

# Quarterly Market Analysis

## Mobile Phones, Worldwide, 1Q14

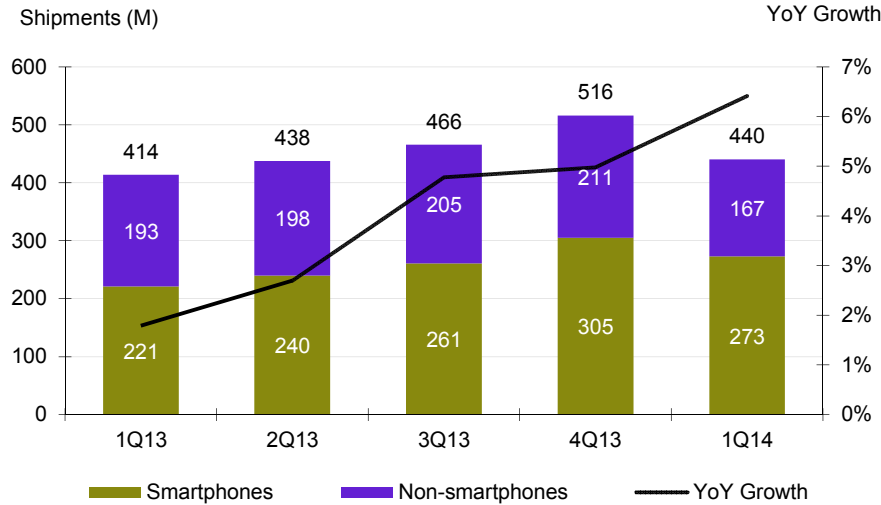
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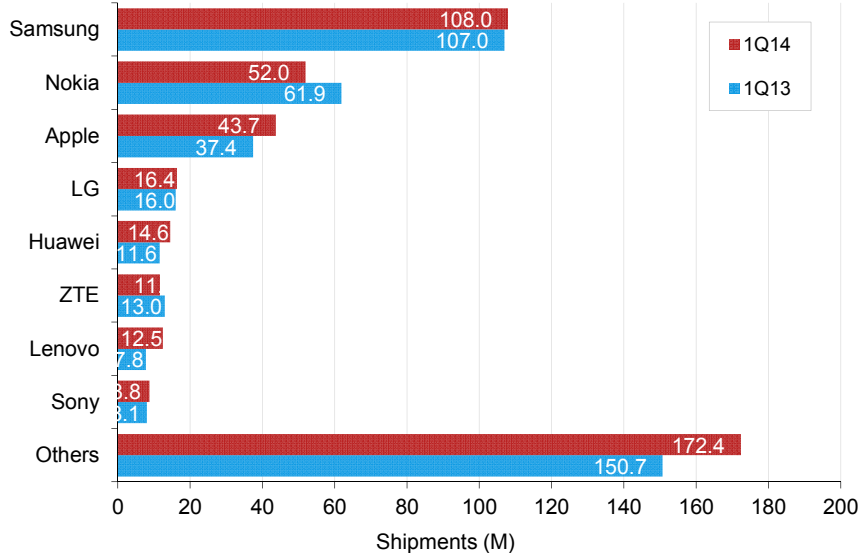
# Market Overview — Shipments and Market Share

