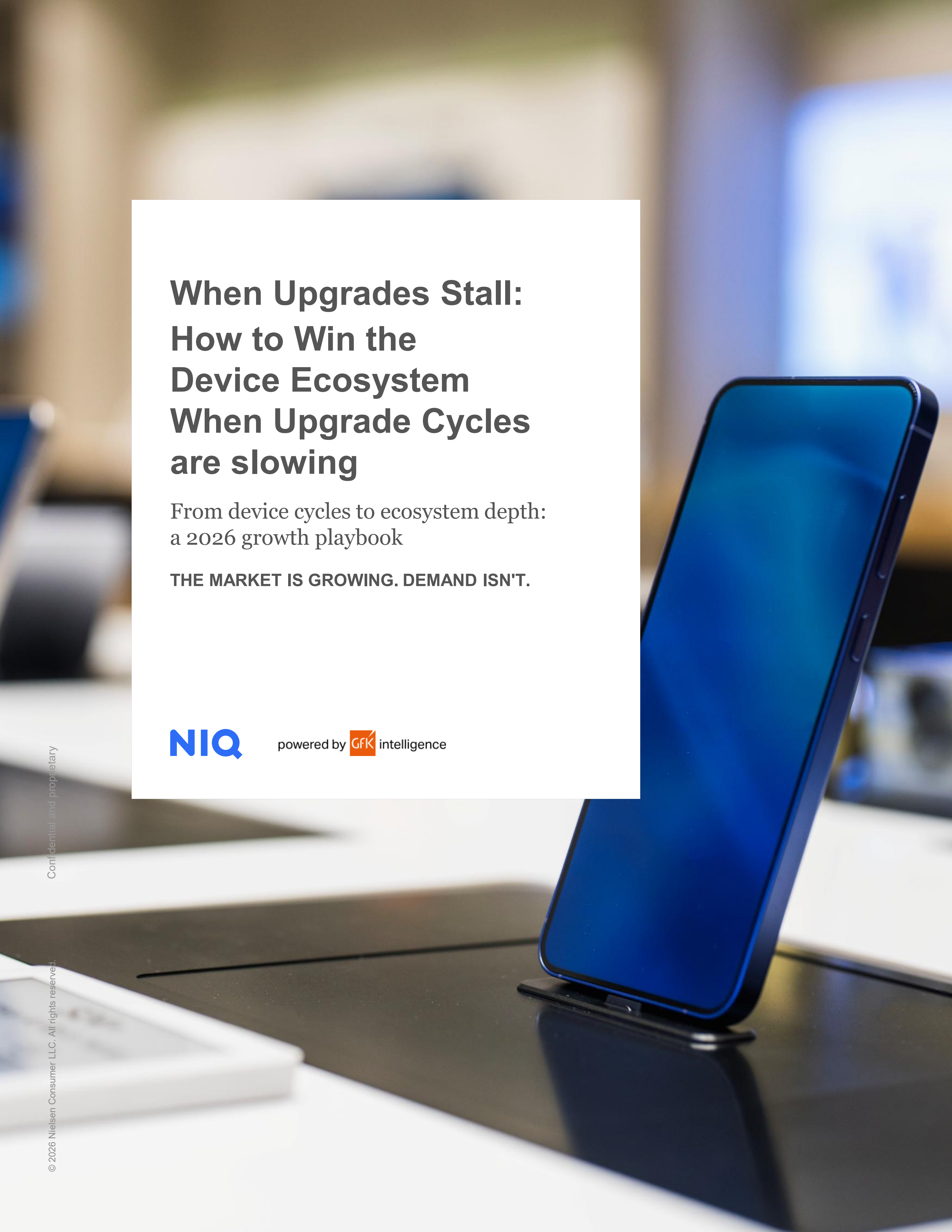


When Upgrades Stall: How to Win the Device Ecosystem When Upgrade Cycles are slowing

From device cycles to ecosystem depth: a 2026 growth playbook

THE MARKET IS GROWING. DEMAND ISN'T.

NIQ powered by GfK intelligence

Contents

EXECUTIVE SUMMARY

The Market is Growing. Demand isn't.

In 2026 the global Tech & Durables market will reach **$1.4 trillion, growing +5.1%**, with telecom leading at a forecast **+8%**. The headline suggests resilience. The underlying demand signals tell a more complex story[1].

