

Samsung leads in Indonesian smartphones as market surges ahead to close 2018 up 17.1%

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Indonesia was the brightest spot in Asia Pacific's smartphone market, with shipments reaching a record high of 38 million in 2018, up 17.1% on 2017. The market has made a complete recovery from its lowest points in 2016 (-3.3% annual growth) and 2017 (0.6% annual growth), when it was disrupted by the TKDN regulations. It grew consistently throughout 2018 and, despite a

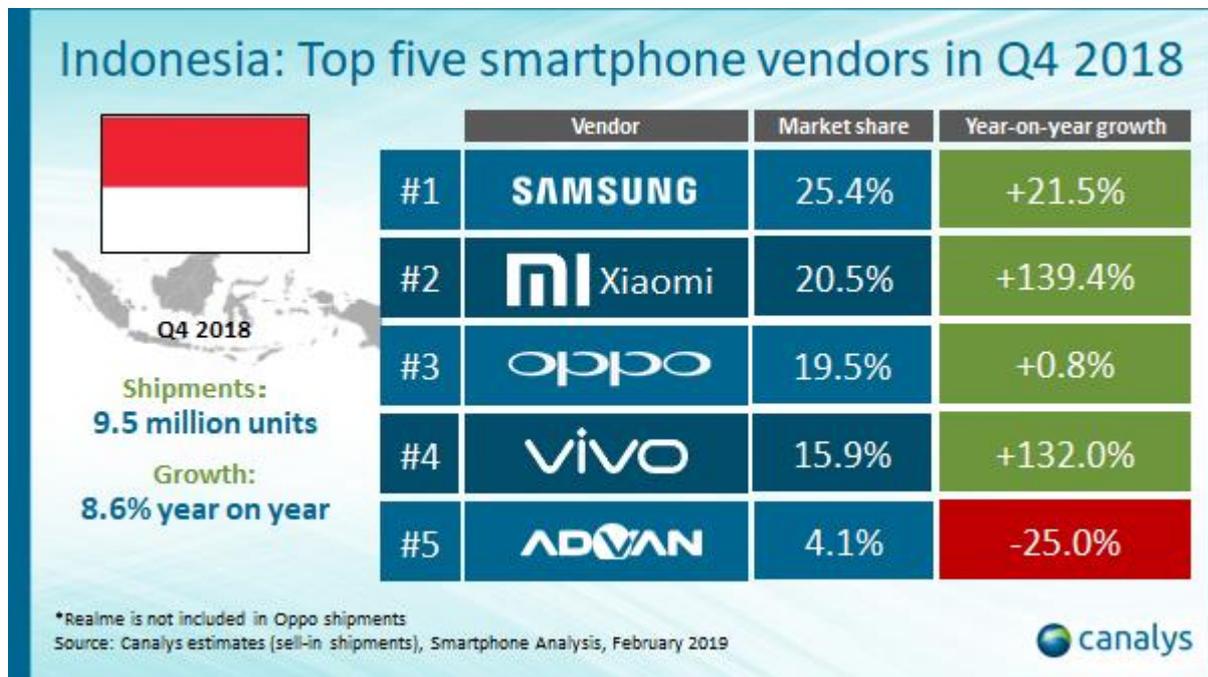


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slowing momentum toward the end of the year due to the Rupiah weakening against the US dollar, performed much better than other countries in the region. In Q4 2018, total smartphone shipments reached 9.5 million units, with year-on-year growth of 8.6%.

"Indonesia's smartphone market is in its prime," said Canalys Research Manager Rushabh Doshi. "Rapid developments in the online channel have fueled growth, as has consumers' healthy appetite for upgrades. At the same time, new brands are joining the market. While the growth this year was partly a correction due to the slump in the last two years, Indonesia is back on top of the list of markets where smartphone shipments will continue to grow, due to a relatively stable regulatory and social environment compared with other emerging markets."

Competition among vendors has increased dramatically, with the top five now commanding more than 80% of the market, against 65% a year ago. "Indonesia is truly a mobile-first market," added Doshi. "The sheer size of its app-driven economy underlines the increasing importance of smartphones and will attract heavy investment from software and device vendors alike, encouraging new companies to join the fray." Big international names, such as Huawei and Apple, are putting the country high up in their long-term expansion plans. As the market grows, smaller and local vendors are likely to suffer further as they try to bear the increasing cost of marketing and R&D while pricing competition from the top players gets stronger.



Vendor highlights

Samsung strengthened its lead over Chinese and local players in Q4, growing 21.5% annually, above the market average, with over 2.4 million units shipped. Indonesia was Samsung's strongest market this quarter in terms of growth, mainly thanks to its refreshed J series models, the J4+ and J6+. But on an annual basis, Samsung's growth slowed to 15% year on year in 2018 against 20.9% in 2017 and 25.8% in 2016. Though Samsung is maintaining a strong grip on the offline channel through its generous credit window and relatively low pricing of its new products, intense competition from Xiaomi has forced it to improve the competitiveness of its mid-to-low-end models. In 2019, Samsung is likely to use the A and M series to consolidate its lead over Xiaomi.

Xiaomi held onto second place, shipping nearly 2 million units to register 139.4% year-on-year growth in Q4, but a decline of 3.9% sequentially. For the whole of 2018, it shipped 8.0 million units against 2.0 million in 2017. Its exclusive distribution partnership with Erajaya has been vital to its fast expansion in the country since Q4 2017, especially in offline retail. While Redmi contributed three quarters of Xiaomi's shipments, the vendor also tested the market by launching its higher-end Pocophone F1 at IDR4.6 million (US\$327) in Q3. But it had no impact on Xiaomi's ASP, with fewer than 130,000 units shipped in the second half of 2018. Xiaomi must be competitive and differentiate itself from the competition as new challengers continue to enter the market.

Oppo is under tremendous pressure from Xiaomi in Indonesia and registered its slowest quarterly growth in the market since Q3 2017, 0.8% in the last quarter of 2018. While the A3s became its top-shipping device in Indonesia in Q4, the rest of its portfolio failed to drive growth. Competition dynamics are shifting toward cost-competitiveness and online channels, and Oppo has been slow to react with no competitive low-end portfolio. The introduction of Realme by Oppo, now run as a separate entity, was well received by the market in its first quarter, with more than 150,000 shipments. Oppo faces an even tougher time in 2019 as Samsung resets its strategy to improve its mid-to-low-end line-up, while Chinese peers Vivo and Huawei catch up.

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