

Handheld Media Player Suppliers biting into Apple's Share

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Apple continues to enjoy remarkable success with its iconic range of iPod audio and video players. However, a recent study by IMS Research on the global markets for handheld media players over the next five years analyses the forces that may make its dominance only regional and temporary. Apple has shown remarkable powers of innovation, but it remains to be seen whether it can rise to the formidable competitive challenges ahead.

Although shipments of the iPod range exploded from almost 1.5 million units in 2003 to almost 32 million units in 2005, their estimated global share of shipments of stand-alone handheld media players increased only slightly over the last year, from 23% in 2004 to 27% in 2005.

"The strongest growth in shipments has come from low cost, flash-based players," commented Peter Cooney, Senior Market Analyst for this report. "Apple certainly made the right moves with its timely iPod shuffle and nano into the market and reaped the market benefits. However, their continued focus on the higher end of the market could be their downfall. Continued global unit growth will be from low cost, flash-based players, which are expected to be largely supplied by Chinese companies."

In 2005, Apple was estimated to lead the market for flash-based players, but with only a 15% share of the global total. It continues to dominate the market for HDD-based players (half of which is currently in the US), with almost three-quarters of all units shipped globally in 2005, but this market is forecast to grow less than 10% a year over the next five years.

Apart from the increasing threat from low cost players, the ubiquitous cellular phone may well mop up much of the demand for audio and video players. A recent Nokia-commissioned survey of the 18-35 age group in 11 countries showed that the desire for separate cell phones and media players was very much a U.S. phenomenon. Elsewhere, most of those surveyed expected their phone to replace their portable music player. Even in the U.S., one must be cautious about fickle consumer tastes. The MP3 player has amazingly been voted "cooler" than beer-drinking among U.S. college students this year, but today's "cool" is rapidly transformed into tomorrow's "boring" as the market saturates.

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