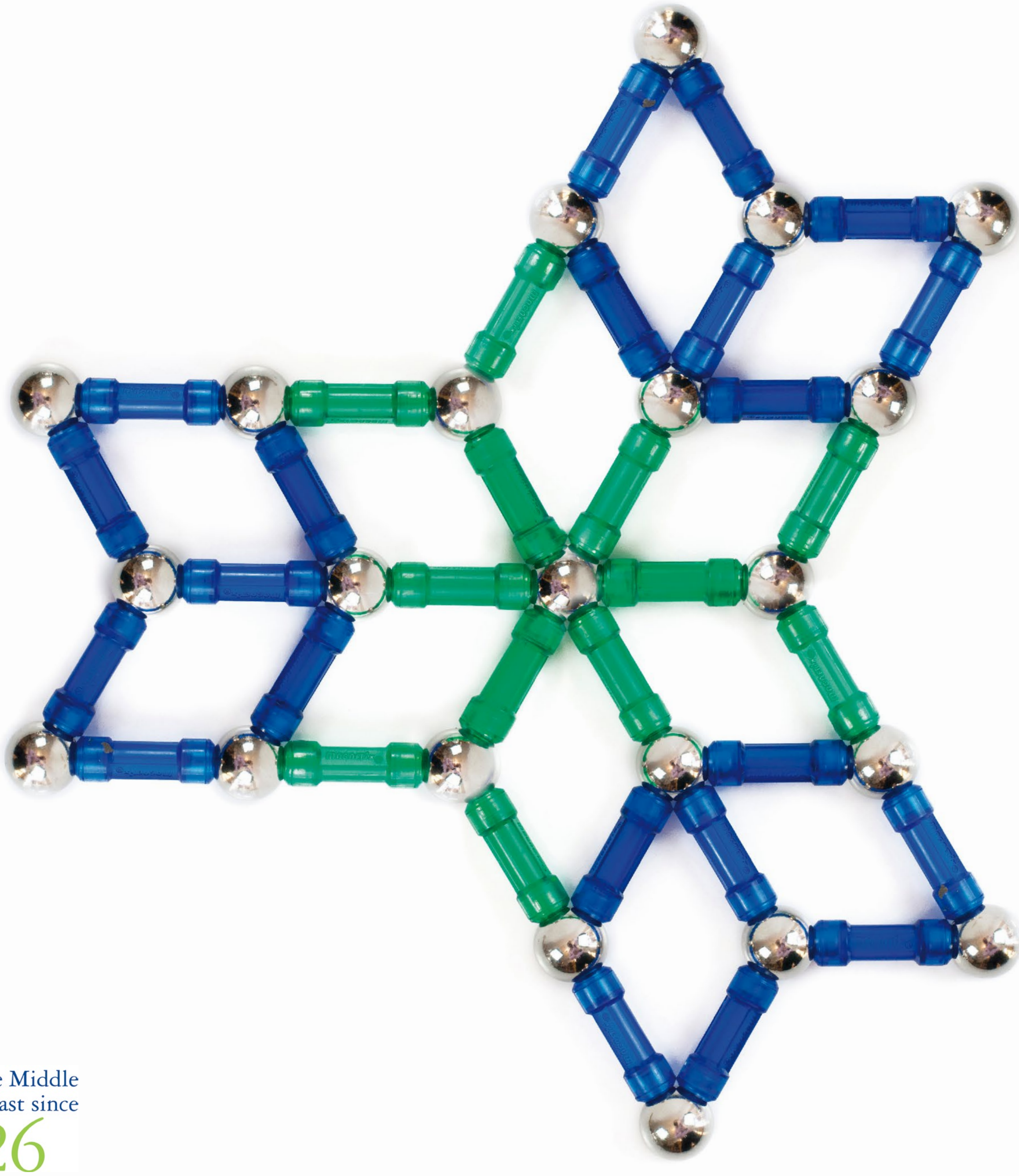
Technology, Media & Telecommunications Predictions 2014
Middle East



In the Middle East since 1926

Phablets are not a phad

Deloitte predicts that in 2014 shipments of phablets, smartphones with 5.0-6.9 inch screens will represent a quarter of smartphones sold, or 300 million units[378]. That is double the 2013 volume, and 10 times 2012 sales. Phablet revenues should be about $125 billion, implying a $415 average selling price, which is about 10 percent higher than for smartphones as a whole[379]. But after initial rapid consumer success, 2014 may mark a 'peak phablet' year, as only a (sizeable) minority of smartphones users will want to handle such a large device.