## Mobile phone shipments by category, worldwide

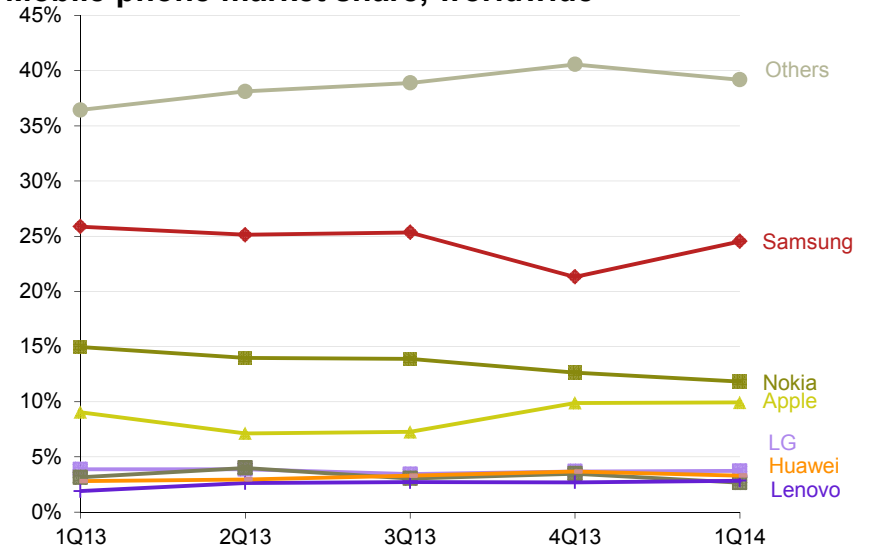


- 1Q13 saw a sequential decrease in total mobile phone shipments, the result of typical seasonality. The market grew 6% over 1Q13 mostly thanks to growth in the emerging markets, while the demand in the Western markets was sluggish.
- Smartphone shipments grew by 24% year-on-year and accounted for 62% of the total shipments in 1Q14, compared with 59% in 4Q13.
- Samsung remained the largest manufacturer by volume, and saw its market share restored to almost 25%. Apple's share remained flat and Nokia's declined again.
- Huawei remained the third-largest manufacturer of smartphones in the world this quarter, reflecting the growing influence of Chinese manufacturers in the global market.

