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Press release

Global Telecom market: Who wins, who loses?

February 21, 2023

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Full year results 2022 and outlook for 2023

Nuremberg, February 21, 2023 – Ahead of the Mobile World Congress (MWC) in Barcelona, where the major players from the smartphone and gaming industry meet, GfK takes a closer look on the global Telecom market. While the industry overall had to contend with declines in 2022, some categories continued to perform well. For 2023, GfK forecasts a stabilization of the market.

As for all other segments of the Consumer Technology and Durables market, 2022 was a tough year for the Telecom industry. "While we had already predicted saturation effects in 2022 after the strong sales in pandemic years, the additional weakness of the Chinese market significantly impacted the results. All in all, the global Telecom market closed 2022 with a 9.7 percent decline in revenue compared to the previous year.", **explains Jan Lorbach, GfK expert for the Telecom industry.**

Smartphones: Revenue decline and shifting consumer habits

The smartphone segment, including phablets, also saw a 9.1 percent demand decline from January to December 2022 compared to the previous year, with a total of 908 million units sold. Revenues were hit even harder with a minus 10.2 percent drop to 330 billion US dollars.

As budgets became tighter for many, practically the only market drivers in 2022 were consumers with higher and middle incomes. These consumer groups increased their share of all smartphone buyers by a further 4 percent points compared to 2021, and now account for 48 percent of this group. Accordingly, demand for premium devices also increased, with, for example, revenue of 5G models growing by 1.2 percent from January to December 2022 compared to the previous year. The same applies to devices with a larger storage. Smartphones with a capacity of more than 256 GB recorded an increase of 19 percent and accounted for 41 percent of total market revenue in 2022.

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While consumers that are still buying smartphones are opting for premium devices, the total number of purchases has decreased in 2022. One reason for this may be that people are keeping their smartphones for a longer time. Data from *gfknewron Consumer* shows that, from January to September 2019, only 48 percent of consumers used their smartphones for two years and longer. That share has now increased to 57 percent in the same period of 2022 (an increase of plus 9 percent points). This development can especially be observed within Generation Z (15 to 25 years old), where the share now stands at 14 percent points above the average. The younger generation has a clear focus on sustainability and therefore consciously extends the life cycle of their devices.

Wearables: Still stable due to new sensor innovations

One of the few segments that managed to survive the difficult year 2022 in a stable manner is wearables. With 13.9 billion US dollars in revenue, the wearables market achieved almost the same level in 2022 as in the previous year (minus 1.1 percent compared to 2021). Although popular segments have lost ground, this has been offset by growth in other product lines.

Revenue development by wearables categories in 2022 compared to the previous year:

- Health and Fitness tracker: -31 percent
- Smartwatches: +21 percent
- Wrist Sport Computers: -43 percent

These shifts have been driven by increasing consumer demand for more detailed control of their health, via smart features. Accordingly, wearables with a sleep tracking feature (plus 4 percent) or blood oxygen sensors (plus 20 percent) showed strong growth. This trend also led to developments in innovation, such as the new feature of stress level measuring (EDA). Launched in the fourth quarter of 2021, these devices already account for 16 percent of revenue in the wearables market and continue to grow.

AR/VR headsets: First decline ever, but potential is still high

Further hot topics for MWC are augmented reality (AR), virtual reality (VR) and the metaverse. Experiencing this is made possible by devices such as VR headsets. While awareness and discussions around the metaverse rise, retail sales of VR headsets in the European market* actually declined by 15 percent year-over-year in 2022. This is the first decline ever, as the market has previously recorded double-digit growth for years.

"The European market seems to have accomplished initial consumer penetration. The industry should now focus on providing more contents, as well as better visual quality and security, to drive the market based on this initial penetration. Convincing consumers about the use cases will be key to drive VR/metaverse forward.", **says Sohjin Baek, GfK expert for global IT hardware industry.**

Outlook 2023

GfK experts forecast a stronger year 2023 for the global Telecom market overall compared to the relatively weak 2022. At a regional level, China, which is the largest single market, is expected to pick up again and significantly drive global market growth. Additionally, developments within the three main product categories will have a positive impact:

- Although replacement cycles are extending, **smartphone** purchases made at the height of the pandemic in 2020 and 2021 are entering the expected renewal cycle window this year.
- In **wearables** the next generation of Health Tracking sensors, which will expand the scope of applications, will drive the market. In addition, positive revenue growth is expected for the smartwatches segment.
- **AR/VR** is expected to become more tangible and [grow into areas beyond gaming](#). This is one of the segments with the greatest potential in the coming years.

To remain competitive in the market and differentiate from competitors in terms of quality, retailers and manufacturers should continue to innovate for more powerful or faster devices that make consumers' lives easier. "Innovation will further drive consumer's demand. Especially in times when the holding time of smartphones is extending and budgets are tight, consumers will more than ever ask for value for money", **summarizes Jan Lorbach, GfK expert for the Telecom market.**

About the method

Through its **retail panels**, GfK regularly collects POS data in more than 70 countries worldwide for the consumer electronics, photography, telecommunications, information technology, office equipment, and small and large household appliances sectors. All figures are according to GfK panel market, with global data excluding North America and presented in US dollars. Revenues are presented in US dollars Non Subsidized Prices (NSP).

gfknewron is an always-on platform that combines market, consumer and brand data supercharged with AI-powered recommendations. It enables companies to gain actionable and connected insights and act at speed to ignite sustainable growth. The platform offers three specific modules: "gfknewron Market" for market and competitor insights, "gfknewron Consumer" for an in-depth consumer understanding and "gfknewron Predict" that delivers recommendations for companies based on market data and AI-powered intelligence.



* European market data include Belgium, Denmark, Finland, France, Germany, United Kingdom, Greece, Italy, Netherlands, Norway, Portugal, Russia, Spain, Sweden

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