

# Computer manufacturing industry analysis

[Business](#), [Industries](#)



## 1. ENVIRONMENTAL ANALYSIS

- a. Definition of the Industry

The following study presents a brief analysis of the Computer and Electronic Manufacturing Industry in the USA with a special focus on the Personal Computer's sub-sector. I made the decision to focus on just one of the sub-sectors due to the large scope of the general industry. Industries in the Computer and Electronic. Product Manufacturing subsector group establishments that manufacture computers, computer peripherals, communications equipment, and similar electronic products, and establishments that manufacture components for such products. " (Bureau of Labor Statistics) Given the previous description of the general Industry, I can now go further in the definition of the real point of study for this paper, which is the Computer Manufacturing, clustered in laptops, PCs, and servers. " This industry manufactures and/or assembles personal computers (PCs), laptops, and servers. Operators typically purchase computer components (e.g. motherboards and graphics cards) from dedicated manufacturers in other industries". " This industry does not include tablet computers, nor does it include manufacturers of computer monitors, mice, keyboards and printers". When covering the whole industry, " The US computer manufacturing industry includes about 1, 200 companies with combined annual revenue of about \$75 billion.

Major companies include Dell, Hewlett-Packard, and IBM. " The computer manufacturing industry's revenue is divided and measured according to each of the sub-sectors that conform it. " Personal computers account for about

40 percent of industry revenue; mainframes and servers, 13 percent; and storage devices, about 10 percent. " While respecting the sub-industry in which this paper is focused (PCs, laptops, and servers), and considering just the United States, it is confirmed by 355 businesses generating annual revenue up to US\$37 billion. Nonetheless, " The industry is capital-intensive: annual revenue per employee is about \$460, 000" (HOOVERS), while the whole Computer Manufacturing Industry in the US counts with approximately (in thousands) 1, 099. 9 employees.

- b. Internal and External Analysis

#### OPPORTUNITIES

There is growing consumer demand for PCs and tablets. -" Their rapid growth (of the market) suggests that they will become even more important to the economies of all three North American countries in the future". -" The proliferation of cloud computing will prompt companies to increase their server investments".

#### THREATS

" Industry profit will continue to fall because of intense price competition". " The Computer Manufacturing industry is being rapidly supplanted by imports, particularly from China. " Imports are a threat to local manufacturing revenue. " While import penetration in this industry stood at 50. 7% in 2007, imports are expected to satisfy an estimated 68. 6% of domestic demand in 2012,". " While the emergence of new products and services will boost industry performance, US manufacturers are not expected to produce the required hardware (locally). The concentration of computer

manufacturing facilities near major ports comes as no surprise. With the widespread use of lean-manufacturing protocols, computer manufacturers heavily favor locations that minimize delays in getting products to market, not to mention shipping expenses. " Fortunately, PCs are not the only products in this industry, and industry profit, which includes computers and more profitable products, is expected to account for 3. 8% of revenue in 2012. "

### **WEAKNESSES**

The profitability of individual computer companies depends on purchasing and production efficiencies, and on technological expertise." Computer manufacturing and design also require highly-educated employees", these are very hard to find, especially in the same area as the business offices. -" As a result of offshoring by US-based companies and increased competition from international firms, domestic manufacturing activity has declined". The demand for the Computer Industry is tied to consumer and business income, so it's very sensitive and variable. Customer Analysis The total domestic (US) annual demand for the industry by the end of 2011 was US\$62. 2 billion. " The industry's woes cannot be blamed on a lack of demand. In fact, the share of US households that owns at least one computer increased by 7. 5 percentage points from 2007 to 2012. While demand has grown, fierce competition and widespread product homogeneity (the result of computers being assembled from standardized components) have led to falling prices and profit margins".

The identified target markets/segments for the Computer Manufacturing Industry are the following:

1. Large corporate customers (B2B) – Big companies
2. Small and medium-sized businesses (B2B) – Who represent about 20% of U. S. sales
3. Individual Customers and Consumers (B2C) – Who represent about 10% of U. S. sales
4. Public sector (government and educational) customers.

### **Competitors Analysis**

The computer manufacturing industry is highly concentrated within its most revenue-significant businesses due to the top 50 companies are responsible for about 90 percent of the total industry's revenue. Competition from abroad has tightened profit margins and prices on mass-market computer systems. Consequently, most of the industry's largest players operate in several related industries to diversify their revenue sources, with a particular emphasis on the highly profitable enterprise segment and InformationTechnology(IT) services. " Currently, Hewlett-Packard (HP) and Dell are the largest US-based computer manufacturers, followed by Apple. The total revenue and market share of personal computers for the last year, regarding the top 3 companies in the industry are Hewlett Packard PC Market Share: 23. 1% Total Company Revenue (Jul 2011-Jul2012): \$122. 52B 2. Dell PC Market Share: 22. 4% Total Company Revenue (Aug 2011-Aug 2012): \$60. 30B.

Apple PC Market Share: 11.6% Total Company Revenue (Jun 2011-Jun2012): \$148.81B

Brands Description: Hewlett Packard Hewlett-Packard Company and its subsidiaries provide products, technologies, software, solutions, and services to individual consumers and small- and medium-sized businesses (SMBs), as well as to the government, health, and education sectors worldwide.

