

EXECUTIVE BRIEF

ANALYSIS

NON-PROFIT EFFECTS

When analyzing the outlook of Negroponte's One Laptop Per Child effort, one of the first things that must be addressed is the company's nonprofit status. This one fact shows its effects throughout OLPC's development and it permeates Negroponte's marketing philosophy. Many of these effects will be demonstrated in later sections, but this nonprofit orientation clearly led Negroponte to approach the OLPC product with efficiency and effectiveness as top priorities. Had the project been developed like those of Intel and Asus, other factors may have taken priority – the prospect of future business might have dictated that certain software be included, or the need for compatibility with a for-profit company's other product lines might have necessitated extra hardware. Indeed, most other companies balked at Negroponte's choice to use the open-source Linux framework to develop an entirely new operating system for his product.

Upon hearing word of this new XO operating system, some voiced legitimate concerns: would any facility gained by use of these machines be transferrable to the business machines that populate the offices of the world? OLPC's response once again demonstrated its focus on education rather than the computer industry: "We do not focus on computer literacy, as that is a by-product of the fluency children will gain through use of the laptop for learning." This orientation is not good or bad in itself but is worth observing because of the large role it plays in OLPC's business decisions.

MANUFACTURING & PRICING

While profit was not Negroponte's chief concern, efficiency was key for different reasons. The original claim of the "\$100 Laptop" would only be viable if the machines were purchased in enormous quantities, but it would be near-impossible to convince anyone to purchase the laptops in such volumes without such a low price. Faced with the additional problems that OLPC lacked an established supply chain like that of Intel or AMD, and that Quanta would not be making its usual margin, the manufacture of OLPC's laptops was a clear obstacle.

Negroponte's comment that "50% of the cost of [other] laptops is sales, marketing, distribution, and profit," combined with the \$10 per unit margin, suggests that OLPC was able to adjust for the difficulty of collecting components and manufacturing the laptop by spending a very high percentage of its revenue on this process. The implication that OLPC spent no money on marketing, however, is troubling.

By the end of the case, it appears that despite goals of dropping under \$100 by the end of 2008, the \$100 price tag had not yet been realized. The EeePC, at \$189, claimed to be the lowest-cost machine available, implying that the initial goal of \$150 per XO laptop had also stumbled. With prices for many pieces of hardware falling, OLPC faced a growing market of competition, and without its claim to the lowest price, OLPC would lose a significant amount of appeal.

COMPETITION

A fundamental problem with the OLPC mindset is Negroponte's assertion that his and Intel's goals are not in conflict but in parallel. While each has a different primary focus, every computer that Intel sells to Brazil is one that OLPC will not be able to. To a for-profit corporation, this would be the bottom line, but for Negroponte, the real problem is that every laptop from Intel is one designed for profit and market expansion, not for education. Thus if OLPC truly wishes to achieve its goal of one laptop per child to enrich the education of children in poverty, it must compete in the industry into which it has been thrust.

INDUSTRY LIFECYCLE

When Negroponte announced the concept that eventually became One Laptop Per Child, it was clearly a unique idea. Evidence of this is scattered throughout the case study, with big names in the computer industry attacking the idea constantly, even as many developed their own competing products. The case seems to span a number of years wherein the industry was essentially conceived and then grew to a relatively competitive but still growing market. While there are established names in the laptop industry, Negroponte's concept of the \$100 Laptop, imitated by others in its simplest form as a stripped-down, inexpensive and highly portable laptop, was innovative and, despite criticism, helped to define a new market. Since its inception, however, not only have more competitors entered OLPC's market, but technology costs and sizes have greatly reduced. With every new innovation, the relatively mature laptop market becomes one step closer to this new market, and with this slow merging, OLPC looks to face an enormous field of new competitors.

DISTRIBUTION & TARGET MARKET

OLPC focused its energy on convincing foreign governments to purchase its laptop. This decision had a number of effects, both positive and negative. A successful deal with the government of one developing country could result in a significant number of sales, rather than those resulting from working with smaller, independent educational organizations. Also, the most direct way into schools may be through the government in many countries, because of the established infrastructure and, in some cases, public schools.

Yet while Negroponte had apparent connections and the credibility lent to nonprofit organizations on his side, there were several issues working against him in targeting foreign governments. As the case noted, many developing countries have limited budgets and the investment required for OLPC is significant. Furthermore there is the chance that OLPC's pitch could work but countries could opt for a cheaper product or more well-known brand. Finally, in approaching foreign governments, OLPC took a rather all-or-nothing approach, needing a large investment in order to get any laptops into the country at all. Had OLPC chosen to distribute by means of other educational or international aid organizations, it might have been able to at least target certain areas of a given country, or certain regions, without as much restriction by a country's borders, and without convincing any one country to make an initial investment.

DIFFUSION

RELATIVE ADVANTAGE

Negroponte observed a number of factors he perceived to be detrimental to children's learning, which was his primary focus. In comparison to Intel's efforts to educate teachers with laptops, Negroponte's goal is clear in the company's name, One Laptop Per Child. Beyond the distinct advantage that every child in a class is meant to own one, the laptop was designed with a unique perspective, focusing less on computers the way the business world interacts with them and more on an intuitive and fun interface. Designed well, an interface built with this in mind would have an advantage over "Wintel" laptops not only in its ease of use but in the way it engaged the students.

Bill Gates advocated the use of cellular phones as basic computers that could be connected to a television and a keyboard, but this made the assumption of much better facilities than those for which XO laptop was designed. Not only is the laptop self-contained unlike this cell-phone proposal, it was independently powered and thus did not even rely on outside electricity.

