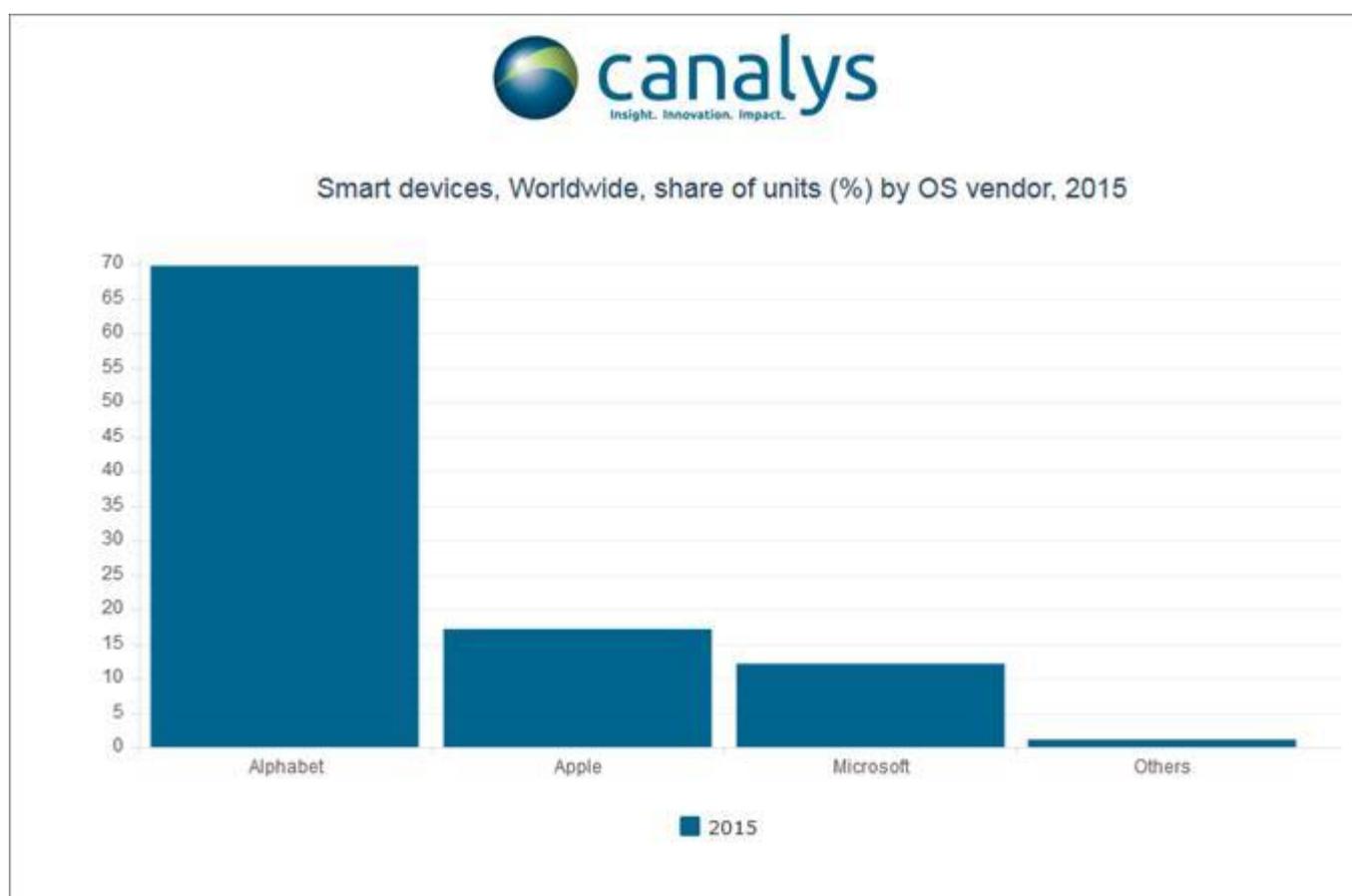


## Microsoft loses out in mobility as shipments fall 9% in 2015

- Linux-based OSs on mobile PCs and smart phones grow by over 200%

Shanghai, Palo Alto, Singapore and Reading (UK)

Recently released Canalys estimates show that 1.74 billion smart phones, tablets, two-in-ones and notebooks shipped in 2015, a year-on-year increase of 5%. Growth was driven by two-in-ones and smart phones, while tablets and notebooks declined. Microsoft has taken the biggest hit from the pivotal shift to mobility. Its share of the total mobility market was just 12%, against Alphabet at 70% and Apple at 17%.



Shipments of mobility products running Linux-based operating systems increased by over 200%, albeit from a small base. This was primarily driven by YunOS shipments, which became the third largest smart phone platform in China in Q4 2015. 'In the notebook space, there are similar shifts in the OS landscape,' said Wilmer Ang, Canalys Analyst. 'Chromebook shipments were up 22% annually in 2015 and the number of notebooks shipping without Windows is increasing. Opting for an alternative OS, such as Ubuntu, can significantly reduce the cost of a notebook. This is an attractive proposition for low-income consumers.'

The industry is also grappling with other shifts in dynamics. Android grew only 6% as tablets went into a decline, denting the 10% growth from its smart phones alone, which was driven by Alphabet's vast base of ODMs. Conversely, despite Apple also suffering heavy declines in tablets, iOS grew 10% and OS X notebooks 7%. 'The tablet market declined throughout 2015 as replacement cycles lengthened. Tablet vendors need to get people excited about the category once again. A good start would be to make these products more versatile. Apple is now emphasizing productivity on tablets, an area where Microsoft arguably leads and Android trails,' said Tim Coulling, Canalys Senior Analyst. 'Apple is off to a good start with the iPad Pro, which outsold Microsoft's Surface in Q4. There is work to be done to maintain this momentum, and numerous trade-offs must be made when trying to use the iPad Pro as a notebook replacement, which Microsoft's Surface undoubtedly is.'

Microsoft grew shipments year on year for two-in-ones and tablets, but this was offset by the declining notebook market and a change in attitude toward its acquired smart phone business. Smart phones running Windows fell by 20% as Microsoft shifted focus from devices to services during 2015. The future for Windows 10 Mobile is now in question. Microsoft desperately needs to attract high-profile OEMs and generate consumer pull. 'Creating a premium Surface Phone might generate some buzz about the platform, but it will be risky and repeating what it has achieved in the tablet space will be tough,' added Coulling. 'It must get OEMs to buy into a platform in decline as well as convince consumers to switch from an iPhone or high-end Android smart phone.'

## About Canalys

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