

Worldwide PC market up 7% as pads fuel growth

- Apple cements its position amongst top 5 PC vendors

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For immediate release

Canalys today announced that the PC market grew 7% in Q1 2011, as the pad market, led by Apple's iPad, continued to bolster growth. Once again, Apple set the standard in the pad market, mainly at the expense of notebook and netbook shipments, as pads competed for a share of consumer IT spend.

Worldwide total client PC shipments

Market shares Q1 2011, Q1 2010

Vendor	Q1 2011 shipments	% share	Q1 2010 shipments	% share	Growth Q1'11/Q1'10
Total	88,613,600	100.0%	82,842,970	100.0%	7.0%
HP	14,687,210	16.6%	15,597,690	18.8%	-5.8%
Acer	11,321,470	12.8%	12,102,220	14.6%	-6.5%
Dell	10,021,560	11.3%	9,748,860	11.8%	2.8%
Apple	8,453,980	9.5%	2,936,310	3.5%	187.9%
Lenovo	8,182,390	9.2%	6,995,500	8.4%	17.0%
Others	35,946,990	40.6%	35,462,390	42.8%	1.4%

Source: Canalys estimates, © Canalys 2011

Includes all desktops, netbooks, notebooks and pads

During the first quarter of this year, pad shipments reached 6.4 million units worldwide. Apple accounted for 74% of these shipments, while other vendors struggled to bring competitive products to market. Canalys expects that next quarter will see a significant change in the market, with products appearing from Acer, Asus, LG and RIM.

Apple continued with its strategy to dominate the pad market, with the iPad or iPad 2 available in 59 markets by the end of Q1. A combination of strong Q4 sales and the announcement of the iPad 2's launch across major markets at the end of March contributed to Apple's iPad shipments being down 31% sequentially. The full impact of the iPad 2 launch will not register until subsequent quarters, as Apple gets the product into the hands of consumers. While pad sales

continued to lift Apple's results, PC vendors with a focus on the consumer netbook and notebook market, such as Acer and Asus, did not fare so well.

Overstocked retail channels and unsteady consumer confidence in major European countries and the United States cast a shadow over the potential for notebook market growth during the remainder of 2011. Likewise, the tsunami and earthquakes in Japan led to an 8% slowdown in the local PC market there. The natural disasters also contributed to supply chain disruption and uncertainty - highlighted in many IT vendors' quarterly financial reports - the consequences of which will continue to be felt in the second half of the year.

'Taking into consideration the iPad's 'halo effect' on the company's other products, Apple has grown considerably in most markets worldwide,' said Canalys Analyst Tim Coulling. 'As the iPad 2 and its competitors continue to roll out, we expect pad sales to propel PC market growth for the rest of the year.'

The findings of a recent consumer survey by Canalys show that current pad usage resembles that of a PC, rather than a media player or e-book reader. After web browsing, both pad owners and non-owners in Western Europe, linked pad usage to e-mail/messaging and social networking. Among pad owners, all three categories rated much higher than e-book reading and video watching. Non-owners, however, expected e-mail/messaging, e-book reading, and video watching to top pad usage after web browsing.¹

At least 10% of Western European pad owners surveyed by Canalys claimed to use over 24 different application categories, spread across communications, entertainment, leisure/lifestyle and financial/business. Educational apps were the only exception, only used by about 8% of pad owners.

iPad owners used a significantly wider range of categories than other pad users. The most popular apps among non-iPad owners tended to be relatively functional ones, such as e-mail, social networking, news and banking. While iPad owners also used these apps, they reported a much higher use of general web browsing and video consumption.

Feedback from potential pad owners shows how pad marketing campaigns, some of which refer to the devices as 'media tablets', have influenced their perceptions. In reality, pads have a wide

¹ In February 2011, Canalys conducted an online survey of 1,622 consumers in Germany and the UK, to understand their use of and attitudes toward mobile devices, mobile apps and app stores.

range of uses. While browsing, for example, does include finding and consuming content, it also includes many other activities.

‘This broad usage pattern reinforces the pad’s role as a general-purpose computing device, and much more than just a consumption device,’ said Coulling. ‘The pad represents a real threat to PC and consumer electronics vendors, as it is capable of replacing devices in a range of other categories.’

Canalys attributes differences between iPad and non-iPad users to screen size, user experience, and app inventory. While the iPad has a 10" screen, a large proportion of other pads have 7" screens. There is evidence from video service providers, such as MobiTV, that the time consumers spend watching video on different devices is directly proportional to screen size. Non-iPad users’ choice of e-book reading over video watching as the most valuable app by four times as many respondents supports this conclusion.

‘Vendors should continue to promote content consumption as an important benefit of pads, especially as ownership spreads to older consumers, while highlighting other uses of the device and preloading advanced browsers and localized messaging and social networking apps,’ said Canalys Chief Analyst Adam Daum. ‘Pad app stores also need to offer a broader inventory of both apps and content designed to take full advantage of a pad’s size and functionality.’

‘Beyond a one-stop sales opportunity, content and apps provide vendors with the chance to drive new revenue streams,’ said Daum. ‘Apple’s ecosystem suggests that pad owners will generate substantially higher average revenue from app and content sales than smart phone users. Through a combination of appropriate device marketing and app store strategy, device vendors can use apps and content to build customer loyalty.’

About Canalys Netpad Analysis

Canalys was the first analyst company to include pads within its PC market results. For hardware and software vendors, as well as service providers, this service tracks desktops, netbooks, notebooks and pads, as well as their routes to market. Canalys delivers overall volume forecasts and market shares for all PC categories. Canalys also monitors the changing relationships between operators and vendors, and the products and tariffs being offered, to support its customers’ strategic planning.

About Canalys

Canalys serves the technology industry with high-quality analysis, produced via a rigorously consistent methodology that is complemented by attentive customer service. Members of its talented, ambitious and globally integrated team are leading-edge users of technology. Canalys deploys innovative, web-based solutions to gather research, connect communities and provide customer-friendly deliverables. These investments underpin the company's long-term approach to consistent, profitable global growth.

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