

Analysts, PC industry cool on Windows 8

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In this Monday, June 18, 2012, file photo, Microsoft CEO Steve Ballmer comments on the Windows 8 operating system. The PC industry is in a slump, as consumers show more interest in tablet computers and smartphones. Officially, PC makers say they expect Windows 8, which launches Oct. 26, 2012, to get buyers to open their wallets, but industry watchers and analysts are skeptical. (AP Photo/Damian Dovarganes, File)

While Microsoft is touting next week's launch of Windows 8 as the savior of the computer industry, PC makers and analysts are increasingly skeptical that the new operating system will lure consumers away from

tablets and smartphones.

Even [Intel Corp.](#), which makes the processors at the heart of 80 percent of personal computers, doubts that [Windows 8](#) will have a big impact on sales. CEO Paul Otellini said this week that he's "very excited" about the new operating system but expects the usual holiday bounce in PC sales to be half of what it usually is. Clearly, PC makers are being cautious about building big stocks of Windows 8 PCs.

"We haven't had a chance to really judge how consumers will embrace this in the PC space or not," Otellini said on a conference call with reporters and analysts.

Research firm IHS [iSuppli](#) expects the industry to ship 349 million PCs this year, down 1 percent from last year's all-time high. Although small, the decline would be the first since 2001.

In the U.S., a mature market where consumers are gobbling up tablets, PC sales have already been declining for two years.

Meanwhile, Apple has been doubling sales of iPad tablets every year since the first model was introduced in 2010. In the April to June period, Apple shipped 17 million [iPads](#), while Hewlett-Packard Co., then the world's largest maker of PCs, shipped 13.6 million PCs, according to Gartner analysts.



In this Wednesday, Feb. 29, 2012, file photo, Steven Sinofsky, president of Windows and Windows Live attends the Windows 8 Consumer Preview presentation during a press conference at the Mobile World Congress in Barcelona, Spain. The PC industry is in a slump, as consumers show more interest in tablet computers and smartphones. Officially, PC makers say they expect Windows 8, which launches Oct. 26, 2012, to get buyers to open their wallets, but industry watchers and analysts are skeptical. (AP Photo/Emilio Morenatti, File)

Smartphones, which were a [niche market](#) before the 2007 launch of the [iPhone](#), outsold PCs last year, even though PC sales were at a record high.

The PC market is still big, Microsoft CEO [Steve Ballmer](#) told the [Seattle Times](#) last month, "and Windows 8 will propel that volume."

The software is a response to the popularity of tablets. It tosses out many

Windows conventions in favor of a radical new look that's designed to be easy to use on a touch screen. With Windows 8, PC makers are releasing a slew of laptops that double as tablets, either with detachable screens or with screens that fold down over the keyboard.

But Citigroup analyst Joe Yoo is even more pessimistic than Intel that Windows 8 will spur a turnaround in sales of desktop and laptop computers. It could turn out to be a "non-event" in terms of getting people to buy PCs, he said.

Microsoft did not immediately respond to a request for comment. On Thursday, the company reports results for the quarter that ended in September, and executives will likely talk about prospects for the rest of the year.

Brian White at Topeka Capital Markets said Taiwanese PC component suppliers aren't seeing any pickup in orders ahead of the Oct. 26 launch of Windows 8.

"The sentiment around Windows 8 was overwhelmingly negative," he said after meetings with suppliers. "We believe the PC industry is headed for a muted December quarter and well below the ramp expected with new products."

Analyst Mary Jo Foley at UBS is "leery" of Windows 8, noting that it has an entirely new look and feel. It could either be a big success, she said, or it could confuse customers and turn them off. She noted that Microsoft is set to support the launch with its \$1 billion in advertising, the most it has ever spent on a campaign. That support will be critical for overcoming resistance to the new user interface and reinvigorate interest in PCs, she wrote.

PC makers began the year with the hope that a new wave of lightweight

laptops called ultrabooks would provide a sales lift. But ultrabooks are still expensive, with most models around \$1,000, and they haven't been compelling enough to overcome the growing popularity of smartphones and tablets.

Now, PC makers are in a tough spot when it comes to taking advantage of Windows 8, said Patrick Moorhead, a former chip executive who now runs research firm Moor Insight. Adding a touchscreen into a PC is expensive, and they're competing with tablets that are much cheaper. Meanwhile, Microsoft hasn't made much effort to add new features for mouse-and-keyboard PCs to Windows 8.

"If you're a user, you're asking yourself: 'Why do I need to buy this new notebook, if my old notebook can still do what I need it to do? Instead, I'll buy a new phone or a tablet,'" Moorhead said.

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