

# Chinese smartphone market suffers a hard-landing, shipments decline by 21% in Q1 2018

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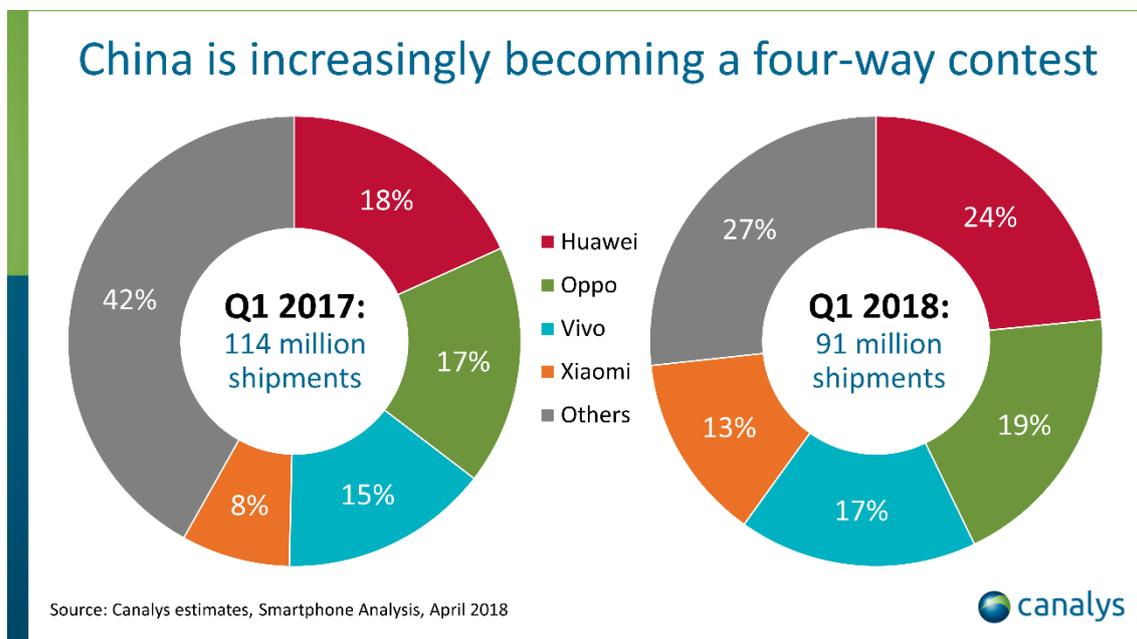
Smartphone shipments in China suffered their biggest ever decline in Q1 2018, down by more than 21% annually to 91 million units, a number first passed some four years ago in Q4 2013. Eight of the top 10 smartphone vendors were hit by annual declines, with Gionee, Meizu and Samsung shrinking to less than half of their respective Q1 2017 numbers. Huawei (including Honor) managed to grow shipments by a modest 2%, maintaining its lead and consolidating its market share to about 24% by shipping over 21 million smartphones. Second-placed Oppo and third-placed Vivo bore the brunt of the overall decline, with shipments falling by about 10% to 18 million and 15 million respectively. Xiaomi was the only company to buck the trend, growing shipments by 37% to 12 million units, and overtaking Apple to take fourth place.



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The top four vendors, Huawei, Oppo, Vivo, and Xiaomi, together accounted for more than 73% of shipments in China in Q1 2018. And despite healthy competition, there is a sense of fatigue in the market. “The level of competition has forced every vendor to imitate the others’ product portfolios and go-to-market strategies,” said Canalys Research Analyst Mo Jia. “But the costs of marketing and channel management in a country as big as China are huge, and only vendors that have reached a certain size can cope. While Huawei, Oppo, Vivo and Xiaomi must contend with a shrinking Chinese market, they can take comfort from the fact that it will continue to consolidate, and that their size will help them last longer than other smaller players.”



Xiaomi once again grew against the market, owing in part to a lackluster 2017. Nonetheless, the growth is noteworthy given the pace at which Xiaomi is also growing overseas. “Xiaomi is the only vendor in the top-5 that is focused on the sub-RMB1,000 (about US\$160) price segment and it owes close to 90% of its shipments to Redmi. But the vendor is struggling to shed its low-cost image,” said Canalys Research Analyst Hattie He. “The launch of the Mi Mix 2S in Paris and the very recent Mi 6X in Wuhan are clear efforts by the company to change customers’ perception of the brand, especially in China, where Xiaomi needs to tempt those looking at Honor, Oppo or Vivo to buy its products.”

The total market share for vendors outside the top five fell from 34% in Q1 2017 to 19% this quarter. Gionee suffered the worst decline, with shipments down by about 70% to 1.6 million.

After successive falls in the last two quarters, China is expected to return to growth in Q2, as Oppo, Vivo and Huawei launch new flagship devices and hope to excite the market once again. “The inventory issues that Oppo and Vivo suffered in Q4 and Q1 are now behind them,” said Jia. “New smartphones will definitely entice people to upgrade, but vendors are more careful of avoiding oversupply in the channel. China’s smartphone market may see a short period of stagnancy as vendors refocus on research and development, relying on new use cases to excite refreshes rather than spending heavily on the channel and marketing.”

Smartphone quarterly estimate and forecast data is taken from Canalys’ Smartphone Analysis service.

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