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Gartner Says 428 Million Mobile Communication Devices Sold Worldwide in First Quarter 2011, a 19 Per Cent Increase Year-on-Year

Apple, Samsung and HTC Reported Strongest Results in an Increasingly Smartphone-Dominated Market

Egham, UK, 19 May 2011 — Worldwide mobile communication device sales to end users totalled 427.8 million units in the first quarter of 2011, an increase of 19 per cent from the first quarter of 2010, according to Gartner, Inc. Smartphones continued to outpace the rest of the market, and a newly competitive mid-tier smartphone market will drive smartphones into mass adoption and accelerate this trend.

“Smartphones accounted for 23.6 per cent of overall sales in the first quarter of 2011, an increase of 85 per cent year-on-year,” said Roberta Cozza, principal research analyst at Gartner. “This share could have been even higher, but manufacturers announced a number of high-profile devices during the first quarter of 2011 that would not ship until the second quarter of 2011. We believe some consumers delayed their purchases to wait for these models.”

Overall, the earthquake and tsunami in Japan will have a smaller effect on the mobile communication devices market than initially anticipated. There is currently about six to seven weeks worth of inventory of finished products in the channel and about four weeks worth of inventory for components. Gartner estimates that manufacturers' sales into the channel will drop in the second quarter of 2011, while sales through to consumers will be flat.

Nokia sold 107.6 million mobile devices in the first quarter of 2011 (see Table 1). Its market share declined 5.5 percentage points year-on-year, and its share has reached its lowest since 1997. Nokia will aggressively lower average selling prices (ASPs) in markets where communications service providers (CSPs) control the sales channels, in order to maintain shipments of Symbian devices while waiting for its first Windows Phone 7 devices to reach the market. However, Nokia will face challenges from Android competitors and from some Japan-induced supply constraints.

Table 1
Worldwide Mobile Terminal Sales to End Users in 1Q11 (Thousands of Units)

Company	1Q11 Units	1Q11 Market Share (%)	1Q10 Units	1Q10 Market Share (%)
Nokia	107,556.1	25.1	110,105.4	30.6
Samsung	68,782.0	16.1	64,897.1	18.0
LG	23,997.2	5.6	27,190.1	7.6
Apple	16,883.2	3.9	8,270.1	2.3
RIM	13,004.0	3.0	10,752.5	3.0
ZTE	9,826.8	2.3	6,104.3	1.7
HTC	9,313.5	2.2	3,378.4	0.9

Motorola	8,789.7	2.1	9,574.5	2.7
Sony Ericsson	7,919.4	1.9	9,865.7	2.7
Huawei Technologies Co. Ltd.	7,002.9	1.6	5,236.1	1.5
Others	154,770.9	36.2	104,230.3	29.0
Total	427,846	100.0	359,605	100.0

Source: Gartner (May 2011)

Samsung experienced its strongest first quarter ever. The shift to higher end smartphones, such as the Galaxy line, led to an increase in ASPs. This helped to offset an increase in materials costs. Samsung made numerous product announcements during the first quarter of 2011. These included numerous Galaxy smartphone announcements (such as the Galaxy S II), a bada device (Wave 578), and new models of the Galaxy Tab tablets (10.1 and 8.9). These new devices, along with the effects of seasonality and expansion into emerging markets with touch and dual-SIM devices, should help improve Samsung's performance in the second quarter of 2011.

Apple sold 18.6 million units to end users worldwide, more than doubling its sales of iPhones year-on-year. This market-beating growth came from all regions: the iPhone is now available in 90 countries from 186 CSPs. "This strong performance helped Apple consolidate its position as the fourth largest brand in the mobile communication market overall," said Carolina Milanese, research vice president at Gartner. "Considering the higher than average price of the iPhone this is a remarkable result and highlights the impact that a strong aspirational brand can have on a product." Inventory levels at the end of the first quarter of 2011 were slightly higher than usual, as Apple not only continues to expand in markets such as China, where distribution is more fragmented, but also extends its reach with new CSPs.

HTC recorded a very strong first quarter with 9.3 million mobile communication devices sold and moved to the No. 7 position. Strong high-end products helped HTC perform well with all major US CSPs, and in the first quarter of 2011 it became the No. 2 smartphone manufacturer in the region, overtaking Research In Motion.

Although in mature markets the shift from feature phones to smartphones is accelerating, smartphones overall moved down-market in the first quarter of 2011. Several manufacturers, including HTC, Sony Ericsson, Alcatel and ZTE, announced a broader portfolio of mid-tier devices, mainly based on Android, which will reach the market in the second quarter of 2011.

Android and Apple's iOS continued to dominate the smartphone operating system (OS) wars (see Table 2). However, the big news in the first quarter of 2011 was Nokia's strategic alliance with Microsoft on Windows Phone 7, and the retirement of Symbian. "This will precipitate a competitors' rush to capture Symbian's market share in the midtier," said Ms Cozza.

Table 2
Worldwide Smartphone Sales to End Users by Operating System in 1Q11 (Thousands of Units)

Company	1Q11 Units	1Q11 Market Share (%)	1Q10 Units	1Q10 Market Share (%)
Android	36,267.8	36.0	5,226.6	9.6
Symbian	27,598.5	27.4	24,067.7	44.2
iOS	16,883.2	16.8	8,359.7	15.3
Research In Motion	13,004.0	12.9	10,752.5	19.7
Microsoft	3,658.7	3.6	3,696.2	6.8
Other OS	3,357.2	3.3	2,402.9	4.4
Total	100,769.3	100.0	54,505.5	100.0

Source: Gartner (May 2011)

In the first quarter of 2011, RIM announced that it would transition its BlackBerry portfolio to the QNX platform in 2012. This should make its smartphones more competitive in graphics, performance and touch, and unify RIM's tablet and smartphone user experience.

Windows Phone saw only modest sales that reached 1.6 million units in the first quarter of 2011, as devices launched at the end of 2010 failed to grow in consumer preference and CSPs continued to focus on Android. In the long term, Nokia's support will accelerate Windows Phone's momentum.

Gartner analysts said that the shift toward an ecosystem focus, application and services is the critical success factor for device manufacturers. "Every time a user downloads a native app to their smartphone or puts their data into a platform's cloud service, they are committing to a particular ecosystem and reducing the chances of switching to a new platform. This is a clear advantage for the current stronger ecosystem owners Apple and Google," said Ms Cozza. "As well as putting their devices in the context of a broader ecosystem, manufacturers must start to see their smartphones as part of a computing continuum."

"The 13.3 million-unit growth in channel inventory, along with some softness in demand from users in emerging markets registered at the start of the second quarter of 2011, is leading us to be cautious about sales in the remainder of the year," said Ms Milanese. "We are currently revising down our 2011 sales estimate as a result of these trends, and expect it will likely drop to between 1.790 billion and 1.795 billion units."

Additional information is in the Gartner report "Market Share Analysis: Mobile Devices, Worldwide, 1Q11" The report is available on Gartner's website at <http://www.gartner.com/resId=1688625>.

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