

# Apple fights for bigger slice of China smartphone pie

January 15 2014, by Bill Savadove

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Customers looking at iPhones in an Apple store in Shanghai, on January 14, 2014

The world's biggest mobile network is ready to offer Apple's iPhone, but while the US technology giant has declared China its biggest future market, it faces an uphill battle to unseat Samsung and homegrown competitors.

Majority state-owned China Mobile has more than 760 million

customers but for years it has declined to provide the iPhone as the two companies argued over commercial terms.

The country's other big mobile telecommunications firms, China Unicom and China Telecom, already stock the product, and China Mobile will join them on Friday.

Analysts expect the move to boost the number of subscribers for China Mobile, which was recently awarded a government licence for 4G (fourth generation) services, and lift Apple's iPhone sales in China by millions—but in all likelihood it is far too late for the US giant to take the lead.

Although the iPhone commands fanatical devotion from its Chinese fans, South Korea's Samsung rules the smartphone market with more than 18 percent share, according to consultancy Analysys International.

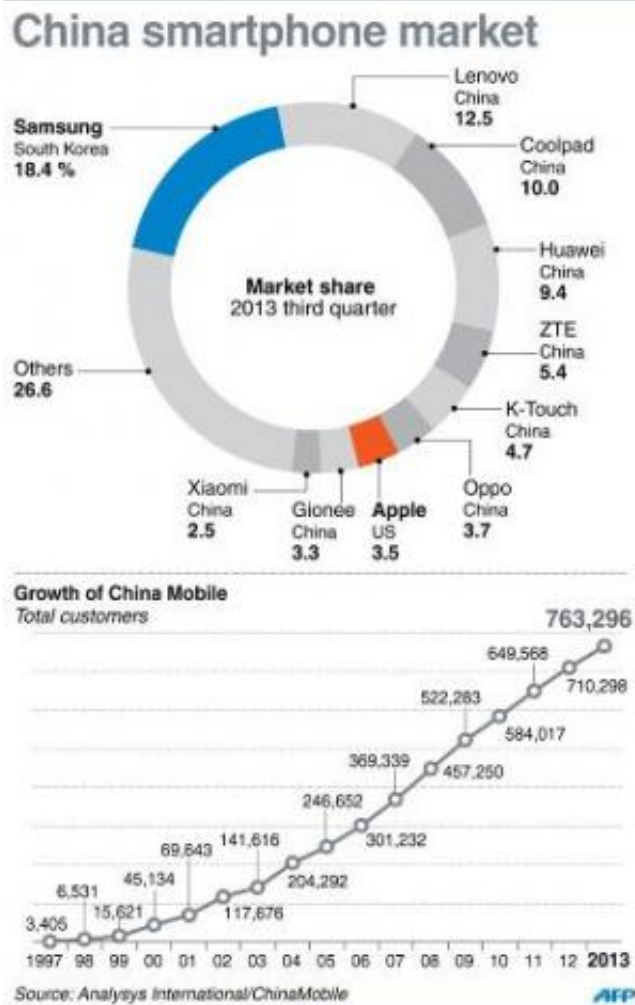
Apple sits in a lowly eighth place with a 3.5 percent share as of the third quarter last year, with six Chinese companies ahead of it, many offering cheaper phones using the Android operating system.

"The domestic high-end smartphone market is much more diversified and competitive now, leaving users more choices," said Wang Jun, an analyst for Beijing-based Analysys.

"It's likely Apple will move up one or two places in the market-share rankings, but it's impossible for it to make it into the top three or four," he said.

China's Lenovo, renowned for buying IBM's personal computer business, is in second position, while two companies best known for telecom equipment and controversy over network security—Huawei and ZTE—are also in the top five, according to Analysys.

The iPhone launch just two weeks before the Chinese New Year, a traditional time for gift-giving, should benefit both China Mobile and Apple, analysts said.



Graphic showing China's smartphone market share and growth of China Mobile. For an AFP focus on Apple's uphill battle to unseat Samsung in China.

China Mobile chairman Xi Guohua told a briefing in Beijing on Wednesday that the company had received "multi-millions" of iPhone pre-orders, Dow Jones Newswires reported.

Apple chief executive officer Tim Cook told the same event: "As of this weekend, we will be selling iPhones in more than 3,000 additional locations."

But Kevin Wang, director of China research for consultancy IHS iSuppli, believes that the US company has a tough job on its hands.

"Although cooperation with China Mobile will help boost Apple's sales and market share in China, it's unlikely that its share will rise to among the top three, given the intense competition in China's smartphone market," he said.

"Smartphones that cost around 1,000 yuan (\$165) are the most popular," he added.

In the United States, an iPhone 5s with 16GB of storage retails for \$649 while that same device is \$726 in Hong Kong—the special administrative region that borders China—and \$867 in the mainland itself through the Apple Store, due to taxes and other charges.

The higher prices in China have given rise to a flourishing market for smuggled iPhones, eroding official sales in the country.

As a result, many China Mobile subscribers have already procured iPhones and use them on its network, though some functions suffer.



A woman walks past a sign board advertising Samsung Electronics' Galaxy Note 3 smartphone in Seoul on January 7, 2014

Apple's revenue in Greater China—which includes Hong Kong and Taiwan—still reached \$5.7 billion for its fiscal quarter ended in September 2013, up 24 percent from the previous quarter, according to the company.

The firm does not reveal iPhone sales in China.

Cook said in January last year that he expected the country to become Apple's largest market, though he gave no timeframe.

Unlike many network providers in the United States and other Western countries, Chinese telecommunications firms require hefty up-front payments for iPhone and other packages.



Journalists watch a presentation of Lenovo's new Horizon 2 table PC, a 27-inch, 10-point touchscreen that can be paired to an Android phone, prior to the 2014 International CES in Las Vegas, Nevada on January 05, 2014

But analysts said China Mobile will have to make its pricing attractive to potential subscribers to promote iPhone sales, which could eat into its profits.

China Mobile had yet to announce prices by midday Wednesday, despite the imminent launch, but with investors also worried about profitability, its Hong Kong-listed shares have fallen 4.72 percent since the Apple agreement was announced in late December.

Some Chinese consumers are unimpressed by the combination. One microblog user posted: "Those who like the iPhone wouldn't wait for China Mobile to sell it. Those who dislike the iPhone will not like it after China Mobile launches it."

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