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Gartner Says Worldwide Mobile Phone Sales Grew 6 Per Cent in 2008, But Sales Declined 5 Per Cent in the Fourth Quarter

Inventory De-Stocking Lifted 4Q08 Sell-In by More Than 17 Million Units in Fourth Quarter

Egham, UK, 3 March 2009 — The global economic downturn had a significant impact on the mobile phone industry as worldwide mobile phone sales to end users totalled 314.7 million units in the fourth quarter of 2008, a 4.6 per cent decline from the fourth quarter of 2007, according to Gartner, Inc. Manufacturers continued to struggle against low consumer confidence in both emerging and mature markets.

The top five mobile phone vendors all experienced a decline in sales in the fourth quarter of 2008 (see Table 1). The industry did experience growth for the year, with worldwide mobile phone sales to end users surpassing 1.22 billion units in 2008, a 6 per cent increase over 2007 sales (see Table 2).

“Mobile phones have traditionally been one of consumers’ preferred presents for Christmas. However, in the fourth quarter of 2008 consumers were concerned about taking on the contract associated with the most attractive products on the market,” said Carolina Milanese, research director for mobile devices at Gartner, based in Egham, U.K. “Consequently, mobile devices in both emerging and developed markets experienced the lowest quarter-on-quarter growth (2 per cent) ever recorded in a fourth quarter.”

Sales into the channel reached 297.3 million in the fourth quarter of 2008, while sales to users were just short of 314.7 million units. This is the biggest difference recorded since Gartner started measuring the market in 2001. Such a difference was the result of the channel reducing the inventory it holds. Low consumer confidence is forcing distributors and retailers to limit the volume they hold in stock, because the channel cannot afford significant capital investment.

“Efforts to reduce inventory will intensify in the first quarter of 2009 and continue into the second quarter of 2009. In the second half of 2009, the channel will have to start re-stocking and this will help sell-in volumes,” said Ms Milanese. “This will not mark the start of a market recovery — we do not expect demand to stabilise before 2010.”

Table 1

Worldwide Mobile Terminal Sales to End Users in 4Q08 (Thousands of Units)

Company	4Q08 Sales	4Q08 Market Share (%)	4Q07 Sales	4Q07 Market Share (%)
Nokia	118,791.0	37.7	133,194.4	40.4
Samsung	57,517.9	18.3	44,353.1	13.4
LG	28,140.9	8.9	23,545.0	7.1
Sony Ericsson	23,554.1	7.5	29,848.8	9.0
Motorola	21,700.1	6.9	39,291.0	11.9
Others	65,003.8	20.7	59,822.4	18.2
TOTAL	314,707.8	100.0	330,054.7	100.0

Note* This table includes iDEN shipments, but excludes ODM to OEM shipments.

Source: Gartner (March 2009)

“Longer replacement cycles in Western Europe and a very stagnant market in Japan affected sales from the start of the year,” Ms. Milanesi said. “Other regions, such as Asia/Pacific and Africa, were able to sustain growth as the economic downturn was limited to mature markets in the first half of 2008. From the third quarter of 2008, it became clear that the economic impact was spreading to emerging markets. Sales rapidly deteriorated, making 2008 a challenging year for the entire mobile phone industry.”

Table 2
Worldwide Mobile Terminal Sales to End-Users in 2008 (Thousands of Units)

Company	2008 Sales	2008 Market Share (%)	2007 Sales	2007 Market Share (%)
Nokia	472,315.0	38.6	435,453.1	37.8
Samsung	199,182.0	16.3	154,540.7	13.4
Motorola	106,590.0	8.7	164,307.0	14.3
LG	102,555.4	8.4	78,576.3	6.8
Sony Ericsson	93,414.5	7.6	101,358.4	8.8
Others	248,189.0	20.4	218,604.3	18.9
TOTAL	1,222,245.2	100.0	1,152,839.8	100.0

Note* This table includes iDEN shipments, but excludes ODM to OEM shipments.

Source: Gartner (March 2009)

Vendor Overview

Nokia sold nearly 119 million mobile phones in the fourth quarter of 2008, giving it a market share of 37.7 per cent. This was a decline both sequentially and year-on-year. With sales in emerging markets slowing due to the economic environment, Nokia felt more pressure in the second half of 2008. Nokia’s delay in rolling out products with touchscreen functionality caused its smartphone sales to suffer.

Samsung finished a strong year with a good performance. In the fourth quarter of 2008, Samsung was able to grow share sequentially and also year on year, as products such as the Tocco, Innov8 and Omnia continued to drive sales in regions such as Western Europe and Asia/Pacific. Samsung's quick response to demand for touch interfaces was the main reason for its success.

