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From: John Minck

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To: Distribution

Re: Marketing Communications

This is a brief review of some of the Marcom options we at SPD have for presenting our products to customers. A lot of this material is self-evident, but perhaps there will be some numbers you haven't seen before. Frankly, I have been delighted at the new interest in Marcom options shown by the various product team people, even to questions from finance people. Great!

My purpose is to list various Marcom options with some statistical information and some remarks that relate to the "bang for the buck" we think we get. And of course, I'll editorialize a bit to give you some of the "benefit" of my not-impartial observations.

Think of Marcom as a quiver of non-personal marketing arrows, directed at our customers. There's the usual limit on the number of arrows of each category you can use, due to resources. There is a large sales force doing the personal selling which is so important to high-priced HP. It is bigger and better than any competitor.

But the key decision making still involves us getting the marketing mix correct. Some of these Marcom arrows are beyond our control and influence. So it remains up to us in the division marketing to choose the mix, which may be different for each product line or project, depending on its position in its life cycle.

The following general narrative accompanies the tabular listing of the Marcom options:

1) Catalogs--Yearly SPD budget, \$108K

There is little question that the big HP General Catalog gives the biggest bang for the buck. It is the bible of the industry and almost every engineer has one behind them on the shelf. I don't know how many times I've been across the desk from a customer, discussing a new or old product, and the customer would reach back and look up a spec or whatever. We have worked hard to build that habit, and it works for us.

Statistics on the Catalog are mind boggling, about 10 traincar-loads of paper. There are only four printers in the country that can handle the job. One we commit a printing "window" in October, if we miss it, we lose maybe a month. Total budget runs over \$3 million with about 350,000 copies printed.

The upcoming complications are multiple translations. Japan has done their own for years for obvious reasons. Germany has their translation for 88 and it caused a LOT of division heartburn. In spite of that, top management is serious about French and Italian and maybe Spanish versions

for 89. At the minimum, this means higher per-page costs which gives us only one alternative--to cut our total number of pages. The other thing it means is to use fewer words, since French needs 25-30% more room to say the same thing.

The MTE Catalog is a sometimes event. The sometimes depends on budget. Lightning struck in Oct 86 and we published a new book for the first time in 4 to 5 years. It is also cheap presence because it is intended to stand alongside the big catalog on the same mentioned shelf. And when we do publish, it gets quite a lot of one-shot visibility. It pays off our one-stop-shopping argument. About 20-25% of the content and cost is shared by other MCG divisions.

My strategy of product appearance is as follows. Every product SPD makes should be "indexed" in the Big Catalog. Even if we can only list its frequency range and model number in a table on the product pages, it should be there and in the model number index in the front of the book. The reason is that customers look to that Catalog as our complete line. Some customers order directly from that Catalog.

The MTE Catalog should include as many specifications as possible. For sure, we want customers to be able to determine total performance from the listings. We are now struggling with content philosophy due to tight budgets from the other supporting divisions. We may drop all power-corded products from the MTE Catalog. I have a longer strategy memo if anyone is interested.

2) Customer Shows--Yearly budget. \$55,000 including HP Symposia reprints

This category includes both the trade or industry shows and the HP-only RF/Microwave Symposia. At least two advantages come from shows. They often bring manager-level customers out that our sales reps don't see regularly if at all. Secondly, we have factory people demonstrating equipment and making customer contact, normally left to the sales rep. Per-contact cost of a trade show is reasonable, even if you discount a lot of hamburgers walking through. The key is aggressive booth-standing and quick sorting-out of low interest people.

At the HP-sponsored RF/MW Symposia, we have key customers trapped for 7 or 8 hours listening to clearly-slanted measurement messages, and looking at modern demos with factory personnel. The sales reps attending get to talk with real factory R&D engineers, and the R&D folks get to talk directly with real-life high-powered customers. The RF/MW Symposium costs about \$150 per attendee on the average, and 5 divisions plus field share that cost.

3) Newsletters--Yearly budget, zero dollars

This resource is a mixed blessing. Corporate produces these important Marcom vehicles but fairly strict limits are placed on space any division can command. Most if not all small stories fall on the cutting room floor. On the other hand, presence costs us virtually nothing, just my writing time, and a little apple-polishing with the corporate gnomes who do the managing editing.