+11.2%	-2%	3.9 yrs
Telecom sales VALUE growth, Q1 2026 YoY	Telecom unit VOLUME, same period	Average devices hold time (~2 contracts)

Revenue is rising as demand contracts. The growth is real, but it's being manufactured by pricing, premiumization and currency effects - **not by consumers wanting more devices**.[2]

The average smartphone now costs **$467, up from $366 three years ago**.[3] The upgrade engine that once powered contract renewals, subsidy-led replacements and ARPU expansion is no longer firing on schedule across most markets. China stands apart. Government-backed subsidy programs have brought forward demand, encouraging consumers to replace devices sooner and temporarily reigniting upgrade cycles.

> *"Consumers are not buying fewer smartphones because they have stopped caring; they are buying fewer because the upgrade case has become harder to justify."*
>
> **- Perry James, SVP, Global Head of Tech & Durables, NIQ**

This is not a cyclical dip that corrects itself. It is a **structural shift - from device ownership to ecosystem participation.** The companies pulling ahead aren't restarting the old cycle. They're building depth: multi-device, data-driven, continuous relationships that no longer depend on a single upgrade moment. This paper maps the forces driving that shift and the five moves required to win.

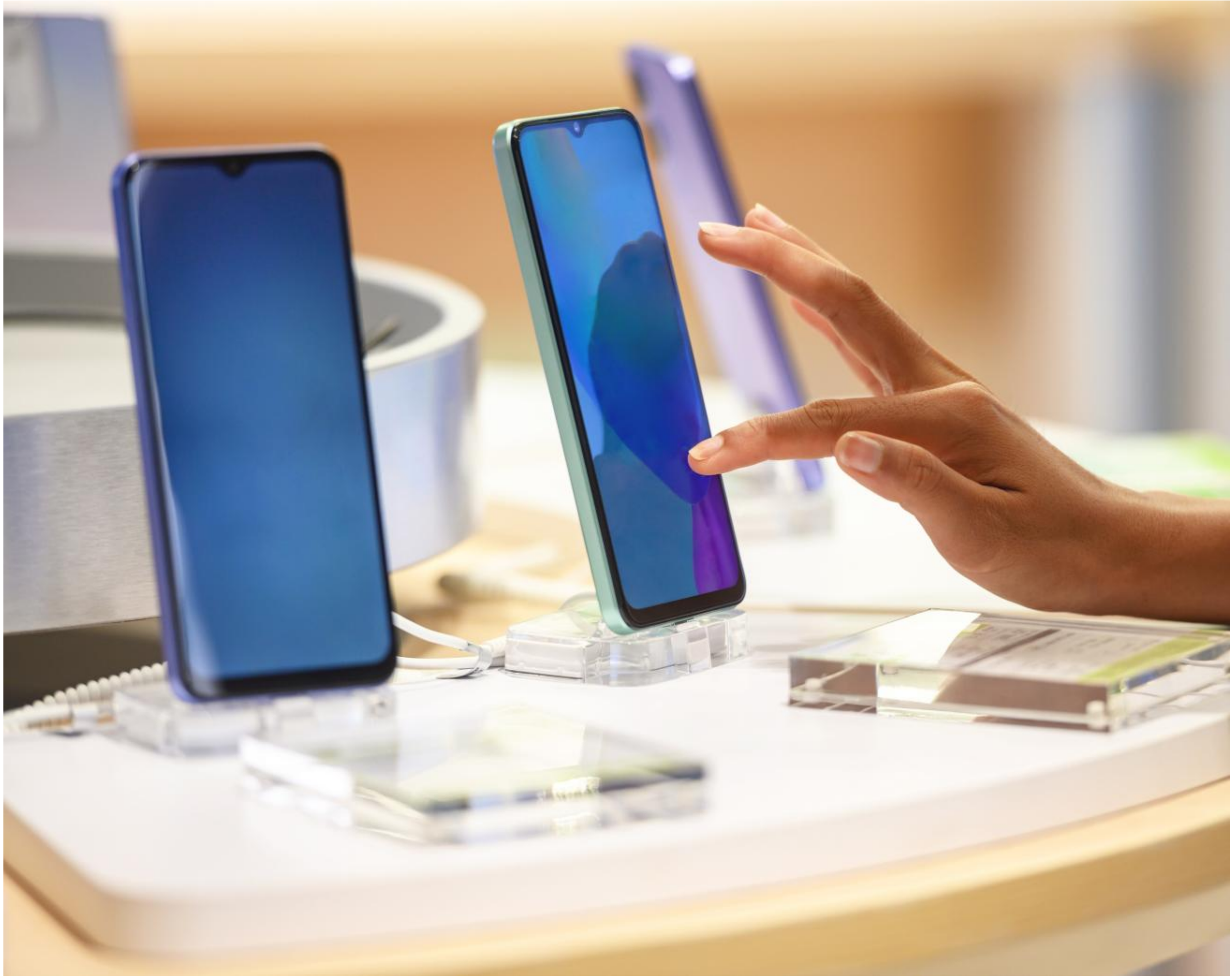
[1]Global Tech & Durables market value and telecom sector growth, 2026 forecast (vs. 2025). Source: NIQ Market Intelligence, State of Tech & Durables, 2026 outlook.