But even at 25 percent of the market, it is tempting to ask: "Where are all these large-handed people, and where do they buy jeans big enough to fit their phablets?"

Two thirds of phablets in 2014 will be less than 5.1 inches, only just meeting the definition, and less than 10 percent are likely to be six inches or larger[380]. About 25 percent of 2013 phablet sales were new versions of existing devices that enlarged the screen and shrank the bezel, rather than actually making the phone itself larger[381].

Although almost all phablet growth is at the low end of the size range, the category as a whole is more popular in some markets than in others.

In the second quarter of 2013, Asia-Pacific excluding Japan saw 25 million phablets sold – more than tablets or notebook computers. Phablet sales doubled quarter over quarter, and 620 percent over the last 12 months[382]. Other markets that have seen dramatic increases in phablet sales include the Middle East[383], Singapore[384] and India, where phablet sales were over 30 percent of the smartphone market in Q2 of 2013, and unit sales were up 1,700 percent from the same period in 2012[385]. In contrast, EMEA sales of phablets represented only eight percent of smartphone sales in late 2013[386], and North America was only slightly ahead at 10 percent[387].

There are various explanations as to why phablets are so much more popular in some markets than others. One theory is that the phablet may be a superior mobile gaming device. In South Korea, for example, the most popular app store generates 68 percent of revenues come from video games; and for those who can't afford or don't want a console or PC gaming solution, the large phablet screen is a leading choice[388]. Another possible explanation is that for a portion of the population, especially in urban Asia-Pacific settings with crowded mass transit systems, phablets act as an all-in-one device that combines the features and functionalities of a smartphone, portable gaming device, tablet and PC[389].

Another possible cause relates to language, and may explain why phablet sales in much of Asia Pacific are strong, but weak in Japan[390]. Written Japanese has three scripts: kanji, hiragana and katakana[391]. Texting in kanji (based on Chinese symbols) is more difficult on a smartphone screen, so the other two scripts dominate texting as they are easier[392]. In comparison, Korean, Chinese and to a lesser extent Hindi and Arabic are like kanji, and more complex for a small screen, and texting may be easier on the large screens and larger virtual keyboards of phablets.

Prior to 2007, the average smartphone screen was small: the need for a physical keyboard meant that the screen area was typically 2.5 inches or less, even for large devices. The arrival of capacitive touch screens meant that the screen could expand to occupy most of the smartphone, boosting size to 3.5 inches. At first that seemed sufficient, but manufacturers tried out something slightly larger and four-inch screens began to sell in small volumes. Over time, there seems to be a 'screen creep', where phones that were deemed too large to use at first become the new normal over time.

Therefore it seems reasonable to ask whether there is any limit to screen inflation, and what percentage of the smartphone market might be captured by phablets, especially those over 5.1 inches?

The human body and clothing are almost certainly limiting factors.

Most smartphone users want to type on their device with only one hand, at least some of the time. Even for a big person with big hands, that normally requires a phone less than six inches[393], and many smaller people may struggle with phones bigger than 4.3 inches[394]. While some users may be willing to use two hands on their phone, and some software techniques make one-handed use easier on a phablet[395], it seems likely that most users will prefer smaller devices.

Next, many smartphone users may not want a phablet that appears out of scale next to their head when making voice calls. Some people may use a headset, or make very few calls, but they seem likely to be a minority.

Finally some users who habitually carry their smartphone in their jeans, jacket or small purse. Although one clothing manufacturer increased its front pocket size to handle larger phones[396], it seems likely that many consumers will not consider a phablet because of stowage reasons.

