6% from Large Enterprise, and only 1% from the Consumer unit. Commercial customers accounted for 77% of total revenue. Dell was dependent upon the U.S. market for 53% of its total 2010 revenues.

The Industry Matures

By 2006, the once torrid growth in PC sales had slowed to about 5% a year. Sales fell significantly during the "great recession" of 2008–09 as companies and consumers deferred computer purchases. With the economy improving, the output of U.S. computer manufacturers was forecast to grow at an annual compounded rate of 7% between 2010 and 2015. Nevertheless, margins were getting progressively smaller for the desktop PC, Dell's flagship product. Competitors were becoming increasingly competitive in both desktop and mobile computers.

Gateway, for example, found ways to reduce its costs and fight its way back to profitability. The same was true for Hewlett-Packard (HP) once it had digested its acquisition of Compaq. Asian manufacturers, such as Acer, Toshiba, and Lenovo, with strengths in laptops were becoming major global competitors. Ironically, by driving down supplier costs, Dell also reduced its rivals' costs. In addition, the sales growth in the computer industry was in the consumer market and in emerging countries rather than in the corporate market and developed countries in which Dell sold most of its products. Between 2006 and 2010, HP replaced Dell as the company with the largest global market share in personal computers. Using price reductions, Dell was now battling with Acer for second place in global PC market share.

As the personal computer became more like a commodity, consumers were no longer interested in paying top dollar for a computer unless it was "unique." Wal-Mart and Best Buy were selling basic laptop computers for less than US$300 in 2010 and intended to maintain this pricing so long as manufacturers continued to supply low-cost products. PC notebook sales had been falling during 2010, primarily due to the introduction of Apple's highly featured iPad and the consequent rise in "tablet" PC sales. According to Morgan Stanley, Apple's iPad cannibalized about 25% of PC notebook sales since its introduction in April through August, 2010. Dell countered the iPad with a tablet computer called Streak in May 2010, but failed to generate much enthusiasm or sales for this product.

As corporate buyers increasingly purchased their computer equipment as part of a package of services to address specific problems, service-oriented rivals like IBM, HP, and Oracle had an advantage over Dell. All of these competitors had made large commitments to servers, software, and consulting—all having higher margins than personal computers. IBM had sold its laptop, hard drive, and printer businesses to focus on building its services business. Hewlett-Packard acquired Electronic Data Systems in 2008 to boost its expertise in services. By offering customers a package of servers, software, and storage, HP dominated the server business with 32% market share, with IBM closely following with a 28% share of the market. Oracle's acquisition of Sun Microsystems gave it 8% of the server market. IBM and Oracle offered proprietary server platforms in enterprise accounts. In contrast, Dell (along with HP) offered x86 open-system servers. In order to better compete in the large enterprise market segment, Dell purchased Perot Systems, an IT services company, in 2009. Even after this acquisition, however, services accounted for only 13% of Dell's sales. In 2010, Dell attempted to acquire 2PAR, a data storage firm, but was outbid by HP.

Issues and Strategy

Since 2007, when Michael Dell resumed being the company's CEO, Dell has made more than 10 acquisitions, cut about 10,000 jobs, and hired executives from Motorola and Nike to add more excitement to its product line. Its US$3.6 billion purchase of Perot Systems allowed it to

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