

## Smart phone and pad forecasts show varying OS fortunes

➤ China and Android influence smart phone landscape, the US and Apple dominate pads

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The latest product announcements by leading smart phone and pad vendors will help drive consumer demand to new heights, according to Canalys. It forecasts that in 2016, global annual smart phone shipments will be around 1.2 billion units, meaning a CAGR (Compound Annual Growth Rate) of 19.5%. It predicts pad shipments in the same year will hit 207 million - a CAGR of 26.8%

Apple's latest unveiling is attracting extraordinary interest and competitors have also made several major announcements in the past week, including Windows 8 devices from Nokia and Samsung; new Android smart phones from Sony, Motorola and Samsung; and Amazon's enhanced Kindle Fire pads. With these big vendors attracting the headlines, Canalys has issued a timely reminder that the trends across pads and smart phones in various countries will be markedly different.

In smart phones, Canalys expects Asia Pacific to remain the largest region by volume, with annual shipments reaching 594 million by 2016. China will account for almost half of all shipments in the region and nearly a quarter of the world's smart phones in 2016. This equates to only 10 million less than is forecast to ship in the whole of the Americas in that year.

Canalys managing director for Mobile and APAC, Rachel Lashford, said, 'The latest, in-depth research for our dedicated Smart Phone Analysis China service reveals there will be a substantial increase in the number of first-time smart phone users in China over the next 12 months, while feature phone shipments will continue to decline. Smart phone sales will move beyond tier-one and tier-two cities.'

China's domestic feature phone vendors are rapidly moving their businesses to smart phones, supported by low-cost solutions from chipset providers, such as MediaTek, Spreadtrum and Qualcomm's QRD.

'We anticipate strong demand from local Chinese vendors selling in both operator and open channels,' said Nicole Peng, Canalys Research Director for China. 'Chipset vendors are reporting growing momentum in 2.5G (EDGE) smart phone solutions. For less developed areas where 3G coverage is limited, 2.5G smart phones have advantages in cost and battery life. They are becoming popular with consumers, especially where prices are already close to those of feature phones (around RMB500, US\$78). The tier-three and tier-four cities are feature phone vendors' traditional strongholds. Local vendors will use their long-standing relationships with open channels and their established infrastructure to distribute smart phones, with or without operator subsidies, over the next few years.'

In terms of percentage growth, Canalys expects Latin America to move fastest, with a CAGR to 2016 of 27.3%. It forecasts good double-digit growth in all countries, but Brazil and Mexico will account for more than half of all shipments in the region.

Globally, Canalys expects Android to remain dominant, with 57% of the smart phones shipped in 2016 running the OS (up from 49% in 2011). It expects Apple's share of this much larger market to remain similar to today, at around 18%. Microsoft is expected to make inroads over the coming years.

In the pad market, however, the OS picture will be quite different. Canalys expects Apple to take a little under half of the market in 2016. The plethora of Windows 8 pads that will be introduced over the next few years are predicted to bring Microsoft's share to around 17%. Competitively priced Android pads, such as Google's Nexus 7 and Amazon's Kindle Fire models will have an impact in terms of volumes, but Android's share is forecast to remain relatively stable at 35%, unless vendors make radical improvements to the overall user experience. In contrast to smart phone market trends, the US is expected to dominate pad shipments, with the volume more than doubling to 88 million units in 2016. China is expected to be the second largest country market, with shipments of around 20 million.

'Pads are the fastest growing consumer electronics products in history and are forecast to represent 29% of total PC shipments in 2016. But the market remains dominated by a single vendor. Other PC and smart phone vendors are currently finding it hard to weaken Apple's position,' said Canalys Analyst Tim Coulling. 'The only product that most would consider a big hit is the Kindle Fire, brought to market by Amazon - an Internet retailer. Tight integration of hardware, software and services is a prerequisite for competing in the pad market, even at low price points, and fragmentation among other pad vendors' offers helps Apple maintain its position.'

## Analyst contacts

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## About Canalys

Canalys is an independent analyst firm that strives to guide clients on the future of the technology industry and to think beyond the business models of the past. We deliver smart market insights to IT, channel and service provider professionals around the world. Our customer-driven analysis and consulting services empower businesses to make informed decisions and generate sales. We stake our reputation on the quality of our data, our innovative use of technology, and our high level of customer service.

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