

Chapter 10

Shaping Competitive Strategies for the Computer Industry

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ABSTRACT

Accelerated response to competition with appropriate actions is one of the major determinants for a firm's sustenance and survival. Both operational and financial performances in terms of gaining and/or keeping competitive advantage always remain under the watchful eyes of the relevant stakeholders in an industry. A firm has to be very vigilant to cope with the internal and external changes it faces over the different phases of its growth. Just like any other industry, this is equally true, in fact more true for the computer industry as well. Continuous innovation in the computer industry has made it a very fast growing and fiercely competitive industry in the field of modern technologies. Firms in this industry always have to be on their toes to tackle the fierce competition created due to many obvious reasons. This study examines the computer industry in the light of Michael Porter's framework for analyzing the profitability. Threats of new entrants and substitute products, bargaining power of both suppliers and buyers, and regular rivalry among the competitors have been analyzed critically. This study may have significant implications in evaluating the competitive strategies developed and applied by the incumbent firms in and the new entrants into the computer manufacturing industry.

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INTRODUCTION

Computer usage has been pervasive for pretty long time now, and there is no sign of slowing down, rather it is becoming increasingly pervasive every day. Computer is needed for family, for business, for low income people, for high income people, for developed nations, for developing nations, for underdeveloped nations, for whom not in fact. And everybody in every sector is embracing this need enthusiastically, because it is not possible to stay away but doing so.

Auspicious availability of all the most user friendly application software, worldwide diffusion of internet with ever increasing high speed but decreasing low cost, emergence of number of companies with innovative appliances and specialized internet sites etc. have made computer usage one of the easiest possible behavior even for a laymen, and one of the most essential aspects at every facets of our daily life. Consequently, computers in different innovative forms have become the most inevitable devices for mankind. The emergence of popular sites such as Google and Yahoo as search engines and email communication vehicles; social networking tools such as Face-book, Linked-in, Twitter and many online shopping sites including Amazon.com have made computer use part of life for most people in developed nations and in increasing numbers in developing nations as well (Akhter et al., 2014).

The International Business Machines (IBM) Corporation played major role in making computer familiar initially, and popular gradually throughout the whole world. IBM® was the pioneer in introducing the personal computer (PC) to household and business users. Being a renowned high tech company for decades; IBM®'s entrance in computer industry nearly fifty years ago has legitimized the industry and expanded its growth (Moy & Terregrossa, 2009). However, IBM followed their strategic business models to operate in personal computer industry too. They did not make all the components and parts required to manufacture PCs on their own. The two major components of a PC - microprocessors and operation systems (OS), were outsourced from Intel® and Microsoft® respectively. Outsourcing some services to the specialized companies has been used as effective strategies by IBM®. Both Intel and Microsoft offered to join IBM in successful launching of PCs to household and business users, seeing it mutually beneficial for them to join a company like IBM®, which has been established for decades with enormous goodwill as a renowned business machine company. Although IBM was the leading firm for high technology and computers for decades, it is no longer the leading manufacturer of personal computers. IBM's one-time dominance of the computer industry has been diminishing in part to a software manufacturer, Microsoft, and in part to a microprocessor manufacturer, Intel (Waldman, 2008). Microsoft's decision to align itself with IBM's microcomputer project is one of the great business decisions of all time (Akhter et al., 2014; Moy & Terregrossa, 2009).

Since IBM's pioneering of the PC, a good number of computer manufactures have emerged over the years, including HP, Lenovo, Dell, Acer, ASUS, Toshiba, Sony, Samsung, Gateway, Apple, etc. During the last decade Taiwan, Singapore, Mexico, and China (Kraemer & Dedrick, 2002) also began to emerge as key players in the PC industry. The computer industry is now one of the fastest growing industries. "Gartner, the research company, predicts the global devices market will grow by 2 per cent in 2018 to 2.35bn units. That would represent the fastest rate of growth since 2015" (Fildes, 2017).

This chapter is organized as follows: Section 2 briefly discusses the related work done in this area. Section 3 discusses the present state of the computer industry. Section 4 provides a critical analysis of the computer industry profitability in terms of five competitive forces proposed by Porter. Section 5 summarizes and concludes the chapter.

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