

Firm history

[History](#)



Gateway is involved in the computer industry. Gateway participates in different segments of this industry such as consumer and commercial computers. In addition to computers, Gateway produces computer peripherals, digital cameras, and other entertainment devices. This paper will focus on Gateway's performance in the personal computer segment because it is the core focus of the company and profitable industry. Gateway was started in 1985 when Ted Waitt dropped out of college to pursue a career in the PC industry. By 1993 Gateway went public as a corporation and began manufacturing and selling products outside of the United States. Gateway continued to grow over the years and naturally went through some changes, one of which was the resignation of Waitt in 1999 and then the reinstatement of Waitt as CEO in 2001. (Hoovers). To this date, Gateway is in the process of restructuring. Ted Waitt resigned from the CEO position again and was replaced by Wayne Inouye in 2004. Gateway has reduced employees, closed manufacturing plants, changed product offerings, and closed Gateway retail stores (Hoovers). Gateway has also acquired eMachines. This move of related diversification has not yet proved to help Gateway compete in the industry.

Strategic Posture Gateway has a clear mission stated on its website. Their mission is to be the leading integrator of personalized technology solutions. This is a fairly good mission. There is a quantifiable "point B" (to be the leader), and the segment they are targeting is personalized technology. However, looking at the mission statement alone there is nothing that tells how Gateway plans to achieve this goal. Right under the mission statement

Gateway states its vision, which is to improve the quality of life through technology.

This now explains how Gateway plans to achieve their goal. Coupled together the mission and vision would be very good and appropriate for the competitive environment of the personal computer industry. However, alone they are both lacking direction (Gateway website). I agree Currently Gateway has no clear strategy, and this is what is causing them to perform so poorly. Though the company is trying to be a low-cost producer, it has not been able to obtain a cost structure that is lower than other companies, such as Dell.

Recently Gateway has merged with eMachines in hopes to create leverage in their pricing. Also, they are trying to take their brand beyond that of just PCs by getting into different product segments. They are also moving into different distribution channels, such as having Best Buy carry their PCs. Gateway is trying all these things but with no clear direction on where to go with all these actions or how they will allow them to become a lower cost producer, it is unlikely that they will significantly be benefited from them (Gateway website).

Agree Government regulation also extends to patents, trademarks, and copyrights. These aspects of the industry can produce ethical questions which may affect Gateway directly. The Association of Computing Machinery has created a code of ethics for computer companies and their employees to follow (Association of Computing Code of Ethics). Environmental factors affecting Gateway are also related to the governmental regulations. The

government needs to protect the public because the United States accounts for 43% of Internet users worldwide (Electric Perspectives).

64 million Americans consider themselves to be regular Internet users. With so many citizens on the Internet there needs to be protection from computer crime (Facts and Figures). The Internet is increasing in popularity and continues to grow as many businesses, educational facilities, and increasing amounts of information are available online. In 2000, 56 percent of U. S. companies sold products online. The Internet's growth is a factor in the PC industry because it is so widely used (Facts and Figures).

Personal computers can be bought and sold over the Internet, creating opportunities for Gateway to find market share, reduce costs, and improve customer service (Graham-Hackett). A final environmental concern is the recycling of old personal computers. According to the U. S Environmental Protection Agency, old computers and other forms of e-waste are the fastest growing type of waste in the United States (Mitchell). This is a concern because of the amount of waste generated and the chemicals that are included in the waste.

" A typical CRT monitor contains three to nine pounds of lead and printed circuit boards contain beryllium, cadmium, flame retardants and other compounds that can contaminate the air and groundwater" (Mitchell).

Certain technological threats such as the upgrade cycle will affect Gateway now as well as in the future. The upgrade cycle is a trend that has proven very powerful in the PC business. The upgrade cycle assumes that users will

trade up to more powerful PC's when a new operating system is released, thus stimulating hardware sales (Computers: Hardware Industry Survey).

The survival of Gateway counts on the upgrade cycle to boost sales. If the upgrade cycle decreases in the future it will have a tremendous impact on new computer purchases. Task Environment There are many competitors in the personal computer industry such as Dell, HP/Compaq, Gateway, IBM, and Apple. These competitors control all but 37% of the U. S. PC market (Market Share Reporter 2004). This creates a very high barrier to entry in this market and thus the threat of new entrants is unlikely. This market saturation is strength for Gateway.

Rivalry is a threat to Gateway as there are several computer manufacturers in the PC market. Many of these manufacturers are the major competitors in the computer industry. These manufacturers are companies such as Dell, HP, Gateway, Apple and IBM. Dell currently holds 28% of the U. S. PC market, with HP holding 20% (Market Share Reporter 2004). There are only two main suppliers of microprocessors used in PC manufacturing: Advanced Microsystem Devices (AMD) and Intel. Having only two sources limits the bargaining power of manufacturers such as Dell and Gateway, and thus is a threat to these manufacturers.

Buyers include Wal-Mart, Best Buy, Circuit City, Office Depot, Office Max, and many other retailers. There are a large number of stores and this creates a very high demand. This is a huge strength for Gateway as they have a vast number of buyers to sell personal computers to. There are no direct substitutes for the personal computer. Though devices such as typewriters

can create typed documents, there is nothing else that can create the same amount of power and efficiency. This lack of substitute products can be considered another strength for Gateway.