Market Analysis

Asia/Pacific: PC Vendor Scorecard, 2003

Abstract: An Asia/Pacific survey of more than 600 channel representatives finds after-sales service, profit margins and product availability are the most important vendor attributes for almost all types of channels.

By Martin Gilliland

Strategic Market Statement

Hardware vendors can increase their Asia/Pacific revenue by up to 20 percent by redirecting that portion of their channel-management budgets dedicated to less-important areas as rated by the channels (such as co-op programs and marketing development funds) and toward areas deemed more important by the channels (such as after-sales service and product availability).
Channel Survey, 2003

In the first quarter of 2003, Gartner Dataquest surveyed representatives from dealers, retailers, value-added resellers (VARs) and distributors. The survey was conducted across five major Asia/Pacific markets with the aim of understanding the channel’s wants and needs and then ranking the main vendors on their performance against these wants and needs. The five markets chosen are not necessarily the largest hardware markets in Asia/Pacific. They were selected because of their ability to provide a good overall view of Asia/Pacific channel’s wants and needs, as well as how the vendor performance matched these wants and needs. Gartner Dataquest offers a regional view of the extensive findings.

The detailed findings can be found in "Asia/Pacific: Channel Survey, 2003," HWPT-AP-MS-0164.

Although the level of direct PC sales grew in some markets in Asia/Pacific from 2001 to 2002, the overall level of desktop direct sales across the region did not exceed 23 percent (see Table 1), so as in previous years, most vendors must ensure they have successful channels to succeed in Asia/Pacific. Laptop sales through direct channels accounted for a 15 percent market share in both 2001 and 2002 (see Table 2).

### Table 1
Asia/Pacific: Desktop PC Unit Market Share by Channel Type, 2001 and 2002 (Percent)

<table>
<thead>
<tr>
<th>Channel Type</th>
<th>Australia 2001</th>
<th>Australia 2002</th>
<th>China 2001</th>
<th>China 2002</th>
<th>India 2001</th>
<th>India 2002</th>
<th>South Korea 2001</th>
<th>South Korea 2002</th>
<th>Taiwan 2001</th>
<th>Taiwan 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer</td>
<td>39</td>
<td>39</td>
<td>31</td>
<td>33</td>
<td>41</td>
<td>39</td>
<td>38</td>
<td>56</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Retailer</td>
<td>31</td>
<td>30</td>
<td>20</td>
<td>19</td>
<td>40</td>
<td>39</td>
<td>8</td>
<td>4</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Direct</td>
<td>23</td>
<td>23</td>
<td>38</td>
<td>37</td>
<td>14</td>
<td>17</td>
<td>40</td>
<td>26</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>VAR</td>
<td>7</td>
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<td>11</td>
<td>11</td>
<td>5</td>
<td>6</td>
<td>14</td>
<td>15</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Gartner Dataquest (May 2003)

### Table 2
Asia/Pacific: Laptop PC Unit Market Share by Channel Type, 2001 and 2002 (Percent)

<table>
<thead>
<tr>
<th>Channel Type</th>
<th>Australia 2001</th>
<th>Australia 2002</th>
<th>China 2001</th>
<th>China 2002</th>
<th>India 2001</th>
<th>India 2002</th>
<th>South Korea 2001</th>
<th>South Korea 2002</th>
<th>Taiwan 2001</th>
<th>Taiwan 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer</td>
<td>47</td>
<td>47</td>
<td>37</td>
<td>39</td>
<td>55</td>
<td>54</td>
<td>57</td>
<td>56</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Retailer</td>
<td>31</td>
<td>30</td>
<td>19</td>
<td>18</td>
<td>27</td>
<td>27</td>
<td>5</td>
<td>1</td>
<td>52</td>
<td>53</td>
</tr>
<tr>
<td>Direct</td>
<td>15</td>
<td>15</td>
<td>23</td>
<td>23</td>
<td>15</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>VAR</td>
<td>7</td>
<td>8</td>
<td>21</td>
<td>20</td>
<td>2</td>
<td>3</td>
<td>20</td>
<td>25</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

A/P = Asia/Pacific
VAR = value-added reseller
Source: Gartner Dataquest (May 2003)
Survey Research Design

Survey Scope

Primary research interviews were carried out via telephone in five leading Asia/Pacific IT markets: Australia, People’s Republic of China, India, South Korea and Taiwan.

In terms of the desktop and laptop vendor scorecards (see Table 3), the number of interviews varied by market, and each respondent was asked to rank up to three of the top five desktop vendors in his market. Therefore, the total number of responses is greater than the total number of respondents.

