

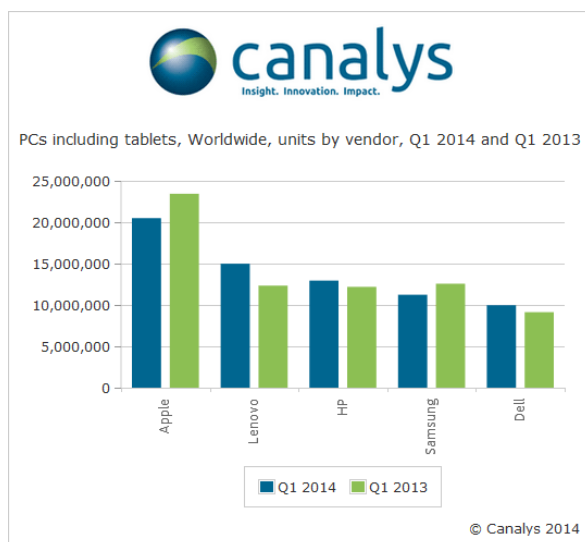
Tablet growth slows to 21% as channel stock rises

➤ Windows XP migration helps slow the desktop and notebook decline

Palo Alto, Shanghai, Singapore and Reading - Thursday, 08 May 2014

Worldwide client PC shipments reached 123.7 million units in Q1 2014, up 5% year on year, according to the latest Canalys research. Growth in tablet shipments slowed to 21%, yet at 50.8 million units they continue to out-ship notebooks. Tablets accounted for 41% of the market, notebooks 38%. The worldwide decline in notebooks slowed to 7% as Western Europe continued to grow and North America remained flat, partly due to commercial sales improving in both regions. Commercial shipments the world over have been lifted by the end of life of Windows XP, a trend that also influenced desktops, helping shipments to remain flat year on year. Notably, however, notebooks and desktops in China, the world's second largest PC market, declined 13% and 6% respectively compared with the previous year.

In the tablet market, there was strong growth in the Middle East (100%), Greater China (74%) and Central and Eastern Europe (47%), and while more modest, there was positive growth in all other regions with the exception of North America. The US market was adversely affected by a drop in Apple iPad shipments, which fell 40%. This was offset somewhat by 20% growth in China, Apple's second largest market. Worldwide, iPad shipments in Q1 fell 16% year on year to 16.4 million and accounted for 80% of Apple's total PC shipments. Despite this, Apple continued to lead the global PC market. Its share fell both sequentially and year on year from 20% to 17%, due chiefly to the increasingly competitive tablet market.



'The fall in iPad shipments in Q1 was the sharpest ever,' said Canalys Senior Analyst Tim Coulling. 'Apple took action during the quarter to run down its iPad inventory, a smart move as tablet stock in the channel rose due to strong seasonal shipments in the previous quarter. Longer term, we do not believe Apple's Q1 performance points to a decline in the tablet category, despite growing pressure from larger-screen smart phones. Consumers, and increasingly businesses, are continuing to adapt, with tablets acting as disruptors

and finding their place as desktop and notebook replacements. Apple's ecosystem and the recent launch of Office for iPad should ensure it is well placed to remain a leader for some time.'

Lenovo did well in the quarter, increasing its PC market share from 10% to 12% with 15.0 million units shipped. It achieved solid annual growth in all PC categories and is now placed first, second and third in the notebook, desktop and tablet markets respectively. And after four quarters of decline, its shipments in China are stabilizing - they were effectively flat on Q1 2013. EMEA was Lenovo's main source of growth this quarter, with its PC shipments there up 61% year on year. 'Lenovo was quick to move with new form factors and its Yoga line now dominates the global convertible notebook market,' said Canalys Analyst James Wang. 'In addition, it has diversified its tablet portfolio and has product SKUs in all key market segments. Unlike Apple, with its 'one size fits all' tablet strategy, Lenovo and others are free to tailor tablets to specific market segments. The tablet form factor is well liked by both young and old consumers; product customization can be beneficial in both cases.'

Samsung's PC shipments suffered and it fell to fourth place. Its exit from the mainstream notebook market and a significant sequential decline in shipments due to mounting inventory both played a part. As a result, HP regained third place. Shipments of 12.9 million units gave it an 11% share of the PC market. It capitalized on the recovery in commercial demand and increased shipments in all product categories during the quarter. After considerable work on its industrial design across its portfolio, notebook shipments grew 7% year on year - the second quarter of growth since Q1 2012. It continues to lead the US notebook market, as well as the major markets in Western Europe, apart from Germany.

'With fewer than 400,000 tablets shipped in the quarter, HP still has much work to do,' said Canalys VP and Principal Analyst Chris Jones. 'But it is now delivering on a tablet strategy that emphasizes strong differentiation based on connectivity. HP's tablets now come with bundled mobile data in a growing number of markets. While other vendors have flirted with this idea, HP's proposition adds significant value to end users, and will appeal not just to individuals but SMBs as well. The vendor has set itself apart from the low-cost tablet battlefield where many are struggling to compete.'

Source: [Canalys estimates, Tablet PC Analysis, May 2014](#)

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