WEEKLY INSIGHT

IBM outsources PC production in almost all the world

Big Blue has signed an outsourcing agreement with Sanmina-SCI, which will take over most of IBM's NetVista desktop PC line manufacturing operations. The deal will lower costs and reflects the tech industry's trend toward outsourcing. End-user pricing will not be affected by the deal, according to the company. From Infoworld. [Full Story]

Highlights

- IBM invented the Personal Computer (PC) in 1981. In 1990, IBM was ousted by Compaq and, afterwards, by vendors such as Dell, whose business model (online direct distribution) allows a more cost efficient structure.
- Currently, Big Blue holds the fourth position in PC vendors world ranking, after Dell, Compaq and Hewlett-Packard.
- PC sales still account for 15% of total IBM business ($12,000 million). The server market brings IBM 24% of gross receipts, while services provide 37% and software, 14%.
- IBM has signed a three-year, $5 billion outsourcing agreement with Sanmina-SCI to provide desktop manufacturing services. The agreement also includes the transfer of 980 employees in Scotland and USA.

Press Review

From News.com
"IBM's decision reflects the big debate in the PC world: outsource or build to order? In the never-ending quest to cut costs, most major PC companies have either decided to offload the majority of manufacturing to U.S. or Asian subcontractors like Sanmina or Quanta, which assemble and even design PCs for the brand manufacturers, or develop hyper-efficient, low-inventory manufacturing centers like Dell Computer has. (...) Analysts reacted to IBM's announcement with little fervor, seeing the move as little more than IBM moving the product line to a lower-cost manufacturing scenario, as IBM will continue in-house product development, sales and marketing for NetVista."
[Full Story]

From Information Week
"The move is further evidence that PC manufacturing is falling out of favor with large IT vendors because of scarce profits in what has become a commodified industry."
[Full Story]

From Fortune
"The others are going splat for the same reason that Dell is succeeding: commoditization. The desktop PC has become a commodity. That's great for consumers, who get standardized, easy-to-use, cheap PCs. But it's horrible for all but one manufacturer. As prices plummet, CEOs of most PC makers find it so hard to make..."
a dime that they must justify to shareholders staying in the business at all. Commoditization relentlessly drives consolidation. And so it is no surprise when former highflying PC makers like AST crash. Or when IBM stops selling PCs in stores. Or when Gateway pulls back from selling overseas. Or when Micron shunts its PC business off to LBO artist Alec Gores. And the latest chapter of the consolidation story, of course, is the proposed HP/Compaq deal.

[Full Story]

EBCENTER ARTICLE

The United States differ from Europe in online tax charges
By Joan Hortalà i Vallvé, Financial Inspector and person responsible for e-business taxation in Landwell - PwC
European regulation forces VAT to be applied to any product sold online, while the operations made on the Internet in the US are not liable to tax. [Full Story]

REPORTS

Source: Wainhouse Research
Date: December, 2001
Abstract: Fear and the economic consequences of September 11th have boosted the conferencing services market. According to this Wainhouse Research survey, conferencing services are mostly used by enterprises with less than 1,000 employees (83.8%). 67.1% of these companies are situated in USA and 22%, in EMEA (Europe, Middle East and Africa). Point-to-point videoconferencing have the largest response for use with internal resources while multipoint videoconferencing have the largest response for use with an outside service provider. Among the most used technologies, the survey highlights point-to-point videoconferencing (78.7%), multipoint videoconferencing (54.4%) and audio conferencing (54%). Less used technologies are instant messaging (not used by 54.8% of users) and delivery of streaming media (not used by 46.5% of users). In twelve months, a total growth of between 2 and 10% is expected.
[Full Story]

2001 National Technology Readiness Survey
Source: Center for e-Service at Robert H. Smith School of Business
Date: January, 2002
Abstract: More Americans did business with a government Web site last year than paid their credit card bills or traded stocks online. In 2001, about 55% of Americans with access to the Internet visited a government Web site last year, while only 15% paid a credit card bill and 10% traded stocks last year. The National Technology Readiness Survey also reveals that while 23% of men had conducted state or local government business online, only 10% of women had gone to the Web for such transactions.
[Full Story]

Hot Jobs Report 2002
Source: RHI Consulting
Date: January, 2002
Abstract: Networking tops the list of skills most in demand by the nation's chief information officers (CIOs). In the semi-annual RHI Consulting Hot Jobs Report, 18% of information technology (IT) executives said networking is the fastest-growing job specialty within their departments. Internet/intranet development was identified as the second most sought-after area of expertise, receiving 14% of the responses. Data/database management ranked third with 12%. [Full Story]

