Research firm: PC sales plunge as Windows 8 flops

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Microsoft's Windows 8 software appears to be driving buyers away from PCs and toward smartphones and tablets, research firm IDC said Wednesday. That's leading to the fastest drop in PC sales the firm has ever seen.

Global shipments of PCs fell 14 percent in the first three months this year, IDC said. That's the sharpest plunge since the firm started tracking the industry in 1994.

The report comes after a year of bad news for the PC. Consumers, especially in wealthy countries like the U.S., are steering their dollars toward tablets and smartphones rather than upgrading their home PCs. It's the biggest challenge to the personal computer since the IBM PC was released in 1981.

In an attempt to keep the PC relevant, Microsoft released a radical new version of Windows on Oct. 26. Windows 8 has a completely new look and forces users to learn new ways to control their machines.

"Unfortunately, it seems clear that the Windows 8 launch not only didn't provide a positive boost to the PC market, but appears to have slowed the market," IDC Vice President Bob O'Donnell said.

The newest version of Windows is designed to work well with touch-sensitive screens, but the displays add to the cost of a PC. Together, the changes and higher prices "have made PCs a less attractive alternative to dedicated tablets and other competitive devices," O'Donnell said.

Representatives of Microsoft Corp. were not immediately available for comment.

In its tally, IDC excludes tablets, even if they run PC-style software. It also excludes any device that has a detachable keyboard. With the release of Windows 8, PC makers have been reviving their experiments with tablet-laptop hybrids, some of which have detachable keyboards. Consumers are likely to have shifted some of their buying away from traditional laptops and toward these new devices, which means that the total sales decline of Windows-based devices may not be quite as drastic as IDC's numbers suggest.

Another research firm, Gartner Inc., counts any devices running PC-style software, including some tablets, as PCs. It reported an 11 percent decline in PC shipments in the quarter. That, too, is the sharpest decline it's seen since it started tracking the market in 2001.

Microsoft shares fell 28 cents, or 0.9 percent, to $30 in extended trading, after the

release of the report. They had gained 67 cents in regular trading.

Hewlett-Packard Co., the world's largest maker of PCs, saw a 24 percent drop in shipments in the first quarter compared with the same period a year ago. The industry's No. 2, China's Lenovo Group, is benefitting from sales to first-time buyers in China and other developing countries. As a result, it held sales steady, alone among the world's top 5 PC makers, according to IDC's figures.

HP shares fell 27 cents, or 1.2 percent, to $22.05 in extended trading. They had risen 10 cents in regular trading.

Shares of Intel Corp., which makes four out of five PC processors, fell 27 cents, or 1.2 percent, to $21.99, after rising 51 cents in regular trading.

Gartner noted one bright spot: Businesses are buying more PCs, and account for about half of the market.

In total, IDC put the global PC shipments at 76.3 million in the quarter, while Gartner put the figure at 79.2 million. The shipments are still higher than they were four years ago, during the recession.

Both firms track shipments of PCs from the manufacturer rather than retail sales. Shipments correlate closely with sales. The figures include shipments of Apple's Macs, which account for about 5 percent of the worldwide market.

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