OLPC's XO laptops are also built with a number of technical features designed specifically for the project, including the two antennae on either side of the monitor, a touch-

screen, and a camera, three things that are seldom found together in far more expensive laptops, and the ability to withstand higher temperatures and greater abuse than other laptops.

COMPATIBILITY

Compatibility was one of the greatest complaints for the computer industry giants when OLPC announced the XO operating system, and yet compatibility in a different respect was a primary concern for the developers of the XO laptop. While these new devices, derisively referred to as “\$100 gadgets” in an attempt to ostracize them from the laptop community, were not built to conform to “Wintel” or Apple standards, and were thus not ideal tools for teaching students to work with Microsoft Office or Windows, they were built to conform to the environments for which they were intended. Built with a hand-crank, they required no power source. Built more rugged than most laptops, they could withstand a child’s abuse and the heat of the African sun. The laptop’s interface, too, was designed to be compatible not with Windows but with children. It is clear that compatibility was a major concern for OLPC’s developers, but it is not clear how well-communicated this compatibility was once established. Much of the conversation seems dominated by CEOs of major corporations and not by the developers who innovated these tools and features.

COMPLEXITY

Negroponete’s approach to the XO laptop’s complexity, too, was unique. Technological innovation is constantly associated with complexity, but Negroponete said plainly, “What I promise *not* to do is to keep adding features.” Despite its many revolutionary features and its novel design, the XO laptop was created for children and thus designed to be simple. Instead of using a hierarchical file system like that of Windows (and Unix, Linux, and Apple), the XO developers built a “journal” system, organizing files intuitively and chronologically. The main menu of the operating system is even based on pictures. Again, this appears to be a smart move for Negroponete’s end-goal of education, but it could easily undercut his appeal to foreign governments. If the product appears too simplistic, it can easily be perceived as sub-standard. Paul Otellini, possibly pushing this idea, suggested that it was “yesterday’s technology.”

TRIABILITY

A major issue with the XO laptop is the capability for trial. While Intel could approach Brazilian leaders and show them their competing product, the Brazilians could see and experience the similarities and changes between this new laptop and the computers they were used to working with. As discussed, this is because of a difference in orientation that Negroponete repeatedly notes: while Intel and its ilk were focused on new customers for their entire line of computer products, and thus related everything to this portfolio, OLPC’s laptops were only a means to an end, built with the goal of engaging children and improving their education, with computer literacy as a byproduct. Thus the effects of the XO laptop are far less observable in a trial setting, and this has clearly caused setbacks for OLPC.

COMMUNICATING BENEFITS

OLPC’s ability to diffuse its product worldwide is greatly hampered by its triability, essentially, by the very things for which it was built. Whereas for-profit corporations built competing products with clear benefits that it could communicate to all potential customers, from their software to their compatibility with other computer products, OLPC built its laptop for its intangible benefit: children’s education. There is little in the case that discusses the effectiveness of laptops for this purpose, though there is mention at the end of schools in America finding them to be only a distraction. Thus while it is relatively easy for OLPC’s competitors to show off their products, OLPC itself is left with claims of effectiveness and an air of uncertainty. It could

be that world leaders would, for this reason, choose the familiarity of a Wintel laptop over the un-tested innovation of the XO.

POSITIONING

Negroponte's steadfast focus on his corporation as a nonprofit with only philanthropic goals in mind caused him to neglect, consciously, certain aspects of his product and its marketing, going so far as to discard marketing as something OLPC simply did not have. He clearly dismissed marketing as something necessary for profit and believed that his XO laptop would sell itself on its merits. It certainly did find a positioning without any marketing efforts, but allowing that to happen by itself can be quite dangerous.

It was clearly Negroponte's hope that the XO laptop and the OLPC organization be perceived as a step into the future – a giant movement that would help eventually bring millions out of poverty through education and introduction to the technologies of the First World. Yet with little to no money spent on marketing and promotion, and similar products being marketed at the same time, OLPC seems to have allowed its brand to be positioned by its competitors. Its new, different features, instead of being hailed as innovative, were disparaged as antiquated. The compact, low-cost laptops of the future were represented by Intel and AMD and Asus, each drawing from the innovations of the XO but more closely anchored in existing standards. OLPC was watching its laptop relegated to a charity in the negative sense – not cheap because it was not for profit, but cheap because it was sub-standard. Whether or not this was the case is irrelevant – by neglecting marketing and promotion channels (as well as by other means), XO was being handed this positioning.

MARKETING PROBLEM

By all indicators, OLPC had developed a truly innovative product with the XO laptop. Its features were unique and its capabilities were substantial in comparison with its price. Built collaboratively with a simplistic design and minimal operating costs at OLPC, the laptop was able to be sold for a very low price, but only if purchased in quantities large enough to facilitate economy of scale. Yet in the years since the product had been proposed, developed, and introduced, the market has changed significantly, and the product is still having trouble getting off the ground. New products are being developed and introduced into the growing market and some have come forward skeptical of OLPC's basic premise, that learning can be greatly facilitated by supplying children with laptops. It seems clear that the problem is both in the consumers' perception of XO and in OLPC's understanding of itself.

Clearly, neglecting the marketing of the XO laptop has caused trouble for the organization, but using the wrong marketing strategy or tactics could damage the brand's nonprofit cachet or benefit its competitors. With this in mind, the most important question is what should OLPC do in order to effectively market its brand, and whom should it target? How can OLPC take back control of its positioning? What position would best suit its intended goals? What must be done to succeed in this growing market without sacrificing OLPC's core values? How can OLPC best take advantage of this market growth and the falling costs of hardware? Finally, considering the difference in appeal between the XO laptop and competitors like the EeePC, how should OLPC differentiate itself in, or even *from*, this market?

SOLUTION