[2]Global telecom, Q1 2026 vs. Q1 2025: sales value +11.2% against unit volume -2%. Source: NIQ Market Intelligence (GfK) point-of-sales tracking, Q1 2026.

[3]Global smartphone average selling price ($467 in 2026 vs. $366 three years prior) and average replacement cycle of 3.9 years. Source: NIQ Market Intelligence, smartphone ASP and replacement-cycle data, 2026.

01. THE STRUCTURAL SHIFT

The upgrade engine has stalled



For decades telecom, especially Smartphones, ran on a predictable mechanism: regular upgrade cycles that fed contract renewals, ARPU expansion and device-led acquisition. Consumers upgraded on schedule, operators subsidized, OEMs refreshed. That logic is breaking down.

Longer hold times are now the **baseline, not a blip**. Contract renewal alone no longer triggers replacement, and incremental hardware gains aren't enough to justify the spend. The cycle has shifted from **time-driven to value-driven** - the consumer now have to perceive a meaningful jump in experience, integration or utility. Increasingly, no single device delivers that.

The replacement wave building underneath: devices bought during the pandemic expansion are now hitting four years of age - a substantial pool of **latent demand** that unlocks through financing, trade-in and ecosystem engagement.

02. READING THE DATA

Why the numbers mislead

Read through revenue alone, the market looks like it's expanding. Read through demand, it's constrained. Three forces explain the gap:

Currency.

USD depreciation is inflating reported value growth relative to real local-currency performance.

Memory Inflation.

Rising DRAM and NAND costs are redefining device economics, forcing a choice between margin and affordability - squeezing entry and mid-tier hardest.

Premiumization.

Price increases lift revenue without lifting units. Consumers aren't buying more - they're paying more for fewer decisions.

Growth is broad but uneven - Middle East & Africa (+13%), Developed Asia (+11%) and Eastern Asia lead, while Western Europe and Latin America (+6%) lag.[4]