After a blip in the third quarter of 2008, when LG lost its fourth place to Motorola, LG was able to get back on track and jump two places to No. 3 in the fourth quarter of 2008 worldwide market share. In the fourth quarter, LG moved into second place in North America, due to its dominant position at Verizon Wireless and very strong sales at TracFone. In India, LG got back into Reliance Communication after issues it had in the third quarter of 2008, and it was actually able to burn some inventory during the quarter.

As we predicted, Sony Ericsson was unable to hold on to the third position in the worldwide ranking, which it reached in the third quarter of 2008. In the fourth quarter, its sales dropped to 23.6 million units, putting it in fourth place. Not only did Sony Ericsson fail to reduce stock levels in the fourth quarter, it also built a slight inventory. As both music players and cameras have become more widespread in the competitors' portfolios, it has been more difficult for Sony Ericsson's Walkman and Cybershot product ranges to stand out. Lack of pure touchscreen devices also impacted overall performance in 2008.

Motorola's performance worsened in the fourth quarter of 2008, when it slipped to fifth place in the worldwide ranking. Some reductions in inventory helped Motorola finish the year in third position with sales that were close to 107 million units. The drop in market share on a year-to-year basis (-5.6 percentage points) is a clear indication of the troubled times the vendor has been facing. Lack of compelling products throughout the portfolio has made it impossible for Motorola to slow down its sales decline. It has been losing share in all key regions because it lacks 3G products and touchscreen devices, and has poor support for "hot" features, such as GPS.

Regional Analysis

In Asia/Pacific, quarterly sales of mobile handsets fell sequentially for the first time in the fourth quarter of 2008, as sales declined by 8.4 per cent over the third quarter of 2008, reaching 107 million units. The drop was mainly due to lower replacement sales. "Sales of mobile devices to first-time buyers continued to grow, with net-new mobile subscribers declining only marginally, from 81 million in the third quarter of 2008 to 79 million in the fourth quarter of 2008," said Anshul Gupta, principal analyst for Gartner, based in Mumbai. However, weak consumer confidence resulted into poor replacement sales, as consumers postponed their replacement decisions."

In Europe, the Middle East, and Africa (EMEA), mobile handsets sales in the fourth quarter of 2008 grew sequentially by 2.5 per cent to 59.3 million units, bringing the market for the full year to 229.5 million. Sales in the fourth quarter of 2008 declined 3.5 per cent year-on-year, showing users were more conscious of their spending. "Reduced consumer confidence, combined with lower subsidies from operators, discouraged users from upgrading their current device. Instead, users chose less-expensive devices when buying a new phone, or held on to their existing ones," said Annette Zimmerman, senior research analyst at Gartner, based in Germany.

Sales in Japan in the fourth quarter of 2008 declined 31.4 per cent compared to the fourth quarter of 2007. Although the global economic downturn did affect customer motivation to spend, the major cause of this decline in sales was due to a rise in retail prices. "The vendors who gained the top market share positions in previous quarters kept their share, while other vendors saw their shares decline," said Atsuro Sato, research analyst for Gartner, based in Japan. "Success is attributable to competitive portfolios and consumer recognition, whether broad or in specific customer segments."

Latin America's handset sales grew sequentially by 9.9 per cent in the fourth quarter of 2008, with nearly 37.4 million units sold during the quarter. "However, for the full year, nearly 142 million phones were sold, meaning that the fourth quarter of 2008 was smaller than the typical fourth quarter, accounting for only 26.5 per cent of total sales for the year, rather than the usual 30 per cent," said Tuong Nguyen, analyst for mobile terminals at Gartner, based in Arlington, Virginia. "In fact, the second quarter of 2008 was the biggest quarter of the year."

The North American handset market ended 2008 with a record quarter of 49.1 million sales to users, roughly comparable to the fourth quarter of 2007 when just under 49 million units were sold. "Smartphones continued to be a driving force for consumers to upgrade their devices," said Hughes De La Vergne, principal analyst for mobile terminals research at Gartner, based in Dallas, Texas. "Introductions of new products such as the RIM BlackBerry Storm and T-Mobile G1 helped smartphone sales grow to account for roughly 20 per cent of total sales in the region."

Sales in Western Europe reached 53.4 million units in the fourth quarter of 2008 — a good quarter considering the difficult year. This was mainly the result of aggressive stock-level reduction in the channel. Economic uncertainty had forced distributors, retailers and operators to be very cautious with their inventory levels. Despite the strong performance recorded in 4Q08, overall sales in 2008 were 16.4 million lower than in 2007. This is because consumers locked into 18- and 24-month contracts were unable to upgrade. Touchscreen functionality was the most sought after feature during the quarter, with vendors such as LG, Samsung and RIM benefiting the most.

Additional information is in the Gartner report "Dataquest Insight: Market Share for Mobile Devices, 4Q08 and 2008," available on www.gartner.com.

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