

PC Shipments Indicate Vendors Should Be Cautious in 2003

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Despite a slight increase in PC shipments in the fourth quarter of 2002, Gartner expects 2003 to be another difficult year for PC vendors for a number of reasons.

NEWS ANALYSIS

Event

On 17 January 2003, Gartner Dataquest released its preliminary results for 2002 PC shipments worldwide:

- Worldwide PC unit shipments grew by 2.7 percent in 2002 from 2001.
- Worldwide PC unit shipments grew by 5 percent in 4Q02 compared with 4Q01 — and 15.6 percent compared with 3Q02.
- Hewlett-Packard regained the No. 1 position from Dell Computer in 4Q02.
- In spite of two consecutive quarters of growth, market demand remains at the bottom on the growth cycle and has yet to show evidence of a significant upturn.
- Worldwide projected year-over-year unit growth for 1Q03 is 5.2 percent — a 7.9 percent drop from 4Q02.

Analysis

With little evidence of a recovery in the corporate PC market, vendors should proceed with great caution. Although the PC market grew 5 percent in unit shipments in 4Q02 compared with the same quarter in 2001, Gartner projects worldwide unit shipment growth in 1Q03 of 5.2 percent, compared with 1Q02.

Gartner believes its forecast for 2003 carries significant downside risk. PC vendors should assume 2003 will be another year in which their success will come from business-model innovation rather than from delivering innovative technology. Key market drivers for 2003 will include:

- Broadband deployment
- Wireless LAN deployment in home and public hot spots
- Desktop-to-mobile transition
- Transportable PCs — desktop-CPU-based mobiles
- Liquid-crystal display (LCD) monitors
- Price declines

PC market inhibitors include:

- Economic weakness
- Uncertainty surrounding U.S./Iraq developments
- Market saturation in the United States and Western Europe
- Life-cycle extension
- Lack of compelling "killer" applications
- DVD standards wars

- Budget competition from other devices

Analytical Sources: Charles Smulders, Mika Kitagawa, Brian Gammage, Luis Anavitarte, Lillian Tay and Kanae Maita, Gartner Research

Recommended Reading and Related Research

- "4Q02 Update: Computer Hardware Forecast Scenarios, 2002-2004" — Gartner further downgraded its short-term forecasts for the computer hardware and systems market because of economic conditions. **By Charles Smulders**
- "Desktop PC Market Predictions, 2003" — End-of-life issues rather than technology innovation will be the major PC growth driver in 2003. **By Charles Smulders and others**

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This FirstTake was excerpted from a Gartner Dataquest Market Analysis, HARD-WW-DP-0408, "Preliminary 4Q02 and 2002 PC Market Results," which was first published on 17 January 2003. To see more about Gartner's analysis of hardware platforms, go to www.gartner.com/pages/section.php.id.2037.s.8.jsp

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