Table 3
Asia/Pacific: PC Survey Response

<table>
<thead>
<tr>
<th></th>
<th>Desktop Respondents</th>
<th>Desktop Ratings</th>
<th>Laptop Respondents</th>
<th>Laptop Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia/Pacific</td>
<td>453</td>
<td>755</td>
<td>407</td>
<td>732</td>
</tr>
<tr>
<td>Australia</td>
<td>59</td>
<td>84</td>
<td>63</td>
<td>123</td>
</tr>
<tr>
<td>China</td>
<td>145</td>
<td>233</td>
<td>123</td>
<td>193</td>
</tr>
<tr>
<td>India</td>
<td>141</td>
<td>239</td>
<td>118</td>
<td>211</td>
</tr>
<tr>
<td>South Korea</td>
<td>59</td>
<td>92</td>
<td>60</td>
<td>113</td>
</tr>
<tr>
<td>Taiwan</td>
<td>49</td>
<td>107</td>
<td>43</td>
<td>92</td>
</tr>
</tbody>
</table>

Source: Gartner Dataquest (May 2003)

Channel Type

The study focuses on the following four channels as defined by Gartner Dataquest:

- Dealers, which typically sell products and services to the business, education and government sectors, usually via an outbound sales force
- Retailers, which typically sell products to the small-business and home markets through a walk-in environment in which customers can browse, try and buy products without an appointment
- VARs, which typically act as consultants to business, education and government markets and provide expertise in integration services or have developed or configured some type of software package targeted at a particular market. VARs usually generate more than 40 percent of their revenue from services and custom products.
- Distributors, which typically act as intermediaries between vendors and resellers. They tend to provide two key functions to the vendors — access to a broader spectrum of resellers and efficient logistics and inventory management systems.

Vendors Included

The study focused on the major vendors in each market. The list of PC vendors to be rated changed for each market based on whether they were among the top five for that particular market.
Attributes Included
The top vendor attributes mentioned and rated in previous vendor scorecards were selected for the 2003 PC vendor scorecard, including some new ones to take the total list to 20 attributes for 2003, up from 13 in 2002. New attributes for the 2003 vendor scorecard are marketing/development funds (MDFs), online marketing tools, online training, sales-lead referrals/management, sales training, technical training, and vendor staff competency. The following attributes selected were (in alphabetical order):

- After-sales service — Warranty and repair terms and capabilities
- Co-op programs — Promotional funds offered by vendor in return for sales performance. Channels get these funds automatically on reaching targets.
- Credit terms — Standard and nonstandard credit terms and conditions
- Leasing/finance programs — Leasing and finance for end users
- Marketing development funds — Promotional funds offered by vendor for targeted campaigns. Channels must apply to vendor for these funds.
- Online marketing tools — Brochures, logos and other promotional material available on vendor's Web site for qualified channels
- Online training — Technical and sales training available on vendor's Web site for qualified channels
- Price protection — Guaranteed rebates for channel in case of price reduction from vendor
- Product availability/fast delivery — The ability to reliably supply products in a reasonable time frame
- Product/brand advertising — Marketing programs to promote the products being sold
- Profit margin — The profit available to the channel
- Sales collateral — Promotional materials used by the sales force (for example, brochures)
- Sales incentives — Reward and incentive programs for sales people
- Sales lead generation — Provide leads from Internet or telephone inquiries
- Sales lead referrals/management — Process by which vendors pass on leads to channels gained through direct contact with potential clients.
- Sales support — Configuration and pricing support from vendors to channels
- Sales training — Market positioning and basic technical training given to channel sales staff by vendors (free or pay-per-use)
- Stock returns policy — Ability to return products that are unsold or unsaleable
- Technical training — In-depth technical training given to channels sales support and service staff (typically includes some level of professional certification)
- Vendor staff competency — Product and company knowledge displayed by vendor staff across multiple departments

## Research Methodology

### Attribute Rankings

Channel representatives were first asked to rate each of the 20 attributes on a scale of 1 to 7. A score of 1 meant the attribute was "not important at all" and a score of 7 meant that the attribute was "very important."

The number of responses for each attribute was then multiplied by the relevant number they were given in the questionnaire. For example, all the responses that scored profit margin as a 3 in level of importance were added together and then multiplied by 3. All the responses that scored 4 were totaled and multiplied by 4, and so on (see Table 4).

Each of these column totals was then added together and divided by the total number of responses. This gives a weighted average response. In the example, the average came out 3.77, which means that out of a range of 1 through 7, vendors rated profit margin as a 3.77 out of a possible 7.

Weighted averages were used to ensure that the value of the votes were considered, not just the number of votes. If weighted averages were not used we could not have determined the average response.

