

Smart phones defy slowdown

– Nokia retains lead, with Apple and RIM rising fast, but Microsoft loses ground

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For immediate release

- Nokia maintains global lead, although its performance varies by region
- Touchscreens become the preferred interface, representing 40% of all shipments
- Apple's success continues, as the iPhone takes 23% of the North American market
- RIM continues to gain share, succeeding with its push into the consumer market
- Operating system choices are proliferating, primarily at Microsoft's expense

Q2 research highlights

Smart phones continue to shine as one of the brightest spots of the technology industry, with shipments growing despite the global recession. Innovation in interfaces, design, applications and promotion continue to excite consumers, which, in contrast to the PC industry, is helping to keep average selling prices stable. The rise in data traffic seen by mobile network operators is finally generating a return on their investment in broadband capacity and will drive further infrastructure expenditure.

Global smart phone market					
Market shares Q2 2009, Q2 2008					
Vendor	Q2 2009 shipments		Q2 2008 shipments		Growth
	(m)	% share	(m)	% share	Q2'09/Q2'08
Total	38.1	100.0%	33.6	100.0%	13.4%
Nokia	16.9	44.3%	15.3	45.5%	10.4%
RIM	8.0	20.9%	5.6	16.7%	41.6%
Apple	5.2	13.7%	0.7	2.1%	626.9%
Others	8.0	21.1%	12.0	35.6%	-32.8%

Source: Canalys estimates, © Canalys 2009

Apple has established industry leadership in terms of industrial design, ease of use and application availability, offering one of the most desirable devices on the market and setting a standard that rivals are striving to emulate. It reinforced its position during the quarter by launching the iPhone 3GS. Pete Cunningham, Canalys senior analyst, said, "Apple has revolutionised the smart phone sector, leapfrogging more experienced rivals. The competition must move much faster to close the gap in terms of functionality and design and at the same time try to target Apple's weak spots. These are primarily related to its business model, which requires premium upfront pricing, high cost of ownership and, in many countries, a restricted operator line-up."

Asia Pacific smart phone market					
Market shares Q2 2009, Q2 2008					
Vendor	Q2 2009		Q2 2008		Growth Q2'09/Q2'08
	shipments (m)	% share	shipments (m)	% share	
Total	11.4	100.0%	11.1	100.0%	2.9%
Nokia	6.8	59.7%	5.6	50.6%	21.5%
Sharp	1.1	9.4%	1.4	12.6%	-23.6%
Fujitsu	1.0	9.2%	1.4	13.0%	-26.9%
Others	2.5	21.7%	2.6	23.8%	-6.3%

Source: Canalys estimates, © Canalys 2009

EMEA smart phone market					
Market shares Q2 2009, Q2 2008					
Vendor	Q2 2009		Q2 2008		Growth Q2'09/Q2'08
	shipments (m)	% share	shipments (m)	% share	
Total	14.0	100.0%	12.6	100.0%	11.2%
Nokia	8.9	64.0%	9.0	71.2%	-0.1%
Apple	1.9	13.6%	0.2	1.3%	1041.6%
RIM	1.4	10.3%	0.9	7.2%	60.1%
Others	1.7	12.2%	2.6	20.3%	-33.4%

Source: Canalys estimates, © Canalys 2009

North America smart phone market					
Market shares Q2 2009, Q2 2008					
Vendor	Q2 2009		Q2 2008		Growth Q2'09/Q2'08
	shipments (m)	% share	shipments (m)	% share	
Total	11.0	100.0%	7.8	100.0%	40.1%
RIM	5.7	52.0%	4.4	56.4%	29.2%
Apple	2.6	23.3%	0.6	7.0%	365.4%
HTC	0.6	5.6%	0.6	8.0%	-2.8%
Others	2.1	19.2%	2.2	28.6%	-6.1%

Source: Canalys estimates, © Canalys 2009

Competition is building in a number of different forms. RIM has successfully expanded its product portfolio to include a wide selection of devices and interfaces that appeal to a range of customers at different price points. This includes 2.5G models that are smaller, lighter, lower cost and have better battery life than most of its 3G rivals. Palm has received widespread acclaim following the launch of the Pre in the US during Q2. Chris Jones, Canalys VP and principal analyst, added, "As a relatively small company, Palm has shown what creative leadership and focused investment can achieve. By going back to its roots and developing its own operating system, it has produced an innovative and differentiated product. Investors have responded to this, with its share price growing over 70% this year. Palm still has plenty of challenges ahead – it must find the resources to launch the Pre on the global stage, while continuing to fund development of its product pipeline. But it is remarkable how much better the prospects are for this company than just one year ago."

