

# BI INTELLIGENCE

BII Mobile

## THE TABLET MARKET REPORT: Forecast, market size, and why the enterprise will drive only modest future growth

Tony Danova | June 23, 2015



BUSINESS INSIDER

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## Key Points

- **The tablet market is in decline.** Shipments contracted for the second consecutive quarter at the start of 2015, declining by 6% year-over-year (YoY).
- **We estimate very modest annual growth over the next five years, driven by enterprise uptake and low-cost device sales.** We expect global tablet shipments to grow at a slow 2.5% compound annual growth rate (CAGR) between 2015 and 2020, reaching just 281 million units shipped at the end of the forecast period.
- **The marquee tablet—the iPad—has seen shipments decline for five consecutive quarters.** In the first quarter, iPad shipments declined 23% YoY, the product's worst quarterly decline ever.
- **Meanwhile, the market is being overrun by generic, low-cost devices.** These white-box tablets now make up 43% of all tablet shipments, up from a 25% share just a year ago. Apple and Samsung have ceded a combined 10 percentage points of market share over the last year.

- **For added context on just how far the market has fallen, in 2011, annual global tablet shipments growth surged to 305%.** Just three years later, in 2014, total tablet shipments growth for the full year slowed to just 8%.
- **The enterprise serves as the tablet's last-chance market, but it won't completely reverse the outlook for the device.** Tablets will make up just 4% of total enterprise device activations by 2018, even after growing faster than all other enterprise device segments.
- **Even in the US, a more tablet-friendly market, tablet penetration in the enterprise is minimal.** Just 18% of companies claim they already have tablets in use, though another 50% say they have plans to deploy tablets this year.

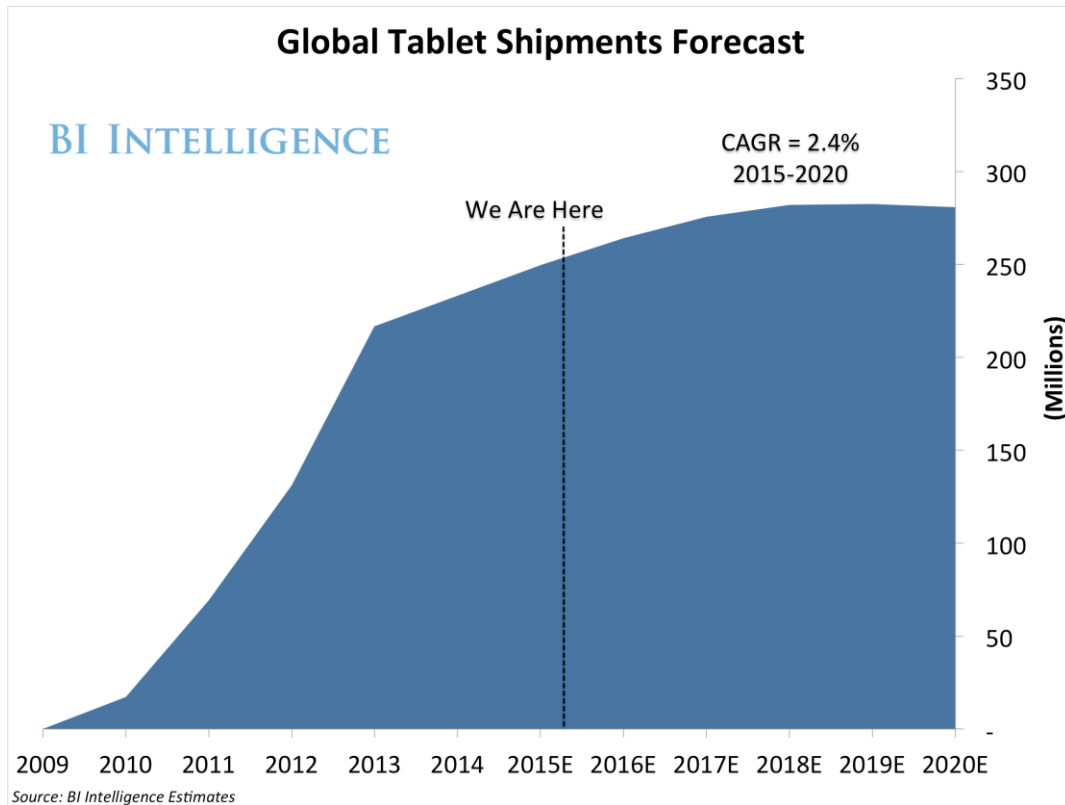
[Click here to download the charts and data for this report in Excel »](#)

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## Our global tablet market forecast

We have revised down our tablet shipments projections for what was once the fastest-growing consumer electronics category, after sustained contraction in the tablet market over the past two quarters.