### Table 4

<table>
<thead>
<tr>
<th>Degree of Importance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margin</td>
<td>34</td>
<td>67</td>
<td>80</td>
<td>120</td>
<td>100</td>
<td>42</td>
<td>10</td>
<td>453</td>
</tr>
<tr>
<td>First Calculation</td>
<td>34 x 1</td>
<td>67 x 2</td>
<td>80 x 3</td>
<td>120 x 4</td>
<td>100 x 5</td>
<td>42 x 6</td>
<td>10 x 7</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>134</td>
<td>240</td>
<td>480</td>
<td>500</td>
<td>252</td>
<td>70</td>
<td>1,710</td>
</tr>
<tr>
<td>Final Calculation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,710/453</td>
</tr>
<tr>
<td>Average Response</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.77</td>
</tr>
</tbody>
</table>

Source: Gartner Dataquest (May 2003)

### Vendor Ratings

Channel representatives were asked to rate their vendor's performance against these attributes. They were asked to rate up to three of the top five desktop PC vendors in their market based on these 20 attributes. The responses were tallied and given a weighted average as they were in Table 5. These weighted averages were used to determine the average response (see Table 6).

These vendor-weighted averages in Table 5 were then multiplied by the attribute-weighted averages in Table 4 and added together to give the overall ranking of each vendor across Asia/Pacific (see Table 6). In this
example, you can see that the overall vendor rating is 411.54 out of a possible 980 (that is, attribute ranking x vendor rating x 20 attributes).

Table 5
Channel Representatives' Vendor Rating

<table>
<thead>
<tr>
<th>Degree of Importance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margin</td>
<td>10</td>
<td>70</td>
<td>120</td>
<td>250</td>
<td>220</td>
<td>50</td>
<td>35</td>
<td>755</td>
</tr>
<tr>
<td>First Calculation</td>
<td>10x1</td>
<td>70x2</td>
<td>120x3</td>
<td>250x4</td>
<td>220x5</td>
<td>50x6</td>
<td>35x7</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>140</td>
<td>360</td>
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<td>1,100</td>
<td>300</td>
<td>245</td>
<td>3,155</td>
</tr>
<tr>
<td>Final Calculation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,155/755</td>
</tr>
<tr>
<td>Average Response</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.18</td>
</tr>
</tbody>
</table>

Source: Gartner Dataquest (May 2003)

Table 6
Channel Representatives' Vendor Score

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Attribute Rank</th>
<th>Vendor Rating</th>
<th>Calculation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>After-Sales Service</td>
<td>6.34</td>
<td>4.29</td>
<td>6.34 x 4.29</td>
<td>27.20</td>
</tr>
<tr>
<td>Co-op Programs</td>
<td>5.04</td>
<td>3.46</td>
<td>5.04 x 3.46</td>
<td>17.44</td>
</tr>
<tr>
<td>Credit Terms</td>
<td>5.48</td>
<td>4.12</td>
<td>5.48 x 4.12</td>
<td>22.58</td>
</tr>
<tr>
<td>Leasing Finance Programs</td>
<td>4.29</td>
<td>2.77</td>
<td>4.29 x 2.77</td>
<td>11.88</td>
</tr>
<tr>
<td>MDFs</td>
<td>5.03</td>
<td>3.50</td>
<td>5.03 x 3.50</td>
<td>17.61</td>
</tr>
<tr>
<td>Online Marketing Tools</td>
<td>5.07</td>
<td>4.25</td>
<td>5.07 x 4.25</td>
<td>21.55</td>
</tr>
<tr>
<td>Online Training</td>
<td>4.65</td>
<td>3.69</td>
<td>4.65 x 3.69</td>
<td>17.16</td>
</tr>
<tr>
<td>Price Protection</td>
<td>5.86</td>
<td>3.90</td>
<td>5.86 x 3.90</td>
<td>22.85</td>
</tr>
<tr>
<td>Product Availability/Fast Delivery</td>
<td>6.19</td>
<td>4.85</td>
<td>6.19 x 4.85</td>
<td>30.02</td>
</tr>
<tr>
<td>Product Brand Advertising</td>
<td>5.58</td>
<td>4.41</td>
<td>5.58 x 4.41</td>
<td>24.61</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>3.77</td>
<td>4.18</td>
<td>3.77 x 4.18</td>
<td>15.76</td>
</tr>
<tr>
<td>Sales Collateral</td>
<td>5.11</td>
<td>4.10</td>
<td>5.11 x 4.10</td>
<td>20.95</td>
</tr>
<tr>
<td>Sales Incentives</td>
<td>5.29</td>
<td>3.70</td>
<td>5.29 x 3.70</td>
<td>19.57</td>
</tr>
<tr>
<td>Sales Leads</td>
<td>5.26</td>
<td>3.62</td>
<td>5.26 x 3.62</td>
<td>19.04</td>
</tr>
<tr>
<td>Sales Lead Referrals/Management</td>
<td>5.19</td>
<td>3.50</td>
<td>5.19 x 3.50</td>
<td>18.17</td>
</tr>
<tr>
<td>Sales Support</td>
<td>5.80</td>
<td>4.22</td>
<td>5.80 x 4.22</td>
<td>24.48</td>
</tr>
<tr>
<td>Sales Training</td>
<td>5.25</td>
<td>4.00</td>
<td>5.25 x 4.00</td>
<td>21.00</td>
</tr>
<tr>
<td>Stock Returns Policy</td>
<td>5.07</td>
<td>2.76</td>
<td>5.07 x 2.76</td>
<td>13.99</td>
</tr>
<tr>
<td>Technical Training</td>
<td>5.57</td>
<td>4.10</td>
<td>5.57 x 4.10</td>
<td>22.84</td>
</tr>
<tr>
<td>Vendor Staff Competency</td>
<td>5.67</td>
<td>4.03</td>
<td>5.67 x 4.03</td>
<td>22.85</td>
</tr>
<tr>
<td>Vendor Score</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>411.54</td>
</tr>
</tbody>
</table>

