

Changing times in the smart mobile device market

– Handheld vendors at crossroads as convergence and navigation take hold

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For immediate release

- EMEA H1 2005 shipments of converged smart mobile devices up 170% on one year ago
- Mobile e-mail is the key driver of growth in wireless handhelds
- Canalys expects dedicated transferable devices to represent 62% of the navigation market in 2006

EMEA H1 2005 – highlights from the Canalys mobile research

Canalys research indicates that the trends observed within the EMEA mobile device market in 2004 have accelerated during the first half of 2005. Shipments of converged smart mobile devices, namely smart phones and wireless handhelds, grew from 3.6 million in H1 2004 to 9.6 million in H1 2005, representing a 170% year-on-year rise. To put this in perspective, the EMEA mobile phone market excluding these converged smart mobile devices rose by only 11% over the same period. “The smart part has more than doubled in proportion, from 3.2% of the total cellular device market in the first half of 2004, to 7.5% a year later,” said Canalys analyst Rachel Lashford. For the first half of next year Canalys expects combined shipments of smart phones and wireless handhelds to rise to 16.9 million units, equating to around 13% of the overall cellular device market.

The triple-digit growth in converged smart mobile devices is being driven by two quite different categories of customer. On one hand, individual buyers are simply upgrading to the latest high-specification phone, which often happens to be a smart phone. On the other, the rapidly rising interest in mobile e-mail solutions is driving shipments into enterprises, particularly of keyboard-based devices. Canalys estimates that just under 80% of the smart phones shipped in EMEA in the first half of 2005 were Series 60, keypad-based handsets, with Nokia’s keyboard-oriented Series 80 models accounting for another 13% and those based on the stylus-oriented UIQ interface a further 4%. The Windows Mobile, Palm OS and BlackBerry smart phone platforms combined to represent the remaining 5%. Windows Mobile of course fares much better in the wireless handheld segment, being used on almost two-thirds of the devices shipped in H1 2005, many of these branded by the mobile operators themselves, the other third being accounted for by RIM with its established BlackBerry wireless handheld design.

“RIM has enjoyed tremendous growth in EMEA over the past year, with total device shipments (smart phones plus wireless handhelds) up 130% in the first half of 2005,” Lashford added. “But it is seeing increasing competition from other players now as the market is proving to be so lucrative. With Nokia and

Microsoft respectively announcing the Nokia Business Center and the Windows Mobile 5.0 Messaging and Security Feature Pack, the challenge will increase.”

More and more vendors are focusing on the opportunity for connected e-mail devices within the enterprise, and the expectation is that Microsoft’s position in this space will strengthen. HP launched its Mobile Messenger product earlier this year and Palm’s recent announcement of a Windows Mobile based Treo smart phone is a further sign that the Microsoft platform is gaining momentum. The new Palm model is not expected to appear in EMEA until well into next year though and Canalys expects many more vendors to launch converged devices before then.

This focus on converged devices will draw more attention away from unconnected handhelds. Worldwide shipments have declined: overall for the first half they were down more than 10%. Bucking the trend EMEA enjoyed 21% year-on-year growth in this category in H1 2005. The European market though is still being bolstered by the demand for mobile navigation solutions, with Canalys estimating that, in Q2 2005, almost half of the handhelds shipped had GPS integrated. This prop to the handheld market is unlikely to last though as mobile navigation buyers are showing an increasing preference for the dedicated portable devices known as ‘transferables’.

“Average selling prices for transferables have come down very quickly,” said Canalys director and senior analyst Chris Jones. “In Q2 they reached €480, down from more than €700 a year ago. The sales proposition is simple and the out-of-the-box experience often superior too.” A few handheld vendors have already moved in this space and Canalys expects more will follow, predicting that transferables will represent 62% of the navigation solution market in 2006, up from just 17% in 2004.

About the Canalys services

The shipment estimates and forecasts discussed in this release come from a number of Canalys services, including Mobile Device Analysis, Mobile Navigation and Wireless Handset Analysis. Service clients benefit from consistent, detailed market segmentation, integrated market databases and rapid delivery of research results. Clients receive frequent topical reports, quarterly market updates, trends presentations and forecasts, and direct access to Canalys analysts. The annual Canalys smart mobile device market trends report is also available to purchase separately. More information is available from the Canalys web site.

About Canalys

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Canalys
100 Longwater Avenue
GreenPark
Reading
RG2 6GP, UK
Tel: +44 118 945 0173 **Fax: +44 118 945 0186**
E-mail: press@canalys.com **Web: <http://www.canalys.com/>**