Worldwide tablet shipments fall for the first time – down by 12% in Q4 2014

- **Notebook shipments remain flat as the total PC market declines 6%**

Shanghai, Palo Alto, Singapore and Reading (UK) – Tuesday, 2 February 2015

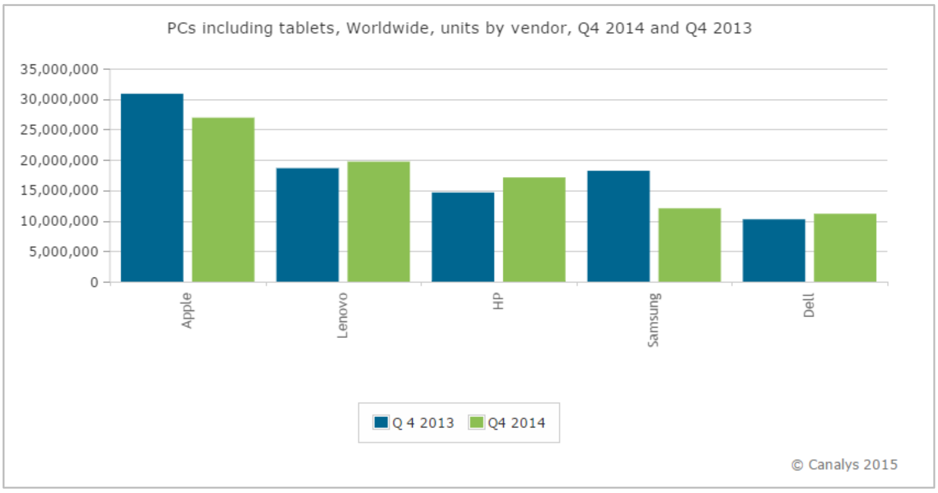
Worldwide tablet shipments fell 12% year on year to 67 million units in Q4 2014, according to the latest country-level research published by Canalys. The desktop market fell back into a decline in the fourth quarter as Windows XP upgrades waned. The notebook market held firm with another quarter of just 1% growth.

Total PC shipments (desktops, notebooks and tablets) fell 6% in Q4 to reach 148 million units, resulting in full-year 2014 shipments of 528 million units, up 3% on 2013. Apple regained the top spot in the PC market on the strength of holiday sales, with just under 27 million units shipped. Lenovo's shipments grew 6% year on year to almost 20 million units as it increased its market share to 13.3%. Samsung dropped out of the top three to make way for HP, with growth of 17% driving shipments over 17 million units, its best quarter since Q3 2011.

Market leader Apple's year-on-year tablet shipments declined once again (down by 18%) – now the fourth quarter of this trend. Second-placed Samsung could also not repeat its tablet success of Q4 2013, with its first annual decline of 24% to 11 million units. 'Despite a strong sequential uplift in tablet shipments, the total market contracted for the first time in Q4, as expected,' said Tim Coulling, Senior Analyst. 'It was always going to be tough for Apple to repeat its stellar performance of Q4 2013, when it introduced the iPad Air. With an iterative product refresh this year, the drive to upgrade iPads was muted. But Apple accounted for over 30% of the market in Q4 and the strength of its ecosystem is helping it weather the storm in an increasingly competitive market,' continued Coulling. 'Samsung's tablets have struggled with inventory issues in 2014, which led to a modest 12% sequential increase in shipments. It will need to streamline its portfolio and improve channel management if it is to hold onto its share in 2015.' It was a different story for the other top-tier vendors, which all grew. Seasonal sales saw Amazon take back the third-place position it occupied a year ago, with 4 million units giving it a 6% share. Lenovo had its best ever quarter, shipping 3.7 million units for a 5.5% market share. Other notable highlights included Microsoft hitting just over 2 million shipments, and HP crossing the million unit threshold in tablets.

In addition to the slowdown at the top of the tablet market, the low end, which primarily consists of 7" Android devices, also suffered significant declines. 'In Q4 2014, 7" tablets made up half of total Android tablet shipments, a segment that has seen steady declines from a high of 66% in the first quarter of the year. Demand in this segment has decreased due to cannibalization from large-screen smart phones and the intense price competition that has seen margins evaporate, making the segment unattractive to both vendors and channel partners,' said Rushabh Doshi, a Singapore-based analyst. 'Canalys expects growth in 2015 to come from tablets with screen sizes larger than 8" as vendors look to improve margins and micro-brand players exit the market. Some of this change will be driven by growth of the Windows platform.' Shipments exceeded 6 million units in Q4 2014, capturing just over 9% share in tablets. Microsoft's ownbranded devices accounted for just over a third of worldwide shipments of Windows tablets as Surface Pro 3 sales continued to gain momentum.

In the notebook market, Windows with Bing has proved to be a success in volume terms as Microsoft responded to increasing competition from Chromebooks in certain markets. 'The new price points it enabled stimulated notebook demand in established markets in Western Europe and the US. This will have hurt tablet sales in these markets in the fourth quarter as consumers opted to replace aging consumer notebooks,' said Research Analyst Jason Low. 'But it has had a detrimental effect on ASPs, reducing channel partners' revenue as well as its own. Vendors were keen to stock the channel this quarter due to upcoming changes to the use of Windows with Bing, increasing the license cost to OEMs and restricting screen sizes to 14" and below. Canalys expects declines in the first half of 2015 as notebook inventories rebalance and the subsequent retail price increases will certainly stifle consumer demand.'



Another factor liable to stifle demand in the short term is the upcoming release of Windows 10. 'The reception of Windows 8 has been akin to that of Windows Vista. In that case, Microsoft redeemed itself by following up with Windows 7. The launch of Windows 10 will need to mirror that success,' said Coulling. 'We expect the notebook market to experience a short-lived slowdown as users wait for Windows 10, skipping Windows 8. In the meantime, we expect a further boost for Chromebooks as Google seeks to make further headway, particularly in the US education market.'

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