Gartner

Press Release

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Gartner Says Western Europe PC Market Declined 18 Per Cent in First Quarter of 2011

- ***UK Recorded Worst Decline of Three Major Markets in Western Europe***
- ***PC Demand in France Remained Weak for Third Consecutive Quarter***
- ***PC Shipments in Germany Saw First Double-Digit Decline Since 2001***

Egham, UK, 17 May 2011 - PC shipments in Western Europe totalled 14.7 million units in the first quarter of 2011, a decline of 17.8 per cent from the same period in 2010, according to Gartner, Inc.

“The PC market in Western Europe had not exhibited a decline since the second quarter of 2009,” said Meike Escherich, principal analyst at Gartner. “This quarter’s poor performance was due to excess inventory accumulated at the end of the fourth quarter of 2010 in many countries in Western Europe. The excess inventory was reduced only slightly, as demand came to a standstill. The seasonal growth was also weaker than expected, indicating that the downward trend seen at the end of 2010 continued into the first quarter of 2011.”

In Western Europe, consumers continued to hold back disposable spending on PCs, or they spent it on other devices like media tablets. This resulted in extending current PC life cycles. PC shipments in the consumer market declined 25 per cent year-on-year, with the mini-notebook segment hit especially hard.

“The PC demand in the professional market also held back this quarter as the weak economic environment continues to discourage PC spending,” said Ms Escherich. PC shipments in the professional market decreased 8 per cent year-on-year.

HP maintained its No. 1 position in Western Europe despite a 25 per cent decline in mobile PCs. Both Acer’s and Dell’s shipment performances were considerably lower than the market average. Acer faced high levels of inventory from the previous quarter and Dell recorded slow demand across all segments. Declining demand for mini-notebooks also impacted Asus’ performance. Apple made its debut among the top five vendors in Western Europe displacing Toshiba in the first quarter of 2011. Apple was the only one among the top five vendors to increase shipments, with volumes for mobile PCs growing 32 per cent in the first quarter of 2011.

Table 1
Western Europe: PC Vendor Unit Shipment Estimates for 1Q11 (Thousands of Units)

Vendor	1Q11 Shipments	1Q11 Market Share (%)	1Q10 Shipments	1Q10 Market Share (%)	1Q11-1Q10 Growth (%)
HP	3,439	23.4	4,088	22.8	-15.9
Acer Group	2,842	19.3	4,054	22.6	-29.9
Dell	1,413	9.6	1,812	10.1	-22.0
Asus	1,258	8.6	1,432	8.0	-12.2

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Apple	966	6.6	878	4.9	10.0
Others	4,793	32.6	5,637	31.5	-15.0
Total	**14,710**	**100.0**	**17,902**	**100.0**	**-17.8**

Note: Data includes desk-based PCs and mobile PCs. Media tablets are excluded.
Source: Gartner (May 2011)

UK: PC Market Weakness Continues

PC shipments in the UK totalled 2.7 million units in the first quarter of 2011, a decline of 17.5 per cent compared with the same period in 2010 (see Table 2). The UK market exhibited the worst decline of the three major countries in Western Europe in the first quarter of 2011.

"For the second consecutive quarter both the professional and consumer markets recorded a decline," said Ranjit Atwal, research director at Gartner. "The consumer market declined nearly 25 per cent in the first quarter of 2011. The poor performance of this segment can be explained by a shift away from mini-notebooks by the PC channel. Vendors in the PC channel realigned to the weaker end-user demand for this platform, and they also realised that the subsidised selling model was not as effective as expected."

The last time the UK PC market recorded sustained decline was over four consecutive quarters in 2001/2002. However, the market has changed considerably since then and PC vendors need to understand that even the mature markets are evolving into a new phase. Consumers are still under considerable economic pressure to manage discretionary spending and PCs are not attracting the disposable income, particularly in the light of alternative devices. Additionally PC price points are not as attractive as they once were, causing replacement buyers to hold off purchases.

In the UK, Apple made its debut among the top five vendors, displacing Samsung Electronics. Apple was also the only top five vendors to record growth, characterising its unique position in the PC market. Dell moved down to the No. 3 position and performed poorly in the consumer and professional markets. Despite the overall weak growth in the first quarter of 2011, Acer and HP increased their share, respectively, and the rest of the market faired on average worse than the top two leaders.

Table 2
United Kingdom PC Vendor Unit Shipment Estimates for 1Q11 (Thousands of Units)

Company	1Q11 Shipments	1Q11 Market Share (%)	1Q10 Shipments	1Q10 Market Share (%)	1Q11-1Q10 Growth (%)
HP	634	23.1	709	21.4	-10.6
Acer Group	450	16.7	523	15.8	-14.0
Dell	429	16.4	620	18.7	-30.8
Toshiba	204	8.5	292	8.8	-30.0
Apple Computer	185	6.2	160	4.8	15.9
Others	830	29.1	1009	30.4	-17.7
Total	**2,732**	**100.0**	**3,313**	**100.0**	**-17.5**

Note: Data includes desk-based PCs and mobile PCs. Media Tablets are excluded.
Source: Gartner (May 2011)

France: PC Demand Remained Weak for the Third Consecutive Quarter

PC shipments in France totalled 2.7 million units in the first quarter of 2011, a decline of 15.5 per cent compared with the same period in 2010 (see Table 3).