Source: Gartner Dataquest (May 2003)

Vendor Scorecard Results, 2003

**Most-Important Attributes**

With all channels added together, the top five attributes in terms of importance to the channels are the following, in order of importance.

**Asia/Pacific**

- After-sales service
- Product availability
These attributes are the same as the 2002 vendor scorecard in makeup and order of importance (see "Asia/Pacific Channel Survey, 2002," "HWPT-AP-MS-0123"). The scorecards from previous years had the same attributes as the top five, but they have been in a slightly different order each year.

The top five attributes vary from market to market as indicated in the following.

**Australia**
- Product availability
- Profit margin
- Vendor staff competency
- After-sales service
- Sales support

**China**
- After-sales service
- Product availability
- Price protection
- Profit margin
- Vendor staff competency

**India**
- Product availability
- After-sales service
- Sales support
- Technical training
- Profit margin

**South Korea**
- After-sales service
- Profit margin
- Sales lead generation
- Co-op programs
- Price protection

**Taiwan**
- After-sales service
- Profit margin
- Technical training
Product availability
Sales support/sales training

When the channels are indicated by channel type the top five attributes vary again, as shown in the following:

**Dealers**
- After-sales service
- Product availability
- Profit margin
- Price protection
- Sales support

**Retailers**
- After-sales service
- Product availability
- Profit margin
- Sales support
- Price protection

**VARs**
- After-sales service
- Product availability
- Profit margin
- Sales support
- Price protection/vendor staff competency

**Distributors**
- Product availability
- Price protection
- Profit margin
- After-sales service
- Vendor staff competency

After-sales service, profit margin and product availability appear as the top three for almost all types of channels. This is in line with the results of the previous year and suggests there were no major changes in the needs and wants of the channels across the region from 2001 to 2002 — keeping in mind that the ratings in the 2003 survey are related to 2002 vendor performance.

It is interesting to note the difference in the needs and wants of the distributors as compared to the other channel types. Using a completely different business model than other channel types, distributors have significantly different requirements of their vendors. They tend to rely on
high-volume, low-margin business, with supply efficiency being a major contributor to profit. Better product availability means the distributor can keep lower inventories while supplying the market when and where needed. Price protection means that the distributor's inventory risk is minimized.

Even with the global and regional economic slowdown in 2002, profit margin still held the No. 3 position in most cases, rather than moving up the list as some might expect. Channel partners continue to value the importance of customer service over short-term profit and they look to the vendors for help with this. That said, vendors with tactical programs to provide increased margins for their channels would have done well, assuming they were still able to make a profit from the deal.

Detailed results for the attribute rankings can be found in "Asia/Pacific: Channel Survey, 2003," HWPT-AP-MS-0164, Chapters 4 and 5.

**Least-Important Attributes**

While this survey did not aim to determine the least-desired vendor attributes, we can assume from the results that those attributes that consistently scored poorly should not be considered vital to a channel's management program.

Once again, almost every channel type rated leasing programs the least-important attribute. In these times of change for channels, anything that might compete with a potential offering from the channel is obviously going to be undesirable. Channels everywhere are changing their business models to include new offerings. Many channels are now offering extended warranties and basic services such as installation, image management and asset management. Some are also offering their own finance plans, usually linked with a local finance company; thus, they may be going head-to-head with the offerings of their vendors.

Vendors and channels see revenue potential from financing, and neither is likely to be willing to give it up. The best solution would be for the vendors to target a particular market segment with their finance offerings — Fortune 1000 accounts for example — leaving the small and midsize business (SMB), government and education markets for the channels.

Another option is for vendors to work with the channels to develop a co-branded finance offering. Vendors might offer the financial backing, while channels offer the client list. Smaller clients — especially SMB customers — may gain access to much better financing options than they would in the normal business banking market.

