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There's a great tradition in retail called the "A/B Comparison" display. You remember it from stereo days: you put up one set of loudspeakers (A) and demo against them with (B). It's one of the most effective ways to sell a customer.

In that tradition, some Best Buy stores in USA maintain a display of two identical HP computers. One screen is cluttered with eBay, Quicken, AOL, Yahoo etc. The other is entirely free. Best Buy staff use this display to warn buyers that gratis software can slow their PCs-- by as much as 25-30%.

And for only $30, Best Buy will get rid of the very software that the PC maker thought you the buyer might want or need. The only problem with Best Buy's newest value-added (or value-subtracted!) service is that software makers pay $2 to $10 to load up makers like HP and others.

The profit margin on many computers is 5% or lower, so some computers are profitable only because software earns them $30 in this way. Take the $30 a way and you might as well be giving out free PCs. Retailers want to pull out the only small linchpin that holds up PC makers and that means the way we do business could be as bankrupt as Lehman Brothers.

And it is a political as well as economical issue. This year Sony introduced a program called Fresh Start. To buy a Sony system free of such software, Sony charged customers $50. In a matter of hours (really) consumers reacted so angrily (imagine having to pay the maker to remove something you never wanted there in the first place) that Sony dropped the fee.

Buyers at DELL.com can reject trial software from AOL, Earthlink, Adobe Photoshop, McAfee and even Microsoft Works. Dell is not charging for this option.

Apple does not load trial versions of software on its Macs, iMacs and MacBooks. The Macs also don't automatically load third-party applications when the machines are turned on. But then it has only been since Macs started flying out of stores on the wings of iPods that anybody wanted to put their software on Macs.

So what is an industry at war with itself supposed to do?

HP thinks it has the answer. HP will launch a Web 2.0 site to try to hold the software referral revenue, and cut Best Buy and other retailers in so the industry gets back on the same page. They are so excited about this that they think it may bring in more revenue. But it is another content business, like Microsoft starting MSNBC. HP has to suck PC buyers into a web site and get them excited about software that doesn’t stare them in the face each day or start up automatically.

If you read the blogs, it doesn’t take a Geek Squad to tell you that there will be a huge drop-off between the purchase and the click to add free software. Especially in a market that is shifting to SaaS and web utility. The real losers, like usual in the business, will be the software publishers. In hardware, we tend to envy them and believe (what we want to believe) that they have great business lives while hardware has to work so hard.

Yet the real trick in the software business is distribution. Advertising costs a fortune. Retailers won’t take software unless the package not only jumps off the shelves but it also rings the cash register at the same time.

Take away the PC distribution model and you are left with a Google Marketing Plan.

And that gives us finally a winner in an industry scenario where no one else comes away unscathed. +++