"The PC market in France performed below expectations as PC demand remained weak across the consumer and professional markets. Although the decline in the professional market has slowed down in the first quarter of 2011 (-1.3 per cent), volumes were not significant enough to compensate for the drop in consumer demand," said Isabelle Durand, principal analyst at Gartner.

The consumer market in France declined 22.9 per cent as consumers continued to delay their purchase or turn to other products such as media tablets. There were significant levels of PC inventory carried over from the fourth quarter of 2010 that impacted shipments in the first two months of this year. The market was also hit by a slowdown of mini-notebook shipments in the first quarter of 2011. Retailers were cautious in placing PC orders and even cancelled some of them.

In the first quarter of 2011, the mobile PC market accounted for 66 per cent of total PC shipments in France, with mobile PC shipments declining 19.5 per cent. Desk-based PCs declined 6.3 per cent year-on-year.

In the first quarter 2011, all vendors in the top five recorded a decline. HP regained the No. 1 position displacing Acer. HP recorded the smallest decline among the top five vendors because of better volumes in the professional segment. Acer continued to be affected by high inventory levels and slow demand in the consumer market.

“We foresee the PC demand continuing to be weak in the second quarter of 2011 as the sell-out in March was lower than anticipated, said Ms Durand. “Media tablets will continue to disrupt the PC market as some consumers opt for a media tablet instead of upgrading their current PC or buying a new one.”

Table 3
France: PC Vendor Unit Shipment Estimates for 1Q11 (Thousands of Units)

Company	1Q11 Shipments	1Q11 Market Share (%)	1Q010 Shipments	1Q10 Market Share (%)	1Q11-1Q10 Growth (%)
HP	710	26.6	770	24.4	-7.7
Acer Group	604	22.6	776	24.6	-22.2
Asus	304	11.4	332	10.5	-8.3
Dell	269	10.1	301	9.5	-10.5
Samsung Electronics	154	5.8	168	5.3	-7.9
Others	626	23.5	810	25.7	-22.8
Total	**2,667**	**100.0**	**3,156**	**100.0**	**-15.5**

Note: Data includes desk-based PCs and mobile PCs. Media tablets are excluded
Source: Gartner (May 2011)

Germany: PC Shipments Saw First Double-Digit Decline Since 2001

PC shipments in Germany totalled 2.8 million units in the first quarter of 2011, a decrease of 16.5 per cent compared with the same period in 2010 (see Table 4).

“This is the first double-digit decline in Germany since 2001,” said Ms Escherich. “This quarter’s results are significantly lower than we had expected, which highlights the ongoing weakness of the consumer PC demand in mature markets.” Germany also suffered from excess inventory accumulated at the end of the fourth quarter of 2010 which was reduced only slowly in January and February. There was only a small number of finished Sandy Bridge products that entered the market in March.

The PC market in Germany was also badly hit by poor mobile PC sales that decreased 21 per cent in the first quarter of 2011, and represented nearly two thirds of total PC shipments in Germany. The decrease was steeper than the desktop PC market which declined 7 per cent this quarter. In the first quarter of 2011, the PC market also saw a sharp decline in mini-notebook shipments as volumes halved compared with the same period in 2010.

From a vendor perspective, Samsung and Asus exhibited growth despite the stagnation in the mini-notebook market, which helped to boost both company’s positions over the last two years. Samsung gained 2.5 percentage points in market share and recorded the highest growth among the top five vendors.

HP remained the leading professional and desktop PC provider, and it benefited from the ongoing professional PC replacement cycle. However, the company's problems remained in the consumer segment, as HP struggles to compete with more nimble competitors from Asia. "Acer, for example, has been the most aggressive of HP's competitors in the consumer and small and midsize business segments in the last few years," said Ms Escherich. However, the slowdown in consumer demand and thin margins resulting from Acer's business model, which relies on high-levels of inventory, resulted in Acer declining significantly in the first quarter of 2011.

"The recently announced change in Acer's business strategy signifies an inflection point where PC vendors begin to realise that consumer demand, especially in mature markets, is no longer driven by the lowest price point. Instead, consumers are looking at some of the emerging devices, like media tablets. Alternatively they want to purchase a mid- or high-specification PC which they intend to keep for longer," said Ms Escherich.

Table 4
Germany: PC Vendor Unit Shipment Estimates for 1Q11 (Thousands of Units)

Company	1Q11 Shipments	1Q11 Market Share (%)	1Q10 Shipments	1Q10 Market Share (%)	1Q11-1Q10 Growth (%)
HP	429	15.5	426	12.8	0.5
Acer Group	404	14.6	746	22.4	-45.8
Asus	279	10.0	293	8.8	-4.6
Dell	228	8.2	274	8.2	-16.7
Samsung Electronics	197	7.1	153	4.6	29.0
Others	1,232	44.6	1,425	43.2	-13.5
Total	**2,769**	**100**	**3,317**	**100**	**-16.5**

Note: Data includes desk-based PCs and mobile PCs. Media tablets are excluded
Source: Gartner (May 2011)

About Gartner
Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is a valuable partner to 60,000 clients in 11,500 distinct organizations. Through the resources of Gartner Research, Gartner Executive Programs, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 4,500 associates, including 1,250 research analysts and consultants, and clients in 85 countries. For more information, visit www.gartner.com.

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