

IDC: Expect AR/VR Headset Rebound in H2 2020

Written by Frederick Douglas
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According to IDC, the coronavirus (aka Covid-19) outbreak is disrupting global shipments of Augmented Reality (AR) and Virtual Reality (VR) headset, leading to a Q1 2020 decline of -10.5% Y-o-Y, followed by a 24.1% Y-o-Y drop in Q2 2020.

However, production should wrap up by midyear, leading to a rebound on H2 2020 and shipments of nearly 7.1 million units for full-year 2020, a 23.6% increase over 2019. As such, the analyst predict strong long-term growth for the headset market, with shipments growing to 76.7m units by 2024 with a CAGR of 81.5%.

AR/VR Headset Shipments, Market Share, and Five-Year CAGR by Product, 2020 and 2024 (shipments in millions)						
Product Category	Product	2020 Shipments*	2020 Share*	2024 Shipments*	2024 Share*	2020—2024 CAGR*
Augmented Reality	Screenless Viewer	0.03	0.49%	0.03	0.03%	-7.07%
	Standalone HMD	0.41	5.82%	24.00	31.28%	176.39%
	Tethered HMD	0.25	3.49%	17.08	22.26%	188.45%
Virtual Reality	Screenless Viewer	0.39	5.55%	0.10	0.13%	-29.16%
	Standalone HMD	3.09	43.76%	25.25	32.92%	69.06%
	Tethered HMD	2.89	40.88%	10.26	13.38%	37.30%
TOTAL		7.06	100.00%	76.71	100.00%	81.54%
Source: IDC Worldwide Quarterly AR and VR Headset Tracker, March 18, 2020						

* **Note:** Shipment Data for 2018 and 2022 are forecast projections.

"Much of the supply chain for AR and VR headsets is shared with smartphones and PCs and many of these products are facing supply constraints as factories are operating at much lower capacity resulting in component shortages," the analyst remarks. "However, the spread of the virus is having the opposite effect on demand as an increasing number of consumers and

employees stay indoors and look to AR and VR solutions for ways to collaborate with colleagues and entertain themselves and their families."

Enterprise interest in VR should ramp up during the forecast, as more companies use the technology for a wide range of training scenarios. These include not only the typical training for jobs involving expensive equipment or dangerous situations, but also soft skills training from line-of-business managers. On the AR side of things, more industry verticals want to address challenges in knowledge capture and transfer as key employees start to age out of the workforce.

In terms of categories, screenless viewers across both AR and VR segments continue to decline as more customers transition off early, value-focused products towards more robust solutions. IDC predicts a CAGR of -26.5% for combined shipments, as software support wanes and the few remaining vendors in the space wind down shipment. On the other hand standalone AR headset shipments are up to grow by 244.7% in 2020 thanks to products such as the Hololens 2, as well as updated portfolios from the likes of Epson and Vuzix. Shipments should total 24m by end 2024, as enterprise demand grows.

Tethered AR headsets should see shipment growth of over 400% in 2020, even if such results come from a very small base. New products powered by Qualcomm-based smartphones should hit shelves in Q4 2020, barring Covid-19 delays, and additional products such as the 2nd generation North Focals are set to launch later in 2020. Many newer headsets cater to the consumer audience, and looking ahead tethered AR headsets will account for 22.3% of the 2024 market, up from 0.8% in 2019.

Standalone VR headsets will grow by 30.4% in 2020, and make 43.8% of AR/VR headset shipments for the year. Vendors target both consumer and commercial buyers with the latest generation of standalone products, and find success in both camps. Gaming drives growth on the consumer side, while training and collaboration gain traction on the commercial side. The commercial segment should growth at a 5-year CAGR of 71.9%. Future standalone VR products will also bring passthrough AR capabilities through outward-facing cameras.

Tethered VR headsets are down in 2019, but growth will return in 2020 (by 25%) as new headsets and a more diverse lineup from brands such as HTC and other PC-focused vendors will help the category gain traction. IDC expects a dichotomy from the market, with devices such as the PCVR and upcoming headsets tethering to smartphones offer an entry-level VR

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experience. On the other end of the price spectrum brands including Valve and HP push premium features such as spatial audio, high-resolution displays and improved controllers. By 2024 tethered VR headsets will represent 13.4% of the overall AR/VR headset market.

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