- **Our new forecast estimates that the global tablet market will grow about 6% this year, to 250 million shipments.** We [originally](#) forecast 16% growth in 2015, with 335 million units shipped.
- 2014 was the year tablet shipments growth came to a sudden halt and the market began to plateau. Going forward, we see slight annual shipments growth over the next few years until 2020, when total shipments for the year will actually decline for the first time ever.
- Between 2015 and 2020, we forecast the market will grow at an average annual rate of 2.4%, and reach 281 million annual shipments in 2020.



On an annual basis, the tablet market has fallen off dramatically.

As recently as 2011, annual global tablet shipments growth surged 305%.

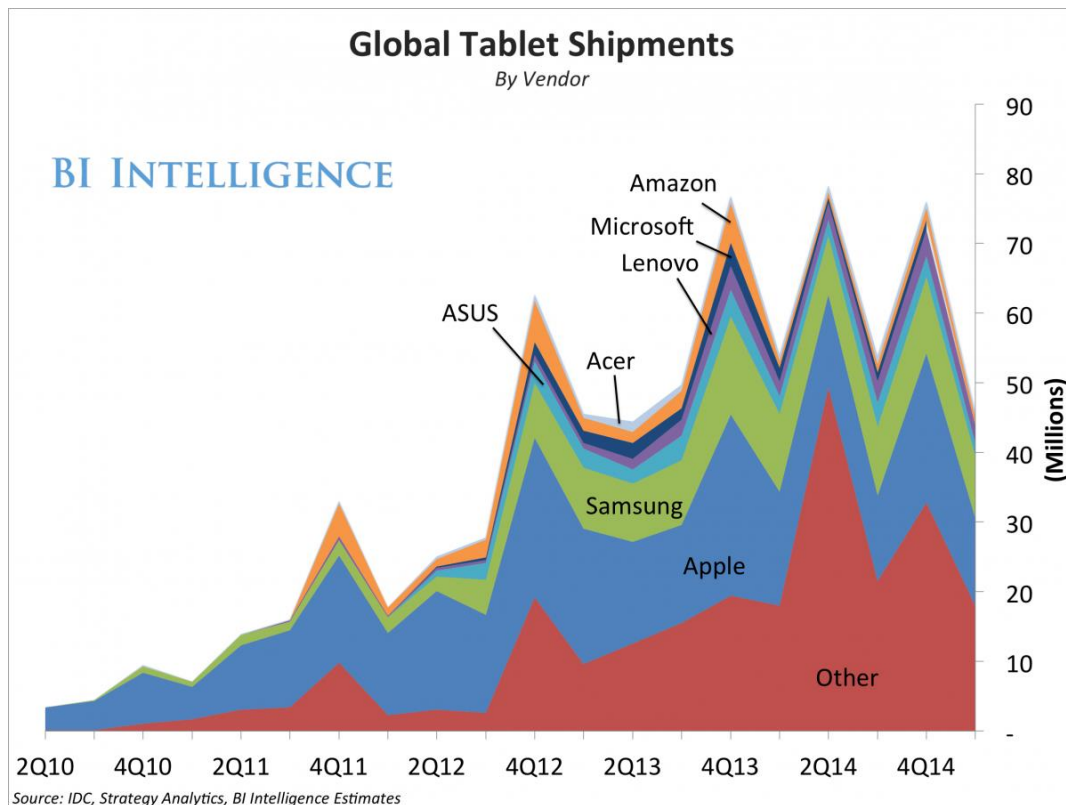
But by 2014, total tablet shipments growth had slowed to just 8%. There were just 233 million tablets shipped in all of 2014, compared to 217 million shipped the previous year.

## Global tablet market landscape

Our revised estimate for 2015 through 2020 is based on recent tablet market performance and our expectations for the factors that will limit adoption going forward.

