



## Press release

### Two trends promising to wake up the Telecom market from its slumber

February 22, 2024

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#### Outlook on generative AI and AR/VR gives the industry confidence for the long term

Nuremberg, February 22, 2024 – After record sales during the pandemic, the Telecom market is struggling with stagnation. A new, long-term upturn in consumer demand is not to be expected without major innovations. Ahead of the industry's leading event, **Mobile World Congress (MWC) in Barcelona**, GfK experts have identified two trends that could awaken the smartphone and gaming markets from their slumber: **Generative AI and augmented/virtual reality (AR/VR)**.

“In 2023, the global Telecom market declined slightly by 0.6 percent in terms of revenue, and we forecast only modest growth of around 2 percent for 2024. Real innovation is needed to drive the market in the long term. We see two major opportunities that could boost demand if they manage to reach the mass market: Generative AI for smartphones and augmented and virtual reality,” **says Jan Lorbach, GfK's insights expert for the Telecom industry**. “Retailers and manufacturers are advised to establish themselves as early adopters to benefit from the expected surge in demand.”

#### Generative AI to boost smartphone demand

Smartphone performance continues to improve, but consumers also need practical ways to use this power. While smartphones are currently used mainly for messaging apps like WhatsApp and WeChat (72 percent of smartphone users globally) or photography (64 percent), the next big step is yet to come with the **widespread implementation of generative AI**.

When generative AI finds its way into the everyday lives of smartphone users, it will create a major push on demand. GfK's long-term sales and consumer behavior tracking already proves that consumers are willing to pay more for advanced features. However, if the innovation leap is not enough in their eyes, they prefer to wait for something truly new before buying their next device.

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This is already evident in the fact that **smartphone replacement cycles are getting longer**.

According to *gfknewron Consumer*, in 2023, for the first time, the largest share (35 percent) of new buyers had smartphones that were two to three years old. In 2022, buyers with devices that were one to two years old were still in the lead.

### **AR/VR and the metaverse for the mass market**

The public hype surrounding the metaverse has subsided somewhat. However, the industry continues to evolve, with a **diversification of interested and uninterested consumers**. While total unit sales of metaverse-related devices decreased by 2 percent in 2023, the revenue generated from them increased by 15 percent. Reflecting the trend toward **premiumization** is the fact that interested consumers invested in more advanced augmented (AR), mixed (MR) or virtual reality (VR) products. Accordingly, the revenue share of AR and MR glasses grew 30 percent to reach 225 million US dollars in 2023, compared to just 4 percent in 2022.







What is interesting is the **diversity of this trend across the regions**: While the majority of MR glasses were purchased in Western Europe (83 percent of global revenue), the vast majority of AR glasses were bought in China (98 percent). At the same time, demand for traditional VR glasses has plummeted in China, with sales down 55 percent year-on-year. In the rest of the world, however, VR is still experiencing slight revenue growth of 3 percent. The reason for this regional divergence is not only personal preference, but also distribution, as some devices are simply not available in local markets.

A major boost to the Telecom market can be expected if AR, MR or VR glasses become suitable for everyday use by the masses, rather than just remaining a niche product for specialized applications such as gaming.

### **Deep dive into the 2023 results of the global smartphone market**

For the full year 2023, the global smartphone market was fairly stable, with a slight increase in revenue of 0.1 percent compared to 2022. By the end of the year, in particular, the market began to recover, with revenues in the second half of the year up 4.2 percent year-on-year. But it's not just the half-year comparisons that show significant differences. On a regional level, the smartphone market in 2023 also saw a highly divergent development.

#### **Smartphone market revenue trend by region 2023 vs. 2022:**

-  + 3.9% Central & Eastern Europe
-  - 5.9% Emerging Asia (w/o China)
-  + 2.0% Western Europe
-  - 3.7% Latin America
-  + 1.1% Middle East & Africa
-  + 0.6% China



Globally, the average price paid by consumers for a new smartphone once again increased slightly in 2023 by 34 US dollars to 389 US dollars. This is the result of the continued consumer demand for device premiumization and better functionality. While 5G models already accounted for 75 percent of revenue in 2022, this figure rose to 81 percent in 2023. The share of smartphones with more than 512 GB of storage (+ 9 percentage points) and wireless fast charging (+ 5 percentage points) also increased.

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### **About the method**

Through its **retail panels**, GfK regularly collects POS (point of sales) 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 NSP (non-subsides price), except stated otherwise.

**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.

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### **GfK. Growth from Knowledge.**

For over 89 years, we have earned the trust of our clients around the world by solving critical questions in their decision-making process. We fuel their growth by providing a complete understanding of their consumers’ buying behavior, and the dynamics impacting their markets, brands and media trends. In 2023, GfK combined with NIQ, bringing together two industry leaders with unparalleled global reach. With a holistic retail read and the most comprehensive consumer insights - delivered with advanced analytics through state-of-the-art platforms - GfK drives “Growth from Knowledge”.

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