renew their support agreement, even order products or service online.

When it comes to Customer Relationship Management, HP has its hands full. The company gets 600 million calls a year from its customers and ships about 500 million products. It's important to have a holistic view of your customer. The task is complicated by new forms of customer interactions, such as blogs and social networking applications. At HP, they are taking that information and using the knowledge to drive sales and increase efficiencies. An example is that in one of HP's business groups, they looked at 80 marketing programs (such as direct marketing, email marketing, customer loyalty, etc.), and based on the knowledge from CRM systems, they work out which ones were more effective for their customers. And then they have distilled them down to two or three major programs now. (www.brandweek.com)

7.3 Cater Customer Expectations through R&D

HP remains committed to innovation as a key element of its culture. Their development efforts are focused on designing and developing products, services and solutions that anticipate customers' changing needs and desires and emerging technological trends. They also focused on identifying the areas where they can make a unique contribution and the areas where partnering with other leading technology companies will leverage their cost structure and maximize their customers' experiences.

HP Labs, together with the various research and development groups within the five principal business segments, are responsible for its research and development efforts. Expenditures for research and development were $3.5 billion in fiscal 2008 and $3.6 billion in fiscal 2007 and 2006. (HP Annual Repot, 2008) HP anticipate that they will continue to have significant research and development expenditures in the future to provide a continuing

flow of innovative, high-quality products and services to maintain and enhance customer value.

7.4 Alliance and Collaboration

The value delivery models that are now becoming familiar with the "new economy" are becoming focused on alliance or partnership based consortium. The process of value delivery involves a number of organizations, centered on an innovative organization that identifies a market opportunity, exploring the tangible and intangible aspects of customer expectations and collaborating with its partners to develop a strong competitive position in the market. (Walters and Rainbird, 2007) In the computer industry, the value delivery tasks are being focused on areas of expertise essential to the overall value package, because this task makes a firm distinct from others in the overall value process, which contributes to creating competitive advantage. Therefore, partners and networks play a critical role in the process of value delivery.

HP has one of the world's largest channel partner networks, with 70,000 partners worldwide. In HP IT services sector, collaboration is embraced for the total business technology solutions. HP Services offers a single point of accountability for implementation and support of complex environments in order to help reducing IT complexity. They have IT support agreements with hundreds of technology partners. And they have strategic alliances with key enterprise solution providers who offer market-leading enterprise solutions—including Cisco, Microsoft, Oracle, and SAP — to help customers design, build and manage the applications and networks of their business depends on every day needs. (www.hp.com)

7.5 Brand Building

There is a direct influence of all the aspects of the brand including brand image on customers' perceptions of value while the company's reputation has a broader influence on perceptions of customer value and customer loyalty. (Brodie et al, 2009; Cretu & Brodie, 2007)

Customers care about HP's efforts in areas like climate change and human rights, and they also value ways that the company can help them be more successful. That could mean an energy-efficient data center that cuts costs while reducing their carbon footprint, or a centrally managed printing environment that increases productivity and saves resources. HP has made substantial progress toward its global citizenship goals. Here are a few achievements that rose to the top: it has cut their global greenhouse gas (GHG) emissions from operations 4% compared with 2007 in absolute terms and 13% normalized to revenue. Additionally, we contributed over $46 million in cash and products to transform education through technology, train entrepreneurs and support communities. (HP Global Citizenship Report, 2008)

8. Conclusion

During the time of unprecedented change in IT industry, HP is well positioned itself integrates the inbound and outbound logistics, operation and service, marketing and sales, and a series of supporting activities as its main competitive advantages and cooperates with partners in a value delivery model, which not only maximizes its own profit but also benefits its customers and partners. Through prudently measure and assess its customer expectation criteria and partner's role of impact, thus, HP successfully discovers its value proposition and continues developing and reinforcing its value production and coordination. By the establishment of alliances, using of product platform, continuous concentrate in service improvement, R&D and brand building, HP has successfully delivered values to meet customers' and other stakeholders' expectations.

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Table 6.1.1. HP partner programs