Given the sizes of the various groups who will not want a phablet as their everyday phone, it seems probable that they may have an upper limit of between 30-40 percent of the total smartphone market, which suggests that their market share may reach a plateau in either 2014 or 2015.

A complicating factor may be multi-device ownership. According to Deloitte's research, in every country with significant numbers of phablet owners, more than 50 percent also had a smaller smartphone; and the number was more than 70 percent in Singapore, South Korea and Spain[397]. If an increasing number of users choose to own both form factors, it seems likely that on those days when small size, lots-of-voice-minutes or one-handed usage is most important, the smaller device will be jammed into a pocket. But when the day's usage tilts towards text, video and gaming, the larger device will get put into the backpack or purse. Ultimately, it may be more appropriate to think of the phablet as a supplementary device for many users, with very few thinking of it as their only smartphone.

It is likely that the buyers of phablets over the next year will be mostly gamers, texters and mass transit users. Another potentially large market is those in the 55+ age group. Currently under-represented in the smartphone market, older consumers may find the large, bright screen, comfortable virtual keyboard and audible loud-speaker just the right ingredients to persuade them to buy (for more information, see the 2014 Prediction: The smartphone generation gap: Over-55? There's no app for that).

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Bottom line

The biggest difference from smartphone usage compared to phablets is the size of the screen. Currently very little video is watched on smartphones, although it is growing rapidly: almost six hours per month in the US, versus 160 hours per month for traditional live and time-shifted TV on a TV screen[398]. Tablets, with their larger screens, have 40 percent more video consumption via apps than smartphones[399]. As more phablets become part of the installed base, the number of hours of video watched on all smartphones devices is likely to climb. In spite of limited viewing hours, video already represents 40 percent of downstream primetime mobile data traffic in North America and 36 percent in Europe[400]. Operators will need to consider the implications of growing phablet penetration on their networks, both at the radio access network level and the backhaul level.

Further, large screens are likely to be better for display advertising and in-app purchase. As the Deloitte 2013 Prediction pointed out, large screen tablets generated $7 per device per year in displays ads, while smartphones (mainly under five inches in 2013) generated only $0.60 per device per year[401]. A five-inch phablet may only be a few cents more in annual display advertising revenues, but a screen of over six inches would likely be capable of generating more than an additional dollar in revenue.

Bigger screens on phablets don't necessarily mean higher quality pictures: a lot depends on pixel size. Some phablets offer true 1080p (1920x1080) screens. Others, even of the same screen size, support 1280x720 images. As at the end of 2013, no phablet has a 2160p (Ultra HD) screen; but a few have cameras that shoot in Ultra HD, and since there are seven-inch tablets with Ultra HD screens, some phablet manufacturers may offer this option in 2014[402].

As phablet screens move to higher resolution, the data required for video or gaming will increase sharply, with 2160p requiring 16 times as many bits as 720p, all other things being equal. Carriers' data plans will need to reflect the fact that phablet users are likely to be amongst the heaviest smartphone data users.

A challenge for website and app designers will be how to best use the larger screen area that phablets offer, with the choices being more critical for devices over six inches. For video consumption, it's not an issue: a bigger screen is almost always a better screen. But for email or web browsing, there is a fundamental design decision: do users want and need bigger fonts and larger objects, or do they want more things (at the same size) to be shown on the larger screen? For phablet buyers aged over 55, a preference for bigger fonts and larger virtual keyboards seems likely, while younger users may prefer having more information at their fingertips.

In a similar vein, device manufacturers should think about how best to use screen real estate, especially within the context of the operating system. Simply making the user interface (UI) components and features larger is unlikely to be enough to please increasingly sophisticated customers. Specific features that make the most of the screen size, such as UI components optimized for single-handed usage, or custom input devices such as styluses, may help to create a more refined and appropriate user experience.

Some smartphones support multitasking, with more than one application running in the background. Larger screens introduce the possibility of having two apps open at the same time[403]; this will put pressure on application processors, graphics capacity and even memory.

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Endnotes

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