

HP, Apple, Steve Jobs, The Cloud, Amazon

Certainly Apple and Steve Jobs are related, but HP, The Cloud, or Amazon? Yes indeed they are related in recent news stories by more than meets the eye. Hint: iPad.

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HP Dumps PC and Tablet Division

While driving my son back to college on August 19th, I heard a stock market report on the radio that ended with "... HP stock is down on the news that they are dumping their ____?" I could not hear the entire story, but it sounded like "Personal Computer Division" was the missing part. I could scarcely believe my ears and dismissed it, thinking I had not heard it correctly.

Imagine my shock and dismay when I heard the same story in full later that day. For the last eight or nine years, when asked for a computer recommendation, the first words I say start with Hewlett-Packard. I quite literally was angry! I have invested a lot of time, training, and certifications in HP products so that I can make good recommendations to clients.

Having had some time to absorb the news, I have a bit better perspective and understanding why HP is doing this. I still feel they are giving up too easily in the face of competition for the coveted Tablet market, specifically the iPad/Apple powerhouse.

So why is HP giving up so easily? Many factors are in play, but it boils down to the iPad phenomenon. Everybody wants to get in on this market, it is red-hot. HP apparently thought so too, and tried twice to launch a tablet computer. The first "HP Slate" was a dud, the second version showed promise, but was not as good as an iPad. HP certainly has the resources to make a third attempt, but they chose not to for a completely different reason than mere hardware or software development: HP does not have a content library to deliver music, video, or other entertainment to their tablets. They could make the best tablet in the world, but Apple would still beat them because Apple also has the content consumers want. Apple also has their own "Cloud-based" service on which consumers can load all their music and play it on any device. HP does not have a cloud service either. So overall it makes sense for HP to get out now.

I predict that most other tablet efforts will fail for the same reason, unless the tablet maker can acquire a content library or forge an agreement with a content provider. HP simply does not want to get that deep into the consumer market, nor do they want to be a content delivery company. HP instead is choosing the same route that IBM did several years ago: dump low-margin consumer goods, and concentrate on high-margin corporate networking and services.

Apple and Steve Jobs

The week after HP made its bombshell announcement, Steve Jobs made his own bombshell announcement: he is resigning as CEO of Apple. This was somewhat expected, as Steve has had serious health issues for the last 3 years, but big news nonetheless. Steve will remain on the Board of Directors, so that will be a good thing. I don't use Apple products, but I admire their high quality and I admire Steve Jobs for his incredible genius for creating those innovative products. Steve's genius is so great, he almost single-handedly forced HP to get out of the PC business (see above).

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Apple itself will be just fine, it is well-positioned with good people, blockbuster products, and services that will carry it a long way.

The Cloud

How is “The Cloud” tied into all this? (A quick refresher: “The Cloud” refers to any content, data, or service delivered to a local computer via the Internet) The Cloud trend is changing the very nature of the “Personal Computer” itself. Tablets are a great example: they are somewhat limited in computing power, but who needs it when all your content and computing power is up in “The Cloud” anyway? In some ways, this is like the old Mainframe/local Terminal scenario all over again: the remote computer has all the power, and only a minimalist local terminal is needed to display results. It just so happens this type of “local terminal” has a full color, icons, a touch screen instead of a keyboard, and can do so much more than an old-school dumb terminal.

The sales charts show the trend quite clearly: traditional desktop PC sales are on a steep down trend, Laptops are slightly down, but think “hockey stick” for Tablet sales. This trend shows that for most computer users, a full-power PC or laptop is way overkill, especially if all you need to do is read email, browse the web, or play some music or video. Certainly the desktop PC will not disappear, nor will the laptop, but as more and more computing services are provided via “The Cloud”, there will be fewer reasons to have a desktop or laptop.

Amazon

I promised to tie together the four topics into one related bundle, and here it is: if HP is getting out of tablets because they don’t have content to deliver or a cloud service, why wouldn’t a content delivery and cloud service company jump in and provide the hardware? This is apparently the rumor du jour, and the rumors center around Amazon.

Being the largest consumer product and service online retailer certainly helps, and Amazon has a well-established cloud service. Oh, and it also happens to already have its own hardware device, the Kindle. No rocket science here: an upgraded Kindle that can do more than download and display books would be a worthy iPad/Apple competitor.

Summary:

August certainly had a lot of big news, and there likely will be more to come as the competing forces pull, tug and stretch the definition of what is a computer and what is the “cloud”. Should be pretty exciting, and I expect we will all benefit from it.

If you have questions or comments, please contact me by phone or email. As always, many thanks for reading!
-John Becker