## Mobile phone shipments by manufacturer, worldwide

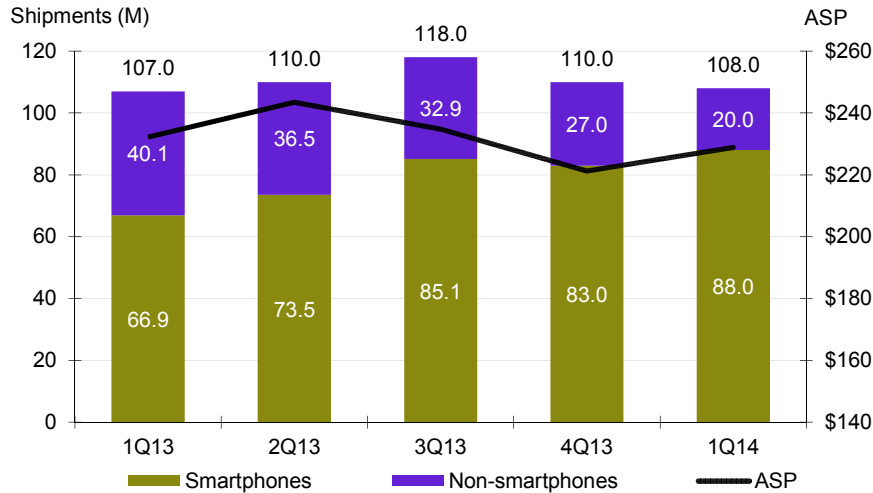


## Mobile phone market share, worldwide



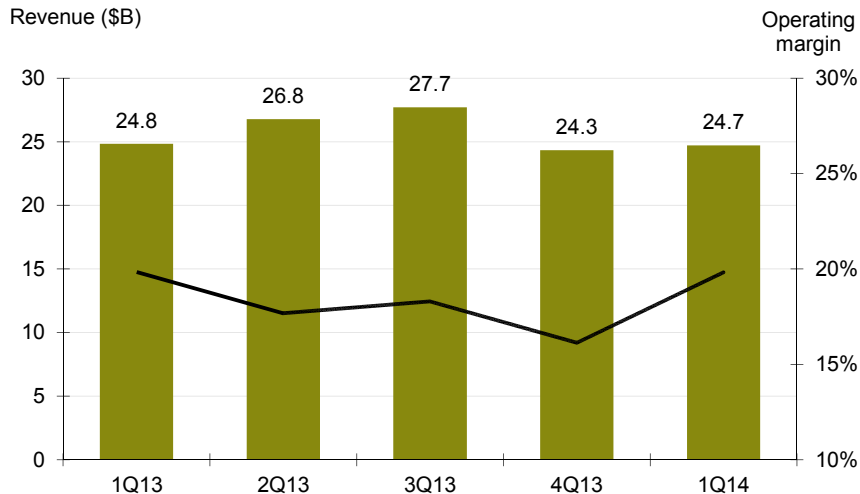
# Samsung — Performance

## Mobile phone shipments by category

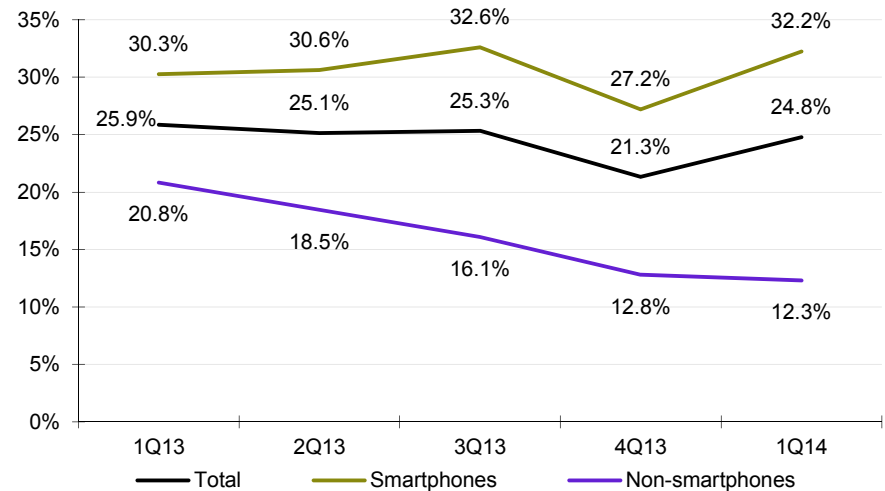


- Samsung's IT and mobile communication revenue declined slightly year-on-year and sequentially in 1Q13.
- Samsung blamed the "seasonally slow" market in 1Q14 for declines of devices such as smartphones and tablets.
- However, the division's profit remained strong compared with those of many competitors, rising sequentially thanks to smartphone shipment growth in the wake of a difficult 4Q13 and careful management of marketing expenses.
- The mobile phone business remains most important for Samsung: its IT and Mobile Communication division accounted for 60% of total company revenue.
- Market share in smartphones saw a strong gain in the quarter, while Samsung continues to slowly move out of the non-smartphone business.

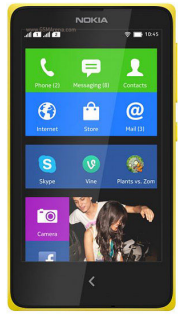
## Mobile phone revenue and operating margin