It divides into several segments according to their offerings: Personal Systems Group segment (commercial personal computers, software, and services for the commercial and consumer markets), Services segment (consulting and outsourcing to businesses), Imaging and Printing Group segment (consumer and commercial), Enterprise Servers, Storage, and Networking segment (industry standard and business servers), Software segment (IT software and solutions), Financial Services segment (leasing, financing and utility programs for enterprise customers, SMBs, and other entities) and Business Intelligence Solutions. The company was founded in 1939 and is headquartered in Palo Alto, California. They serve more than 1 billion customers in more than 170 countries and have approximately 349,600 employees worldwide. HP defines its function in society like this: “ We explore how technology and services can help people and companies address their problems and challenges, and realize their possibilities, aspirations, and dreams. We apply new thinking and ideas to create more simple, valuable, and trusted experiences with technology, continuously improving the way our customers live and work. ”

Hewlett-Packard HP Key Positioning: You + HP make it matter. At HP we don't just believe in the power of technology. We believe in the power of  
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people when technology works for them. To help you create. To make the digital tangible. To harness the power of human information. At HP we work to make what you do matter even more. ” (Hewlett-Packard) Dell Dell Inc. provides integrated technology solutions in the information technology (IT) industry worldwide. It designs, develops, manufactures, markets, sells, and supports mobility and desktop products, including notebooks, workstations, tablets, smartphones, and desktop PCs, as well as servers and networking products. The company also offers several technology solutions, systems, software, and specialized services. The company sells its products and services directly through its sales representatives, telephone-based sales, and online sales; and through retailers, third-party solution providers, system integrators, and third-party resellers. It serves corporate businesses, law enforcement agencies, small and medium businesses, consumers, and public institutions that include government, education, and healthcare organizations. Dell Inc. was founded in 1984 and is headquartered in Round Rock, Texas.

Dell describes its function in society like this: “ In all we do, we’re focused on delivering solutions to enable smarter decisions and more effective outcomes so our customers can overcome obstacles, achieve their ideas and pursue their dreams. Above all, we are committed to the superior long-term value they need to grow and thrive. Dell Key Positioning: “ Simple and affordable information technology for everyone” “ They are focused on making information technology affordable for millions of customers around the world. As a result of direct relationships with customers. They are best positioned to simplify how customers implement and maintain information

technology and deliver hardware, services, and software solutions tailored to their businesses and homes.” Apple Inc. , together with subsidiaries, designs manufactures, and markets mobilecommunicationand media devices, personal computers, and portable digitalmusicplayers; and sells related software, services, peripherals, networking solutions, and third-party digital content and applications worldwide.

The company sells its products and services to consumers, small and mid-sized businesses, education, enterprise, and government customers through its retail stores, online stores, and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers, and value-added resellers. As of September 24, 2011, the company had 357 retail stores, including 245 stores in the United States and 112 stores internationally. Apple Inc. was founded in 1976 and is headquartered in Cupertino, California. Apple defines its function in society like this: Apple is committed to bringing the best personal computing experience to students, educators, creative professionals, and consumers around the world through its innovative hardware, software, and Internet offerings. " (Apple)

Apple Key Positioning: Innovation leaders.

Competitive Advantage and Strategy of each: Apple’s “ Post PC Strategy”: “ They want to be the dominant operating system through your life – at home and on the move. That sounds a little geeky but it means that they want you to be so delighted with your experience on the iPhone’s operating system that you want that same experience on your tablet. After you are satisfied with that experience, you start to wonder why you are still using a PC versus a Mac or MacBook Air as your “ desktop computer. ” And then that will

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extend to your television. “ Apple wants to own a generation of post-PC world users and block out their competitors until such time as they can present a higher-quality user experience than Apple. That might be a long time. “ The accelerating popularity of mobile computing devices such as Apple Inc's iPad has been eroding PC sales for years.

To combat the erosion in sales to consumers, as well as dwindling margins as companies compete on price, Dell and HP have been gradually focusing more on sales to large enterprises. ” (Reuters 2012) Dell's Strategy: “ Dell has been diversifying its revenue base in the face of weakened consumer demand, giving up low-margin sales to consumers and moving into higher-margin areas, such as catering to the technology needs of small and medium businesses in the public sector and the healthcare industry. The company now finds itself lagging larger rivals like HP and IBM in the race to become one-stop shops for corporate IT needs. ” HP's Strategy: “ HP today announced that it has completed its evaluation of strategic alternatives for its Personal Systems Group (PSG) and has decided the unit will remain part of the company. (...) PSG is a key component of HP's strategy to deliver higher value, lasting relationships with consumers, small- and medium-sized businesses, and enterprise customers. The HP board of directors is confident that PSG can drive profitable growth as part of the larger entity and accelerate solutions from other parts of HP's business. ”

### **Executive Summary**

After this industry analysis, we can see that the computer manufacturing industry in the US is constantly losing revenue and market share in the

world. Almost every business in this Industry (top-ranked) is losing revenue and decreasing profitability. The only company that has increased revenue and has actually grown in the last five years is Apple. For this, I would recommend Apple's executives to maintain their actual " Post-PC" strategy because it is known that demand for PC's is decreasing while demand for other similar electronics such tablets is increasing and will continue doing so in the future. I would recommend Apple, as well, to focus a little bit also in extending their portfolio of offerings by including special services and solutions in order to attend the B2B market and gain some of their competitors share in this segment too.

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