

Dvorak on the Cheap

Sub-\$1,000 PCs Will Dominate the Market

by John C. Dvorak

To represent divergent views to our readers, we present the following column, which originally appeared in PC Magazine on April 6, 1998, and on line at www.zdnet.com/pcmag/insites/dvorak/jd980406.htm. It is reprinted with permission.

The editorial column in last month's *Microprocessor Report* (see MPR 3/9/98, p. 3) says that the sub-\$1,000 PC is not the beginning of the end for the desktop computer as we know it. But to me, the beginning of the end is always marked by denial in high places. I still recall a couple of interesting articles written in 1983 that boldly pronounced, "8-bit is NOT DEAD!" And they were discussing not cheap controllers but desktop computing.

So in *Microprocessor Report*, Linley Gwennap poohpoohs sub-\$1,000 systems, outlining what he considers to be three myths:

- 1) Sub-\$1,000 computers represent 40% of the market.
- 2) They have been enabled by low-cost CPUs from AMD and Cyrix.
- 3) The trend toward lower prices is irreversible.

The key to understanding the sub-\$1,000 computer is to understand branding. Gwennap states that there have always been sub-\$1,000 computers and that this is nothing new. True enough. I recall \$900 el cheapo clones during the 386 era, in fact. But this completely misses the point. The fact is that no-name clones and one-shots that float in and out of the market can't trigger a movement. Note that it was Compaq that started this recent wave.

Here's one way to look at the situation. Suppose that people wanted a sub-\$1,000 car, so Yugo and the Plastic Car Company made such models; those cars would be perceived as pieces of junk. Now suppose BMW introduced a sub-\$1,000 car. The market would explode with interest and we'd have a new market category, since it would have been given official sanction by what people perceived to be a real car company.

This is exactly what happened with Compaq's inexpensive Presarios. Now that the cat is out of the bag, the prices will just lower.

Desktop Computing Is Dead

Before I go on, let's look at Gwennap's three assertions. First he argues that the 40% figure refers only to retail sales and that they are unimportant. Indeed, the numbers are those for retail, but to dismiss them is foolish. Retail, with its associated markups and overhead, makes this number even more impressive.

His second comment, about the CPUs, is rather strange and is part of the typical Intel boosting practiced at *Microprocessor Report*. In fact, it was the Cyrix MediaGX that triggered this whole scene.

Third, the trend toward lower prices is not irreversible. I suppose if the economy went into hyperinflation, one could argue this position. But the fact is that lower and lower pricing in high technology has been a trend since tube-based computing switched to transistors.

The real situation that is unfolding (and nobody wants to admit this) is that desktop computing as we know it is dead. The underlying helpmate for this sub-\$1,000 computer is the fact that processor speed and hard-disk capacity have finally left software in the dust. There are no new killer applications on the horizon, and Microsoft—as hard as it tries—cannot bloat its code much more than it already has.

We're at a juncture not unlike the one in 1975 when the Altair was introduced or the more recent one when the World Wide Web was developed. We have massive changes taking place in our computing model. During such eras, weird denials (which deny even basic trends, such as lower prices) start to crop up, and when I see them, I consider them more confirmation of impending change.

Sub-\$1,000 PCs Are Here to Stay

Every year I try and find a handful of new topics that I believe will dominate the scene in the next 12 months or so. The transition from desktop computing to handheld/pocket computing is high on my list. The emergence of the sub-\$1,000 category and its eventual dominance is another. So are home networking and what I believe will be a stabilization of the Internet market.

There are a lot of people who, like Gwennap, would just as soon see the world beat a path to the upcoming IA-64 architecture and beyond until we all have extreme supercomputers on our desktops. But what will these machines be doing in a world of mediocre Net bandwidth and bloated applications that have too many features already? Unless we're going to do moon shots from our backyard launchpads, there's no reason to continue on this path.

Of course, I'll be one of those people with IA-64 machines when they arrive in a couple of years, but I'd only be fooling myself if I thought millions of computer users would be coming along when the alternatives interested them more. One of the alternatives is the cheap, fast, reliable sub-\$1,000 computer. It is here to stay. ■

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