

Topic:
Workstations

HP vs IBM

Can HP topple IBM to claim the title of the World's biggest computer company

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In the battle of the giants Hewlett-Packard appears to have the upper hand. By selling devices from digital cameras to high-end servers, HP may be able to make the most of economies of scale, which would be good news for IT users.

HP has just announced its latest quarterly results: turnover has increased to £11.5bn. Assuming this was not a fluke, HP is now within striking distance of IBM, which is currently reporting a turnover of £12.4bn a quarter.

HP also unveiled its annual results: turnover reached £42.4bn, slightly ahead of the £42bn that HP and Compaq achieved separately last year. Top marks to HP's chief executive, Carly Fiorina. I would have thought eliminating overlap between product lines would have led to a reduction.

On an annual basis, HP is still some way behind IBM. However, not only has IBM fallen miles short of the £116bn or so that it should have achieved just by growing with the industry, its annual sales have actually been declining. It peaked at £50.8bn in fiscal 1999, fell to £49.4bn in 2000, and to £47.1bn in 2002. I expect an increase in 2003 as the market recovers, but overtaking IBM is no longer unimaginable.

IBM still has strengths in the traditional mainframe/server area, and in software and services, including web services.

It works well with GNU/Linux, because that takes IBM back to its 1960s business model: give away the operating system and make your profits from hardware and support.

Thinkpads apart, IBM's problem is that it is not operating at the cutting edge in areas such as handheld computers and mobile phones, those areas where innovations are being generated.

HP knows both games. HP can play in servers, both on its own and with the benefit of the companies that it has absorbed, including Digital and Tandem, which were acquired by Compaq.

HP can also play in the mass-market PC and consumer electronics areas. It has a big business in imaging such as printers, scanners and cameras, and a profitable £3.4bn "personal systems" business that now includes Compaq PCs, iPaqs and tablet PCs.

It is worth competing for these markets, because the basic technologies are the ones which enterprises will need. This demand can generate volumes and drive down prices, making these technologies profitable businesses in their own right.



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You have to be able to move quickly and innovate to compete. IBM used to have these skills through its typewriter business, the huge success of the IBM PC and its low-end printer business, which became Lexmark. But it does not seem to have them now.

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