

## China overtakes US as largest smart phone market

### ➤ Canalys highlights importance of understanding local app store and channel trends

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Canalys today released to clients its detailed smart phone shipment estimates by country for Q1 2012. Total shipments worldwide grew 45% year on year to 146 million units, but significant country and regional differences were apparent. Shipments in the US rose just 5% year-on-year, in marked contrast to the 81% growth seen across the Asia Pacific region. Shipments in China doubled and overtook those in the US for the first time. In Q1, China represented 22% of global smart phone shipments, while the US accounted for 16%. A year earlier these figures were the other way around. Of the top 10 countries for smart phones, half are now in the Asia Pacific region.

‘As well as seasonal factors, such as the Lunar New Year, the iPhone’s arrival at two of the country’s carriers helped boost volume and raised Apple’s share to 19%,’ said Nicole Peng, Canalys Research Director for China, based in Shanghai. But it was Samsung that took the lead. Canalys estimates its smart phone share in China stood at 22% in Q1. ‘Samsung expanded its smart phone business substantially through its existing mobile phone channels. Its wide range of localized devices helped increase uptake across all carriers, and it combined this with significant marketing spend to drive consumer awareness.’

Nokia fell to third place in China, but the launch of the Lumia devices with two operators in Q2 should help it regain traction in what has now become the most important market in the world. Local vendors, such as ZTE, Huawei and Lenovo, have benefited from being able to offer competitively-priced Android smart phones and are hot on the heels of the top three. Canalys also points out that these vendors’ ambitions are not confined to the price-sensitive end of the market. ‘A key facet of Huawei’s brand strategy for 2012 is to move up and compete in higher value devices and services,’ Peng added. ‘It is developing a clearer marketing proposition that, combined with its cloud services, will prove more attractive to consumers in China.’

Two-thirds of the smart phones shipping in China in the first quarter were based on Android, and more than a quarter of all Android smart phone shipments globally are in China. A multitude of international and local vendors are using Android to address the Chinese market, offering an array of devices at a wide range of price points. Canalys notes that the dynamics of app stores are very different on these devices compared to other parts of the globe.

‘Third-party app stores are ubiquitous on Android devices in China, to a degree not seen anywhere else in the world. The absence of the Google Play store as standard is a factor, but vendors targeting this market must understand the intensity of competition between these stores and how it has promoted innovation,’ said Tim Shepherd, Senior Analyst at Canalys. ‘If the big international app store providers want to attract Chinese consumers, they must quickly reach the point where they can offer a large selection of good-quality, locally-relevant apps and content. This can be achieved organically, through partnerships, or by acquiring a major third-party Chinese app store. But they must also offer suitably localized and relevant featured app listings and ensure the content does not stagnate.’

Shifting trends in the channels in China mean that vendors must also keep a close grip on their programs, resources and incentives. ‘Operators are becoming a more important route to market in the large cities as they work to drive 3G uptake. Increased credit card ownership and Internet use means online retailing is on the rise too, through the likes of 360buy.com, Taobao and Amazon,’ said Rachel Lashford, Managing Director, Mobile and APAC. ‘And retailers are looking at new ways to attract consumers, for example by focusing on initiatives such as back-to-school programs rather than relying on those timed around traditional holidays. Vendors need to be aware of all these changes if they want to succeed in the world’s largest smart phone market.’

## About Canalys

Canalys delivers smart market insights to IT, channel and service provider professionals around the world. Our customer-driven analysis and consulting services empower businesses to make informed decisions and generate sales. We stake our reputation on the quality of our data, our innovative use of technology, and our high level of customer service.

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