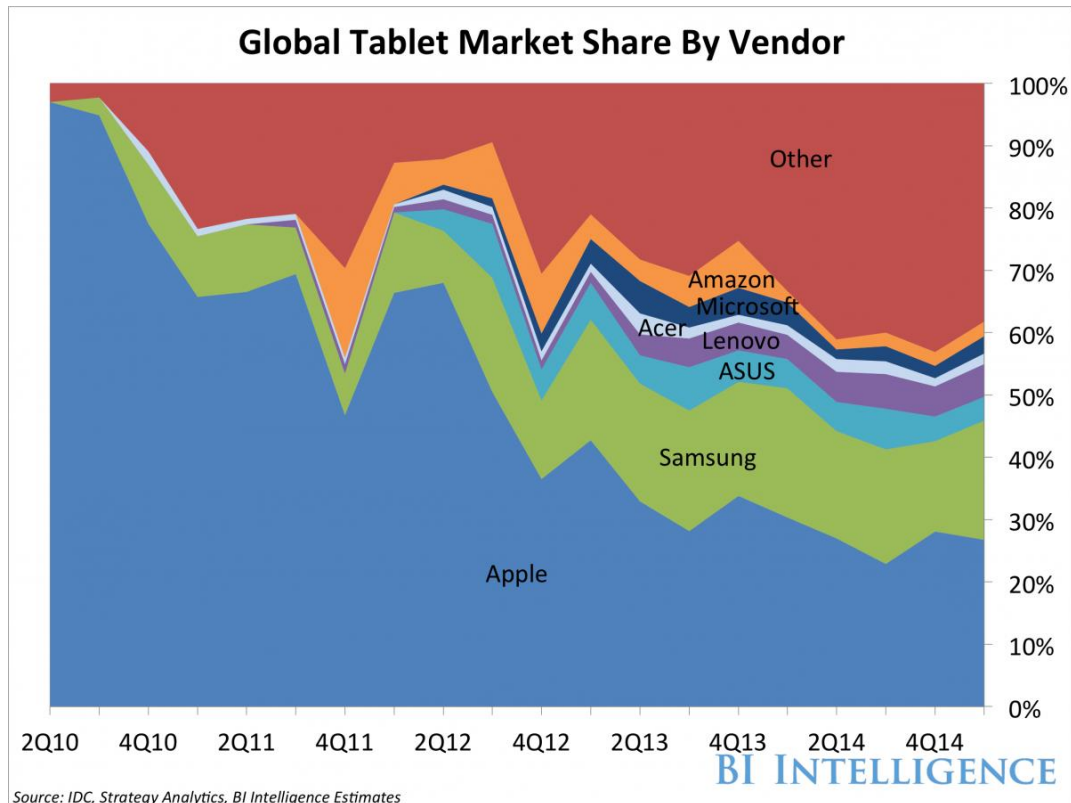
On a quarterly basis, the global tablet market opened up 2015 in decline, with total tablet shipments worldwide falling off 6% year-over-year (YoY), according to new data from [IDC](#). This marked the second straight quarter in which tablet shipments contracted.

- **Tablet shipments hit just 47.1 million during the period.** That's down from 50 million shipped in the same period a year prior.



- **Tablet stalwart Apple had another difficult quarter with its iPad.** Total iPad shipments fell off 23% YoY, and Apple ceded nearly six percentage points in market share. This marks the fifth consecutive quarter in which iPad sales have declined YoY.
- **Samsung, which makes the Galaxy 4 Tab range of tablets, fared almost as badly in the tablet market.** Shipments declined by 20% for the period to hit just 9 million units shipped. That is an enormous slowdown compared to the growth rates Samsung achieved just a year ago. In the second quarter of 2014, Samsung tablet shipments grew 300% YOY.
- **Lenovo and LG were the only tablet vendors in the top five to experience growth during the first quarter.** LG Electronics posted nearly 1,500% growth, shipping 1.4 million devices in the first quarter of this year, compared to just 100,000 in the same period a year earlier. Because of its small base, however, LG's effect on larger market growth was inconsequential.
- **Commoditization continues to play a significant role in declining shipments of brand-name tablets.** The only real growth in the tablet market is coming from low-priced, generic tablets. Our "other" category, which groups together many of these so-called white-box manufacturers, now makes up 38% of all tablet shipments, up from 33% a year earlier.

Looking at the market share chart, you can see how the "other" category has taken a progressively bigger bite out of total market share. (Samsung's share did increase slightly in Q1 as a result of seasonal patterns, but the overall trend is the continued encroachment by the "other" category.) New tablet consumers increasingly prefer low-cost devices to the high-end iPad and Samsung Galaxy models.

