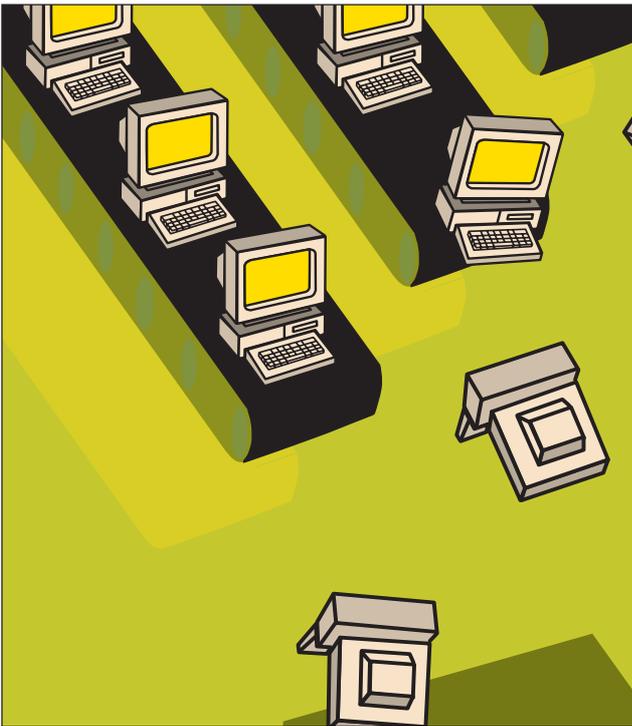


Joining forces

As PC manufacturers face ever-diminishing profits, some have seen sense and united in order to prevent the inevitable. We predict ever-more changes in the PC industry and, thanks to the web, plenty more power to us, the customers



The computer industry is very fond of talking about 'revolutions', 'paradigm shifts' and 'step functions' when it comes to evaluating news. What is meant by these phrases are events which come out of the blue, could not be predicted and which change the landscape forever. The rash of dotcom startups between 1998 and 2001 was labelled a paradigm shift: the laws of business were changed forever. Not so – analyst reports and magazine articles had been full of admonishments to 'get online' for two years previously.

And the dotcom crash in January 2001 was similarly seen as a terrible shock, yet wise voices had been saying throughout the boom that being online was not enough; companies still had to satisfy customers and make profits. Paradigm shifts are what happens to people too stupid to spot a trend, said one wise voice. The skill is in analysing the trend behind the news, putting the seemingly random events into context, and extrapolating what will happen next.

PCs of change

Take three news stories which happened in January: UK PC retailer Time bought its archrival Tiny (see *News*, page 18); Kodak was forced to honour an offer made in error on a digital camera (see *ConsumerWatch*, page 34 and *News*, page 18); and IBM outsourced the management of its desktop PC manufacture to a contractor (www.pcadvisor.co.uk/news/display_news.cfm?newsid=1940). Time buying Tiny is part of the consolidation of the PC business, which

happens each decade and was predicted after the dotcom detumescence caused general downturn in the computer sector.

As the speed at which PC technology changes and its downward pressure on prices has accelerated, the profit from making and selling PCs has been getting thinner. PC factories are replenished faster than supermarkets take delivery of perishable groceries. A PC maker only has to over-order one vital component – say, a graphics card – and it will be selling its machines at a loss. In such a world you either have to be very small and nimble, or big enough to command the lowest prices from your suppliers. Time and Tiny were medium-sized companies. There are umpteen medium-sized PC makers in the UK, so expect more consolidation as things aren't going to get any easier for them.

These are also the factors at work behind IBM's decision to distance itself from desktop manufacture. As an IBM spokesman told *PC Advisor*: "We're not getting out of the desktop business, just the manufacture, which is of less value to IBM."

IBM was the company that started the PC business, so you'd expect it to be the last man standing. But the distraction of more profitable areas of the computer business – selling and servicing entire networks to wealthy corporates – long since made desktop manufacture of little value to IBM. Soon we may even see IBM giving up making desktop PCs altogether.

Power to the punters

So how does Kodak's camera debacle fit into this big picture? Four trends are at work here. First, these rapid advances in computer technology, resulting in the ability of PC makers to offer an increasingly powerful product at a rapidly decreasing price, has built a huge expectation among customers. We demand first-class technology at rock-bottom prices. Second, business is fiercely competitive: there are a lot of companies chasing our money; only the best deserve to get it. Third, consumer protection law has been gaining strength for 30 years. When we don't get either of the first two above, we have the tools to stand in the shop and bawl 'I know my rights!'

Solitary, disgruntled customers can be dealt with one by one. The awkward ones can be paid off and the timid ones fobbed off. But, and this is the fourth trend in action, the web has made it easier for disgruntled customers to band together and take action. And doesn't Kodak know it: *PC Advisor's ConsumerWatch* forum was teeming with punters who descended on Kodak like the Mongol hordes.

We live in a world where brands are valued highly and are built on reputation. Reputations can be constructed carefully over time, but torn down in hours by electronic word of mouth. Online retailers will be going through their automated order confirmations with a fine toothcomb lest such a disaster befall them too. Expect more incidents like this, and for the customers to win. ■

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