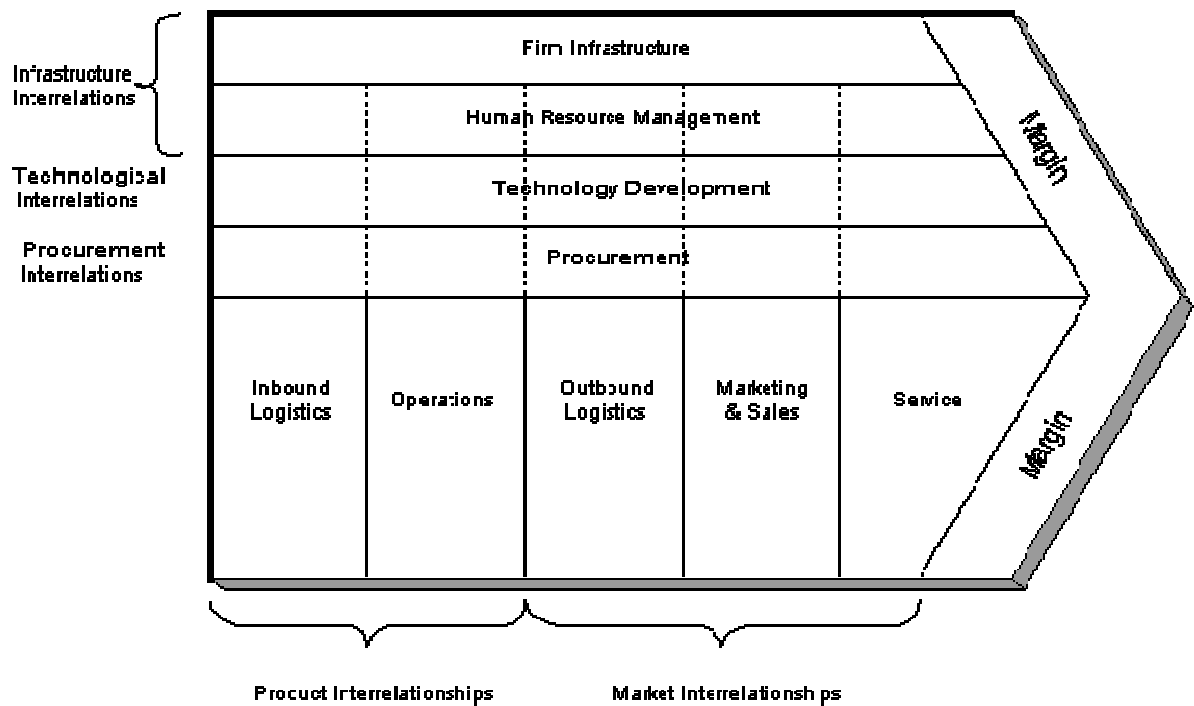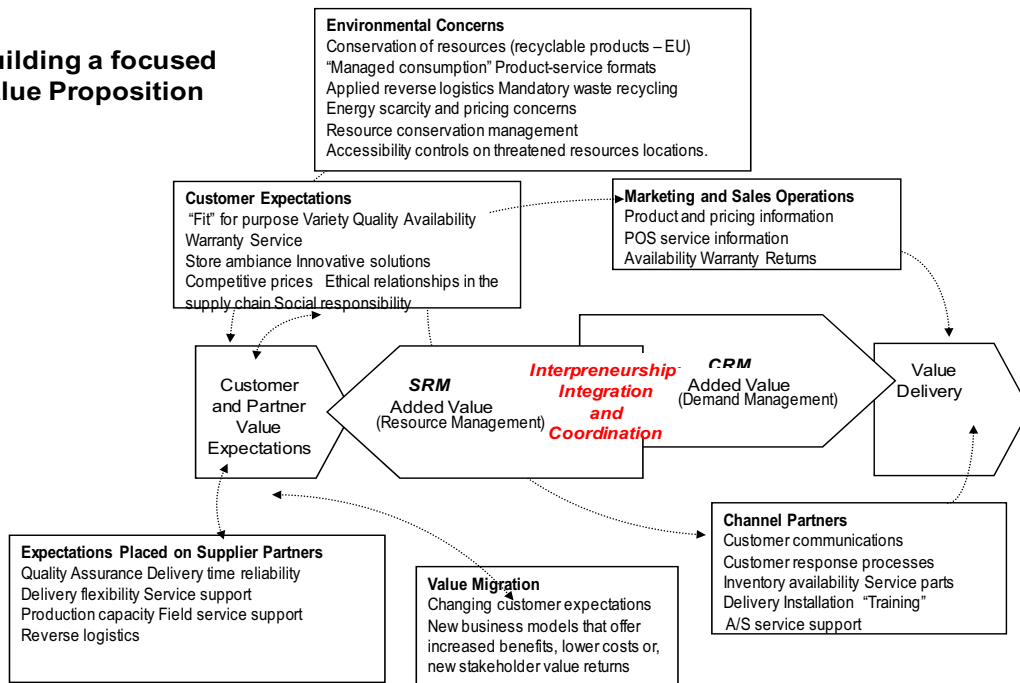| Partners	Programs	Detail
For printing & digital imaging developers	Solution Programs Portal	It enables HP solution programs to evaluate, sponsor and work with developers of solutions.
For Original Equipment Manufacturers (OEMs)	U.S. Original Equipment Manufacturers (OEM) Program	HP provides products as fully integrated and largely inseparable elements for participants' unique solutions, which are subsequently sold to their own customers while minimizing costs in a supplier relationship.

(Source from http://welcome.hp.com/country/us/en/solutions/partners.html)

Figure 3.1.