A new attribute this year is online training. Many vendors in the hardware and software industries are moving down the path of e-learning and providing their channels with online access to technical and sales training courses in place of expensive classroom-type education. These courses are typically completed at the student's pace, followed by some sort of examination and certification.
Although this type of training is significantly less expensive for vendors than face-to-face courses, the fact that almost every channel type rated it as the second-least-desirable attribute of a vendor suggests that channels are not really interested in this type of training, regardless of cost to the vendor. It is difficult for them to set aside time to pursue online training, because other distractions, such as sales calls, occupy much of their working time.

Another possibility is that the type of training offered is not of a high quality, so the channels see little value in it. Individual vendor’s offerings would differ, so each vendor would do well to speak with its channels to find out more about the acceptance of any online training. If the channels see no value in the training, vendors should drop it from their channels programs as soon as possible. This attribute is specifically aimed at the channels, and lacking interest from them, it serves the vendor no use whatsoever.

That said, it is vital that the channels are well-educated on the products and how to sell them, so some vendors may wish to consider going back to the old classroom-style education. This is a costly way to run education, so it would be useful only for the right products and with the right audience. But it may be a solution to poor channel attendance at online education programs.

**Desktop PC Vendor Ratings**

Vendors were rated on their performance against the 20 attributes mentioned earlier. The results for the desktop vendor ratings are as follows.

**Acer**

Acer was rated in Australia and Taiwan. In Australia it was rated second in front of HP and IBM. In Taiwan it was rated third, again in front of HP and IBM.

In Australia, Acer scored poorly in after-sales service and vendor staff competency. Its product availability and sales support appear strong relative to the competition.

In Taiwan, Acer again scored poorly in after-sales service, as well as in sales support and sales training.

**Founder**

Founder is a local Chinese desktop PC vendor and was, therefore, rated only in China. Of the five vendors rated in China, Founder was the worst. Founder’s profit margin appears reasonably strong but all other attributes are weak as compared with the other top five desktop PC vendors.

**Genuine**

Genuine is a local Taiwanese desktop PC vendor and was, therefore, rated only in Taiwan. Genuine was rated the No. 2 desktop PC vendor in
Taiwan in 2002. Genuine's sales support appears to be the only area that needs improvement.

**HCL Insol**
HCL Insol is a local Indian desktop PC vendor and was, therefore, rated only in India. HCL Insol was rated fourth out of the top five desktop PC vendors in India for 2002. HCL Insol shows weakness in every one of the top five attributes. HCL Insol lost market share in 2002 and its weak channels program may be a cause.

**HP**
HP was the No. 2 desktop PC vendor in 2002 in Asia/Pacific (excluding Japan) in terms of market share and was rated in every market in the 2003 desktop vendor scorecard. In Australia, HP was No. 3 after NEC and Acer. In China it was No. 1 ahead of local giant, Legend. In India it was again No. 1. In South Korea it was No. 1 ahead of local market leader, Samsung. And in Taiwan it was fourth behind the local favorites Synnex, Genuine and Acer.

HP’s weaknesses in Australia appear to be product availability and sales support and, to a lesser extent, profit margin. This is similar to the results in the previous year’s channel survey, "Australia Channel Survey: Vendor Scorecard, 2002" (HWCP-WW-UW-0105), in which HP was rated last in Australia with weaknesses across the board. The only improvement for HP was that IBM took last place in 2003, the spot held by HP spot in 2002.

In Taiwan, HP appears to fall short in after-sales service, product availability, profit margin, sales training and technical training. The only thing holding HP above IBM in Taiwan is the fact that it scored reasonably well in the attributes that are not part of the top five.

Obviously this is a mixed bag of results for HP and, as always, the solutions must be localized. In 2002 HP dropped about 2 percent market share in the desktop market in Australia, but it actually gained about 2 percent in Taiwan in the same period.

This shows that channel satisfaction is not always directly linked to sales growth, but it is important to concentrate on the programs and attributes that generate demand, reduce costs and increase channel loyalty.

**Hyunju**
Hyunju is a local South Korean desktop PC vendor and was, therefore, rated only in South Korea. Hyunju was fifth out of the top five desktop PC vendors in South Korea for 2002.

Hyunju scored the lowest of all desktop PC vendors in South Korea in almost every attribute. Obviously, Hyunju needs to concentrate significantly more resources on its channels program, because it is not building a strong channel organization. This may be one of the reasons for Hyunju’s negative sales growth in 2002.
IBM

IBM is the No. 5 desktop PC vendor in Asia/Pacific (excluding Japan) in terms of market share and was rated in every market in the 2003 desktop vendor scorecard. In Australia it was rated last. In China it was third behind HP and Legend. In India it ranked third behind HP and (narrowly) Wipro. In South Korea, as LG-IBM, it was third behind HP and Samsung. And in Taiwan IBM ranked last.

