

## Developing markets will drive smart phone market growth in 2013

➤ Domestic vendors will dominate in China, with many pushing beyond their home market

Shanghai, Singapore, Palo Alto and Reading - Thursday, 17 January 2013

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Canalys' latest smart phone forecasts show a clear rise in the importance of developing markets, and markets such as Brazil, Russia, India, Indonesia and China (BRIIC) will drive much of the volume growth in the global market in 2013 and beyond. In total, developing markets will contribute 70-80% of the growth this year. The BRIIC countries each feature in Canalys' top 20 new growth markets for 2013 while no developed market makes the list, and combined will account for 38% of global shipments this year.

"The smart phone market continues to see robust growth amid the faltering economies in developed markets. However, the performance of developing 'new growth' countries such as China is dramatic. Combined, the BRIIC smart phone markets have exceeded the total market size of North America and Western Europe. Despite such a large base, the BRIIC markets will still see a CAGR of 19% in the next four years (2012-2016) - significantly greater than the United States, Canada, Japan or any country market in Western Europe. Developing markets such as the BRIIC countries and others promise large, as-yet untapped growth potential," said Canalys Research Analyst, Jessica Kwee.

China alone will absorb 240 million units, 29% of the 837 million global total, extending its lead as the world's largest smart phone market over the United States. (The United States is expected to reach 125 million smart phones in 2013.) "But the Chinese smart phone market will be dominated by domestically based vendors in the coming quarters," said Nicole Peng, Research Director - China, based in Shanghai. "Domestic brands are rapidly moving their businesses toward smart phones and winning consumers with their competitively priced devices. This will continue to put significant pressure on international vendors in 2013. With smart phones starting to penetrate lower tier Chinese cities, international brands lack real competitive advantage in those areas."

2013 will also see more Chinese vendors expand their smart phone businesses into overseas markets. Lenovo announced its plans for international expansion in September, following in the footsteps of Huawei, ZTE and TCL-Alcatel. And smart phones from smaller vendors, such as Gionee, Yulong and Meizu, have already been launched in Russia, India, Taiwan, Southeast Asian and Latin American countries. "Only very few Chinese smart phone makers have comprehensive or long-term international expansion plans in place," said Canalys Research Analyst, Jingwen Wang. "Their goals are straightforward: to grow economies of scale or fulfil production capacity and to increase profit margin as pricing pressure is lower in overseas markets. Nonetheless, it is time to think beyond Huawei and ZTE in terms of Chinese vendors with the potential to be disruptive internationally."

Low-cost smart phones have drastically accelerated the decline of feature phones in China and this trend is expected to be seen in more emerging markets in the next three years. And it will not only be the rapidly growing Chinese vendors that International tier ones should watch out for, but also the increasingly

capable and credible home-grown brands in Brazil, India, and Indonesia making good headway in their respective domestic markets.

Smart phone market shipment forecast, 2013		
BRIC countries		
Country	2013 shipment forecasts (millions)	Growth 2013/2012
Global total	837.0	22.5%
Brazil	17.2	40.0%
Russia	18.8	30.7%
India	26.5	61.4%
Indonesia	15.7	51.7%
China (mainland)	239.8	29.1%

Source: Canalys forecast © Canalys 2013

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Americas: Suite 316, 855 El Camino Real, Palo Alto, CA 94301, US | tel: +1 650 681 4488  
APAC: 2532 Wheelock Square, 1717 Nanjing West Road, Jing An District, Shanghai, China, 200040 | tel: +86 21 6157 5113  
APAC: 1 Robinson Road, AIA Tower, #14-02, Singapore 048542 | tel: +65 6671 9399  
EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading RG7 1JQ, UK | tel: +44 118 984 0520  
e-mail: [inquiry@canalys.com](mailto:inquiry@canalys.com) | web: [www.canalys.com](http://www.canalys.com)