

Nokia Still King In Shrinking Phone Market

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Nokia emerged as the top mobile phone vendor for the first quarter of 2007, but mobile phone makers saw an overall decline in growth due in part to the dwindling pool of consumers without cell phones, according to a report from research firm IDC.

Phone shipments jumped 10 percent in the first quarter to 256.4 million units, a decline of 13.8 percent from the last quarter of 2006, according to the report. Gains topped 20 percent for each quarter in 2006.

These numbers, however, can be linked to the inevitable decline of cell phone purchases as everyone from your eight-year-old neighbor to your elderly grandparents acquire the devices, leaving fewer and fewer individuals without a mobile phone, IDC said. Recent shipments are therefore more geared toward current subscribers replacing outdated phones than new customers, the firm said.

With 91.1 million units shipped in the first quarter, Nokia easily beat out the number-two vendor Motorola, which shipped 45.4 million units. Nokia saw shipments to the Middle East, Africa and China increase since the holiday season, though Asia/Pacific purchases remained the same. The company was particularly successful in the converged mobile device space, moving 11.8 million units as consumers snapped up the N73, N70 and recently launched E65.

Nokia, however, has had a difficult time selling phones within the United States. Exact IDC numbers for mobile phone sales within the U.S. will be released in about two weeks, an IDC representative said.

Motorola was in recovery mode for the first quarter, IDC said. It dropped 1.5 percent from the first quarter of 2006, but is looking to recover its 2006 losses this year with a new management team and newly announced devices, according to researchers.

"While Motorola announced plans to revamp growth, the sudden shift in momentum demonstrates how competitive this industry is and how innovation on product development is essential," said Ryan Reith, research analyst for IDC's Worldwide Mobile Phone Tracker, in a statement.

Samsung, which shipped 34.8 million devices during the quarter, was the only company to post a sequential and year-over-year increase. It jumped 20 percent from this time last year, due in part to sales of "Ultra Edition" handsets, particularly the D900 model, and the E250 handset, IDC said.

"Samsung was able to benefit from Motorola's misfortunes by recording a positive sequential growth in the first quarter, which is uncommon given the effects of seasonality on this industry," according to Reith.

Nokia may have shipped the largest number of phones in the first quarter, but Sony Ericsson saw the greatest percentage leap since Q1 2006. Nokia jumped 21.3 percent since this time last year, but Sony Ericsson saw an increase of 63.9 percent. That success can be attributed to gains in low- and mid-tier products portfolio in Europe, Asia/Pacific and Latin America, according to IDC.

However Ericsson's "strategy to move into lower-tier devices nonetheless put downward pressure on average selling prices," IDC said.

LG Electronics, meanwhile, was expected to post a decrease in shipments and flat growth, IDC said. The company shipped 15.8 million

units, an 11.9 percent decrease from 1Q 2006.

But "having enjoyed success from its iconic Black Label Chocolate series, the company hopes for similar success with more premium devices, including its Shine and digital multimedia broadcast devices," IDC wrote.

"The increase in worldwide phone shipments was driven, in part, by new subscribers in emerging markets and, in part, by replacement sales in mature markets," said Ramon Llamas, research analyst with IDC's mobile devices technology and trends group, in a statement.

Device vendors are pushing low-cost handsets, but that "has the unfortunate effect of dragging down device ASPs," Llamas said. "To stem the decline in ASPs, device vendors are taking steps to rationalize platforms, improve supply chain logistics, and relocate production to low-cost regions."

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