

# Case Study Compaq Connect Competitive Advantage Supply Chain Strategy



## Background

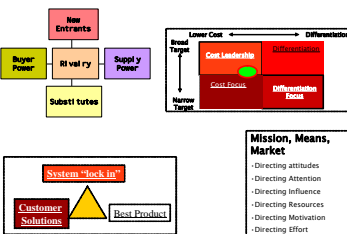
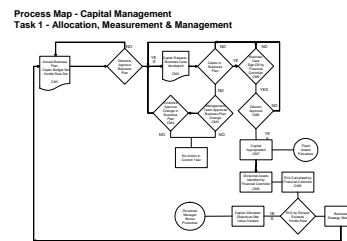
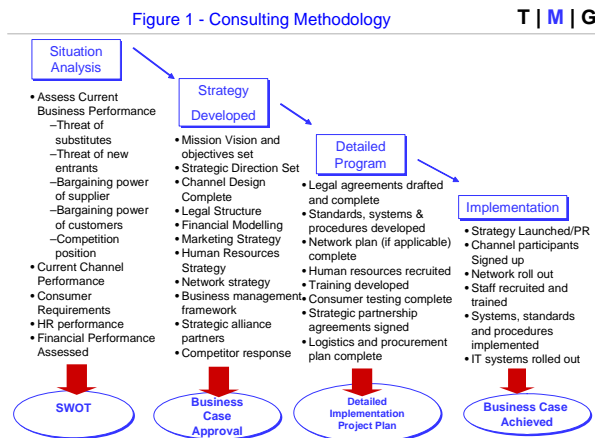
TMIG was invited into discussion with Compaq Australia to review channel strategy. The largest PC brand in Australia was "other" – the white box, no branded product sold through thousands of resellers around Australia. The Dell Direct model had made inroads into "white"box and Compaq Australia wanted to beat Dell to gains from the "White"box. TMIG was asked to help develop strategy for successfully capturing strong financial returns from penetrating "white"box.

## Business Challenges

Supply and configuration logistics in the then Compaq environment carried some long lead times with the selling price of goods falling whilst they were in transit – a serious cost to margin. The nature and buying criteria of whitebox customers was not well understood and major retailers were not keen to custom build in volume. There were conflicting views at Compaq and other major IT firms about the merits of going direct and how that might affect channel dynamics.

## The TMIG facilitated Client Solution

Stimulating a rigorous analysis of options, it became apparent that an "off High Street" hub, delivering direct B2B (business to business) customization serving a catchment via outbound sales representatives, call centre and web based ordering and service at the store / workshop. This solution stayed away from mainstream retail, allowed for the penetration of SMEs – the largest buyers of "whitebox" and could be operated at low cost relative to volume with the number of locations planned facilitating significantly reduced lead times and losses on goods in transit.



TMG draws on more than 100 frameworks and models when offering you options for how to tackle an issue or analysis.

Strategy is simultaneously recognizing and dealing with competitive threat, understanding and protecting its source of value and aligning the Mission and Means to the Market



**T | M | G** was commissioned to undertake the implementation of the solution.

## Results

The project forecast significant sales. The view was taken it should be managed within a context of perceived conflict with other channels and business units at Compaq. To manage this, the strategy was augmented in four ways;

1. The format became more retail than intended.
  2. The call centre and web based elements were separated out to serve multiple markets.
  3. The product range defined to ensure low levels overlap with commercial sales.
  4. The project was to be piloted.
- Launch included the loss of some existing retail business but no more than had been anticipated.
  - Early pilot results were encouraging, needing only economies of scale to deliver planned revenues.



*The project remained in pilot mode whilst changes took place within Compaq. During this period, marketing support was stalled; a US program for retail Kiosks introduced to Australia and merger negotiations with Hewlett Packard came to a head. As these client changes converged, the Compaq Connect project became a casualty of the HP / Compaq merger.*