T&M NEWS is the instrument part of MEASUREMENT/COMP NEWS which was broken up to yield a computer part called UPDATE. It is bi-monthly, and

has a broad T&M readership, with about 30% RF/MW interest.

The worst news was the 1986 demise of WAVELENGTH which hurts SPD because we lost a quarterly platform for all of our little "microwave knuckles" and the literature supporting them. The non-personal exposure of that highly-vertical microwave-only newsletter was hard to beat.

SPD is badly under-using the HP Journal platform. While they have a fairly high inbasket, and a long queue, material will get published and it reaches a wide audience and it costs us nothing but the writing time. It is important for us to keep cheerleading the lab to get articles written for the Journal.

4) Collateral--Yearly budget, \$300K

Comparatively, this item takes a big chunk out of our resources. It includes the regular product literature like data sheets and ordering guides. The freight costs alone are about \$75K per year. The category also includes the enormously popular wide range of application notes and product notes. If you think of SPD as not only inventing hardware instruments, but also inventing new measurements, you have the idea. And the ANs and PNs are the technical reports of that measurement "software". And it is one of the pre-eminent things we are known and respected for.

The beautiful part of having these technical notes is that the sales rep can use them to enhance HP's stature by passing them through, (after presumably learning the contents), or the notes can merely bypass the sales rep by distribution direct to customers.

Is this cost in the right proportion? I believe it is for the technical performance level of our products. Applications literature sells instruments because it points out how the customer can benefit technically from our superior but subtle new measuring techniques. And by bypassing the non-MW-peaked sales rep, we still get to more customers, without any attenuation of the technical message.

5) Direct Mail--Yearly budget, zero for now.

WAVELENGTH was a direct mail project. We bulk-shipped to 72 field coordinators worldwide, and they stuffed and mailed to 61,000 key microwave customers whose names were supplied from the local sales reps. Included in the package was a personalized letter on HP letterhead and one or more one-page color flyers and occasionally a short article reprint, along with the newsletter itself.

There is a new empire abuilding in Cupertino in a kingdom known as CIC, the Corporate Information Center, which will manage the Great-Computer-In-The-Sky which will hold all customer-profiled names and functional job data. Not only will it be the basis of Catalog, MCN, HP Journal, and other mailings, but it will allow specific focused mailings for any of a variety of product or application promotions by direct mail.

The downside is that the service may cost more than before. There is a large overhead structure being built to accommodate a system that ties in a personal HP Portable in the hands of each and every Sales Rep, who will dial up Big-Daddy every day to find out who to call on that day. And if you think all that will happen, perhaps I can sell you some gold stock.

6) Technical PR--Yearly budget \$3K

Technical Press Relations is "free" to us and provided by Dick Harmon's group in Bldg 20. They now charge us nominal amounts for reproducing the 300 to 400 black/white photos sent to the world, and the printing of the press releases themselves.

We use this service for all it's worth, even writing short releases on simple application notes, in the hope they will land a little space in some magazine. Depending on the particular product or literature item, we mail releases to a different set of magazines, for example RF/Microwave design magazines versus "User" magazines like Defense Electronics or Telecommunications. We often go to "general purpose and circuit design" books too since they have some RF/Microwave readers. Typically, I mail to 50 magazines so that maybe 8 or 10 pick up the story and give us 3 column-inches of space for the announcement.

7) Technical Press--Yearly budget Tiny.

This area offers the best room for improvement since SPD (&HP) has been so lousy in the past. Our management, while preaching we are a market-oriented company, does not encourage writing or publishing. This must change, and some improvements are evident, for example the SPD matching honorarium program. So far we have matched 3 magazine payments.

One problem is that no-one is in charge. Writing the HP Journal benchmark article on a new product line like AWS is clearly a Lab responsibility. Writing product articles and applications briefs is a mixed responsibility. They cost little more than a bit of time lost from the project, and a little graphic expense. With our division inability to have any product advertising, it is one of the only games in town left for a division.

An intriguing fact is that there are too many publications on the market at the present time and they have lots of pages to fill. So if one magazine refuses an article because it is too HP-oriented, we can always get another to use it.

