CUSTOM SYSTEMS

Component Shortages Persist

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Component shortages eased but remained high in December in categories such as processors, motherboards and memory while intensifying in areas such as network interface cards and video graphics cards, according to *CRN*'s monthly solution provider poll.

In prior months, *CRN* cited data showing worsening supply problems in processors and motherboards. These shortages, which in November had reached some of their highest levels since *CRN* began collecting data, eased in December but remained high by historical standards. For example, 34 percent of custom system builders reported moderate to severe microprocessor shortages last month, down from 39 percent in November but nearly double the 19 percent figure in December 2004. The results were similar for motherboards and memory.

In contrast, video graphics cards and network interface cards saw shortages increase for the second straight month. The percentage of custom system builders reporting severe shortages in these categories nearly doubled in December vs. November and was much higher than year-earlier levels. A similar trend was seen in hard drives, where the percentage of custom systems builders reporting severe shortages has jumped from two percent to nine percent in the past year.

CRN has previously indicated that rising component shortages would eventually have a negative impact on the competitiveness of custom PC hardware systems against branded systems. Exclusive *CRN* research data cited in the December *CRN* Research Report showed a dramatic decline in the percentage of solution providers citing white boxes as their best-selling desktops, notebooks and servers.

CRN research has also shown that component availability is a key factor behind the decision among solution providers whether to begin (or end) building custom systems. Data from December show that the downward trend in component availability over the past few months is now reducing sales of custom systems.

The percentage of solution providers building their desktops, notebooks and servers dropped sharply in December, to their lowest levels in more than year. For example, 45 percent of solution providers said they were building custom desktops in December, down from 55 percent in November and 58 percent in December 2004.

CHART 1
COMPONENT AVAILABILITY
PERCENTAGE OF CUSTOM-SYSTEM BUILDERS CITING EACH LEVEL OF AVAILABILITY

MICROPROCESSORS	Dec. '05	Nov. '05	Dec. '04
Severe shortages	17%	19%	7%
Moderate shortages	17	20	12
Few/no shortages	66	61	81

MOTHERBOARDS	Dec. '05	Nov. '05	Dec. '04
Severe shortages	15%	18%	5%
Moderate shortages	14	21	13
Few/no shortages	71	61	82

MEMORY	Dec. '05	Nov. '05	Dec. '04
Severe shortages	13%	7%	4%
Moderate shortages	13	23	14
Few/no shortages	74	70	82

HARD DRIVES	Dec. '05	Nov. '05	Dec. '04
Severe shortages	9%	6%	2%
Moderate shortages	15	18	13
Few/no shortages	76	76	85

LCDs	Dec. '05	Nov. '05	Dec. '04
Severe shortages	10%	8%	6%

| Moderate shortages | 20 | 25 | 16 |
| Few/no shortages | 70 | 67 | 78 |

VIDEO GRAPHICS CARDS	Dec. '05	Nov. '05	Dec. '04
Severe shortages	14%	8%	5%
Moderate shortages	13	24	12
Few/no shortages	73	68	83

NETWORK INTERFACE CARDS	Dec. '05	Nov. '05	Dec. '04
Severe shortages	12%	7%	2%
Moderate shortages	9	16	9
Few/no shortages	79	77	89

BASE: 111 to 124 responding custom-system builders each month
SOURCE: *CRN* Monthly Solution Provider Survey

CHART 2

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	Dec. '05	Nov. '05	Dec. '04
Build my own	28%	34%	29%
Buy already assembled	26	34	31
Do both	46	32	40

NOTEBOOKS	Dec. '05	Nov. '05	Dec. '04
Build my own	7%	15%	10%
Buy already assembled	71	57	64
Do both	22	28	26

SERVERS	Dec. '05	Nov. '05	Dec. '04
Build my own	21%	29%	23%
Buy already assembled	44	36	43
Do both	35	35	34