Business to Business Advertising
Source: Cahners Research
Date: January, 2002
Abstract: According to experts, as higher levels of awareness are reached, the conversion to preference comes more quickly. For example, as awareness increases from 25% to 35%, preference increases 5%. On the other hand, as awareness increases from 35% to 45%, preference increases 8%. Usually, during a recession, companies tend to reduce their marketing budget on average 4%, while they raise it about 2% in the expansion periods. However, Cahners considers that recession periods are unique opportunities to increase awareness levels versus competitors and recommends businesses to increase marketing spending at a higher percentage than they cut during a recession period. [Full Story]

E-collaboration in Speciality Chemicals
Source: Smart Chemicals Forum
Date: January, 2002
Abstract: Individual speciality chemicals companies, their suppliers and customers will soon reach the limits of their ability to reduce costs or improve responsiveness alone or by demanding lower prices from suppliers. In a virtual value chain, real process improvement comes from all participating companies. This e-collaboration allows companies to share data accurately, instantaneously and globally. According to the document, demand and supply collaboration can be split into the following distinct activities: Collaborative Product Development, Vendor and Contract Management, Collaborative Order Management, Collaborative Planning, Forecasting & Replenishment (CPFR), Sales Support and After-sales Service and Support.
From a technical point of view, robust software applications are now available or can be built quickly and reliably to support all of these activities. [Full Story]

COMPANIES

TiVo Series2 offers New Entertainment Services
TiVo has announced strategic partnerships with RealNetworks, Jellyvision and Radiance to deliver new entertainment services for its next-generation digital video recorder (DVR), TiVo Series2. TiVo will distribute new digital music, video party games and video on demand services. Services are expected to be available in time for the 2002 holiday season. From Yahoo. [Full Story]

The subsidiary online of Société Générale leaves Spain
Fimatex, the Société Générale online broker, has announced it will cease its activity in Spain and the United Kingdom, where it has lost 13 million euros during the first half of 2001. Fimatex, which expects to reach break even soon with this move, will maintain its presence in France and Germany. From Expansión. [Full Story]

Nokia Targets Rich
Nokia has launched a new range of hand-crafted mobile telephones, some adorned with precious stones, in an effort to tap the luxury goods market. Vertu, a new Nokia subsidiary created for this purpose, will start operations later this month to produce status symbol mobiles for the seriously rich. The move comes at a time when mobile phone makers are looking to find new growth areas as sales stall in saturated markets following several years of runaway growth. From Washington Post. [Full Story]

Tesco launches a new site in U.S.
Britain's biggest supermarket chain Tesco, and its partner Safeway, have opened a new site for shoppers in Oregon and Washington. Tesco teamed up with U.S. chain Safeway last summer, paying $35 million for a 35% stake in Safeway's Groceryworks.com. The new service comes at a crucial time for the grocery industry, which has been hit with concerns about an upcoming price war in brick-and-mortar stores. The hole left by failed projects such as Webvan's could also work in favour of Tesco, which hopes to find partners for similar ventures in other parts of the world. From Financial Times. [Full Story]

WE RECOMMEND

Tomorrow's trends
Business Week meets a handful of high-tech visionaries and come along on a tour of the future of their fields--software, design, entertainment, smart materials, silicon chips, and DNA computing. Kaushik Bhattacharya is one of the most promising young theoreticians in the field of smart materials, that "actively change their microstructures." Len Adleman, a DNA computing expert, hypothesised that he could use molecules to process data the same way PCs use microprocessors. Researchers Jack Kilby (2000 Nobel prize in physics) and Gene Frantz forecast a future with sidewalks that adjust their grade to accommodate wheelchairs and wearable computers that could send alerts when the wearer is having a heart attack. Dennis Boyle believes the future is all about portability. "In 10 years, we will have these amazingly powerful tools right on our body", he says. Stephen Cross is mentioned for his quest: make writing software as routine. And Alvy Smith, because of his advances in the computerised special effects field. From Business Week. [Full Story]

Tech chiefs' net worth
Oracle's CEO Larry Ellison's net worth sank more than $21 billion, or 52%, to $19 billion in 2001, and Sun Microsystems' CEO Scott McNealy's fell to $685 million, or 55.9%, according to CNET's CEO Wealth Meter, which ranks tech chieftains daily based only on their cash and options compensation. In absolute dollar terms, Microsoft CEO Steve Ballmer, Dell Computer CEO Michael Dell and eBay CEO Meg Whitman had the best years. From News.com. [Full Story]

A glimmer of light at the end of the tunnel?
After the bust of 2000 and the false dawns of 2001, many could be forgiven for thinking that recovery lies a long way off. That may still be true, but signs of a pick-up in demand for semiconductors as well as a stirring of interest among the customers of telecommunications companies are grounds for cautious optimism. From The Economist. [Full Story]
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