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## Press Releases

FOR IMMEDIATE RELEASE

### Forrester Research: Worldwide PC Market To Double By 2010

*Rise of emerging markets fuels growth; presents challenges for Dell and HP*

**Cambridge, Mass., December 14, 2004 . . .** By the end of the decade, the number of personal computers in use worldwide will reach almost 1.3 billion, up from 575 million today, according to a new report by Forrester Research, Inc. (Nasdaq: FORR) that sized PC adoption rates across 16 emerging markets, such as China, Russia, and India.

Mature markets in the US, Europe, and Asia-Pacific will add 150 million new PCs to the world market by 2010. More significant growth will come from emerging markets, for which Forrester forecasts that 566 million new PCs will be in use by 2010, up from 75 million in 2003, a 31% CAGR.

Competition for market share will pit industry leaders like Dell and HP against local emerging market manufacturers and fundamentally change the rules of the game. Price will be the key driver of the pace of adoption.

"Today's products from Western PC vendors won't dominate in those markets in the long term," says Forrester Senior Analyst Simon Yates. "Instead, local PC makers like Lenovo Group in China and Aquarius in Russia that can better tailor the PC form factor, price point, and applications to their local markets will ultimately win the market share battle."

#### EMERGING NATIONS: PROJECTIONS FOR 2010

**China.** China will see 178 million new PCs.

**India.** India will get 80 million new PCs. Despite gaining prominence as a center for outsourcing, India today has one of the lowest adoption rates in the world. However, PC adoption will grow at a 37% annual rate through the end of the decade.

**Indonesia.** There will be 40 million new PCs in Indonesia (40% growth per year — from 2.6 million in 2003 to 40 million).

**Mexico.** Mexican PC penetration will reach 46 PCs per every 100 people — the deepest penetration of PCs as a percentage of population of all 16 emerging markets analyzed.

#### PC ADOPTION TO OCCUR IN THREE WAVES IN EMERGING MARKETS

Western PC manufacturers will win the first round, but local manufacturers will dominate in the long term.

**Wave 1:** wealthy urbanites. Wealthy urbanites, educated, brand-conscious, sophisticated PC users, started with entry-level PCs but now demand more power from their PCs and are motivated to purchase technology from Western firms like Dell, HP, and IBM.

**Wave 2:** middle-class literates. This group represents the sweet spot

for PC unit volume sales. They are educated consumers, first-time PC buyers, and are targets for local PC makers that tailor the PC form, price points, and application to local market conditions. They are also price-conscious and brand-irrelevant.

**Wave 3:** rural mass market. It'll be a long-term challenge for the PC industry to attract this segment to the PC platform; they are likely to choose PC alternatives, such as smartphones. This group is rural, low-income, and very price-sensitive. They lack community infrastructure, funding, communications, and reliable power sources to support PC platforms.

## WHAT IT MEANS

Forrester believes the PC industry must innovate to thrive. To grow emerging markets beyond the early adopters, firms must develop a new generation of PC products that are affordable, simple, localized, useful, durable, and serviceable.

**Western versus local PC builders.** The advantage goes to the locals, as evidenced in the announced sale of IBM's PC unit to China's Lenovo Group, demonstrating IBM's understanding that a majority of the growth in the PC sector will come from emerging markets and be led by local manufacturers.

**Windows versus Linux.** The advantage goes to Linux. Establishing the Windows platform in these new markets will be an uphill battle. No Windows legacy in these markets means that local manufacturers can drive down prices by installing Linux instead.

**Wired versus wireless providers.** The advantage goes to wireless. Investments in landline networks outside major city centers won't pay off, so rural populations must wait for new wireless technologies like WiMAX and 3G GSM networks for connectivity. In China, for example, Nokia and Siemens have invested heavily in new GSM network coverage for China Mobile and China Unicom, the largest mobile service providers in the country.

The 16 emerging markets analyzed in this report include, in order of population size: China, India, Indonesia, Brazil, Pakistan, Russia, Nigeria, Bangladesh, Mexico, Philippines, Vietnam, Egypt, Ethiopia, Turkey, Iran, and Thailand.

The data in this report forecasts the number of PCs in each country for every 100 people and therefore could include consumer, business, government, and education use.

The research report mentioned in this release, "Sizing The Emerging-Nation PC Market," is available to Forrester WholeView 2™ clients and can be found at [www.forrester.com](http://www.forrester.com).

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Contact:

Christina Wallace  
Manger, Corporate Communications  
Forrester Research, Inc.  
617-613-6099  
[cwallace@forrester.com](mailto:cwallace@forrester.com)

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