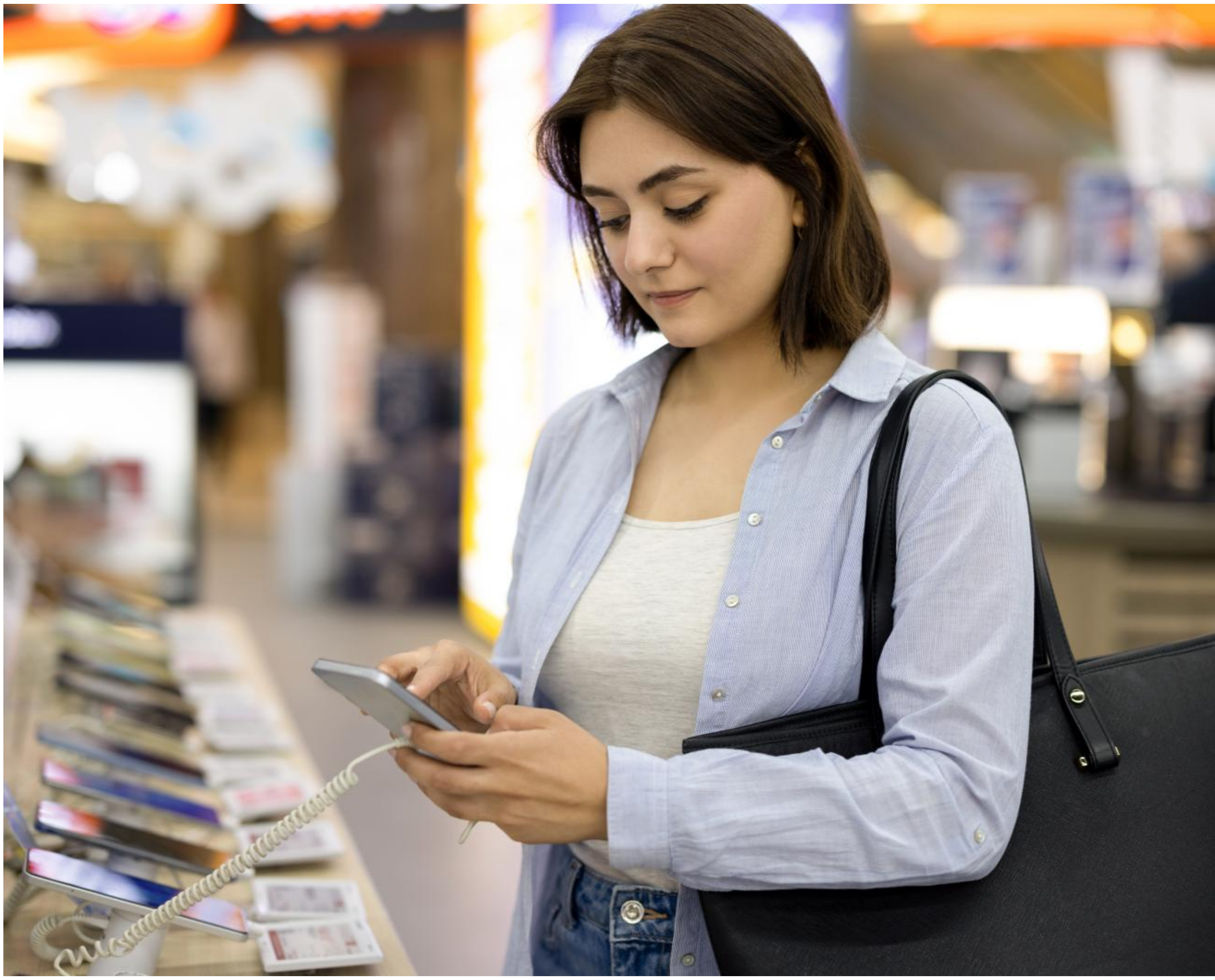
"The smartphone market is becoming a battle between affordability constraints and premium aspirations."

- Nevin Francis, Senior Director, Global Strategic Insights, NIQ

[4]NIQ/GfK Market Intelligence, Sales Tracking, Smartphones + Phablets, MAT Apr 25–Mar 26.

03. POLARIZATION

The middle is disappearing



The clearest structural outcome is polarization. **Premium** holds strong where differentiation is real - design, ecosystem, financing-backed access. **Value** stays competitive on price. **The mid-tier is being squeezed from both sides**: memory costs erode its price advantage while premium captures aspiration. A strategy anchored in the middle is becoming progressively less viable for operators, OEMs and retailers alike.

04. THE NEW FOUNDATION

From ownership to ecosystem

As device-centric models weaken, growth shifts to something more durable: the **ecosystem** - the network of devices, services and data interactions that shape the relationship over time. It changes the economics in three ways:

Reduces dependence on upgrade cycles

value comes from continuous engagement, not periodic transactions.

Expands the relationship beyond one touchpoint

the consumer engages across a connected set of products and services, increasingly supported by financing, trade-in and upgrade programs that create ongoing engagement beyond the initial purchase.

Raises switching costs

the more integrated the ecosystem, the harder it is to leave.

The battleground moves from hardware specs to **relationship ownership**.

Wearables are the anchor, not the accessory.

They're expanding faster than core categories - not by replacing the smartphone but by extending the relationship it once dominated. They're insulated from core-device pricing dynamics, they create continuous (not episodic) engagement, and they bridge hardware to recurring-revenue services through health, subscriptions and connected apps. Agentic AI strengthens their position further. Always-on and context-aware, wearables are uniquely placed to become the consumer's personal operating layer - shifting value from access to action. They are becoming not only the entry point to the ecosystem, but potentially the primary decision-making interface within it.