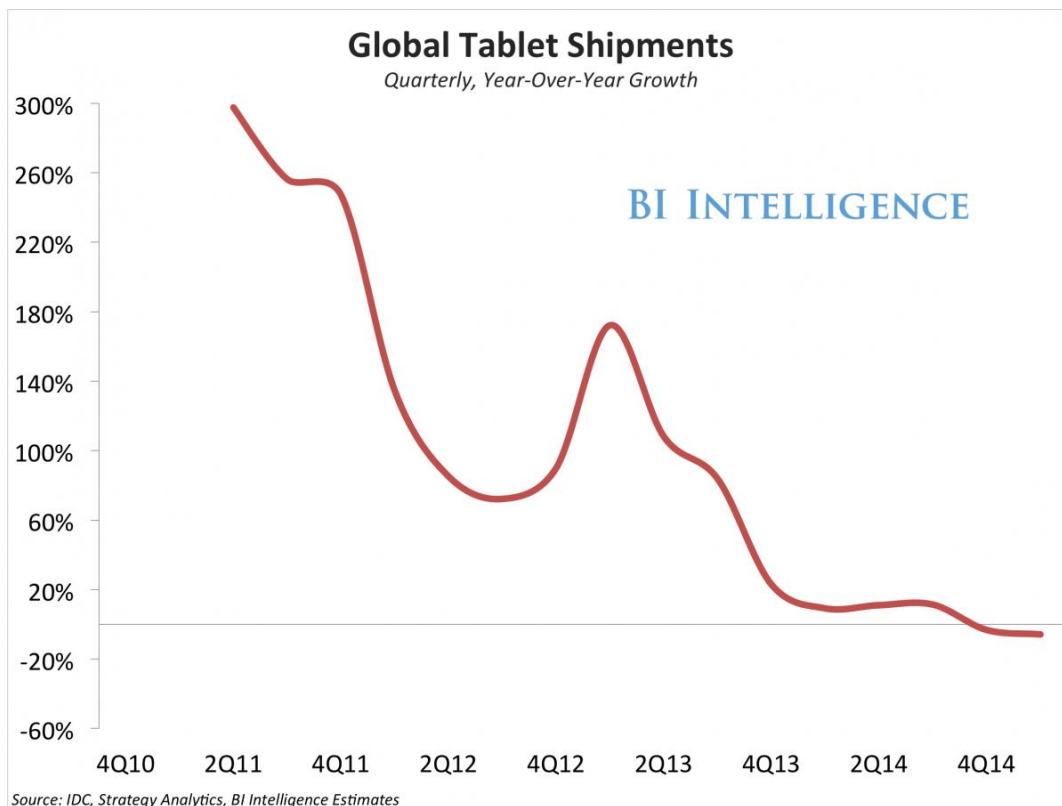
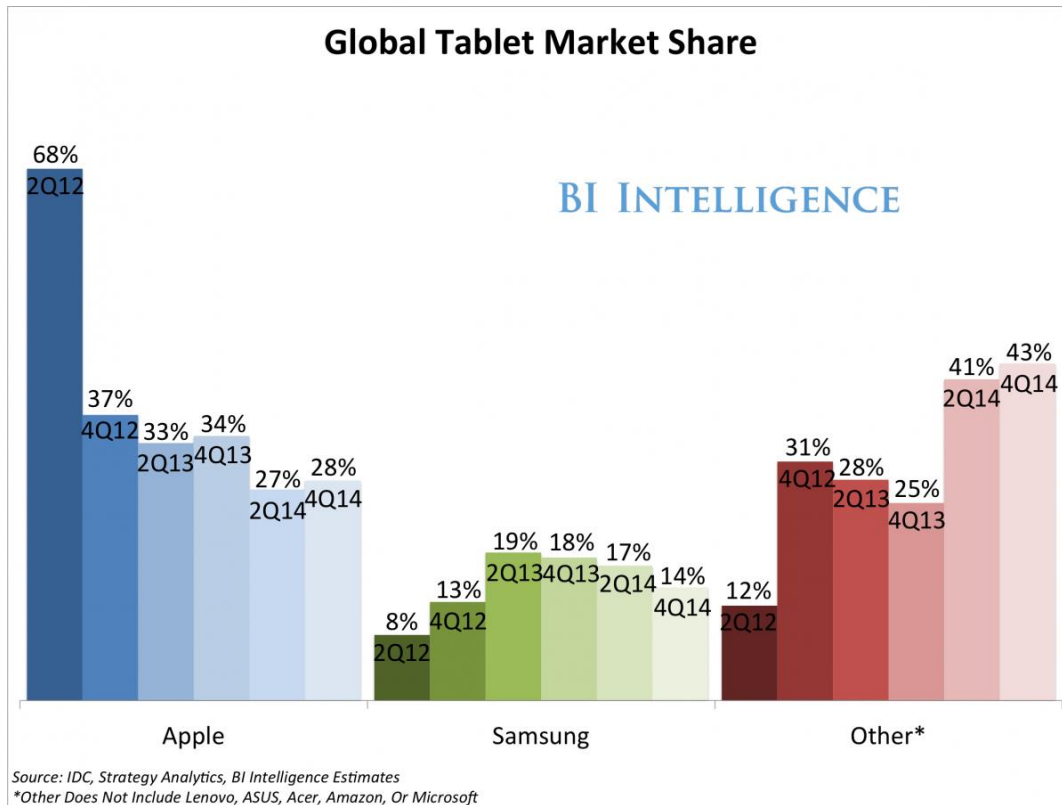


In the fourth quarter, Apple and Samsung's combined share was less than the "other" category's share. In Q1, the combined share bounced back slightly.

- Although Apple still leads all individual vendors with about 27% market share, that's down from 30% one year earlier.
- Samsung's market share fell from a peak 19% share in the second quarter of 2013 to a 14% share this past quarter.

**Contraction in the first quarter for major tablet makers and the market as a whole is not a fluke.** In the fourth quarter of 2014, the market experienced its first-ever contraction in the device's five-year history.

**It is especially notable that the tablet market's first decline came during the fourth quarter.** Historically, a majority of tablet sales have been made in the fourth quarter during the busy holiday season. Contraction wasn't a surprise, however. Growth rates have been steadily declining for the past two years.