Global smart phone market by primary input type					
Market shares Q2 2009, Q2 2008					
Primary input	Q2 2009		Q2 2008		Growth Q2'09/Q2'08
	shipments (m)	% share	shipments (m)	% share	
Total	38.1	100.0%	33.6	100.0%	13.4%
Touchscreen	15.1	39.6%	3.9	11.7%	282.7%
Keypad	12.3	32.3%	21.4	63.6%	-42.3%
Keyboard	10.7	28.0%	8.3	24.7%	29.0%

Source: Canalys estimates, © Canalys 2009

Another emerging trend is the rise of the Google-led Android OS, which is already taking 3% of the smart phone market. Success so far has been driven through HTC, but with many other vendors, including Samsung, joining the fray, volumes are expected to increase substantially. The free licence model, tight integration with Google applications and the potential for a high degree of vendor and operator customisation are all benefits attracting industry participants.

Global smart phone market by OS					
Market shares Q2 2009, Q2 2008					
Vendor/OS	Q2 2009		Q2 2008		Growth Q2'09/Q2'08
	shipments (m)	% share	shipments (m)	% share	
Total	38.1	100.0%	33.6	100.0%	13.4%
Symbian	19.2	50.3%	19.6	58.2%	-2.1%
RIM	8.0	20.9%	5.6	16.7%	41.6%
Apple	5.2	13.7%	0.7	2.1%	626.9%
Microsoft	3.4	9.0%	4.8	14.3%	-28.7%
Android	1.1	2.8%	-	0.0%	NA
Others	1.2	3.3%	2.9	8.6%	-56.8%

Source: Canalys estimates, © Canalys 2009

Jones continued, “It is noteworthy how differently the smart phone business is developing compared to the PC industry. PCs are a highly standardised, commoditised platform, where one model is often largely indistinguishable from another. Consequently, PC price points are incredibly low, which is good for customers, but the industry lacks excitement. Smart phones are different – Nokia, Apple, RIM and Palm have all achieved success by developing their own operating systems and delivering distinct devices and interfaces. Android customisation will further add to this diverse mix. As a result, new smart phones are front page news around the world. Admittedly the wide choice creates disadvantages too. Network operators must endure high certification and support costs, while independent application providers face the cumbersome process of porting apps to multiple operating systems. The main loser has been Microsoft’s highly standardised Windows Mobile platform. Its smart phone market share has now fallen below 10% and the trend is likely to continue as many of its OEM partners, including HTC, Motorola and Palm, are focusing investment on other platforms.”

Another smart phone market characteristic is how behaviour differs around the world. Rachel Lashford, MD of Canalys APAC, said, “The English-speaking media tends to be dominated by the industry trends seen in the US. However, both EMEA and APAC are larger markets for smart phones and we see different companies leading there. Nokia is very strong in the key markets of India and China, while companies such as Samsung and Fujitsu have substantial leadership in their homelands of Korea and Japan respectively. As success in the mobile industry becomes shaped more by software and the Internet we expect these trends to continue – language, culture and network operators are mainly ‘local’. Consider, for example, the challenges Google is facing in China or how eBay failed to take off in Japan.”

In addition to smart phones, netbooks are the other hot area within the technology industry in this difficult year. The competition and opportunities created between these platforms will be discussed at the Canalys Mobility Forum, taking place on November 17, near London’s Heathrow Airport. Full details are available at canalysmobilityforum.com. The new Canalys smart phone market trends report is now available. More details can be found at www.canalys.com/services/reports.

About the service

The shipment estimates discussed in this release come from the market-leading Canalys Smart Phone Analysis services. Canalys offers services looking at the markets by country in Asia Pacific, North and Latin America and EMEA, as well as providing global market overviews and survey-based analysis of consumer and enterprise attitudes and preferences toward mobile applications, devices and services.

About Canalys

Canalys specialises in delivering high quality market data, analysis and advice to the world’s leading technology vendors. It is recognised as a key provider of continuous advisory services and confidential custom projects for marketing managers and strategists within blue-chip IT, telecoms, navigation and consumer electronics companies. It has unrivalled expertise in routes to market for all kinds of high technology products and services and provides worldwide market data and trends analysis.

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