05. THE IT FRONTIER

IT: the battle moves to the moment of validation

The same forces reshaping telecom run deeper in IT - and last longer. Gaming laptops now stay in use **5.6 years**, non-gaming **6.3 years**. When a purchase happens every six years instead of every three, every decision carries more financial and functional weight. Buyers compare more, research more, validate more.[5]

6.3 yrs	~68%	>50%
Non-gaming laptop hold time	AI laptops as share of global sales (ex-NA), Jan–May 2026	Of IT category value sold online

That validation is increasingly happening through **AI**. IT was already the most digital corner of Tech & Durables - over half of category value sells online, some sub-categories past 60–70%.[6] AI isn't creating a new journey; it's accelerating one that already existed. Consumers now lean on AI tools to decode specs, weigh trade-offs and narrow their consideration set - turning technical complexity into confidence before they ever buy. Meanwhile AI-enabled devices are scaling fast, with Copilot+ growing at triple-digit rates.[7]

The strategic shift: **from SEO to explainability**. As AI interprets product pages, reviews and specs on the buyer's behalf, brands must be understandable not only to consumers but to the AI systems guiding them. The brands that reduce complexity win a disproportionate share.

> *"The next battle for market share won't happen on the shelf. It will happen in the conversation between consumers and AI."*
>
> **- Namrata Gotarne, Senior Director, Global Strategic Insights, NIQ**

[5] Global mobile-computing replacement cycles by segment: gaming laptops 5.6 years, non-gaming 6.3 years. Source: NIQ Global Strategic Insights, IT Hardware, 2026.

[6] IT category value sold online (>50% of total, over-indexing vs. broader Tech & Durables; select sub-categories exceeding 60–70%). Source: NIQ Market Intelligence, IT Hardware channel data, 2026.

[7] AI laptops as share of global laptop sales, excluding North America, January–May 2026 (~68%); Copilot+ devices growing at triple-digit rates. Source: NIQ Market Intelligence, laptop sales tracking, Jan–May 2026.

06. THE PLAYBOOK

The five moves that win

1 Re-base your planning.

Replace cyclical assumptions with scenario-based models built for structural reality — not rapid normalization.

2 Pick your end of the barbell.

Decide clearly where you compete — premium or value — and align portfolio accordingly. The middle will not be as lucrative.

3 Elevate wearables.

Treat them as one of the ecosystem entry points, they are, not a secondary line.

4 Change what you measure.

Revenue growth alone misreads demand. Track usage, retention and multi-device adoption as the real signals of long-term health.

5 Build ecosystem depth on purpose.

Integrate devices, services and data into one coherent relationship — reinforced at every interaction, from financing and trade-in to refurbishment and data-driven personalization.

> *"The winners of 2027 will be defined by their ability to balance aspiration, affordability and ecosystem engagement."*
>
> **— Nevin Francis, Senior Director, Global Strategic Insights, NIQ**

CONCLUSION

Build for what comes next

The signals that once defined success - upgrade cycles, unit growth, device-led transactions - no longer explain or sustain performance. The winners won't be those trying to restore the past. They'll be those who become indispensable across devices, not dependent on selling the next one.

Ecosystem depth replaces device cycles.

See where your next growth comes from

NIQ helps telecom and IT leaders forecast switching behavior, optimize device ecosystems, grow ARPU and reduce churn - turning demand intelligence into activation. This paper is the market view. The next step is your market.

→ Book a strategy briefing with NIQ.

We'll map the ecosystem opportunity specific to your portfolio and markets.

powered by GfK intelligence

About NIQ

NielsenIQ (NYSE: NIQ) is a leading consumer intelligence company, delivering the most complete and trusted understanding of consumer buying behavior and revealing new pathways to growth. By combining an unmatched global data footprint and granular consumer and retail measurement with decades of AI modeling expertise, NIQ builds decision systems that help companies turn complex data into confident action.

With operations in more than 90 countries, NIQ covers approximately 82% of the world's population and more than $7.4 trillion in global consumer spend. Through cloud-based platforms, advanced analytics and AI-driven insights, NIQ delivers The Full View™-helping brands and retailers understand what consumers buy, why they buy it, and what to do next.

For more information, please visit www.niq.com.