

TECH STRATEGIES

Digital Spending Dominated by Smartphones Globally

For the first time, global digital spending will exceed \$1 trillion in 2018. And surprisingly, just three product categories make up 75 percent of this global expenditure: smartphones (48 percent); TVs (12 percent); and mobile PCs/tablets (15 percent).

The only category consistently growing in market share is smartphones. From 2011 to 2018, TV's market share of digital spending declined from 16 percent to 12 percent and mobile PCs and tablets fell from 19 percent to 15 percent. These declines are minor when compared to all other digital products combined — which have seen their market share cut in half (from 48 percent in 2011 to just 25 percent in 2018).

Smartphone Takeover

The key insight: smartphones are eating the digital world. Few people buy a point-and-click digital camera anymore because smartphones have 12+ megapixel cameras. (My Huawei Mate 10 Pro has dual Leica cameras — a 20 megapixel and a 12MP).

Why buy a GPS when your phone serves as one and you can use Waze to navigate city traffic? And today's smartphones have accelerometers that can track steps all day.

The last gadgets standing really are the TV and the portable PC — but even they are being challenged by the smartphone. TV unit sales have declined one percent a year globally since 2014 while the PC/PC tablet market has shrunk by seven percent a year.

Phablet Boom Driving Smartphone Market

Millennials now watch far more video on their smartphones than they do on TV and as they age, the trends are going to continue. What is driving all

this is “phablets” — large smartphones with high resolution screens so you can watch video anywhere.

Within the smartphone category, phablets are predicted to overtake regular smartphone shipments by 2019, according to IDC.

IDC defines phablets as smartphones with screen sizes of 5.5-inches to seven-inches. (The term phablet is a cross between phone and tablet.)

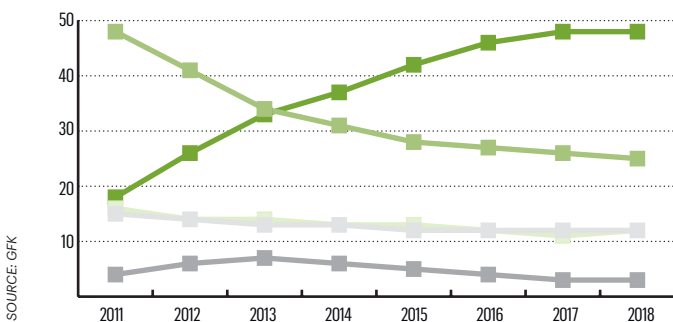
Between 2017 and 2021, phablet sales are predicted to grow at compounded annual growth rate (CAGR) of 18.1 percent and hitting a billion units by 2021. By contrast small smartphones with screens of 5.5-inches or less are expected to decline.

With more people watching video on phablets, this will challenge the sale of TVs. Smartphones are getting so powerful that they will begin cannibalizing PC sales. Imagine no longer taking a laptop on your business trips. Instead you just connect your smartphone to an external monitor and keyboard via Bluetooth and instantly it becomes your computing device.

These trends are accelerating the shift from a PC-centric computing world to a mobile one. ■

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Three Categories are 75% of Global Digital Spending: (Smartphones (48%), TVs (12), and PCs/Tablets (15))



Global Sales of Digital Devices (per million units sold)

