

Dell shares dive as PC market still looks rough

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FILE - In this May 29, 2008 file photo, Dell computers are on display at Best Buy in Mountain View, Calif. Dell Inc. said Tuesday, July 14, 2009, that the U.S. personal computer market has reached its low point but that the timing of a global turnaround in the technology industry remains anyone's guess. (AP Photo/Paul Sakuma, file)

(AP) -- Dell Inc. said Tuesday that the U.S. personal computer market has reached its low point but that the timing of a global turnaround in the technology industry remains anyone's guess.

The pessimism sent [Dell](#) shares plummeting \$1.04, or 8 percent, to \$11.98 in afternoon trading.

At a meeting with Wall Street analysts, the world's No. 2 PC maker elaborated on guidance it issued Monday, when it said it expects slightly stronger sales in the current quarter than in the last one. Despite these signs of improvement, Dell executives said Tuesday that many of the conditions that hurt the PC industry over the last several quarters aren't easing.

Businesses have clamped down on technology spending and put off new computer purchases as the [economic crisis](#) persists. Consumers are more eager to buy new computers but are choosing cheaper models such as "netbooks," which are smaller and less powerful than regular laptops.

"Certainly customers are elongating the life cycle" of their machines, Chief Executive Officer Michael Dell said.

Before the economic downturn, PCs were replaced after about three years, but now the CEO said, laptops are being kept for 3 1/2 years, and desktops for four to five.

The CEO said he expects a wave of replacements for aging computers to come in 2010, provided the economy has improved. By then Microsoft Corp. will have released its next operating system, Windows 7, which Michael Dell said should accelerate new PC sales.

"Large numbers of commercial customers completely skipped Vista," the CEO said. He expects more interest in Windows 7, and not only because the cost of maintaining old computers will be rising.

"Windows 7 is a great product at this point, I'd say even a better product than Vista was at this stage," he said. For instance, he pointed to the upcoming software's improved power management and its "Windows XP compatibility mode," which should reduce fears that specialty programs won't work on a new system.

For now Dell Inc., which is based in Round Rock, Texas, and trails Hewlett-Packard Co. in worldwide PC sales, is advising analysts that improvement in its business still varies significantly by region and product type.

Chief Financial Officer Brian Gladden said U.S. sales are "not necessarily getting a lot better," but they're "finding a bottom" in the quarter that ends July 31.

China is pushing revenue in Asia higher and Latin American sales appear to be improving, but Western Europe is weak and even deteriorating, Gladden said.

Worldwide sales to large and small businesses alike are "still very weak," similar to the first quarter, when Dell saw revenue overall sink 23 percent to \$12.3 billion.

The division that sells to educational institutions and the government is picking up, Gladden said, as schools prepare for the upcoming academic year, and Dell's consumer PC business is also expected to post better sales than in the previous quarter.

Michael Dell told analysts that his company is chasing higher profits rather than increased market share in the consumer PC business, which has slim margins.

In the short term, at least, Dell may struggle on both counts. Gladden said higher costs for LCD screens and memory are cutting into Dell's profits and will continue for at least three more months. The company is also having to slash prices just to maintain its market [share](#) in some areas.

"That's a bit of a new dynamic," Gladden said.

Analysts were looking for evidence that Dell plans to expand beyond PCs into other consumer electronics. Ron Garriques, president of Dell's consumer business, indicated a Dell-branded smart phone is likely, saying that customers want devices with screens of many sizes. But he did not give details on timing or specific devices.

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