

## Tablets to make up 50% of PC market in 2014

➤ **Android-derived operating systems will account for 32% of PC market next year**

Shanghai, Palo Alto, Singapore and Reading - Monday, 25 November 2013

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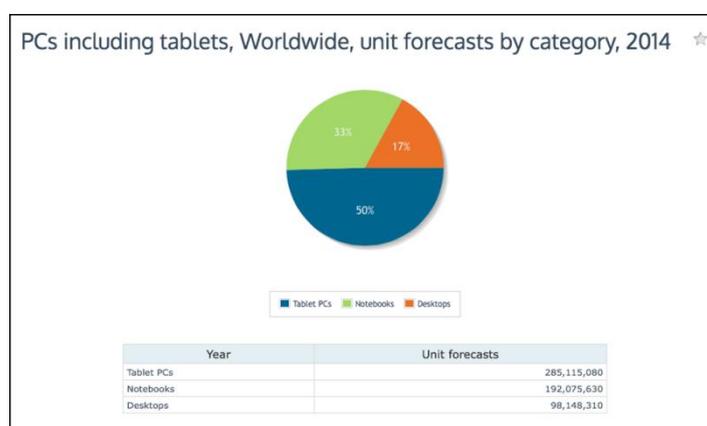
Following the latest quarterly release of its worldwide, country-level forecasts Canalys predicts that next year tablets will almost out ship all other PC form factors combined, forming almost 50% of the total client PC market (desktops, notebooks, and tablets). The worldwide client PC market grew 18% in Q3 2013, despite desktop and notebook shipments continuing to decline. Tablet PC shipments accounted for 40% of PC shipments in Q3 2013, less than half a million units behind global notebook shipments. Tablet domination is set to continue, with Canalys forecasting 285 million units to ship in 2014, growing to 396 million units in 2017. Apple and Samsung are expected keep ahead of their competitors in the medium term, but there could be challenges for both vendors as competition in the tablet market continues to heat up.

Apple has maintained its top vendor position throughout 2013, and the launch of the iPad Air and new iPad mini will strengthen that position in Q4. Its desktop and notebook business has remained stable while other vendors have seen their shipments deteriorate. Apple's prioritization of protecting gross margins will see its PC market share continue to decline. "Apple's decline in PC market share is unavoidable when considering its business model. Samsung narrowly took the lead in EMEA this quarter and Apple will lose its position to competitors in more markets in the future," said Canalys Senior Analyst Tim Coulling. "However, Apple is one of the few companies making money from the tablet boom. Premium products attract high value consumers; for Apple, remaining highly profitable and driving revenue from its entire ecosystem is of greater importance than market share statistics."

Canalys forecasts that Microsoft will take 5% of the tablet PC market in 2014, up from just 2% in 2012. "2014 will see another major shift for the company as the Nokia acquisition brings it a step closer to being a fully-fledged smart mobile device vendor. As a vendor Microsoft needs to prove to channel partners and consumers that it is in this market for the long haul. Balancing the competition with its vendor partners and embracing a "challenger" rather than an "incumbent" mentality is essential. "To improve its position it must drive app development and better utilize other relevant parts of its business to round out its mobile device ecosystem," said Canalys Research Analyst Pin Chen Tang. "A critical first step is to address the coexistence of Windows Phone and Windows RT. Having three different operating systems to address the smart device landscape is confusing to both developers and consumers alike."

Android-derived operating systems will be responsible for driving growth in the market and are forecast to take 65% share in 2014 with 185 million units. Samsung continues to lead with strong year-on-year growth coming from its broad tablet portfolio, and in Q3 2013 it had a 27% share of Android tablet shipments. But with hundreds of small-to-micro brand vendors in established and high-growth markets and international players such as Acer, Asus, Lenovo, and HP, this market share statistic will also start to decline. "With the cost and time-to-market advantages afforded by their Chinese supply chain, these small-to-micro brand vendors are eating up tablet market share. Vendors such as Nextbook in the United States, and Onda and Teclast in the People's Republic of China ship more units than some of the major international top tier

vendors in their home countries. The rise of small-to-micro brand vendors has proved that there is a demand in for entry-level Android tablets in every country and in every region,” commented Shanghai-based Analyst James Wang. “Vendors such as Acer, Asus, HP, and Lenovo have all entered the price war, with entry-level products at sub-U\$150 price points. With vastly different cost structures these vendors will continue to find it extremely challenging to keep pace with local competitors, especially in APAC and Latin America.” The tablet market has already started to see casualties, with BlackBerry exiting the market, and Barnes and Noble looking to adjust its business model away from its own independent hardware. Expect 2014 to bring a flurry of acquisitions, mergers, and failures as PC hardware vendors of all sizes struggle to maintain their desktop and notebook business while attempting to capitalize on a tablet market that will see great volumes driving limited value.



*Note: Canalys defines a client PC as a computing device designed to be operated by an individual and positioned to serve a broad range of purposes, achieved by running third-party applications, some of which can work independently of a network connection. When designed to be portable, it must be able to function without mains power and have a built-in diagonal display size of at least 7 inches*

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