

Quiet and brilliant, Taiwan's HTC is smartphone star

17 April 2011, by Amber Wang



An advertisement showing the HTC smartphone is seen here in Taipei. Taiwanese smartphone maker HTC has risen to global prominence by transforming itself from a contract maker to a viable brand, one of the toughest feats in the fiercely competitive hi-tech industry.

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"Quietly Brilliant" is the motto adorning HTC's advertisements -- and quietly, brilliantly it has managed to grow and grow, until recently it stunned the industry by becoming as big as Nokia.

"Today [HTC](#) is synonymous with smartphones," said Wang Ying-Yu, a research manager at Industrial Technology Research Institute, a think-tank in the city of Hsinchu in northern [Taiwan](#).

"It has been more successful than any other company in Taiwan at pulling off the difficult task of building a brand," he said.

HTC's market value is now around \$33 billion, about the same level as Nokia and surpassing Blackberry maker Research In Motion's (RIM's)

\$28 billion, according to analysts.

HTC has also set several records in Taiwan, and was listed as the most profitable company last year, while co-founder and chairwoman Cher Wang is currently the island's richest person.

Like many Taiwanese firms, HTC started as a contract manufacturer for major foreign brands such as Microsoft and only began developing its own brand of handsets in 2006.

The theory sounds nice -- learn the ropes, then launch your own product -- but so far only a handful of elite Taiwan companies such as computer maker Acer have managed to get it right.

"Others who tried ended up hurting themselves and typically saw their shares fall by half," Wang said.

Not HTC. It is now the world's fifth largest smartphone maker by shipment after Nokia, Apple, RIM and Samsung, and it can challenge Apple's market share in Europe and Asia, analysts said.

Momentum is further boosted by first quarter results, which saw its unaudited [net profit](#) nearly triple from the same period last year to Tw\$14.83 billion (\$510 million) while revenue surged 174 percent to Tw\$104.16 billion.



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This year HTC boss Wang, the 52-year-old daughter of late industrialist Wang Yung-ching, was crowned Taiwan's richest person by Forbes magazine, which estimated the combined wealth of her and husband Chen Wen-chi at \$6.8 billion.

"Cher Wang is more like a spiritual leader of the company. She has a good eye for talent and she supports and trusts her professional management team," Wang said.

Analysts said HTC's close partnership with telecom operators and Google has given it an edge in the business. HTC was the first to make devices powered by Android, which is now adopted by LG, Motorola, Samsung and Sony.

"HTC is in time for the rise of smartphones and it is riding the boom of Google's Android," said Luke Lin, an analyst at Taiwan's IT journal Digitimes.

Android is the most popular operating system for mobile devices, and technology research firm Gartner expects it to have 38.5 percent of the market by the end of 2011, ahead of the 19.4 percent for iOS for Apple's iPhone.

"It is going to be even better for HTC this year

although it faces growing challenges for market share," said Lin. He estimated shipments to almost double from last year to about 50 to 55 million units.

"This year will see... these same (Android) vendors broaden and deepen their portfolios to reach more customers, particularly first-time smartphone users," said Ramon Llamas, a researcher at International Data Corp.

The company has also jumped onto the tablet bandwagon with its first tablet, Flyer, due to go on sale in the second quarter, although analysts said it was too early to say how it could contribute to the bottom line.

"We view this more as a product to test the market. We tend to believe tablets may not be a near-term value driver for HTC," said a recent Morgan Stanley report. It forecast fewer than two million shipped in 2011.

Underscoring the intense rivalry between smartphone makers is an ongoing dispute between HTC and Apple, which have accused each other of patent infringement and appealed to the US International Trade Commission to bar the other's products.

"An unfavourable ruling will certainly impact its (HTC's) operations," said Lin of Digitimes.

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APA citation: Quiet and brilliant, Taiwan's HTC is smartphone star (2011, April 17) retrieved 27 January 2021 from <https://phys.org/news/2011-04-quiet-brilliant-taiwan-htc-smartphone.html>

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