SEAGATE - QUANTUM: ENCROACHMENT STRATEGIES

Buzz Forward, engineering manager at Seagate Technologies, was adamant in his support of a new development program for a 5.25 inch disk drive. “Look, I know this thing is going to be an expensive product to develop, and I know there just doesn’t seem to be much of a market for 5.25 inch drives at the present time. But I’ve been talking to one of my engineer friends who now works for this young and upcoming computer startup, Apple. They think they can grow a market for personal desktop computers using such a drive, and a relatively lower-capacity, 5.25-inch drive would be perfect for such a computer.”

“Hold on just a minute,” countered Butch Stallwart, VP of Marketing. “I just got back from the big Computer Expo, where I talked with all the leading computer companies such as DEC. They were raving about the 8-inch drive from Quantum and how well it was performing as a replacement for the old 14-inch drive. These customers said nothing about wanting a smaller drive. What they wanted was even more capacity in that 8 inch drive. If we want to compete against Quantum and encroach on their market, we should develop a higher-capacity 8-inch model. As I said, all that these big users could talk about was capacity, capacity, and more capacity. You engineering types are always looking to do something technically driven, but if it won’t sell, what good is it?”

“Tell you what, Buzz. There’s this new methodology I’ve been hearing about called conjoint analysis. We survey potential customers, find out what the key attributes are that these customers are looking for in a product, and then find out just how much value each customer places on each attribute. Why don’t we try out this new technique, and let the customers tell us what to do?”

Several weeks later, Buzz and Butch got together to review the conjoint results. “Well, I’m not quite sure just exactly where all this is going to take us but I’ve got a ton of good information,” started Butch. “We talked to all the primary users of disk drives in today’s market. First, we contacted mainframe users, and had them go through the necessary exercise as prescribed by the conjoint method. And second, we surveyed companies such as DEC who make the high-volume units that I am going to call mid-range computers, to distinguish them from the personal desktop computers you mentioned earlier. You know, between the mainframe users and the mid-range users, that pretty much covers all of Quantum’s current customers. And it’s just like I told you earlier. They want more capacity in that 8-inch drive and show relatively little desire for a 5.25-inch form factor. No wonder Quantum is focusing much of its effort on providing more capacity.

“More about that later. But more importantly, you got me thinking beyond these existing customers. It’s risky, but yes, maybe we should also consider that third possible group of customers you mentioned: those who might buy that new Apple desktop personal computer. And then, just to satisfy our curiosity, we peered even further out into the future on this. We came up with a possible fourth group of users that might want disk drives for a portable type of computer. Some people are envisioning a computer that an

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1 This case study is historical fiction in that the characters are fictional, but the case is intended to offer a sense of what was transpiring in the disk drive industry in the late 1970s.

Glen M. Schmidt, Assistant Professor, McDonough School of Business, Georgetown University and Jan A. Van Mieghem, Associate Professor, Kellogg Graduate School of Management, Northwestern University, prepared this case as a basis for class discussion rather than to illustrate either the factual, effective or ineffective handling of a managerial situation.

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