



CUSTOM SYSTEMS

Market Position Deteriorates; Branded Systems Keep Up Pressure

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Custom systems lost ground in the desktop, PC server and Unix server segments in March, breaking a recent upward trend for the white-box market. The decline in the Unix server category was particularly sharp.

The percentage of solution providers citing custom systems as their best selling Unix server plunged to its lowest level since *CRN* began collecting data more than five years ago. The culprit in this case was IBM, with the percentage of solution providers citing its Unix servers as best selling more than doubling between February and March.

Future data will show whether this is a one-month data blip or the beginning of a real consolidation in the Unix server market, with Sun, HP and IBM dominating and custom systems left out in the cold.

Unlike in many past instances, the losses cannot be attributed to component availability, as the data shows component shortages eased significantly in March compared to February in all major categories. (See Chart 2.) In many categories, component availability is better now than it was a year ago, when custom systems held a much stronger position in the SMB market for PC hardware

Coupled with a decline in the percentage of solution providers building white boxes the fact that branded desktops, notebooks and servers appear on the top 10 list of products that VARs plan to recommend to their customers

over the next three months seems to show that solution providers are favoring branded systems when it comes to PC hardware sales. Once again, however, it is too early to tell if this is the start of a longer-term trend.

CHART 1

CUSTOM SYSTEMS: BUY VS. BUILD

Q: Do you build your own custom systems for resale to customers or other solution providers, or do you buy custom-built systems already assembled from another system builder?

(PERCENTAGE OF RESPONDENTS IN CUSTOM-SYSTEM SPACE CITING EACH CHOICE)

DESKTOPS	Mar. '06	Feb. '06	Mar. '05
Build my own	19%	27%	19%
Buy already assembled	40	29	39
Do both	51	44	42

NOTEBOOKS	Mar. '06	Feb. '06	Mar. '05
Build my own	5%	14%	13%
Buy already assembled	69	65	60
Do both	26	21	27

SERVERS	Mar. '06	Feb. '06	Mar. '05
Build my own	23%	24%	18%
Buy already assembled	41	35	45
Do both	36	41	37

CHART 2

COMPONENT AVAILABILITY

PERCENTAGE OF CUSTOM-SYSTEM BUILDERS CITING EACH LEVEL OF AVAILABILITY

MICROPROCESSORS	Mar. '06	Feb. '06	Mar. '05
Severe shortages	9%	14%	7%
Moderate shortages	14	19	18
Few/no shortages	77	67	75

MOTHERBOARDS	Mar. '06	Feb. '06	Mar. '05
Severe shortages	5%	10%	7%
Moderate shortages	7	23	12
Few/no shortages	88	67	81

MEMORY	Mar. '06	Feb. '06	Mar. '05
Severe shortages	4%	6%	6%
Moderate shortages	10	18	15
Few/no shortages	86	76	79

HARD DRIVES	Mar. '06	Feb. '06	Mar. '05
Severe shortages	6%	5%	8%
Moderate shortages	7	16	11
Few/no shortages	87	79	81

LCDs	Mar. '06	Feb. '06	Mar. '05
Severe shortages	4%	6%	9
Moderate shortages	14	30	16
Few/no shortages	82	64	75

VIDEO GRAPHICS CARDS	Mar. '06	Feb. '06	Mar. '05
Severe shortages	4%	6%	4%
Moderate shortages	8	17	16
Few/no shortages	88	77	80

NETWORK INTERFACE CARDS	Mar. '06	Feb. '06	Mar. '05
Severe shortages	1%	4%	5%
Moderate shortages	5	19	12
Few/no shortages	94	77	83

BASE: 125 to 135 responding custom-system builders each month

SOURCE: CRN Monthly Solution Provider Survey