



PC Vendors Eyeing Booming Smartphone Market, Says Gartner

Smartphone market offers a ray of hope against shrinking PC market

Personal computer (PC) vendors are eyeing up the booming smartphone market to offset a slump in computer sales, according to Gartner, Inc. Worldwide smartphone sales will grow by 29 percent year-over-year to reach 180 million units in 2009, overtaking notebooks in total unit terms.

Currently smartphones account for 14 percent of overall mobile device sales, but Gartner expects by 2012 they will make up around 37 percent of global handset sales. Smartphone revenue is forecast to reach US\$191 million by 2012, higher than end user spending on mobile PCs, which is forecast to reach US\$152 million in 2012. From 2009, user spending on smartphones will start to surpass the forecast for consumer notebooks.

According to Gartner research, PC vendors' cumulative share (Apple excluded) of the smartphone market has been static at less than one percent for years. By the end of 2009, Gartner expects that all major PC vendors will have announced their aim to have a presence in the smartphone market. However, Gartner does not expect the share of any single PC vendor to rise above two percent in the smartphone market during the next three years.

Roberta Cozza, principal research analyst at Gartner, said that as mobile PCs and smartphone capabilities converge, smartphones will increasingly represent a market opportunity that most PC vendors feel they cannot afford to ignore, but they will face tough challenges.

PC vendors should realise that while convergence of technologies offers an opportunity to enter into the smartphone arena, the business models, go to market and positioning of

products is very different from the PC market, said Ms. Cozza. PC vendors will find it difficult to simply use existing supply chains and channels to expand their presence in the smartphone market. The smartphone and notebook markets are governed by different rules when it comes to successfully marketing and selling products.

PC vendors have traditionally introduced smartphones based on the Windows Mobile platform, which have mainly attracted business users. PC vendors will face extreme challenges in having to adapt and base their smartphone offerings on a consumer-focused value proposition, largely based on short life cycles, fashion design, hardware and software platform diversity. Different consumer usage scenarios will demand PC vendors build a thorough understanding of consumer behaviour.

Gartner has identified five main challenges PC vendors will face when entering the smartphone market:

1.
Smartphones are not "cut-down" versions of mobile PCs. Technical specifications are less important.
2.
The distribution channel for mobile phones is controlled largely by mobile operators.
3.
Brand and user experience are significant differentiators for mobile handsets.
4.
Handset vendors are set to dominate the market for mobile internet devices (MIDs) due to their better understanding of internet usage behaviour.
5.
Consumerization opens the door to consumer smartphones in the enterprise its not the IT manager who makes the decision.

The smartphone market has never been more competitive and even established handset vendors are being challenged to maintain or expand their positions. PC vendors will be challenged to stand out from the crowd and be successful unless they produce truly differentiated and unique products, said Ms. Cozza. Understanding of mobile consumer behaviours, competitiveness and positioning of their mobile products and relationships with carriers, are all barriers that cannot be overcome in the short term. This will limit any PC vendor presence in the smartphone market to low single digits for some time.

Additional information is available in the Gartner report "Dataquest Insight: PC Vendors' Move Into the Smartphone Market is Not Challenge Free". The report is on Gartner's website at: http://www.gartner.com/DisplayDocument?ref=g_search&id=1192914

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