Building a focused Value Proposition

Environmental Concerns
Conservation of resources (recyclable products – EU)
"Managed consumption" Product-service formats
Applied reverse logistics Mandatory waste recycling
Energy scarcity and pricing concerns
Resource conservation management
Accessibility controls on threatened resources locations.

Customer Expectations
"Fit" for purpose Variety Quality Availability
Warranty Service
Store ambiance Innovative solutions
Competitive prices Ethical relationships in the
supply chain Social responsibility

Marketing and Sales Operations
Product and pricing information
POS service information
Availability Warranty Returns

Customer and Partner Value Expectations

SRM
Added Value
(Resource Management)

Interpreneurship Integration and Coordination

CRM
Added Value
(Demand Management)

Value Delivery

Expectations Placed on Supplier Partners
Quality Assurance Delivery time reliability
Delivery flexibility Service support
Production capacity Field service support
Reverse logistics

Value Migration
Changing customer expectations
New business models that offer
increased benefits, lower costs or,
new stakeholder value returns

Channel Partners
Customer communications
Customer response processes
Inventory availability Service parts
Delivery Installation "Training"
A/S service support

(Source from David Walters Lecture Notes Section 5)

Customer value criteria (Private)
- Low price
- Good quality
- Brand identify
- Mobility
- Easy-to-use
- Service

Customer value criteria (Businesses)
- Provide industry-standard architecture
- Manageability
- Service on a global basis
- Greatly increase productivity
- Leverage existing business model and keep pace with continued growth
- Simplify upgrades and maintenance
- Security data
- Strong return on investment

Customer value criteria (public & education sectors)
- Smooth out budget cycle with leasing options
- Management solutions to focus on customer service
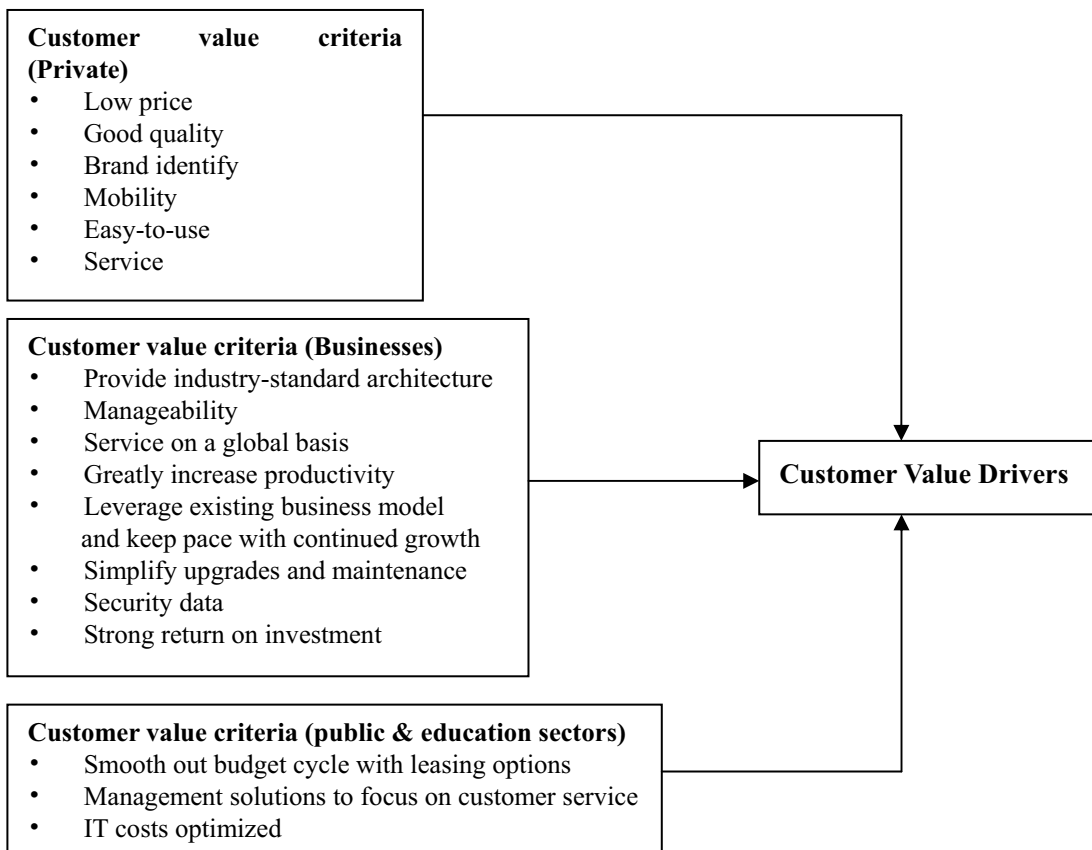- IT costs optimized

Customer Value Drivers

Figure 4.5.1 Different Customer Value Drivers summarizing from HP