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China to Overtake United States in Smartphone Shipments in 2012, According to IDC - prUS23668012

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IDC - Press Release

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FRAMINGHAM, Mass., August 30, 2012 – Strong end-user demand and an appetite for lower-priced smartphones will make China (PRC) the largest market for smartphones this year, overtaking the United States as the global leader in smartphone shipments. According to the International Data Corporation (IDC) [Worldwide Quarterly Mobile Phone Tracker](#), China will account for 26.5% of all smartphone shipments in 2012, compared to 17.8% for the United States.

"Looking ahead, the PRC smartphone market will continue to be lifted by the sub-US\$200 Android segment," said [Wong Teck-Zhung](#), senior market analyst, Client Devices, IDC Asia/Pacific. "Near-term prices in the low-end segment will come down to US\$100 and below as competition for market share intensifies among smartphone vendors. Carrier-subsidized and customized handsets from domestic vendors will further support the migration to smartphones and boost shipments. Looking ahead to the later years in the forecast, the move to 4G networks will be another growth catalyst."

"Regionally, we expect smartphone demand to flow down to lower-tier cities," added [James Yan](#), senior market analyst for Computing Systems Research at IDC China. "After going through a period of sustained high growth, top-tier cities are likely to see decelerating smartphone growth rates. In contrast, secondary cities are expected to experience accelerated smartphone growth, with strong demand for low-cost models as well as high-end models, which are desired as status symbols."

"The fact that China will overtake the United States in smartphone shipments does not mean that the U.S. smartphone market is grinding to a halt," said [Ramon Llamas](#), senior research analyst with IDC's [Mobile Phone Technology and Trends](#) program. "Now that smartphones represent the majority of mobile phone shipments, growth is expected to continue, but at a slower pace. There is still a market for first-time users as well as thriving upgrade opportunities."

"In addition to China and the United States, several other countries will emerge as key markets for smartphone shipment volume over the next five years," said [Kevin Restivo](#), senior research analyst with IDC's Worldwide Mobile Phone Tracker program. "High-growth countries such as Brazil and Russia will become some of the most hotly contested markets as vendors seek to capture new customers and market share."

Top Five Markets for Smartphone Shipments

As it becomes the leading country for smartphone shipments this year, the **PRC** smartphone market will continue to grow, primarily on demand for lower-cost handsets. While this bodes well from a volume perspective, it also means lower average sales values (ASVs), thinner margins, and increased competition from all players. Over the course of the forecast, China's share of the global smartphone market will decline somewhat as smartphone adoption accelerates in other emerging markets.

Smartphone shipments into the **United States** will increase as users upgrade their devices and feature-phone users switch over to smartphones. Furthermore, a combination of lower-priced models, expansion of 4G networks, and the proliferation of shared data plans will encourage continued smartphone adoption. Smartphones are already the device of choice at the major carriers, and regional and prepaid carriers are following suit and competing with alternative service plans.

With smartphone penetration in **India** currently among the lowest in Asia/Pacific, the market has tremendous untapped growth potential. Low-end smartphones offering dual-SIM capability and local apps and priced around US\$100 will rapidly bring this market to life. Although 3G data plans are currently too expensive for the majority of consumers in India, IDC expects the popularization of 3G, and in later years 4G, to drive smartphone uptake as operators roll out more affordable data plans and generous subsidies while expanding offerings to tier 2 and tier 3 cities. The affordability of service plans will be another important key to smartphone adoption in India.

Smartphone growth in **Brazil** will be bolstered by strategic investments by mobile operators, smartphone vendors, and regulators. Operators' focus on increasing ARPU will drive greater demand for smartphones while smartphone vendors will look to reap greater profitability from offering such devices. The Brazilian government, meanwhile, will offer tax exemptions for smartphones and protect local manufacturing against foreign vendors. These factors, combined with solid end-user demand, will drive smartphone volumes in the coming years.

The **United Kingdom** has been one of the fastest growing smartphone markets in Western Europe, driven by the high operator subsidies and long-term post-paid contracts. Over the forecast period, smartphone shipments will continue to increase due to the introduction of LTE and a new range of services that will appeal to heavy smartphone users. In addition, price erosion on HSPA devices will also attract feature phones users. Growth rates will slow in the

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later years of the forecast as penetration plateaus and operators seek out alternative subsidy models.

Top Five Smartphone Markets and Market Share for 2011, 2012, and 2016 (based on shipments)

Country	2011 Market Share	2012 Market Share	2016 Market Share	2011 - 2016 CAGR
PRC	18.3%	26.5%	23.0%	26.2%
USA	21.3%	17.8%	14.5%	11.6%
India	2.2%	2.5%	8.5%	57.5%
Brazil	1.8%	2.3%	4.4%	44.0%
United Kingdom	5.3%	4.5%	3.6%	11.5%
Rest of World	51.1%	46.4%	46.0%	18.1%
Total	100.0%	100.0%	100.0%	20.5%

Source: IDC Worldwide Mobile Phone Tracker, 2012 Q2 Forecast Release, August 30 2012

Note: Countries listed in terms of ranking in 2016.

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For more information about IDC's Worldwide Quarterly Mobile Phone Tracker, please contact Kathy Nagamine at 650-350-6423 or knagamine@idc.com.

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