

Gartner Says Worldwide Mobile Phone Sales Grew 35 Per Cent in Third Quarter 2010; Smartphone Sales Increased 96 Per Cent

Egham, UK, 10 November 2010 — Worldwide mobile phone sales to end users totalled 417 million units in the third quarter of 2010, a 35 per cent increase from the third quarter of 2009, according to Gartner, Inc. Smartphone sales grew 96 per cent from the third quarter last year, and smartphones accounted for 19.3 per cent of overall mobile phone sales in the third quarter of 2010.

“This is the third consecutive double-digit increase in sales year-on-year, indicating that consumer demand is healthy,” said Carolina Milanese, research vice president at Gartner. “This quarter saw Apple and Android drive record smartphone sales. Apple's share of the smartphone market surpassed Research In Motion (RIM) in North America to put it second behind Android while Android volumes also grew rapidly making it the No. 2 operating system worldwide.”

Although the top three worldwide mobile device manufacturers Nokia, Samsung and LG remained the same – albeit with reduced market share - the third quarter saw Apple rise into the top five manufacturers, surpassing RIM for fourth place (see Table 1).

In addition to strong growth of smartphone sales in mature markets, increasing sales of white-box products in some emerging regions drove sales of mobile phones upward once again. “In the third quarter, white-box manufacturers continued to expand their reach outside of China into markets such as India, Russia, Africa and Latin America,” said Ms Milanese. “We firmly believe this phenomenon will not be short-lived as we still see a continued need for non-3G devices. Although we have seen acceleration in sales this quarter, we expect an even bigger volume in the fourth quarter of 2010.”

The rise of white-box manufacturers from Asia has also helped the ‘Others’ section, as a proportion of overall sales, increasing its market share to 33.0 per cent in the third quarter of 2010. “This is having a profound effect on the top five mobile handset manufacturers’ combined share that dropped from 83 per cent in the third quarter of 2009 to 66.9 per cent in the third quarter of 2010,” said Ms Milanese.

Table 1
Worldwide Mobile Terminal Sales to End Users in 3Q10 (Thousands of Units)

Company	3Q10 Units	3Q10 Market Share (%)	3Q09 Units	3Q09 Market Share (%)
Nokia	117,461.0	28.2	113,466.2	36.7
Samsung	71,671.8	17.2	60,627.7	19.6
LG	27,478.7	6.6	31,901.4	10.3
Apple	13,484.4	3.2	7,040.4	2.3
Research In Motion	11,908.3	2.9	8,522.7	2.8
Sony Ericsson	10,346.5	2.5	13,409.5	4.3
Motorola	8,961.4	2.1	13,912.8	4.5
HTC	6,494.3	1.6	2,659.5	0.9
ZTE	6,003.6	1.4	4,143.7	1.3
Huawei Technologies	5,478.1	1.3	3,339.7	1.1
Others	137,797.6	33.0	49,871.1	16.1
Total	417,085.7	100.0	308,894.7	100.0

Source: Gartner (November 2010)

In the third quarter of 2010, Nokia sold 110.4 million units into the channel. Its volume sales were slightly lower than expected due to shortages of components, such as camera modules and displays, which restricted availability of lower cost devices. Demand for its lower end products was met through some destocking in inventory volume that helped Nokia in its sell through volume reach 117.5 million units. This resulted in a market share decline of 8.5 percentage points from the third quarter of 2009. But shortages of low-end devices also encouraged many consumers to buy a more expensive product. Combined with favourable currency exchange rates, this meant Nokia's financial results were better than expected.

Samsung had a strong third quarter, as mobile phone sales reached 71.7 million handsets in the third quarter of 2010, up 18.2 per cent from the third quarter of 2009. However, its market share experienced a slight decline to 17.2 per cent in the third quarter of 2010. Samsung's smartphone market share reached 10 per cent in the third quarter of 2010. Samsung sold close to 1 million bada devices in the third quarter of 2010, and 6.6 million Android phones, making Samsung the top Android seller.

LG sold 27.5 million mobile devices in the third quarter of 2010, as its global market share dropped to 6.6 per cent. LG's strengths in stylish midtier devices are becoming less relevant in mature markets that are moving increasingly toward smartphones, and this is translating directly into market share. LG lacks a flagship smartphone; its devices tend to be affordable midtier devices that lack hardware or software innovation, priced at the low end of communication service provider (CSP) partners' ranges.

