

Globe Talk: Appetite not always profitable

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Competition usually means more choices and cheaper prices for customers, but for companies, it can mean a hard slog ahead even at the best of times.

So while mobile-phone manufacturers continue to do brisk business as demand for ever-more sophisticated, multi-functioning handsets keeps on rising, sales aren't necessarily leading to profits for some companies, while for others, the good times are rolling as consumers worldwide keep gobbling up the smaller, slicker, faster, more powerful handsets.

Sony Ericsson Mobile Communications, for one, is certainly not complaining about market conditions. The joint-venture mobile group between the Japanese electronics company and the Swedish giant announced earlier this week that its profits for the second quarter nearly doubled as global appetite for its Walkman music phones soared. Shipments of handsets rose 33 percent on the year to 15.7 million phones, as it cornered a greater part of the international market share and sales growth outpaced the industry average.

At the same time, Sony Ericsson said that it has started concentrating more on selling lower-end mobile phones, a sector that has hitherto been dominated by Finnish giant Nokia and Motorola, which is likely to boost the company's global market share on both ends of the spectrum.

There's been a ripple effect of boom times for the mobile-phone industry too, including to those companies making the content of mobile phones, from hardware to actual downloadable contents. For instance,

chip manufacturers have benefited from strong market demand for high-end phones, as the Semiconductor Industry Association reported last week that global chip sales reached \$19.7 billion in May, up 9.4 percent from a year ago due in large part to strong cell-phone sales.

"Sales of cell phones and other consumer electronics products once again were the principal contributors to growth in semiconductor sales. Sales of analog chips grew by 21.5 percent from May of 2005, while digital signal processor sales grew by 13.7 percent. Analog devices and DSP chips are important components of cell phones," said the association's president George Scalise.

Still, the good times have not been shared by all companies in the business, at least in the latest quarter. South Korean electronics behemoth Samsung Electronics, for instance, reported Friday that its net profit tumbled 11 percent to about \$1.59 billion in the latest quarter, its weakest performance in three years, largely amid heightened competition in the mobile-phone sector.

The world's third-largest mobile-phone manufacturer had been facing pressure in recent months from rivals including the success of Motorola's RAZR and the latest Nokia models that cut into Samsung's market share.

"During the second quarter, many companies in the same industry faced difficulties due to declining prices in our mainstay products,' said Chu Woo-Sik, the company's senior vice president and head of investor relations team.

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