

Rebooting the PC industry: Tablets force a shift

July 19 2011, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- The personal computer industry needs a jumpstart - and it's counting on a rescue from emerging markets and a late-to-the-party push into tablet computers.

The U.S. and European PC markets have entered a dangerous new phase: Fewer people are buying new PCs because of economic anxiety, market saturation and the rise of seductive [new gadgets](#) such as Apple's iPad. More signs of strain are expected as PC makers and their component suppliers begin to disclose [quarterly earnings](#) this week.

Make no mistake: The PC is still the backbone of the digital world, powering e-commerce, [social networking](#) and more. It is a fixture in homes and businesses in industrialized countries. More than 1 million PCs are sold every day, and the industry is bigger than ever.

But worldwide sales have slowed in recent years. The U.S. and European markets have fared the worst, suffering lately from declines compared with the previous year. Market research firms IDC and Gartner Inc. said last week that PC shipments worldwide grew at just over 2 percent in the second quarter, short of both firms' expectations.

One of the most urgent concerns is that the PC has become ubiquitous in many markets. That has presented the industry with a classic business problem: how to find new ways to sell an established product.

Although it's true that computers need to be upgraded regularly,

businesses are only starting to spend money again as the economy slowly recovers. Consumers are updating their machines less often, spending their money instead on the latest handheld gadgets.

Apple CEO Steve Jobs has promoted the changes as a sign we've entered the "post-PC era." Technologists have thrown around that term for a decade in what turned out to be premature predictions, but the characterization may be coming true now.

"This is a time of intense change," said Sarah Rotman Epps, a Forrester Research analyst who has studied the evolution of consumer technology. "New competition for PC manufacturers makes it just really, really hard to make a profit."

As a result, PC makers are looking to emerging markets to boost sales.

The new strategy was evident at Intel's recent investors' conference, where the company's CEO, Paul Otellini, unveiled a map that identified where PC growth is expected to be strongest in coming years.

The U.S. and Europe were conspicuously not highlighted. Otellini gestured instead toward places such as Brazil, Russia, India, China - the so-called "BRIC" countries - as well as Mexico, Venezuela, the Czech Republic, South Africa and Turkey. All are expected to experience double-digit percentage growth.

The message: The world's leading computer chip-maker and its industry allies have no choice but to launch a marketing attack on foreign shores.

PC sales are decelerating in the U.S. because the same technological advances that fueled the PC industry's rise - faster processors and lower costs every couple of years - are now benefiting the devices that are usurping it. Consumers can now use smaller gadgets to do many of the

same things they once did with PCs, such as surfing the Internet, storing photos and sending e-mail. Apple even boasts that users can edit home movies on an iPad.

Indeed, consumers' increasing demand for tablets is a looming threat. Some 50 million tablets are expected to be sold this year, and that could double to as many as 100 million next year, according to various estimates. Although that's still small compared with sales of 362 million PCs this year, as estimated by IDC, the PC industry has reason to worry because of how quickly the tablet has been able to claimed such a large corner of the market.

Goldman Sachs calls tablets "one of the most disruptive forces in computing in nearly three decades." It predicts that as many as 21 million people will buy tablets instead of laptops this year, jumping to 26.5 million next year.

In recent quarters, corporations have buoyed much of the spending on PCs. That likely continued in the April-June period, but the drag from consumers is expected to be substantial. Intel Corp., which makes 80 percent of the world's microprocessor chips, issues financial results on Wednesday. Advanced Micro Devices Inc., its smaller rival, and Microsoft Corp., whose Windows software runs on most of the world's PCs, report on Thursday.

Intel and its PC manufacturing customers are hustling to adapt.

Intel, for example, is working on chips that are less power-hungry so that they're more useful in battery-dependent mobile devices. The company says it has signed deals for some 35 different tablet and tablet-PC hybrids to use its chips. Intel is pursuing the smartphone market, which until now has been controlled by a competing chip design developed by U.K.-based ARM Holdings PLC.

Intel, a linchpin in the creation of the PC market, has experimented with putting its chips into non-PC devices before, only to retreat under pressure to focus on its core business. Now investors' interest has flipped, and Intel finds itself under pressure to move faster into smartphone and tablets.

The message isn't lost on the company: The bulk of Otellini's recent sales pitch to investors centered on Intel's efforts to expand into the new technologies.

The consequences for not failing to act have already been severe. AMD's board forced out CEO Dirk Meyer in January, largely because the chipmaker lacked a defined mobile strategy. The company is still without a permanent CEO.

The corporate hand-wringing, analysts say, shows the magnitude of the industry's transformation.

"These changes are a fundamental shift in computing behavior," said Forrester's Epps, noting that computing is now an always-on activity. "The main shift for PC companies that will survive is they need to shift their focus from computers (as) the device to computing (as) the behavior."

Many PC makers such as Hewlett-Packard Co., Dell Inc. and Lenovo Group Ltd. have responded by designing tablets of their own.

None of the new tablets have become a sensation like the iPad, which has sold 20 million units since it went on sale in April 2010. Apple Inc. now sells nearly twice as many iPhones as it does Mac computers. The company is on track to make more money from iPads than from Macs by the end of the year.

"If you have a tablet, you don't turn on the PC as much," said Brian White, a Ticonderoga Securities analyst who covers the PC industry. "If you have a tablet, you may not bring your notebook on a trip. It's only going to get stronger, and tablets are going to get better and better. This is a legitimate threat to a PC maker. They have to have both, and unfortunately most are behind in the game."

Even if current market projections become a reality, there still would be a wide gulf between the \$35 billion tablet market and the \$250 billion PC market. The PC won't become obsolete any time soon because it's still the device of choice for creating the content that consumers increasingly access with their smartphones and tablets. At least for now, PCs are also needed to store data and to load information onto smaller devices.

How much of the computer market it will be able to command in the future, however, is an open question.

©2011 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Rebooting the PC industry: Tablets force a shift (2011, July 19) retrieved 23 June 2024 from <https://phys.org/news/2011-07-rebooting-pc-industry-tablets-shift.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.