

IDC: Mature Markets Lead to Smartphone Slowdown

Written by Marco Attard
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According to IDC 2015 is "likely" to be the last year of double-digit global smartphone growth-- whereas 2015 shipments total 1.44 billion units with 10.4% growth, 2016 shipments are forecast to increase by just 5.7% to 1.5bn.

Worldwide Smartphone Forecast by OS – Shipments, Market Share, Year-Over-Year Growth, and 5-Year CAGR (shipments in millions)							
Region	2016* Shipment Volumes	2016* Market Share	2016* YoY Growth	2020* Shipment Volumes	2020* Market Share	2020* YoY Growth	5 year CAGR
Android	1,254.6	82.6%	7.6%	1,624.4	84.6%	4.6%	6.9%
iOS	231.2	15.2%	-0.1%	269.0	14.0%	3.2%	3.0%
Windows Phone	23.8	1.6%	-18.5%	17.8	0.9%	-5.7%	-9.4%
Others	9.5	0.6%	-15.1%	9.2	0.5%	4.8%	-3.9%
TOTAL	1,519.0	100.0%	5.7%	1,920.4	100.0%	4.3%	6.0%

Source: IDC Worldwide Quarterly Mobile Phone Tracker, March 3, 2016.

Such a single-digit growth rate is expected to continue over the next 4 years, as the analyst forecasts volumes will grow to 1.92bn in 2020. In the meantime global ASPs will continue to drop (from \$295 in 2015 to \$237 in 2020), the result of volumes shifting to emerging markets such as MEA, India, Indonesia and S.E. Asia.

"The mature market slowdown has some grave consequences for Apple, as well as the high-end Android space, as these were the markets that absorbed the majority of the premium handsets that shipped over the past five years," the analyst says. "I believe Apple's move into the trade-in business with its 'Trade Up with Installments' program is aimed at further increasing churn in some of its most lucrative markets despite the high penetration rates. By entering this space, Apple can more tightly control the trade-in offerings, as well as monitor the demand for where these perfectly functioning 1-year old iPhones end up. The latter is just as important as the trade-in location as it will give Apple a strong pulse on areas of high demand but perhaps less disposable income."

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IDC does point out at least one opportunity in smartphones-- phablets, as customers are still migrating towards large-screen devices. The analyst says phablets account for 20% of 2015 smartphone shipments, a figure forecast to reach 32% (or 610 million units) in 2020.

When it comes to operating systems, IDC predicts Android device shipments will grow to 1.62bn in 2020, up from 1.17 in 2016, with market share growing from 81% to 85%. However such growth comes mainly through the low-cost space, and margins for such devices are low at best.

On the other hand Apple retains its grip of the premium market-- so much so it even managed to increase iPhone ASP from \$663 in 2014 to \$713 in 2015. However IDC predicts flat iPhone shipment growth for 2016, even if growth should return in 2017 with the expansion of Apple trade-in programs outside N. America.

The final OS contender, Windows Phone, faces another challenging year. Shipments are down by -18% in 2015 to 11.1m, and MWC 2016 had few partner OEMs showing Windows-powered devices.

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