8) Media Advertising--Yearly budget, SPD zero; MCG approx \$1,000K

It's no secret that some of us don't agree with the present MCG strategy for media advertising. Engineers and managers at our customers want to learn about product performance, both old and new. The lack of media presence of our older products contributes to their competitive weakness because not only are competitors advertising heavily, but the personal-selling side of HP customer contact doesn't focus on older products. Paid media is one of the only places where you have control of the message you want customers to read. If it flows through the Sales Rep, it gets filtered. And editors have no reason to write about old stuff.

I believe it is crucial for SPD to have product presence with paid media. Yet, under the present regime, it seems clear that product presence and hard-data ads are in eclipse. The MCG "image" campaign has little or no product performance data. I'm a good soldier, so I say that since someone else is in charge of media advertising, and they have for two

years rejected our SPD nominees, we should get on with the other arrows in the quiver that we can do some good with.

The MCG program has been mixed message so far with the "William Tell" insert, the "14 Get-well Cards for Your Signal Generator", etc. Lately, based on results from the SUMM study, a new image campaign was launched. One of the perceptions from the SUMM study was that HP is high priced, ergo the price ad. It seems to me that low prices at HP MCG are more like lightning strikes and that advertising directly into a different customer perception is against some basic ad principles.

One of our specific problems on present media is that the going-in price per ad is about \$50 to 75K. Since our entire SPD media budget for years was about \$125K and each product page campaign ran about \$20K, I'm not sure we can afford any division spending for products with those new rules. It's a reminder of the way Computer folks spend (and spill) money.

Summary

My basic feel is that we are deployed about right on the allocation of the present Marcom resources. On the other hand, I think the total SPD Marcom is woefully small, not just compared to the job to be done, but to some other HP divisions. I realize that MCG just inherently runs low on marketing ratios, out of antiquity, but with our broad exposure and number of diverse product lines, we are under-budgeted. Nothing new there.

The catalog vs. shows vs. collateral is close to traditional ratios. We definitely need to take better advantage of the free stuff like the HP Journal and MCN and trade magazines with technical articles.

Meantime, if any of you can exert any influence on the other spending resources, be my guest.

A COMPARISON OF SPD MARCOM OPTIONS FOR CUSTOMER COMMUNICATIONS

OPTION	REACH	SPD COST	REMARKS
Catalogs			
General	350,000 copies	\$2500/page \$108K total	The top results
MTE Catalog	80,000 copies	\$1000/page	Excellent vertical impact
Customer shows			
MTT	*8,000/8,000	\$4,000	Top MW designer show
RF Expo	5,000/3,000	\$4,000	Good RF designer show
Autotestcon	3,000/1,000	\$3,000	Aerospace/Mil ATE show
AFCEA	25,000/3,000	\$3,000	Top Milcomm/Tempest show
AOC	10,000/2,000	\$5,000	Radar/EW folks
Meas. Science	650/500	\$1,000	All Metrology
NCSL	500/500	\$1,000	Metrology Managers
	*total/SPD interest		
HP RF/MW Symp	2,500/2,500 5 stops	\$30,000/yr	Key thought leaders in MW
Newsletters			
T&M NEWS	220,000	0	New Product info, 6 editions
HP JOURNAL	200,000	0	How clever we are, long queue
INST. NEWS	4,000	0	HP sales reps/mgrs
WAVELENGTH	61,000	\$2,500/issue	Key MW worldwide customers now demised
COMPONENT NEWS	600	0	HP component sales reps
COMPONENT UPDATE/ ADVANCES	10,000/2,000	0	OEM Component customers US and foreign
Collateral			
Application N.	15-25,000	\$1 each	Technical sell
Product Notes	same	same	same
Prog. Notes	5,000	same	Pre-sale and post-sale
Direct Mail			
Flyers	61,000	\$5,000	Used with WAVELENGTH (now demised)
Technical PR			
HP PR releases	50 magazines	\$1,000	Pickups in mags slowing
Technical Press			
Tech articles	10 magazines	0	Matching honorarium
Appl. briefs	10 magazines	0	Magazines want these
Media Advertising			
MCG group	10 magazines	\$75,000/ "program"	No "product ads"
Division?	10 magazines	?	Product ads?