So what's driven this dramatic slowdown? Beyond commoditization, usage trends and tablets' long replacement cycles have also driven the market's crash.

In our [fall 2014 tablet survey](#) fielded to the Business Insider and BI Intelligence audience, we found that over [90% of respondents use their tablets primarily over a Wi-Fi connection](#). Nearly three-quarters have a Wi-Fi-only tablet while another 20% have a cell data plan for their tablet, but still use it predominantly on a Wi-Fi network.

This indicates that, unlike smartphones, tablets are primarily a casual, at-home device that absorbs relatively little wear and tear compared with devices like phones. People consider their phones, even their jumbo-sized phablet phones, to be truly mobile devices.

The skew toward tablets solely with Wi-Fi capability and no data plan influences the upgrade cycle for these devices. Consumers have a tendency to buy tablets "off-the-shelf" as a discretionary purchase. The tablet market doesn't usually benefit from cost-reducing carrier subsidies, like the phone does. Carrier subsidies have kept the smartphone market growing at a healthy rate even after penetration reached 50%, because they encourage people who already own smartphones to upgrade often.

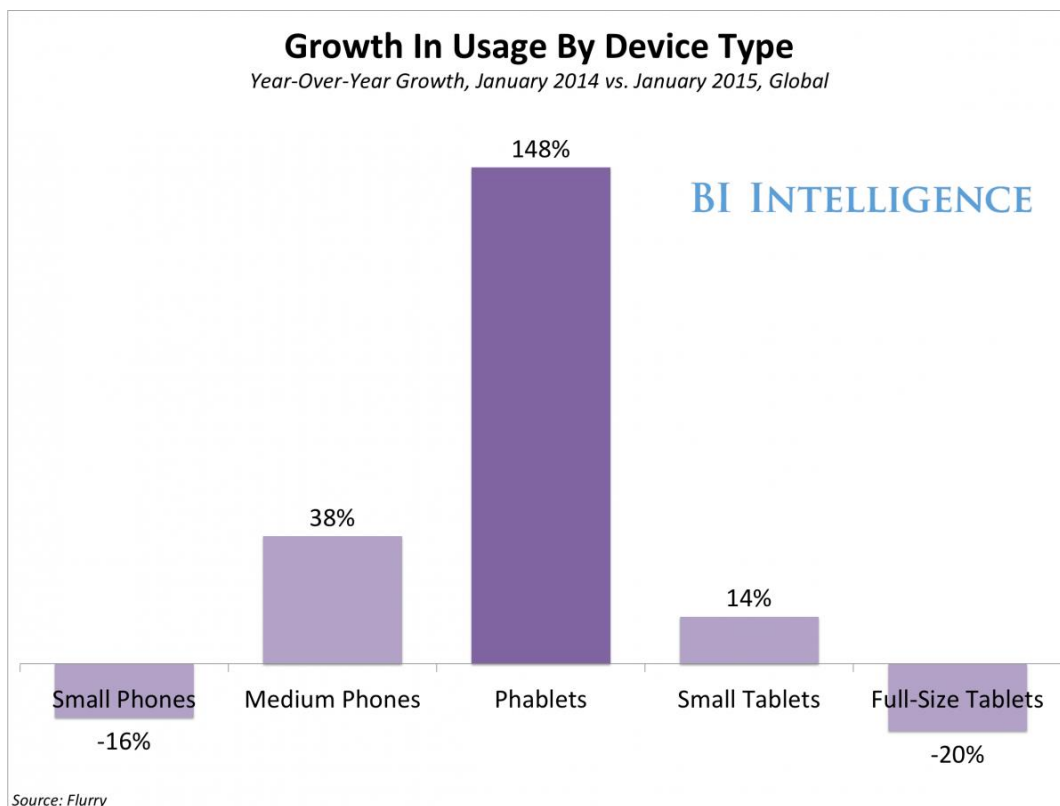
More results from our survey feed into this trend: Even among tablet owners who purchased their tablets in 2012 or earlier, [about half are content with their current device and claim to have no intention of buying a new tablet within the next year](#).

## The Phablet Effect

The rise of phablets has also had an impact.

Phablets are the fastest-growing smartphone category worldwide: We estimate that shipments of phablets—smartphones with screens ranging from 5 to 7 inches, measured diagonally—grew 145% in 2014.

The trend toward phablets was further solidified by the release in fall 2014 of the Apple iPhone 6 Plus. Apple's move into phablets followed device releases from vendors like Samsung, Lenovo, and Xiaomi, each of which saw major success with their phablets.