These are not good results for IBM. In 2002, IBM came out on top in the Australian and Indian PC vendor scorecards. See "Australia Channel Survey: Vendor Scorecard, 2002" (HWCP-WW-UW-0105) and "India Channel Survey: Vendor Scorecard, 2002" (HWCP-WW-UW-0110) for more details. In other 2002 scorecards IBM was generally rated near the middle. 2003 appears to be a fairly poor year for IBM PC channels.

In Australia, profit margin and vendor staff competency appear to be IBM's weak points. In China, after-sales service was found wanting, but the other attributes appeared to be reasonably strong. In India, after-sales service and technical training appear to be the major weaknesses. In South Korea, price protection and sales lead generation were rated poorly. And in Taiwan, after-sales service, product availability, profit margin, sales training and technical training were all worse than the competition.

Overall, IBM’s market share has remained reasonably stable, with only a 0.2 percent market share drop through 2002. This varies significantly by market, however, and it appears there is some correlation between the channel’s satisfaction with IBM and its performance in that market.

In Australia, where IBM rated poorly, it lost 1.7 percent of its share in the PC market. In China and India, where it was rated middle of the road, it made slight market share gains. In South Korea, where it was rated in the middle, IBM suffered slight market share losses. And in Taiwan, where it was rated poorly, IBM lost 1.6 percent market share. (See "Asia/Pacific: PC and Workstation Marketplace Report, 4Q02" [HWCP-WW-MS-0263] for more details).

Legend

Legend, the No. 1 PC vendor in China is a local desktop PC vendor and was, therefore, rated only in China. With 26.5 percent share of the Chinese PC market, Legend is also the No. 1 PC vendor in Asia/Pacific (excluding Japan). Legend was rated second of the top five desktop PC vendors in China in 2002, behind HP and just ahead of IBM.

Legend’s only weakness appears to be profit margin. Other vendors surveyed all rated better than Legend in the profit margin they provide the channel. The fact that Legend is the No. 1 PC vendor in China with an 18 percent market share separating it from No. 2 vendor, Founder, suggests that it does not operate on a high-profit margin. Instead, it operates at high volume and low profit; the channel benefits from the high volume as much as Legend does.
Samsung
Samsung, a local South Korean desktop PC vendor and the No. 1 PC vendor in South Korea with almost a 40 percent market share, was rated only in South Korea. This level of sales in South Korea makes Samsung the No. 3 desktop PC vendor in Asia/Pacific (excluding Japan) in terms of market share. Samsung was second out of the top five desktop PC vendors in South Korea in 2002 behind HP and ahead of LG-IBM.

The scores in South Korea were generally lower than in other markets surveyed, which suggests that South Korean vendors are not satisfying their channels as well as they are in other countries. In a survey such as this, it is unlikely that cultural or regional differences would drag scores down across the board.

Therefore, Samsung should evaluate its scores relative to vendors in other countries. It is reasonably strong compared to the other vendors rated in South Korea, but it falls far short of vendors in other countries in terms of co-op programs, profit margin and sales lead generation.

Synnex
Synnex, which rated first out of the five top desktop PC vendors in Taiwan in 2002, is a local Taiwanese desktop PC vendor and rated only in Taiwan. Synnex made slight market share gains in Taiwan in 2002 in a market in which major players such as IBM and Acer actually lost market share. The only areas in which Synnex appears to have some weaknesses are after-sales service and profit margin.

Tongfang
Tongfang, which rated fourth out of the five top PC desktop vendors in China, is a local vendor and was, therefore, rated only in China. Founder followed in fifth place.

Tongfang appears to have problems across the board in its channel programs, but its weakest areas seems to be after-sales service, price protection and profit margin. Tongfang shipments declined in 2002 and much of this could be attributed to a dissatisfied channel.

In South Korea, Tongfang is a local desktop PC vendor and was, therefore, rated only in that country. Tongfang was fourth out of the top five desktop PC vendors in South Korea for 2002, just ahead of Hyunju.

Wipro
Wipro is a local Indian desktop PC vendor and was, therefore, rated only in India. Wipro was second out of the top five desktop PC vendors in India for 2002, behind HP and just ahead of IBM.

Wipro was rated strongly in all top five attributes compared with other vendors. It gained slightly in 2003 market share, but Wipro remains a small vendor in India, with only 3.1 percent market share. Wipro does a significant portion of its business in the direct channel, but the indirect portion of its business grew more than direct in 2002.
Wipro should aim to maximize its top five attribute ratings, because these have changed little in India from the 2002 channel survey (see: "India Channel Survey: Vendor Scorecard, 2002"[HWCP-WW-UW-0110]).

**Zenith**

Zenith, fifth out of five top PC vendors in India 2002, is a local Indian desktop vendor and was, therefore, rated only in India.

