

# PC sales plunge as Windows 8 flops (Update 2)

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In this Friday, Oct. 26, 2012, file photo, a woman walks past laptop computers running Microsoft Windows 8 operating system during its launching ceremony in Hong Kong. Research firm IDC says PC global shipments of PCs fell 14 percent in the first three months this year. The appeal of tablets and smartphones is pulling money away from PC sales, but it also blames Microsoft's latest version of Windows, which forces users to learn new ways to control their machines. (AP Photo/Kin Cheung, File)

Two somber new reports show unprecedented declines in desktop and

laptop sales during the first three months of the year—signs that the personal computer market may never fully recover from a new generation of mobile devices.

And it appears that a makeover of Microsoft's Windows operating system seems to have done more harm than good since the software was released in October.

"This is horrific news for PCs," said BGC Financial analyst Colin Gillis. "It's all about mobile computing now."

First-quarter shipments of PCs fell 14 percent from the same time last year, according to International Data Corp. That's the deepest quarterly drop since the firm started tracking the industry in 1994. Another research firm, Gartner Inc., pegged the first-quarter decline at 11 percent.

The deviation stemmed from the firms' slightly different definitions of PCs.

This is the worst shape the PC market has been in since IBM Corp. released a desktop machine in 1981.

In an attempt to keep the PC relevant, Microsoft released a radical new version of Windows last fall. Windows 8 has a new look that's similar to the design of the software running the most popular smartphones and tablet computers. The overhaul requires a relearning process, a leap that many consumers and corporate buyers aren't ready to take.

All signs so far point to Windows 8 being a flop.

"Unfortunately, it seems clear that the Windows 8 launch not only didn't provide a positive boost to the PC market, but appears to have slowed

the market," IDC Vice President Bob O'Donnell said.

The newest version of Windows is designed to work well with touch-sensitive screens, but the displays add to the cost of a PC. Together, the changes and higher prices "have made PCs a less attractive alternative to dedicated tablets and other competitive devices," O'Donnell said.

Representatives of Microsoft Corp. were not immediately available for comment.

IDC's count excludes tablets, even if they run PC-style software. It also excludes any device that has a detachable keyboard. With the release of Windows 8, PC makers have been reviving their experiments with tablet-laptop hybrids, some of which have detachable keyboards. Consumers are likely to have shifted some of their buying away from traditional laptops and toward these new devices, which means that the total sales decline of Windows-based devices may not be quite as drastic as IDC's numbers suggest.

Microsoft shares fell 63 cents, or 2 percent, to \$29.65 in extended trading, after the release of the report. It had gained 67 cents in regular trading.

Hewlett-Packard Co., the world's largest maker of PCs, saw a 24 percent drop in shipments in the first quarter compared with the same period a year ago. The industry's No. 2, China's Lenovo Group, is benefiting from sales to first-time buyers in China and other developing countries. As a result, it held sales steady, alone among the world's top 5 PC makers, according to IDC's figures.

HP shares fell 60 cents, or 2.7 percent, to \$21.72 in extended trading. They had risen 10 cents in regular trading.

Shares of Intel Corp., which makes four out of five PC processors, fell 27 cents, or 1.2 percent, to \$21.99, after rising 51 cents in regular trading.

Gartner noted one bright spot: Businesses are buying more PCs, and account for about half of the market.

In total, IDC put the global PC shipments at 76.3 million in the quarter, while Gartner put the figure at 79.2 million. The shipments are still higher than they were four years ago, during the recession.

Both firms track shipments of PCs from the manufacturer rather than retail sales. Shipments correlate closely with sales. The figures include shipments of Apple's Macs, which account for about 5 percent of the worldwide market.

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