Apple delivered a stellar performance in the third quarter of 2010, selling 13.5 million units. It could have sold more but for its ongoing supply constraints and is now in fourth place worldwide. The iPhone is sold in 89 countries through 166 CSPs. Apple's sales in Europe, Asia and Japan, more than doubled from the third quarter of 2009 and sales in Western Europe delivered Apple the third spot in the regional ranking. While Apple remains focused on consumers, enterprise adoption of the iPhone and iPad has grown.

RIM sold 11.9 million devices to end users in the third quarter of 2010, and its global share of the smartphone market fell to 14.8 per cent. RIM's share of the overall North American market declined to 11.2 per cent in the third quarter of 2010, from 12.7 per cent in the third quarter of 2009. RIM lost its leading smartphone market position to Apple. As well as the effect of the iPhone 4, new Android devices like the Motorola Droid X, Samsung Galaxy S and HTC Incredible and Evo also reduced RIM's market share. But new devices like the BlackBerry Torch helped to maintain RIM's unit sale momentum in the US due to AT&T's promotional campaigns.

Smartphone Sales

The third quarter of 2010 produced record sales of more than 81 million communication devices based on open operating systems (smartphones). Android accounted for 25.5 per cent of worldwide smartphone sales, making it the No. 2 operating system (OS). It was particularly dominant in North America.

Table 2

Worldwide Smartphone Sales to End Users by Operating System in 3Q10 (Thousands of Units)

Company	3Q10 Units	3Q10 Market Share (%)	3Q09 Units	3Q09 Market Share (%)
Symbian	29,480.1	36.6	18,314.8	44.6
Android	20,500.0	25.5	1,424.5	3.5
iOS	13,484.4	16.7	7,040.4	17.1
Research In Motion	11,908.3	14.8	8,522.7	20.7
Microsoft Windows Mobile	2,247.9	2.8	3,259.9	7.9
Linux	1,697.1	2.1	1,918.5	4.7
Other OS	1,214.8	1.5	612.5	1.5
Total	80,532.6	100.0	41,093.3	100.0

Source: Gartner (November 2010)

Gartner estimates Android phones accounted for 75 per cent to 80 per cent of Verizon Wireless's smartphone trade in the third quarter of 2010. Manufacturers such as Samsung continued to launch high-end devices like the Galaxy S. But manufacturers also launched Android devices at lower prices to target different consumer segments. For example, ZTE launched a sub-£100 Android phone with Orange in the prepay UK market. For its part, Google is maintaining a fast pace of OS updates. Each version brings new features and polish to Android, and the level of innovation is a major differentiator.

Apple performed extremely well thanks to the iPhone 4. Relationships with multiple CSPs gave Apple wider channel reach internationally, and the strong ecosystem around iTunes and the App Store continued to help Apple dominate. Apple's share of the smartphone market surpassed RIM in North America to put it second behind Android. In Western Europe, iPhone sales doubled year-on-year, making Apple the third-largest vendor behind Nokia and Samsung in the overall devices market.

“Smartphone OS providers have entered a period of accelerated platform evolution, stimulated by more regular product releases, new platform entrants and new device types,” said Roberta Cozza, principal research analyst at Gartner. “Any platform that fails to innovate quickly — either through a vibrant multi-player ecosystem or clear vision of a single controlling entity — will lose developers, manufacturers, potential partners and ultimately users.”

What's Ahead

For 2010, Gartner now expects overall devices sales to show over 30 per cent year-on-year growth fuelled by white-box manufacturers. The impact of media tablets on mobile device sales will be tested in 2011. Gartner forecasts that media tablets (such as the Apple iPad) will reach 54.8 million units in 2011.

“Apple's dramatic expansion of iOS with the iPad and the continuing success of the iPod Touch are important sales achievements in their own right. But more importantly they contribute to the strength of Apple's ecosystem and the iPhone in a way that smartphone-only manufacturers cannot compete with,” Ms Milanese said. “To a developer, the iPod Touch and iPhone (and to a lesser extent the iPad) are effectively the same device and a single market opportunity. While Android is increasingly available on media tablets and media players like the Galaxy Player, it lags far behind iOS's multi-device presence. Apple claims it is activating around 275,000 iOS devices per day on average — that's a compelling market for any developer. And developers' applications in turn attract users.”

Additional information is in the Gartner report "Competitive Landscape: Mobile Devices, Worldwide, 3Q10." The report is available on Gartner's website at <http://www.gartner.com/resId=1465830>.

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