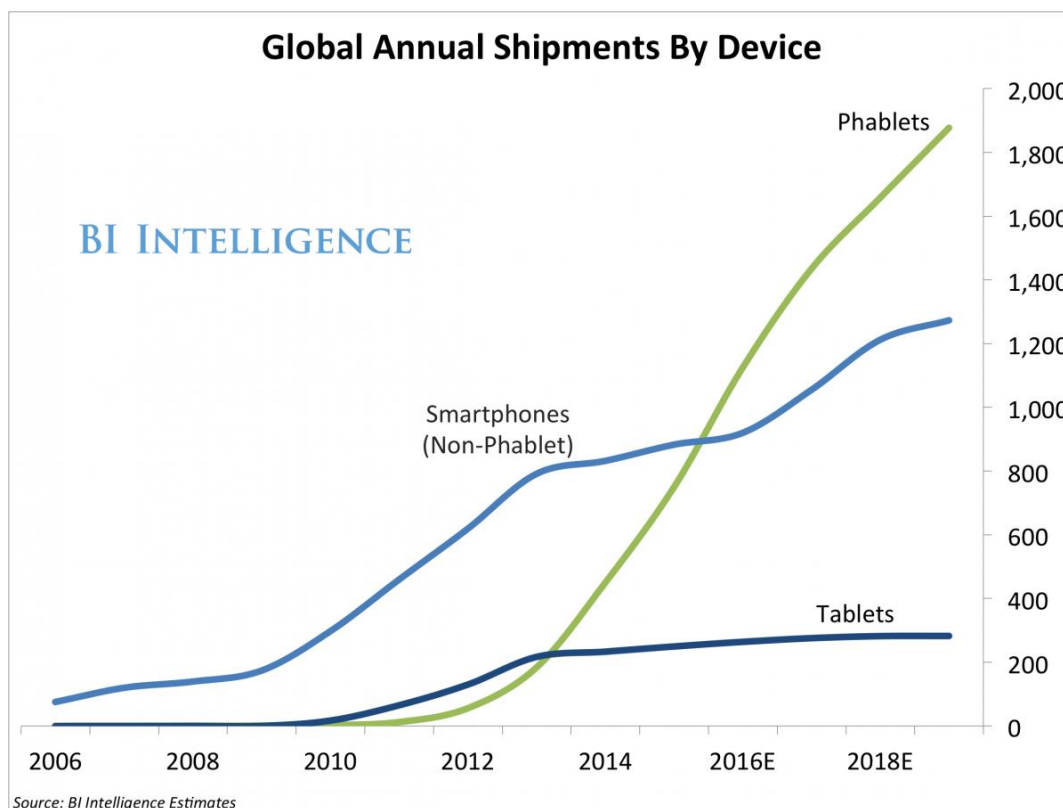
**Phablet usage overall is skyrocketing compared to usage on other devices.** Growth in usage of phablets reached 148% YoY in January 2015, compared to just 38% YoY usage growth for medium-sized phones, and 14% YoY

growth for small tablets. App usage on small phones and full-size tablets actually declined over the past year.

Over the past year, phablet usage growth overindexed particularly when looking at usage of media-centric apps. Phablets have become the go-to mobile media device for consumers.

An uptick in usage trends typically implies new device sales as well as increased usage among those who already own phablets — the devices are becoming more essential to people's daily digital habits.

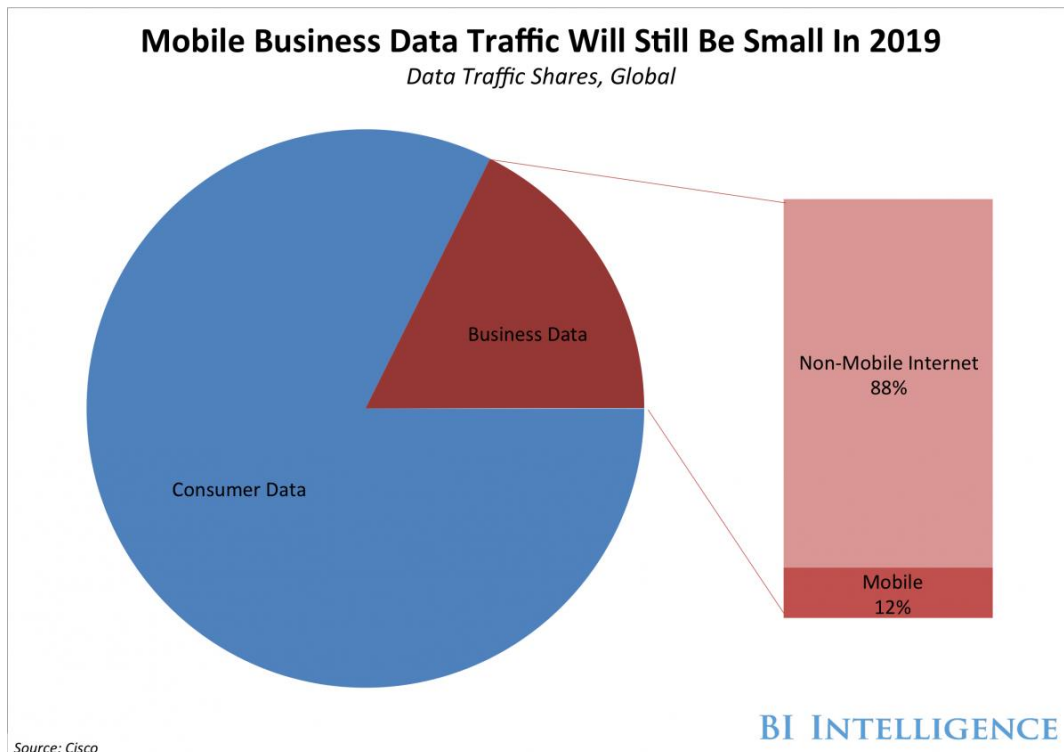
We estimate there will be more than six times as many phablets shipped as tablets in 2020.



