

Global smart phone shipments exceed 300 million in a quarter for the first time

➤ Three of India's top five vendors are local brands

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Canalys' country-level smart phone data for Q3 2014, now available to clients, shows the increasingly strong competition between vendors fighting for the global number three spot, behind Samsung and Apple. It also shows the global market in robust health, with year-on-year growth of 23% over Q3 2013, and a shipment total exceeding 300 million units in a quarter for the first time.

'The global market is becoming more competitive, with vendors beyond Samsung and Apple enjoying growing success,' said Canalys VP and Principal Analyst, Chris Jones. 'A year ago, in Q3 2013, Samsung and Apple together accounted for 48% of worldwide smart phone shipments. While still impressive, in Q3 2014 this had slipped to 38%. This trend is likely to continue. It is down to the strong value proposition and increasing quality of products offered across all price points by competing vendors, most notably Chinese companies. In fact, six of the top 10 global vendors in Q3 are based in China.'

Samsung retained a sizeable share and volume lead in the global market, accounting for 25% of Q3 2014 shipments. But that share has fallen 9% from its high of 34% a year ago in Q3 2013, reflecting another tough quarter for the vendor as it struggles with channel inventory issues and growing competition. Despite improving its share in China over the previous quarter, it fell further behind Xiaomi, and lost share in key markets such as the United States and India. Meanwhile, Apple - helped by pent-up demand for its iPhone 6 and 6 Plus - enjoyed very strong early shipments at the end of the quarter, boosting its share to 13%. In third place was Xiaomi with a 6% share, followed closely by Lenovo at 5%, and Huawei, also at 5%.

'It has been yet another stellar quarter for Xiaomi, which has extended its lead in China since last quarter, become the global number three vendor, and, encouragingly, achieved volume growth, albeit modest, in markets beyond mainland China, such as Taiwan, Singapore, Malaysia, and most significantly, India. China still accounts for the vast majority of Xiaomi's shipments, and will do for the foreseeable future, but the proportion of its shipments heading elsewhere has doubled from 3% to 6% in a quarter,' said Jones. 'Lenovo also enjoyed another good quarter. But if its performance is considered in the light of its completed Motorola Mobility acquisition, the combined share is stronger still - equivalent to 8% of the global market. Lenovo has gained a US presence and brand, carrier relationships, and crucial patent cover to enable global expansion. Assuming it can consolidate and grow from its current position, Lenovo, with Motorola, is well placed to mount a real challenge to Apple as the worldwide number two vendor next year. And at just a fraction of a percentage point behind both Xiaomi and Lenovo, Huawei also represents a vendor with global aspirations and real growth potential as its brand awareness improves.'

Mainland China accounted for 34% of Q3 smart phone shipments, with the United States at 13% and India at 6%. The Indian market has seen significant growth in recent quarters and in Q3 2014 was up 84% on the same quarter a year ago and up 29% on Q2 2014. 'A key similarity to the Chinese market has emerged in India with respect to the substantial contribution made by domestic vendors,' said Canalys Research

Analyst, Rushabh Doshi. ‘Three of the top five vendors there - Micromax, Lava and Karbonn - are Indian companies, achieving promising growth in their home market, but with aspirations and potential, in time, to be disruptive on the global stage. As market leader Samsung has faltered, with its share down 6% from Q2, it has faced stiff competition from local players with aggressive pricing strategies. With local partners, including Intex, Karbonn and Micromax, Android One is making steady progress at the low end and volumes will grow as more partners come on board, adding further pressure. Growing demand from the large, youthful middle class; the rising popularity of online channels, such as Flipkart; and the increasing availability of better quality, aggressively priced smart phones and affordable mobile data tariffs are all driving the smart phone market in India forward.’

‘Notably, Chinese vendors are looking to India as an emerging high-growth opportunity,’ said Doshi. ‘But with regulatory concerns over data sovereignty, international vendors with already established brands, and promising domestic vendors with local differentiation to contend with, the challenge for them to gain a real foothold should not be underestimated.’

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