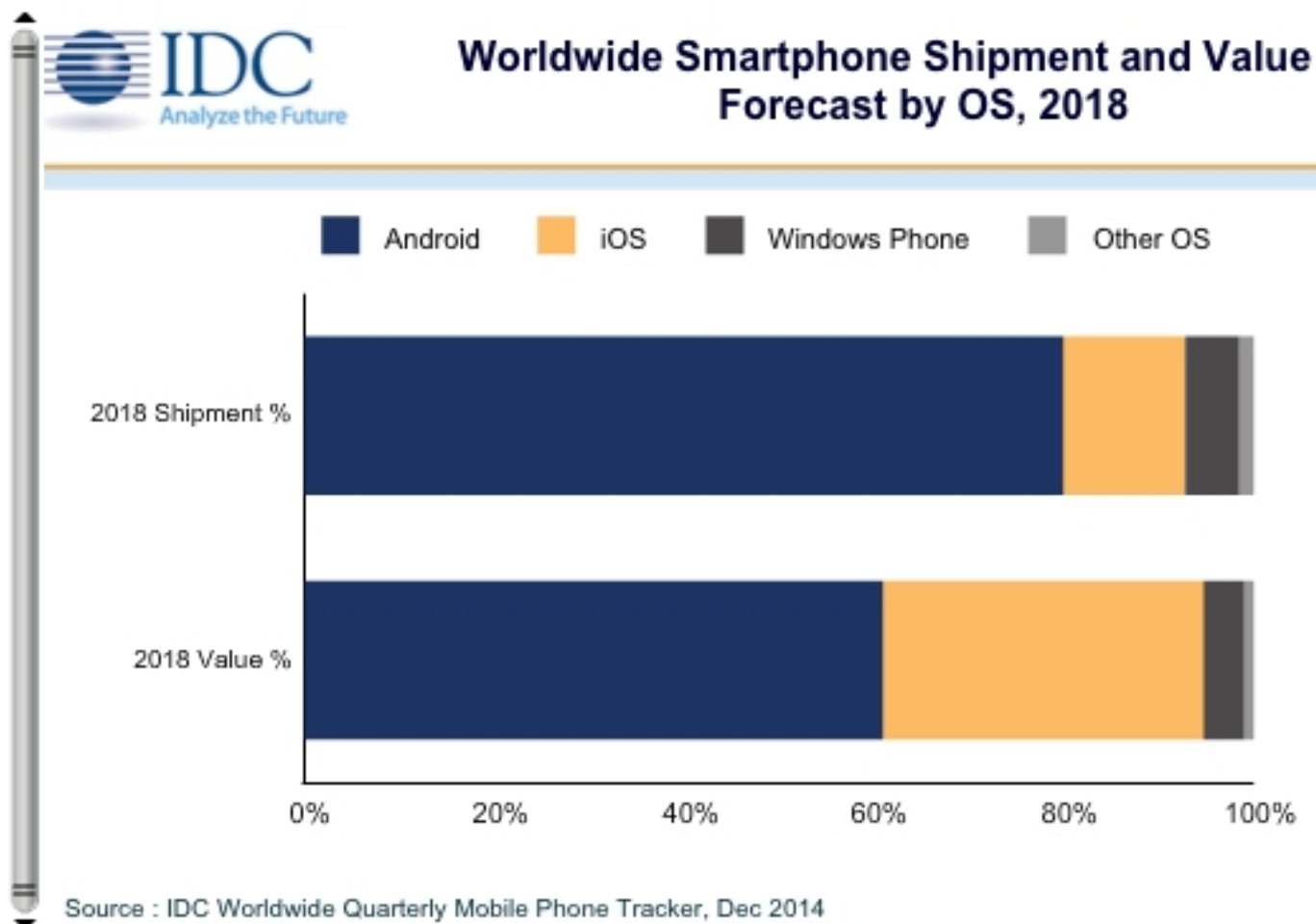


Smartphone Growth Simmers Says IDC

Written by Marco Attard
12. December 2014

According to IDC global smartphone shipments reach "nearly" 1.3 billion units in 2014, a 26.3% increase over 2013 as the market slows down from "boil a boil to a simmer" while prices drop and markets mature.

As such the analyst predicts growth reductions for the next 4 years, with shipments growing by 12.2% to 1.4bn in 2015 before reaching 1.9bn units in 2018 with a CAGR of 9.8% over the 2014-2018 period.



Revenues face an even starker reality, as "increasingly cutthroat" pricing brings about a CAGR of just 4.2% over the same forecast period.

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"The impact of upstart Chinese players in the global market will be reflected in a race to the bottom when it comes to price," IDC says. "While premium phones aren't going anywhere, we are seeing increasingly better specs in more affordable smartphones. Consumers no longer have to go with a top-of-the-line handset to guarantee decent hardware quality or experience."

Thus the global smartphone ASP are to drop from \$297 in 2014 to \$241 in 2018. However mature markets should see less dramatic pricing declines, even if "modestly higher" shipment volumes are expected to not drive up overall revenues.

When it comes to operating systems, unsurprisingly Android continues to drive shipments while iOS drives revenues-- and by 2018 IDC forecasts Android to control 80% of OS share and 61% of revenues while iOS controls just 13% of volumes and 34% of revenues. Such a market does not allow underdog operating systems such as Tizen or Firefox to compete in terms of pricing alone (after all, Android is cheap as free), not unless they provide "radically different appeal."

"As shipment volume slows, we expect greater attention to shift toward value trends," the analyst concludes. "Apple's approach with premium pricing ensures a growing portion of overall revenues despite its declining market share. Meanwhile, Android's multi-faceted approach-- with forked versions and low-cost Android One strategy-- will produce mixed results, yet it allows deeper penetration into emerging markets. That can lead to additional pressure on its vendor partners, who will need to seek greater differentiation in terms of devices and experiences in the hyper-competitive smartphone market."

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