Zenith lost considerable market share in 2002 and experienced a 27 percent year-over-year decline amid a market that grew near 12 percent year over year. In short, Zenith had a poor year, and its channels program is not helping it climb out of its hole.

Zenith scored poorly in all of the most-desired areas and must work on all of them if it is to perform better with the channels through 2003.

**Laptop PC Vendor Ratings**

Vendors were rated on their performance against the 20 attributes mentioned earlier. The results for the laptop vendor ratings are as follows:

**Acer**

Acer was rated in Australia, China, India and Taiwan. In Australia, it was rated third — behind NEC and HP and ahead of Toshiba and IBM. In China it was last. In India Acer was rated fourth, ahead of Toshiba. In Taiwan (its home country) Acer was rated third behind IBM and ASUS.

In Australia Acer scored poorly in sales support and vendor staff competency. No attribute stood out as particularly strong for Acer in Australia.

In China, Acer again rated poorly in after-sales service, as well as price protection, profit margin and vendor staff competency. This is a major drop-off from the previous year when Acer was rated fourth out of eight vendors in the "Greater China Channel Survey: Vendor Scorecard, 2002" (HWCP-WW-UW-0107).

In Taiwan, Acer scored badly in after-sales service and technical training, a major drop from the previous year, when Acer was rated the top PC vendor in Taiwan (see "Greater China Channel Survey: Vendor Scorecard, 2002" [HWCP-WW-UW-0107]).

**ASUS**

ASUS is a local Taiwanese Laptop PC vendor and was, therefore, rated only in Taiwan. Of the five laptop PC vendors rated in Taiwan, ASUS was second after IBM. ASUS scored poorly only in sales training. It was reasonably strong in all other areas.
**Fujitsu**

Fujitsu is a Japanese vendor that ranks in the top five laptop vendors only in South Korea among in Asia/Pacific regions (excluding Japan). Fujitsu was last among the five laptop PC vendors rated in South Korea.

It scored poorly in all areas when compared with the other top five vendors in this class in South Korea. Fujitsu must concentrate on the needs of the channel to improve these scores.

**HP**

HP is the No. 1 laptop PC vendor in Asia/Pacific (excluding Japan) and was rated in every market in the 2003 laptop vendor scorecard. In Australia, it was rated second after NEC. In China it was rated second behind local vendor Legend. In India it was rated third behind Wipro and IBM. In South Korea it was rated third behind IBM and local giant Samsung. And in Taiwan it was rated fourth behind IBM and local favorites ASUS and Acer.

HP did not excel in any particular area in Australia, scoring reasonably well across the board, including attributes that the channel did not rate as very important. This is a significant improvement from the previous year’s survey "Australia/New Zealand Channel Survey: Vendor Scorecard, 2002" (HWCP-WW-UW-0105), in which both HP and Compaq were rated last.

The same situation applies in China, where HP scored well across the board. This is an improvement on 2002 when it was rated in the middle of the pack for most attributes (see "Greater China Channel Survey: Vendor Scorecard, 2002" [HWCP-WW-UW-0107]).

In India, HP’s weaknesses appear to be in online training and sales support. This is a drop-off from the 2002 survey in which it was a close second to IBM (see "India Channel Survey: Vendor Scorecard, 2002" [HWCP-WW-UW-0110]).

In South Korea, HP fell short in co-op programs, price protection and sales lead generation.

In Taiwan, HP needs to work on profit margins and redirect its efforts from the unimportant attributes in which it scored well.

**IBM**

IBM is the No. 2 laptop PC vendor in Asia/Pacific (excluding Japan) and was rated in every market in the 2003 desktop vendor scorecard. In Australia it was rated last. In China it was rated third behind HP and Legend. In India HP was second closely following Wipro. In South Korea it was first, just ahead of Samsung. It was also first in Taiwan.

In Australia IBM needs to work on all top five attributes: product availability, profit margin, vendor staff competency, after-sales service and sales support — in that order. This is a major fall from grace for IBM after being rated well above HP and Compaq in the 2002 Australia/New Zealand vendor scorecard.
IBM ranked third in China, slightly behind Legend and HP in almost every one of the top five attributes. Again, IBM needs to work on the top five for China.

In India, IBM ranked well across the board. It must consider redirecting some of its resources to the top five attributes for Indian channels to improve their channel's satisfaction without increasing their costs. This is in line with IBM's rating in the 2002 survey.

As in India, IBM scored well across the board in South Korea and Taiwan. The same work should be done to their channels management program to improve their channel's satisfaction. For Taiwan this is a major turnaround from the previous, when it was rated last.

Legend
Legend is a local Chinese desktop PC vendor and was, therefore, rated only in China where it is the No. 1 PC vendor. Legend was rated first out of the top five laptop PC vendors in China for 2002, scoring well in most areas — especially in the top five attributes.

