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NEWS ANALYSIS

By Bruce Einhorn

Quanta's \$100 Laptop Challenge

The outfit aims to make money building Third World computers. Maybe it can, but alienating Dell and HP could be the price of success

Barry Lam is a master at squeezing profits out of cheap computers. As chairman of Taiwan's Quanta Computer, the world's biggest producer of notebook PCs, Lam makes machines for top brands such as Dell ([DELL](#)) and Hewlett-Packard ([HPQ](#)). And those cost-conscious customers have been relentless in forcing Quanta to keep cutting costs if he wants their business. According to a Deutsche Bank estimate, Quanta this year will earn \$368 million on sales of \$11.4 billion -- a profit margin of just 3%.

Now, Lam is about to put that ability to survive on razor-thin margins to its biggest test. Quanta has won the right to build an ultra-low-cost machine for One Laptop per Child (OLPC), a new U.S. nonprofit launched by Nicholas Negroponte of the Media Lab at the Massachusetts Institute of Technology (see [BW Online](#), 10/4/05, "[Help for Info Age Have-Nots](#)") and [BW Online](#), 10/20/05, "[Googling for Charity](#)").

Working for OLPC, Quanta is going to produce a laptop that costs no more than \$100 -- about one-fifth the price of even the cheapest notebook PCs on the market. The aim is to sell these machines to millions of students and others in the developing world.

"UNTAPPED POTENTIAL." OLPC and Media Lab believe the key to narrowing the world's digital divide is providing more affordable computing. No doubt there's a need: India, for instance, has more than 1 billion people but just 17 million PCs, according to researcher International Data Corp. And of those 17 million machines, 95% are desktops. "There is a lot of untapped potential from a user perspective," says Bryan Ma, an analyst with IDC in Singapore.

Providing the masses with mobile computers may help reduce poverty, but will it impoverish Quanta in the process? Lam insists that the OLPC deal is no charity project. Negroponte and the others at MIT "promised us that we'll get similar margins as with our regular business," says Lam.

Moreover, he adds, once Quanta gets production up and running, the company will churn out the new machines in huge volumes. "We're talking about millions and millions of boxes," he says. "It's great." Lam estimates that the sub-\$100 laptop could add between \$3 billion and \$5 billion to Quanta's top-line numbers. "It's not a bad business" to get into, he says.

KEEPING IT CHEAP. The sales might be impressive, but how does he plan to actually turn a profit? One important thing to remember is that the sub-\$100 machine won't be a normal PC, Lam says. Instead of a 13-inch or 15-inch display, for instance, the Quanta-produced OLPC laptop will have a display that's just