## Mobile phone market share, worldwide



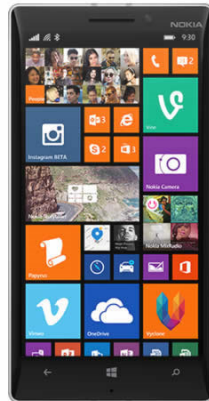
# Nokia — News, Price Moves and Outlook



Nokia X

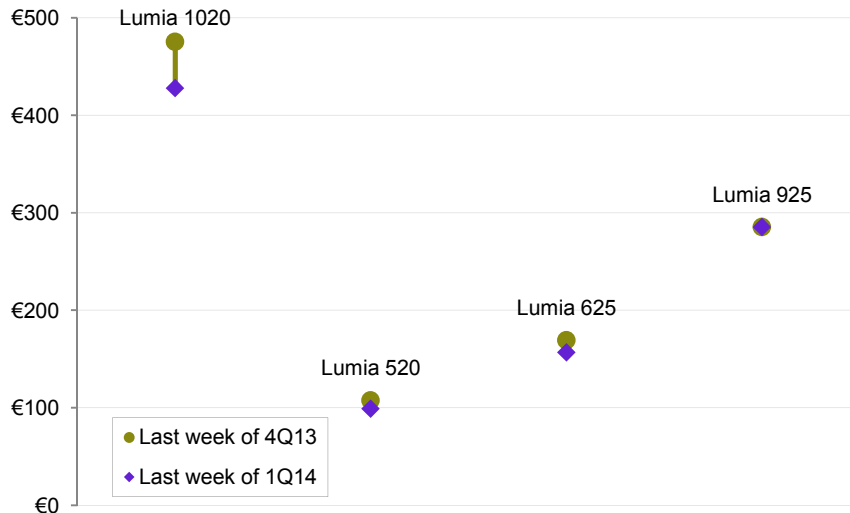


Lumia 630/635



Lumia 930

## Operator transfer prices — key products, Western Europe



## News

- February 2014: Nokia unveiled the X, X+ and XL phones based on Android Open Source Project. The Nokia X and X+ have a four-inch screen and three-megapixel camera. The X+ has extra 4GB storage. The XL has five-inch screen, two-megapixel front- and five-megapixel rear-facing camera.
- April 2014: Nokia announced the latest Lumia handsets, including the new flagship Lumia 930 and mid-tier Lumia 630 and 635.

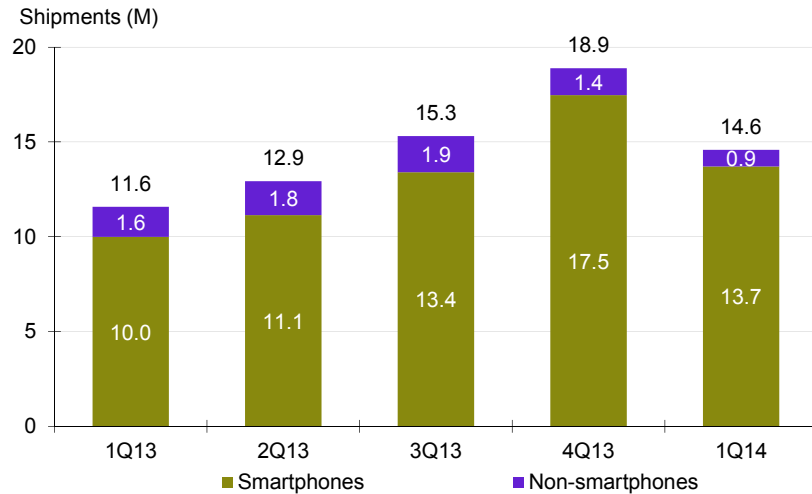
## Price Moves

- The estimated transfer price of the Lumia 1020 and Lumia 625 dropped this quarter as the product portfolio was refreshed.
- The Lumia 625 remained one of the least-expensive LTE handsets on the market as prices of LTE handsets across Western Europe and other markets continued to fall.
- The Lumia 520's estimated transfer price dropped below €100.

## Outlook

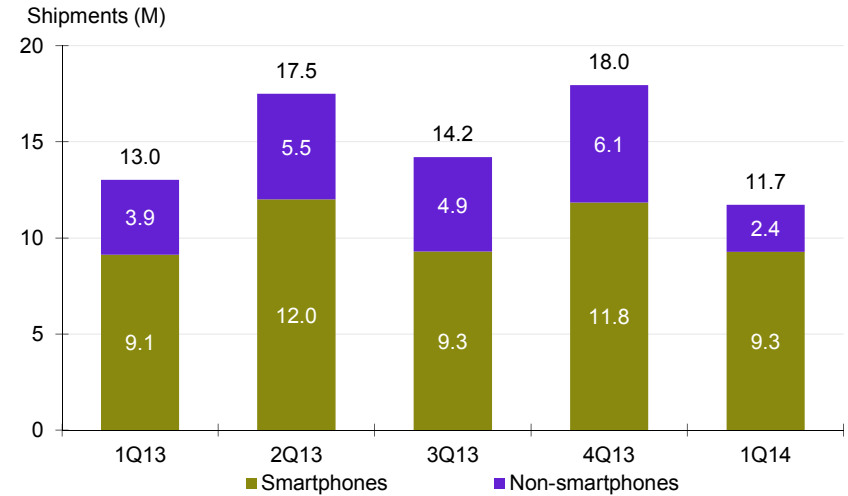
- The performance of Nokia's mobile business in 1Q14 means that Microsoft will need to make some rapid decisions for a turnaround, especially in the smartphone segment.
- The Nokia X range of products will fill in the gap between smartphones and non-smartphones in the portfolio, but Microsoft must decide whether to further develop this line.

