

Case study example



The thesis this essay propounds is that digital IT firms must continually up integrate, and innovate, or face technological obsolescence. The relevant business model and strategies should be geared towards research and development, therefore cost cutting should not justify a reduction of critical R&D. Brand loyalty is not relevant in consumer IT electronics; costs of shifting between providers is low, and customers are easily persuaded by new products that promise superior performance.

Dell and HP, both personal computer makers, are contending with the changing environment in the IT industry. Both companies are facing the prospects of the impending technological obsolescence of the personal computers, should they not be able to update their product design and construction to the present trend in consumer.

Clients' tastes are moving towards maximum integration, involving all-in-one solutions for personal, business, and other consumer applications. The industry is thus experiencing a consolidation that is forcing IT hardware, OS and applications developers to combine into converged firms; those unable to do so will have to quickly develop internal capabilities to meet the integrated technology - which is highly unlikely - or certainly lose out market share to the competition (International Business Times, 2011).

New trends include (1) growing popularity of tablet computers and other mobile web surfing gadgets that are expected to eventually and totally replace personal computers; (2) cloud computing, which involve warehousing data in third party servers; and (3) verticalisation, which involves an integration of product stages such that hardware, operating systems and applications developers tend to assimilate each others' businesses. Presently, neither Dell nor HP are in the position to significantly

meet these trends in the immediate future.

Looking back, the same strategies that gained early success for Dell and HP are no longer relevant. Dell relied on supply chain cost-cutting efficiencies, while HP on product diversification (calculators to computers to printers).

These early strategies were not proprietary and were quickly copied by competitors. Admittedly, a major strategic error was for DELL and HP to cut down on their R&D just as Apple surged on with its iPod , iPhone and iPad products. Consequently, HP and Dell sales are cut down (The Economic Times, 2011).

The two company's leadership in the PC technology has also become the reason for its present inadequacy. PCs are still seen to attract corporate demand, but eventually even companies are seen to adapt to the clamour for increasing compatibility with the personal gadgetry of the staff.

Furthermore, server markets on which they are also reliant are moving more towards cloud computing. In both arenas, the companies are headed towards reduced relevance in meeting market demand.

Presently, both firms have made acquisitions in attempts to verticalise. Dell is seen to be diversifying in the proper directions, but HP's activities are seen to be too diverse or disparate, involving PC-to-calculator production, printing, and other services. It is ironic that both firms will need to catch up with the competition, whereas they used to lead the field at the height of the PC market.

References:

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