The leading PC vendors face a "stark choice," Gartner warns-- they must either overhaul their businesses in order to adapt to an over saturated market or leave the PC market by 2020.



"The PC business model as we have traditionally known it is broken. The top 8 mobile PC vendors have gained 11% market share over the past 5 years-- from 65% in 2011 to 76% in H1 2016; but this has come at the expense of profitable revenue," the analyst says. "While this does not mean that the PC market is finished, the installed base of PCs will continue to decline over the next 5 years, with a continuing erosion of PC vendors' revenue and profit."

The analyst continues traditional means of gaining shipment share-- competing on price to stimulate demand-- will not work in the PC market of 2020. This is due to multiple factors, such as users extending PC lifetimes until end of life, the cloud replacing business applications and storage, and, most crucially, price and specification are not reason enough for users to upgrade PCs. In fact, there is only one "true differentiation," and that is "a new and better customer experience."

So what are PC vendors to do? Gartner identifies 4 strategies for the PC market of the future, based on corporate culture and assets, business operation and technology innovation, and completely revamping the business.

Alternative 1-- Current Products and Current Business Model.

The most conservative approach involves vendors running a current business operation and

selling a current PC product. It requires high volumes (to generate enough revenues to cover business costs), and leads to inevitable consolidation. This should protect and keep the PC business running, but is also risky considering the current alternative focus of both Intel and Microsoft. As such, vendors need to improve profits by increasing the sales of midtier and high-end products, shifting sales teams and channel partners away from volume and market share to margins and profitability.

Alternative 2-- Current Products and New Business Model

Vendors can form a new team able to experiment with new business and revenue models, such as PC-as-a-service or partnerships with digital content publishers. Here the business model is agile, allowing for risk taking and failure.

Alternative 3-- New Products With Current Business Model

A more conservative way to explore new product offerings and new market opportunities, vendors can make PCs "smarter" in terms of sensing, speech, emotions and touch, expanding on the connected home opportunity or targeting products at market verticals.

Alternative 4-- New Products With New Business Models

The most aggressive way to transform the PC business involves the creation of new business units running in a different mode, all while exploring new product lines. This can involve working with new channel partners and independent software vendors (ISVS), as well as partnering with startups. One example of such a product is personal assistant robots, with a PC acting as "information butler" at home. This combines a chat bot and voice-activated virtual personal assistant, with revenue from developers and 3rd party content and service providers, including those in retail, healthcare, education, video or music.

"Business leaders of PC vendors need to think about business outcomes based on the four alternatives discussed here," the analyst concludes. "Some vendors may need a whole new business and product strategy to turn their situation around. PC vendors need to identify their

core competencies, evaluate their internal resources, and adopt one or more alternative business and product innovation models to stay in or leave the PC business."

Go Gartner Says PC Leaders Must Overhaul Their Businesses or Leave the Market by 2020