## Mobile phone shipments by category



- Huawei enjoyed solid year-on-year growth as shipments reached 14.6 million.
- Its portfolio transition continues to be evident, with smartphones now accounting for 94% of total shipments.
- Huawei's success in China offers a platform for international expansion. However, lack of meaningful marketing investment in its brand will limit its global ambitions, particularly in Europe and the US.
- The new Ascend P7 smartphone has competitive technical specifications, but the unfamiliarity of Huawei's brand to many consumers makes it impossible to compete head-to-head with rival flagship devices from the likes of Apple, Samsung and Sony.

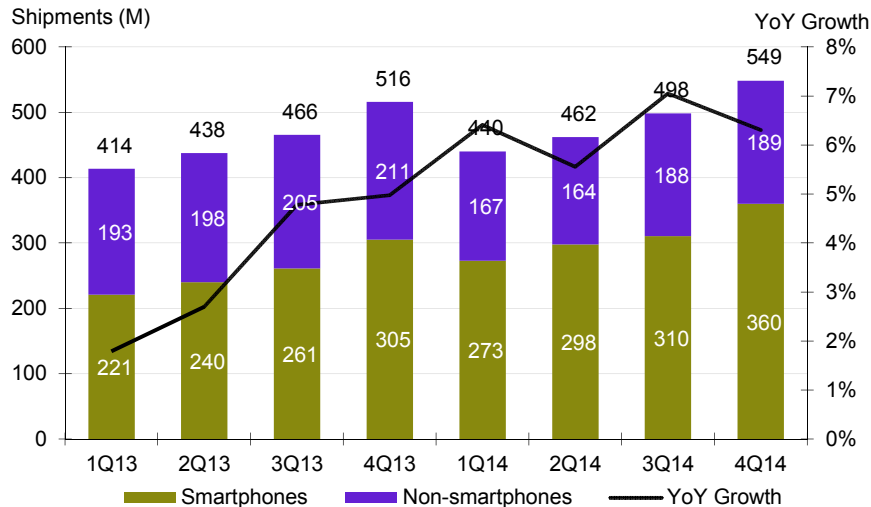
## Mobile phone shipments by category



- Total phone shipments in 1Q14 decreased sequentially and year-on-year to 11.7 million units, but smartphone sales improved from the same quarter the previous year.
- As with Huawei, ZTE's portfolio transition is becoming apparent. Smartphones made up almost 80% of total phones sales — its highest proportion to date.
- ZTE's home market remains the cornerstone of its business, with 50% of its smartphones sales coming from China in 1Q14.
- The US is a strategically important market for ZTE and it seems to be faring better here than rival Huawei. ZTE claimed a US market share of 6% in 2013 and has an ambitious target of 10% by 2017.

# Market Outlook

## Mobile phone shipment forecast by category, worldwide



- CCS Insight expects the mobile phone market to grow by 6.3% to 1.95 billion units in 2014 — well above the growth rate of 2013.
- Smartphones will continue to grow at the expense of non-smartphones and are forecast to represent 64% of total mobile phone shipments in 2014, up from 56% in 2013.
- Smartphone shipments are forecast at 1.24 billion units in 2014. This is a healthy rise of 21% year-on-year, but well below the growth rate of 40% enjoyed in 2013.
- North America and Western Europe will see smartphone yearly growth of 10% and 11% respectively, and smartphones will account for 86% of the shipments in those markets.
- The growth rate in China is also expected to slow down, despite the push of LTE. Smartphone penetration will surpass 50% during the year.
- A strong rate of growth is expected in India, starting from a relatively low smartphone penetration at the beginning of 2014.

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