

Issues in the technology sector

Technology



Ever since the first IBM PC appeared on the market in the early 80's, the computer sector has experienced phenomenal growth in technology. From an industry dominated by two main players, IBM and WANG with mainframe computers, other, more aggressive and innovative companies have come onto the scene. They have saturated the market with not only modern personal computers and laptops, but also with different, newer innovative ways of using the ever changing technology. From palm sized personal organizers to warp speed servers, the offers are mind-boggling.

The competition for a slice of the market has now reached a point where newer is not necessarily better, and better is not necessarily the most selling. New marketing techniques and cutting edge technology now determine which player will survive. For those who survive, they have to constantly watch their back and invest heavily in research, ever scanning quarterly reports for a crack in their armor that may be seized by the competition. This war has been healthy for the consumer in terms of price and variety. Presently, the two market leaders in computer sales are HP Compaq and Dell.

IBM's conservative marketing techniques and Apple's non-aggressive approach have seen newer companies enjoy dominance in hardware sales of PC's and peripheral products like printers and internet accessories. They have realized the ever changing demands of the consumer and embraced the challenge with savvy investments in technology, marketing and highly qualified personnel. But none of these corporate giants come close to HP Compaq and DELL in dominating the computer hardware market. It is

therefore prudent to consider the impact these two companies have had on the consumer PC market.

2 Founded in 1984 by Michael Dell, Dell Computer Corporation was the dominant computer company in the early part of this century. By using the direct sales model, it was able to benefit from an understanding of customer needs, thereby moving fast to supply customized computer products. It took advantage of internet sales and purchasing which are convenient and fast. Further, it targeted mainly corporate customers, the government and educational institutions, who account for two thirds of all sales. Coupled with online technical support and next-day onsite service, the internet sales boosted revenues to 30 percent (Ivythesis).

Dell Computers has also taken advantage of the European, Chinese and Indian markets which are now the biggest, leading even the U. S. in demand for computer products. Their use of advanced technology, efficient procurement, manufacturing and distribution, has brought down the price of their computers, making them more affordable and thereby boosting sales. However, their dependence on these foreign markets has had its disadvantages in the form of currency fluctuations, political instability and tariff trade barriers.

With the fluctuations in currency, short to medium term goals are adversely affected and investment must be for the long haul. Additionally barriers to trade and politics have at times made the cost of doing business more expensive. Another issue has been Dell's dependence on suppliers for mission critical systems. An example is their use of Microsoft cluster servers for critical operations, meaning that when these systems fail, Dell's online <https://assignbuster.com/issues-in-the-technology-sector/>

strategies are severely affected. Further, Dell uses no proprietary technology, which means that it shares technology with the rest of the industry.

This is a serious issue for any company because it holds no patents and is at the whim of other sectors of the industry. 3 The merger of HP and Compaq has also been another severe blow. Before it happened, Dell was the market leader in PC sales. However this was eroded to a point where HP Compaq now commands about 80 percent of the market in sales. Notwithstanding this, other factors have been of advantage not only to Dell, but also all players in the market. The continuing innovations of technology that are occurring almost on a daily basis have meant that computers are now faster and more efficient.

For example, Microsoft Corporation introduces software products every few months. These make it simpler to use computers, a scenario that was previously absent and programmers were in high demand in all spheres. You can now buy off the shelf software that will run on most computers. Additionally, the cost of this software keeps going down and after sales support is readily part of the bundle. Further, because of Microsoft's dominance of the software market, institutions which teach users on the use of these products have become widespread. The hardware has not been left behind.

Companies that manufacture processors like industry leader Intel are producing new and faster chips everyday. The end result has been a boost in performance and efficiency of computers. This has led to a reduction in the cost of computing thereby making the price of PC's more competitive and

accessible to ordinary users. These advances in technology and skills has introduced a very competitive climate where the far-eastern countries like Japan, South Korea, Taiwan and a host of other Tiger Economies, are now manufacturing low end PC's, further taking a slice of the pie.

However, the market is still dominated by Dell and HP Compaq, the latter being the current leader in worldwide sales of PC's and computer peripherals. It is also a strong contender for the high end server market which has always been dominated by IBM. HP Compaq is a colossal giant which was formed in 2001 when HP merged with Compaq Computer Corporation. Up to 2003, Dell had been the world leader both market share and PC sales. But in 2006, HP Compaq overtook Dell in PC shipments worldwide. Revenues hit 91.7 billion dollars with a shipment of 9.65 million PC's over Dell's 9.4 million PC's shipped (Heritage Institute).