## The tablet's last growth opportunity: the enterprise

Mobile usage in the enterprise will increase substantially over the next few years as new devices and apps create new ways for businesses to use phones and tablets for work purposes. Business mobile data traffic grew by 57% in 2014, and will grow 8-fold from 2014 to 2019, according to Cisco's [Visual Networking Index](#).

Despite the fact that mobile data traffic growth for businesses and government will far outpace fixed internet IP traffic growth, by 2019 mobile traffic will still account for only a small share of enterprise data traffic.

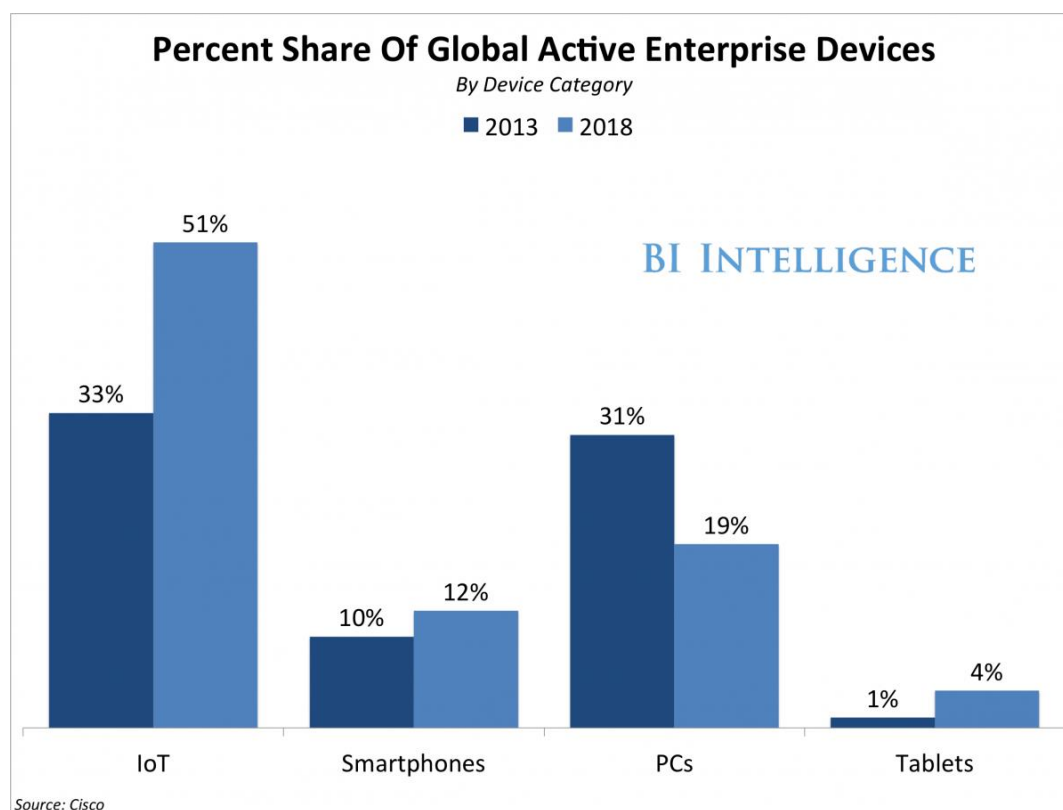


- **In 2019 mobile data will account for just 12% of all global business-oriented traffic**, up from 4% in 2014. This includes traffic both to phones and tablets.

- Business mobile data growth will see a compound annual growth rate (CAGR) of 51% from 2014 to 2019, which far outpaces business IP WAN traffic growth of 9% and business fixed internet traffic growth of 20%.

So with mobile data growth on the rise, how will tablets influence this trend?

