

Gartner Dataquest Says Worldwide PDA Industry Grew 18 Percent in 2001

SAN JOSE, Calif., February 13, 2002 - Worldwide PDA shipments in 2001 totaled 13.1 million units, an 18 percent increase from 2000, according to preliminary results from Dataquest Inc., a unit of Gartner, Inc. (NYSE: IT and ITB). In the fourth quarter of 2001, worldwide PDA shipments increased 58 percent from the third quarter of 2001, but were down 2 percent from the fourth quarter of 2000.

"Considering the current economic conditions and the PDA market's weakness shown in the previous quarter, the PDA industry performed surprisingly well in the fourth quarter," said Todd Kort, principal analyst for Gartner Dataquest's Computing Platforms Worldwide group. "Strong holiday season purchases were a big contributor to the sales upturn. Palm and Handspring's average selling price fell to \$165 as their price cuts continued and older inventory was pushed through the retail channel at low prices."

Palm continued to lead the industry, as it shipped more than three times the volume of its nearest competitor (see Table 1). Despite its lead in the industry, Palm's market share in 2001 declined 11.8 percent from 2000 results.

Table 1
Worldwide PDA Vendor Unit Shipment Estimates for 2001 (Thousands of Units)

Company	2001 Shipments	2001 Market Share (%)	2000 Shipments	2000 Market Share (%)	Growth (%)
Palm	5,056	38.6	5,588	50.4	-9.5
Handspring	1,648	12.6	1,369	12.4	20.4
Compaq	1,283	9.8	466	4.2	175.4
Hewlett-Packard	711	5.4	442	4.0	60.9
Casio	529	4.0	440	4.0	20.4
Others	3,884	29.6	2,777	25.1	39.9
Total Market	13,111	100.0	11,083	100.0	18.3

Note: Columns may not add to total because of rounding.

Source: Gartner Dataquest (February 2002)

Among the top five vendors, Compaq and Hewlett-Packard experienced the strongest growth rates both worldwide and in the United States in 2001 (see Table 1 and Table 2). While there has been much focus in the industry between Palm and Microsoft, Gartner Dataquest analysts said the two companies have competed in separate segments of the PDA market.

Gartner Dataquest analysts believe the typical PDA buyer approaches the market with some limit in mind of how much they're willing to spend. If it's less than \$400, the Pocket PC 2002 devices are not in the picture. They'll look more to a Palm OS device.

"Today, only about 20 percent of the market is willing to spend \$400 or more on a PDA," said Kort. "Microsoft, Intel, Compaq and HP understand this and are fairly content to continue innovating with the expectation that prices will gradually come down and the platform will continue to gain adherents. They are also the only vendors making decent profits in this market today."

Table 2
U.S. PDA Unit Shipment Estimates for 2001 (Thousands of Units)

Company	2001 Shipments	2001 Market Share (%)	2000 Shipments	2000 Market Share (%)	Growth (%)
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Company	2001 Shipments	2001 Market Share (%)	2000 Shipments	2000 Market Share (%)	Growth (%)
Palm	3,068	47.1	3,523	58.7	-12.9
Handspring	1,281	19.7	1,207	20.1	6.1
Compaq	568	8.7	249	4.2	127.7
RIM	430	6.6	395	6.6	8.9
Hewlett-Packard	383	5.9	207	3.5	85.1
Others	785	12.0	418	7.0	87.8
Total Market	6,515	100.0	5,999	100.0	8.6

Source: Gartner Dataquest (February 2002)

Palm OS PDAs captured more than 57 percent of the worldwide PDA market in 2001, with about 7.5 million units shipped. Vendors of Microsoft Windows CE PDAs controlled nearly 21 percent of the worldwide market, up from about 11 percent in 2000. Proprietary OS devices, especially popular in Asian markets, comprised about one-sixth of the worldwide market.

The U.S. market accounted for nearly half of worldwide PDA shipments in 2001. The Asia/Pacific region surpassed Western Europe, with shares of 17.4 percent and 16.5 percent, respectively. Japan comprised about 8 percent of worldwide PDA shipments.

The battle in 2002 will be for the more profitable business segment. Gartner Dataquest analysts said approximately 80 percent of Windows CE-based PDAs are purchased directly by organizations or by individuals that are later reimbursed by the organization they work for. Palm is expected to make a stronger push into this market later this year. Palm's OS 5.0 and the ARM processors will offer the company an opportunity beginning in the second half of 2002 to significantly reduce the performance gap and compete strongly for corporate sales.

This information is produced by Gartner Dataquest's Computing Platforms Worldwide research cluster. This program is designed to help companies focus on real opportunity, with coverage of the complete range of computer hardware platforms as well as associated supply chain components, systems, distribution channels and end user groups. For more information on how to subscribe to this program, please call 408-468-8000. Reports can be accessed on the Internet at www.gartner.com.

Gartner will provide additional analysis on mobile technologies during Gartner's Wireless Access, Mobile Business Solutions conference, to be held March 11-13, 2002, at the Sheraton Chicago Hotel in downtown Chicago. Gartner analysts will discuss topics such as the economic, social and legal trends that will affect enterprise adoption of mobile and wireless technologies; how applications and systems architectures will evolve to exploit mobile and wireless capabilities; and how security and privacy will be assured in an "always on" world. The conference will also offer wireless technology demonstrations. For more information on this conference, please go to www.gartner.com/us/wireless or call 1-800-778-1997.

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Contact:

Christy Pettey
408-468-8312

christy.pettey@gartner.com

352786

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