Additionally, HP Compaq's market share rose to 18.1 percent. Where HP's share price had been trading below 30 dollars before June 2006, it has been consistently trading above 42 dollars since January 2007. Analysts blame Dell's poor performance to William Dell, who took over as CEO and neglected customer service, Dell's original pillar of strength. William Dell concentrated on making a profit, giving HP Compaq the edge (Wall Street Journal). Currently, HP is the leading PC seller over Dell, especially in the U. S. The recent economic downturn, however, seriously affected sales from all computer manufacturers worldwide. In fact, there has been a 7.1 percent decline in worldwide sales (Wall Street Journal).

This has also affected Apple Computers. Their sales are down partly due to their high prices and in the current global economic climate, consumers are

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only willing to buy cheaper goods. However, the market share for Apple improved slightly in the U. S. market. The trend is now moving toward low cost notebook personal computers.

In this economic downturn, computer companies must capitalize on the customer need for low priced goods which are efficient, portable and internet ready. Since Dell's woes began when they changed strategy from customer satisfaction to profits, other PC makers should take the cue and move in on this strategy which worked so well for Dell up to 2006. Customers must always come first. Their needs should determine technology trends and prices. Simply dumping systems on customers, as IBM and Apple used to do, is no longer profitable or cost effective. 5 Despite the serious global economic recession, predictions for the future are not gloomy.

According to an article released to the press by wistechnology on July 2, 2009, the corporate sector confidence in large and medium sized businesses is increasing in large numbers. They predict that investments in I. T. products will go up. This is even more so in the federal agencies where top decision makers predict significant budget increases for the I. T. sector. This overshadows the pessimism that is currently existing within state decision makers. According to the same survey carried out by CDW IT Monitor, 83 percent of medium sized businesses will purchase software in the next six months.

Additionally, 28 percent of large businesses expect to hire more I. T. staff and 52 percent of federal decision makers expect significant budget increases for I. T. (Wistechnology). The above survey was carried out by CDT IT Monitor on 1, 000 top I. T. decision makers from businesses of all sizes and <https://assignbuster.com/issues-in-the-technology-sector/>

sectors of the economy. This is clearly a boon for PC manufacturers. Within the coming months and years, I. T. spending will increase significantly. Buying of computers is not the only prediction however, since with equipment will also be a need for added technical personnel and more training users.

In fact the coming years will witness a ripple effect in all sectors of the economy, from education to manufacturing, automotive trade, internet access and trade, small business growth and a myriad of other industries whose cumulative effect will be a further growth. There are clearly opportunities out there in the I. T. sector. It however needs innovators because the technological landscape is changing at a very fast pace. A new, younger generation of computer users is coming onto the market everyday, and PC manufacturers and software companies must embrace this challenge with new products and techniques.

HP Compaq and Dell are just two of the companies trying to meet the ever changing customer needs. It is clear that competition is very important because it stimulates growth. Monopolies stagnate growth because customers do not have a choice of products. They must follow a laid down trend. The current monopoly by Microsoft is one such disadvantage to the consumer. Currently, the products from Microsoft have saturated the computer market, making it virtually impossible for other competitors to succeed.

Most computers use the windows operating system and other programs like linux and novell cannot compete because this would involve re-educating the majority of computer users in the world today. It is not easy to find a <https://assignbuster.com/issues-in-the-technology-sector/>

computer which does not run windows. Companies must also become more customer oriented. This is a powerful approach which made Dell the number one computer seller in 2003. It is only through customer feedback that newer, better innovations will appear on the market. Further, direct customer contact reduces stock turnover and also channels research into more meaningful areas which are consumer led as opposed to industry led.

Mergers and acquisitions, even though good for the investor and taxman, threaten to choke the small industries. These type of practices amount to little more than cartels and monopolies where the few dictate prices, trends and speed of change. The big ideas are usually held within the small firms where bureaucracy is low. But, despite all the lows and pessimism, the future of I. T. is bright and predictions are that by 2010, there will be a complete turnaround in sales and also prices and better technology.