NEC
NEC is a Japanese vendor, but among the markets surveyed it ranks among the top five laptop PC vendors (excluding direct-only vendor Dell) only in Australia. It was rated only in Australia where it topped the list.

NEC was the leader in four out of the top five attributes for Australian channels. Its only weakness may be that it ranked high in the undesired attributes as well.

Samsung
Samsung is a local South Korean laptop PC vendor and was, therefore, rated only in South Korea. It is also the No. 1 laptop PC vendor in South Korea with a 44 percent market share. Samsung was rated second out of the top five laptop PC vendors in South Korea for 2002, just behind IBM.

Samsung appears weak in terms of profit margin and sales lead generation, and it scored well in the undesired attributes.

Toshiba
Toshiba is the No. 3 laptop PC vendor in Asia/Pacific (excluding Japan) in terms of market share and was rated in three markets. In Australia it was rated fourth just ahead of IBM. In China it was fourth just ahead of Acer. And in India it was last.

Clearly Toshiba has problems with its channels programs, because it scored poorly in almost every area in every market it was rated.

Twinhead
Twinhead is a local Taiwanese laptop PC vendor and was, therefore, rated only in Taiwan where it was rated last.
Twinhead scored poorly across the board and should work on all areas of its that the channels have indicated is important — assuming it will generate more revenue and/or profit.

**Wipro**

Wipro is a local Indian laptop PC vendor and was, therefore, rated only in India. Wipro was rated first out of the top five laptop PC vendors in India for 2002.

Wipro is a small laptop vendor in a relatively small Indian laptop market — and it has been in the market for only one year. As such, these results are impressive, but without further sales results, it is difficult to understand what the channels’ approval of Wipro really means. For the time being, Wipro should continue what it is doing while trying to grow sales.

**Gartner Dataquest Perspective**

As with previous vendor scorecards and channel surveys, the clear advice to vendors is to work closely with their channels to understand individual needs and wants. These will differ by channel type and by market.

The vendor scorecard is a starting point for vendors to understand where their strengths and weaknesses lie. These will vary by product type, so it is important that vendors that sell across multiple product types understand that their channels may have differing needs, depending on what they are selling.

Vendors must start with the top five attributes and make sure they have these worked out and are operating to the satisfaction of the channels. At the same time, vendors must be aware that some of what the channels want is not what they actually need to improve their sales performance. Vendors and channels must work together to understand what can be offered and what each party stands to gain by improving the offerings. In the long run, vendors must ensure that money spent on channel programs provides some sort of return. This may be directly or indirectly, but there is no point in paying for channel programs that do not complement the business goals of the vendor.

For example, MDFs are often handed out based on performance metrics, and vendors often lose control of the funds after they have been approved. Vendors must be more aware of how their MDFs are being used, and a checklist should be provided to channels to make sure that the funds are used to the vendor’s benefit. They must also match the vendor’s other marketing efforts, so they are part of a combined marketing effort.

**Gartner Dataquest Recommendations**

Gartner Dataquest makes the following recommendations to Asia/Pacific PC vendors:

- Vendors should ensure they are concentrating their limited resources on channels programs that are most likely to result in increased sales,
This year, the three attributes most commonly highly rated in the top five were after-sales service, product availability and profit margin.

- After-sales service ranks high, because the channels are interested in customer retention. Channel measurement from vendors should, therefore, motivate the channels to improve their own after sales-service structure to complement the vendor’s.

- Because profit margin is always important to the channels, vendors must review their channels programs regularly to make sure that the different channel types are getting the correct margins. This is a classic source of channel conflict and is reasonably easy to avoid.

- The important attributes vary by market, so vendors note the channels' requirements on a market-by-market basis.

- Vendors must not simply bow to the channels needs and wants if they are not going to provide a reasonable return.

- Vendors should consult their key channels individually to understand the key drivers for these channels. Each channel may have different business goals and geographical inhibitors that may require specialized treatment of some description.

- Vendors should regularly review these needs with their channels. The major channels should have a quarterly executive review with the vendor. Other secondary channels may justify a yearly review or a roundtable discussion, with multiple secondary channels being invited at one time.

- Vendors must show the channels that there is executive buy-in to the channels programs. Channels are suspicious of many hardware vendors, and a show of support from the upper-management will help quell this anxiety.

- Vendors may decide to work together with channels on leasing programs to develop joint offerings. This will help channels develop new business lines while increasing their loyalty to the vendor.

- Vendors must realize that the link between sales performance and channel satisfaction appears quite tenable in the PC market. Channels still have considerable influence over end-user choice and sales performance.

- Vendors must show channels that they value their feedback and use surveys such as this to redesign their channels programs at least once a year. Channels must be shown that they are partners and have a say in how the vendor will manage their relationship.

**Key Issue**

Which channel strategies will prove most effective for each platform and market?