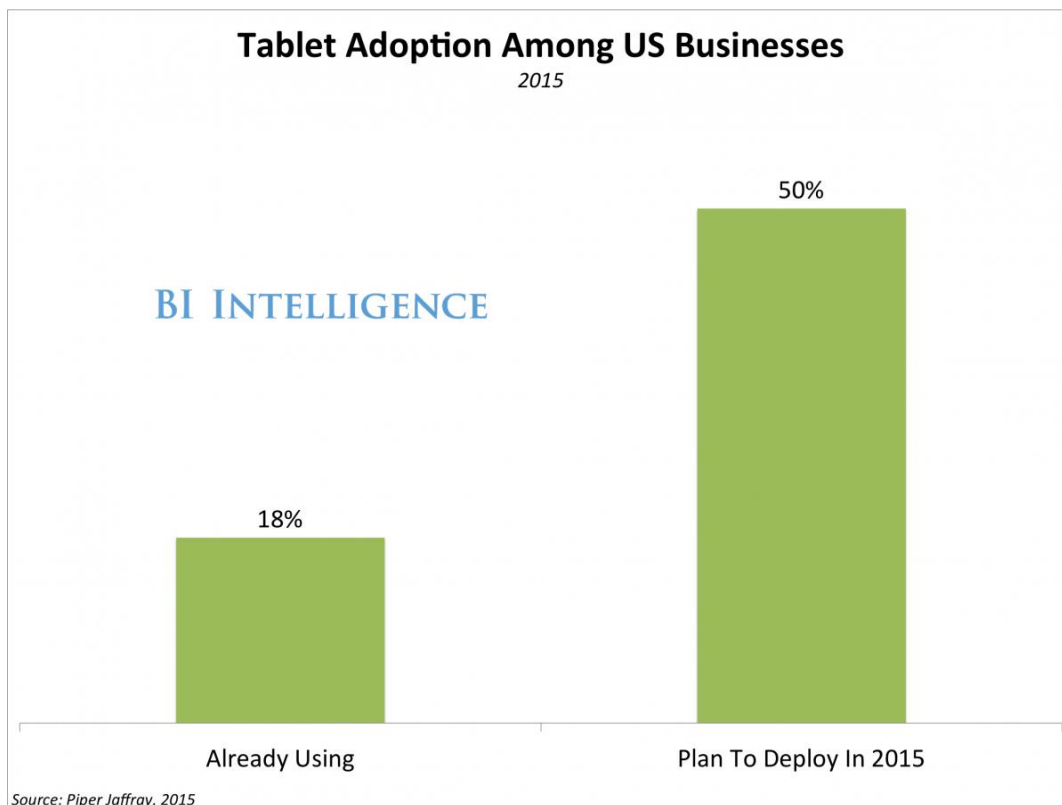
Tablets will be the fastest-growing business device, and are expected to see an annual growth rate in active devices of 40% between 2013 to 2018, rising from 28 million active tablets in the enterprise in 2013 to 152 million in 2018.



However, tablets will not make up a significant portion of the overall device mix used by enterprises going forward, according to data from [Cisco](#).

- Even after hefty 40% average annual growth, **tablets will only make up 4% of total enterprise connected devices** in use by 2018.
- Devices powered by the Internet of Things (IoT) will grow to make up over half of all enterprise connected devices in use by 2018.

- The smartphone enterprise installed base won't grow as quickly as tablets, but its share will be three times larger than that of tablets by 2018.
- The number of PCs in relation to the rest of the connected devices in use by the enterprise market will decline dramatically. This doesn't mean companies will be discarding PCs, but that adoption will center primarily on IoT devices, smartphones, and tablets.



In keeping with this trend, only 18% of US executives surveyed by Piper Jaffray said they already use at least some tablets in their offices.

However, 50% of companies surveyed said that they are planning to make tablets available for their employees during 2015. That would amount to roughly 68% tablet penetration among enterprises in the US at the end of 2015.

It's important to bear in mind, though, this doesn't mean that businesses will deploy *many* tablets. The survey data simply shows how many employers plan on using any tablets at all.

And that 68% penetration rate still pales in comparison to smartphones, which are nearly ubiquitous. Nearly every company has at least some smartphones in use for enterprise purposes.

Tablets still seem to represent a "middle" device for businesses, just as they do for consumers. They do not have the portability of a smartphone or phablet, or the utility of a cheap, light laptop, like the Google Chromebook. Sales of the Chromebook amounted to [14% of all laptop sales](#) in 2014.

## THE BOTTOM LINE

- **The tablet market declined for the second consecutive quarter at the start of 2015.**
- **The market's marquee device—the iPad—has seen shipments decline for five consecutive quarters.**
- **Meanwhile, the market is being overrun by generic, low-cost devices, crowding out Apple and Samsung's share.**
- **We see global tablet shipments growing at a slow 2.5% compound annual growth rate between 2015 and 2020 to reach just 281 million units shipped.**
- **For added context on just how far the market has fallen, in 2011, annual global tablet shipments growth surged to 305%.**
- **The enterprise is the tablet's last-chance market, but adoption won't be enough to drive strong growth in tablet shipments.**
- **Even in the US, a more tablet-friendly market, tablet penetration in the enterprise is minimal.**



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