behind the news

Doom and gloom surrounds reports on the health of the PC market. But focusing on the idea of a market is misleading – the question we should be asking is 'how rosy is the future in the PC makers' balance sheets?' And the answer is not that downbeat

A cursory glance at the headlines in the national press and you'd be forgiven for thinking that computer-related companies are all headed straight down the toilet of economic recession. But while that may be true of US-based computer firms, two of Britain's biggest PC companies – Time and Tiny – are ploughing pots of money into that other supposedly unprofitable area of business, retail.

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Time's and Tiny's strategies are very different from each other but both are good news for UK consumers and small businesses who are in the market for new PCs and peripherals. They will mean greater competition for Dixons Stores Group's chains such as PC World and Currys, lower prices, more choice and – we hope – better service.

Setting up stalls

Tiny, which is arguably Britain's largest indigenous PC maker, is taking the biggest gamble. It's doubling the number of retail outlets it currently has – that is, 143 – by opening store-within-store concessions in 140 Powerhouse stores, most of which are in out-of-town locations.

At the same time, Tiny is overhauling the appearance and content of its stores with funky window displays and adding consumer electronics and DVDs to its staple stock of peripherals and build-to-order PCs. The retail developments alone will cost Tiny in the region of £7m, a sizable investment for a company which turned over £330m from selling just over 400,000 PCs in the year 2000. But it aims to generate another £100m in revenue from these shops and has ambitions to be a billion-pound organisation by 2006.

Tiny's Lancashire-based rival, Time, recently gave up the Powerhouse concessions and is moving to high street locations from out-of-town retail parks. According to Time, the average Powerhouse store turns over £1.2m a year and, when Time had them, the concessions earnt about £400,000. If Tiny is to add £100m to its turnover from the 140 Powerhouse stores, it will need to average £714,000 per concession.

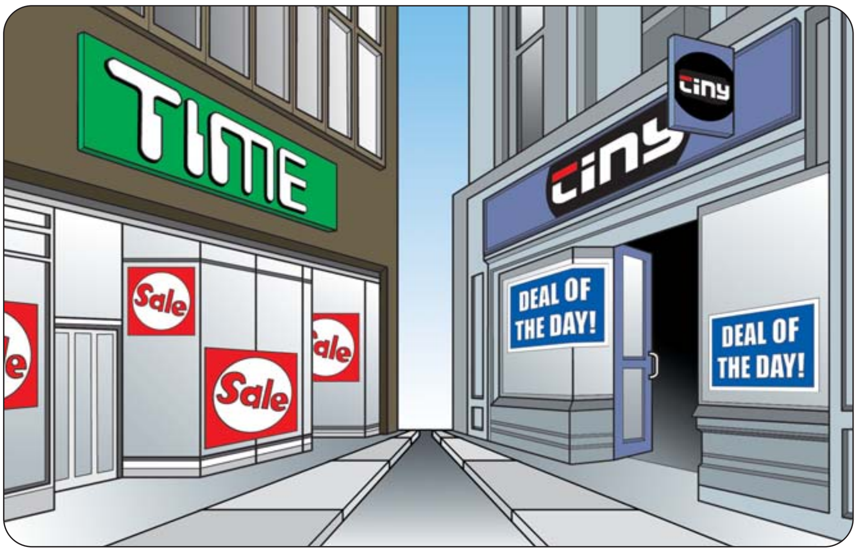
Goods and services

Similar to Tiny's, Time's retail outlets are currently more showroom than shop. Customers review demonstration PCs, which they can then order for later delivery. But while Tiny is expanding into consumer electronics, Time shops will be stocking consumables – high-volume, high-profit items like printer paper and ink cartridges. Hence the need to have shops in primary retail sites subject to 'high footfall' (retail jargon for busy high streets with a higher rate of passing trade).

Selling a PC may be more spectacular than a packet of paper in terms of price, but though the profit on a PC might be eight to 12 percent, consumables can be marked up 400 percent or more. The number sold in a day and the ease of selling them makes computer consumables very attractive for retailers. The other function of Time's stores will be to provide a local upgrade and repair centre, emulating the friendly independent high street computer dealer and lessening the load on call centres.

Buyer's market

Time and Tiny are both switching from concentrating on selling to first-time buyers to a more experienced audience of small business and subsequent buyers. They may have very different strategies when it comes to retail, but they will end up competing fiercely for UK market share. That will be good for UK consumers looking for low prices and a high degree of support. US computer companies who have backed away from Europe will find it a very different place if they ever want to return. ■



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