

Is Negative PC Growth the New Normal?

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HIGHLIGHT: It appears that the days of any serious growth in PC sales are gone forever, but the PC is not dead.

<http://www.pcmag.com/article2/0,2817,2487698,00.asp>

Recent PC shipment stats from IDC and Gartner surprised the tech world with much higher declines than most PC market trackers had expected.

Gartner saw PC shipments [decline 9.5 percent](#) in the second quarter, while [IDC put that number](#) at 11.8 percent. Overall, both companies believe that the PC sales will be off around 5 to 6 percent in 2015, with no real future growth.

I have been tracking PC sales as a professional industry analyst for 35 years, and this is one of the steepest declines in a single quarter I have ever seen. PC sales have been on the decline for several years, but never quite as steep a drop as Gartner and IDC reported.

Indeed, it appears that the days of any serious growth in PC sales are gone forever. To give you an idea of how much has changed in the PC market over the last 10 years, during the PC's heyday, sales peaked at around 400 million per year. If IDC and Gartner's numbers are right about 2015, PC sales will be only about 285-295 million this year at best.

For most of the PC's glory years, it was the only digital device we had to connect to Internet, data, and each other. But today we use smartphones, tablets, and even wearable devices to make these connections, and the PC has been relegated to a productivity tool more than ever before. PCs are only used sparingly for managing budgets, organizing video and music collections, and other tasks where the PC does a better job than mobile devices. Even in corporate offices, where a PC is still the dominant tool, business workers use smartphones and tablets more than ever to manage their productivity.

The ramifications for the PC market and the vendors who supply PCs will be significant if the decline continues. I spoke to one researcher who suggested that annual PC sales could drop to 250-260 million in the next three years. If true, only three or four PC vendors are likely to survive, while fringe providers will be forced out of the market. I am not sure it will dip this low, but I do see more consolidation in the PC market regardless of where the yearly PC sales numbers finally bottom out.

So, if the PC market does consolidate, which firms will remain? I see Lenovo, Dell, and Apple doing well. In fact, while Windows-based PC sales declined in the last quarter, Apple's PC sales grew 16 percent. Yes, that's only about 10 percent of PCs sold, but Apple is also the most profitable PC vendor in the market and it could grow its market share at the expense of fringe PC vendors.

HP also has a shot, but that's questionable since HP is in the process of splitting the company into two groups—one focused on enterprise and the other on PCs and printers. HP hopes that the PC group can continue to stay viable and be an important vendor of PCs, but a lot of analysts are unsure if this will work.

At the same time, [demand for tablets has declined](#) as well. They will be off from their peak in 2012-2103 by as much as 20-30 percent this year. Although tablets continue to be important mobile tools, they are getting pressure from large smartphones, or phablets, which have eaten into the 7-inch tablet market and to some degree even impacted sales of larger tablets.

That leaves smartphones as the only market with significant growth. Even here, Apple only has 20 percent of the smartphone market but 90 percent of the smartphone revenue. The good news is that the smartphone market is still growing. Researchers believe that by 2020, we will be selling as many as 3.5 billion smartphones annually.

Although demand for tech products, including products in IOT, servers, cloud, security, and IT will continue to be in high demand, the PC and tablet growth era seems to be over, and will change the fortunes of many PC companies if they don't diversify in the future. The good news is that Dell, HP, Apple, and Lenovo are branching out with products well beyond their core PC businesses, but they will have to place bets on profitable opportunities if they hope to thrive in this changing tech landscape. For their sake, and the overall tech market's sake, I hope they can remain strong companies.

Is the Smartphone Party Over?

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HIGHLIGHT: IDC expects a "noticeable slowdown" in smartphone shipments this year.

Smartphone shipment totals might be worse this year than initially expected.

IDC on Tuesday revised its mobile phone forecast for the year, noting that it now expects smartphone shipments to grow just 10.4 percent in 2015. That's down from its previous forecast of 11.3 percent year-over-year growth in 2015, and a big drop from 2014 when smartphone shipments grew 27.5 percent.

The market research firm said to expect a "noticeable slowdown in smartphone shipments in 2015 as China joins North America and Western Europe in a more mature growth pattern." On a more positive note, however, IDC said "steadily falling average selling prices" of smartphones will fuel "steady growth" through the end of 2019, with global shipments reaching 1.9 billion units that year.

That is, of course, if things stay on track in China. As the largest market for smartphones, China last year accounted for 32.3 percent of all new smartphone shipments. The research firm said China will remain the largest market for smartphone volumes throughout 2019, but its share of the market is expected to drop to 23.1 percent that year as "high-growth markets like India continue to expand."

"China clearly remains a very important market. However, the focus will be more on exports than consumption as domestic growth slows significantly," Ryan Reith, program director with IDC's Worldwide Quarterly Mobile Phone Tracker, said in a [statement](#). "India has

captured a lot of the attention that China previously received ... The interesting thing to watch will be the possibility of manufacturing moving from China and Vietnam over to India. We've begun to see this move as a means to cut costs."

Meanwhile, despite Apple's success with the iPhone, Google's Android mobile operating system will remain the king of the market through 2019, grabbing 81 percent share this year, IDC said. Apple's iOS is expected to retain its runner-up position throughout 2019, with 15.6 percent share in 2015.

"This isn't to suggest that Apple's success with the iPhone won't continue, and IDC believes its efforts to maintain significantly higher margins compared to its competitors are much more valuable than chasing share," the research firm said. Android shipments are expected to reach 1.54 billion in 2019, while iOS shipments will grow to 269.6 million. Microsoft's Windows Phone platform, meanwhile "will remain a marginal challenger at best."

Finally, demand for phablets isn't expected to slow any time soon.

"Since Apple finally delivered a larger screen smartphone with the [iPhone 6 Plus](#), the demand for large screened devices among consumers has been at a record high," Anthony Scarsella, research manager with IDC's mobile phones team, said in a statement. "Smartphones featuring display sizes from 5.5 inches to 6 inches are forecast to grow 84 percent in 2015 compared to last year, while phablets overall will make up over 71 percent of shipments by 2019."