

## ■ Strong Mini-Note (Netbook) Shipments Buoy Notebook PC Market in Q3'08; Tier One Product Launches Propel Growth

AUSTIN, TEXAS, December 8, 2008—Despite what is looking to be a rather dismal fourth quarter for the PC industry as a whole, one very bright spot has emerged. The mini-note PC, also called netbook, category grew at more than 160% Q/Q in Q3'08 as most of the top tier PC brands have now entered the market. Asus, which had essentially created the market in late 2007, lost significant share as Acer surged to the top spot, capturing more than 35% of this market.

In its latest [Quarterly Notebook PC Shipment and Forecast Report](#), DisplaySearch analyzes how and why the mini-note PC market is contributing to the growth in portable computing and why these products are creating a new market, rather than taking share from an existing segment. Additionally, the report examines why early entrants into the space are struggling to maintain share, whereas later entrants have rapidly surged in volume.

Mini-note PCs have been in the market for many years; however, many of these products were significantly more expensive than mainstream notebook PCs. Asus threw open the door to the mini-note market with their late 2007 launch of their Eee PC. This product, and the many that followed, are small, bare-bones devices with ASPs that typically start at US\$300. In 2007, this market was less than 1 million units. By the end of 2008, DisplaySearch expects this market to surge to more than 14 million units. Unlike the UMPC products which were launched with great fanfare but very little commercial success in 2005 and 2006, mini-note PCs are distinct products that favor the traditional notebook PC clamshell form factor as opposed to the slate- or brick-style UMPC products.

While UMPCs have morphed into vertical market products with a variety of application-specific uses, the mini-note PC market is poised for dramatic growth, propelled by low prices and a user experience that much more closely mirrors a typical PC, as the majority of these devices run Windows XP or a Linux OS. Mini-note PCs range from those based on philanthropic or subsidized business models for emerging markets (like the OLPC program), to devices targeted at first-time PC buyers, to consumer and enterprise users in developed regions that seek an very thin and light product to supplement their existing PC.

“With the lone exception of Apple, all of the top 10 PC brands have entered the mini-note PC market, initially as a response to the competitive threat posed by Asus, but also to satisfy demand from customers for low-priced, thin and very light (less than 3 pounds) products that provide at least a modicum of typical office software functionality and also enable greater mobility,” said [John F. Jacobs](#), Director of Notebook Market Research and author of the report.

“The demand for greater mobility is especially evident in certain geographies as a number of mini-note PC brands are partnering with telecom providers to subsidize mini-note PCs, much like they do mobile phones. Worldwide demand for these products is forecast to grow rapidly over the next few years with demand from a variety of sources, including early adopters, consumer and enterprise PC customers seeking a smaller or secondary notebook PC, as well as new PC customers in emerging markets. We expect the mini-note PC market to settle at approximately 16% share of the notebook PC market by 2011,” Jacobs added.

Table 1: Q3'08 Mini-Note PC Volume and Market Share by Brand

Mini-Note PC Brand	Volume (millions)	Market Share
Acer	2.15	38.3%
Asus	1.70	30.3%
HP	0.33	5.8%
MSI	0.32	5.7%
Dell	0.16	2.8%
OLPC (One Laptop Per Child)	0.13	2.3%
Medion	0.13	2.3%
Kohjinsha	0.06	1.0%
Intel (Classmate Reference Design)	0.06	1.0%
Lenovo	0.04	0.7%
Toshiba	0.03	0.5%
All Others	0.51	9.1%
Total	5.61	100.0%

Given the challenging economic climate, DisplaySearch has revised down its total notebook PC forecast for 2008 and 2009. While there are positive demand signs in the mini-note PC sector, businesses are shedding employees, and even enterprises that are maintaining or growing are likely to stretch their PC replacement cycles out as long as possible. DisplaySearch expects that the dominant PC brands will continue to gain share in the mini-note PC market due to brand power and recognition, and lower cost structure.

Table 2: Worldwide Combined Mini-Note and Notebook PC Market Share by Brand

Brand	Q3'07 Share	Q3'08 Share	Y/Y Volume Change
HP	21.3%	19.7%	29%
Acer (incl. Gateway & Packard Bell)	14.4%	17.1%	65%
Dell	13.7%	13.0%	32%
Toshiba	9.0%	8.6%	28%
Asus	4.1%	8.6%	189%
Lenovo	8.8%	6.7%	7%
Apple	4.6%	4.1%	24%
Sony	5.6%	4.1%	2%
Fujitsu/Fujitsu-Siemens	4.7%	3.1%	-8%
All Others	13.7%	14.9%	52%
Total	100.0%	100.0%	39%

Momentum within the industry currently favors mini-note PCs and some brands gained market share Y/Y on the strength of their mini-note PC shipments. However, this segment of the notebook PC market is still quite new and most of the brands are still fine-tuning their mini-note PC marketing and product strategies.

Consumer acceptance, questions regarding cannibalization of the mature notebook PC market, and the long term prospects for the mini-note PC category as well as a full industry outlook for the space are covered in the DisplaySearch Q4'08 [Quarterly Notebook PC Shipment and Forecast Report](#). Highlights will include

- Regional analysis of the notebook PC and mini-note PC markets individually and collectively
- The impact of current panel price trends on notebook PC panel revenues
- Near and long term forecasts for the 16:10 to 16:9 panel aspect ratio transition

DisplaySearch's [Quarterly Notebook PC Shipment and Forecast Report](#) is a comprehensive and exclusive compilation of market data from DisplaySearch's industry sources, along with insightful analysis of the state of the notebook PC industry.

For information on this DisplaySearch report, please contact your DisplaySearch sales representative for more details. If you need further information or assistance please contact us at +1.512.687.1511 or [sales@displaysearch.com](mailto:sales@displaysearch.com), or the local DisplaySearch offices in China, Japan, Korea, Taiwan and the United Kingdom.

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