

China's top five vendors account for 20% of the world's smart phone shipments

➤ India is now the third largest smart phone market as global Q2 shipments neared 240 million

Shanghai, Palo Alto, Singapore and Reading - Monday, 5 August 2013

Canalys has published its final Q2 2013 smart phone shipment estimates by vendor for the 50-plus countries that it tracks. Some 238.1 million units shipped in Q2, an impressive 50% year-on-year increase. And while Samsung and Apple grew their shipments by 55% and 20% respectively to maintain first and second place, both lost share to Chinese vendors. Lenovo, Yulong and Korean vendor LG completed the top five vendors. Collectively, the five Chinese vendors shipping the most devices worldwide (Lenovo, Yulong, Huawei, ZTE and Xiaomi) made up 20% of the total market, up from less than 15% a year ago.

Apple's market share fell to its lowest level since Q1 2009, but its numbers were buoyed by the performance of its older models after a price cut. 'The high end of the market continues to grow but there is no doubt that the explosive growth will come from the low end of the market,' said Chris Jones, VP and Principal Analyst. 'Apple needs to respond to this dynamic and it is evident from the performance of its older models this quarter that there is real demand for a new low-cost iPhone. The challenge that it faces is maintaining high margins on arguably the most important products in its portfolio.'

Shipments in China grew 108% year-on-year, the second highest growth rate of the major markets, to 88.1 million. This represented over a third of all worldwide shipments. Lenovo took second place in China this quarter, where it shipped 10.8 million smart phones. 95% of its total 11.3 million shipments were in its home market, helping take it to third place in the worldwide smart phone market for the first time. 'Lenovo has benefited from its large TD-SCDMA product portfolio, much of which is aimed at the low-end,' said Nicole Peng, Research Director, China. 'China Mobile's strategy of continuously pushing TD-SCDMA smart phones to the mass market benefits local vendors, in particular Lenovo and Yulong. The critical task for these vendors now though is to reduce their reliance on their home market and grow their businesses internationally. To achieve this they will need to invest in building local teams and channels with local expertise and diversify their product portfolios to attract different consumer segments. If they can achieve this then these vendors will begin to quickly close the gap on Samsung.'

| Vendor | Q2 2012 shipments (million) | Q2 2013 shipments (million) | Growth |
|--------------|-----------------------------|-----------------------------|------------|
| Total | 158.3 | 238.1 | 50% |
| Samsung | 48.9 | 75.6 | 55% |
| Apple | 26.0 | 31.2 | 20% |
| Lenovo | 4.9 | 11.3 | 131% |
| Yulong | 3.4 | 10.8 | 216% |
| LG | 5.5 | 10.7 | 93% |
| Others | 69.5 | 98.4 | 42% |

Source: Canalys estimates, © Canalys
Subject to rounding errors
Note: Where applicable, a vendor's shipment numbers exclude rebranded products for which they act as an ODM.

The US was still in second place in terms of shipments, but geographically, India stood out this quarter with smart phone shipments there growing the fastest of the major markets by 129% to hit 9.0 million and make it the world's third largest smart phone market. But the dynamics of the market make it challenging for international vendors, besides Samsung, to succeed. 'Samsung has invested heavily in its brand and channel relationships over a number of years, which has given it a big advantage over many of its international competitors. Samsung took over a third of the Indian market this quarter, followed by local vendor Micromax at 22%. Karbonn, Sony and Nokia made up the top five,' said Jessica Kwee, Canalys Analyst. 'India is a market in transition, moving from feature phones to smart phones, and is a market that offers huge potential as hundreds of millions of users have yet to upgrade their feature phones. Domestic vendors, such as Micromax and Karbonn, are capitalizing on the popularity of their feature phones and are quicker to respond to local market demands, hence their current success.'

| Country | Q2 2012 shipments (million) | Q2 2013 shipments (million) | Growth |
|---------------------------------------|-----------------------------|-----------------------------|------------|
| Total | 158.3 | 238.1 | 50% |
| People's Republic of China (mainland) | 42.3 | 88.1 | 108% |
| United States | 24.2 | 32.9 | 36% |
| India | 3.9 | 9.0 | 129% |
| Japan | 6.9 | 8.6 | 25% |
| UK | 5.5 | 7.4 | 34% |
| Others | 75.4 | 92.1 | 22% |

Source: Canalys estimates, © Canalys
Subject to rounding errors

Platform-wise, Android grew the fastest during the quarter, by 79% year-on-year. It powered 190 million, or 80%, of the smart phones shipped in Q2. Apple's iOS share fell to 13% as the vendor readies itself for anticipated new products in the second half of 2013. Microsoft's Windows Phone shipments grew by 54% annually. This was driven by Nokia with 31% sequential growth in Windows Phone shipments, enabling Microsoft to retain a 3% share. BlackBerry's shipments grew sequentially by 15%, also helping it to retain a

3% share of the market. For the record, Q2 2013 represented another nail in the coffin for Symbian, as shipments slipped under the million mark for the first time since Q1 2003.

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