Smartphones see accelerated rise to dominance

Driven by increased demand from developed regions for high-end models, along with an unexpectedly strong push from emerging economies for lower-cost products, smartphones are expected to rise to account for the majority of global cellphone shipments in 2013 — two years earlier than previously predicted.

Smartphone shipments in 2013 are forecast to account for 54 percent of the total cellphone market, up from 46 percent in 2012 and 35 percent in 2011, according to an IHS iSuppli Wireless Communications Market Tracker Report from information and analytics provider IHS. The year 2013 will mark the first time that smartphones will make up more than half of all cellphone shipments.

“This represents a major upgrade for the outlook compared to a year ago, when smartphones weren’t expected to take the lead until 2015,” said Wayne Lam, senior analyst for wireless communications at IHS. “Over the past 12 months, smartphones have fallen in price, and a wider variety of models have become available, spurring sales of both low-end smartphones in regions like Asia-Pacific, as well as midrange to high-end phones in the United States and Europe. The solid expansion in both shipments and market share this year of smartphones will make them the leading type of mobile phone for the first time, and shipment growth in the double digits will continue for the next few years.”

By 2016, smartphones will represent 67.4 percent of the total cellphone market, as shown in the figure attached.

Feature phone finale
While still accounting for less than 50 percent of the market this year, smartphones will become the single largest cellphone segment by the end of 2012, surpassing feature phones.

The rise of smartphones to a plurality share this year means a fall from grace for feature phones, which are a grade above the most basic, low-cost entry-level phones but lack the sophisticated engineering and abundant functionality of smartphones. Feature phones commanded the wireless market as late as last year with 46 percent market share, but their portion will decrease to 41 percent this year, setting a trend of irreversible decline and progressive weakening in their numbers.

By 2016, feature phones will be confined to a market share of 28 percent—less than half the share of smartphones by that time.
A third type of phone, the entry-level and ultra-low-cost handset, will occupy the bottom tier of the market with approximately 14 percent share this year and end up with just 4.2 percent share by 2016.

Wireless handsets get smart

As smartphones become ever more popular and affordable, they will become the focal point of the handset industry, IHS ibelieves. Smartphones will deliver multifunctional capabilities that enhance experiences, while at the same time providing a hardware venue toward increasing average revenue per user, made possible through the extensive data use of smartphone owners.

Growth of the mobile applications development industry, which turns out innumerable applications on a variety of smartphone platforms, will also help maintain the continuing importance of the smartphone segment.

Market segments into low-end vs. midrange/high-end smartphones
The smartphone market is, in fact, made up of two segments—the midrange to high-end smartphone on the one hand, and low-end smartphones on the other. Already, manufacturers are introducing affordable low-end smartphones equipped with lower memory densities and a more limited feature set into developing countries and emerging markets, encouraging in these regions the use of data plans, which drive greater revenue. Low-end smartphone users will likely be first-time smartphone consumers, and will represent 43 percent of the total smartphone market by 2016.

In comparison, the midrange to high-end smartphone segment consists of users in the developed countries or in the more industrialized urban areas of some developing nations. This group of smartphone users will continue to outnumber their low-end smartphone counterparts, with more than 700 million midrange to high-end smartphone users forecast by 2016.

Apple and Google, now the two leading smartphone platforms, are the leaders in the space.

The intense competition in smartphone platforms has by now resulted in a few casualties, including Symbian from Nokia and WebOS from Palm. No longer will hardware capabilities be the sole determinant of success for smartphones moving forward, IHS believes, as victory in the marketplace will now also rely on many other important factors. These include software capability, a sleek and intuitive user interface, the variety of available applications, strong support from the developer community, and the strength and seamlessness of vertical integration.

Samsung of South Korea became the overall worldwide leader in handsets during the first quarter, displacing Nokia of Finland, which had occupied the top spot for well over a decade and is now at No. 2. U.S.-based Apple, China's ZTE and LG Electronics, also of South Korea, rounded out the Top 5, accounting for 75.5 percent of all handset shipments—not just smartphones—during the first quarter, up marginally from 74.7 percent in the fourth quarter last year.

dominance