

Gartner Says Worldwide Mobile Phone Sales Declined 8.6 Per Cent and Smartphones Grew 12.7 Per Cent in First Quarter of 2009

Inventory Destocking Adds 25 Million Units to Sell-In

STAMFORD, Conn., May 20, 2009 —

Worldwide mobile phone sales totalled 269.1 million units in the first quarter of 2009, a 8.6 per cent decrease from the first quarter of 2008, according to Gartner, Inc. Smartphone sales surpassed 36.4 million units, a 12.7 per cent increase from the same period last year.

“There were some signs of a recovery in markets such as North America and China, but overall sales in the first quarter of 2009 registered the biggest quarter-on-quarter contraction since Gartner began monitoring the market on a quarterly basis in 2001,” said Carolina Milanesi, research director for mobile devices at Gartner, based in Egham, UK. “This was also the first time the market contracted year over year during the first quarter, a period traditionally helped by strong seasonality in the Asia/Pacific market.”

The channel intensified its efforts in the first quarter of 2009 to reduce the levels of stock it holds, as Gartner predicted in the fourth quarter of 2008. Stock reduction is intended to minimize capital investment in response to low consumer confidence. Sales into the channel were just short of 244 million units in the first quarter of 2009, while sales to users were just over 269 million units — a difference of 25 million units, compared with 17 million units in the fourth quarter of 2008, the biggest difference ever recorded. Gartner expects channel inventory reductions to continue into the second quarter of 2009, albeit with lower volumes.

Nokia continued to lead the mobile phone market, but its share dropped to 36.2 per cent from 39.1 per cent in the first quarter of 2008 (see Table 1). Samsung retained second place and improved its market share as its sales totalled 51.4 million units. After dropping to the fifth position in the fourth quarter of 2008, Motorola overtook Sony Ericsson to regain fourth place.

Table 1
Worldwide Mobile Terminal Sales to End Users in 1Q09 (Thousands of Units)

Company	1Q09	1Q09 Market	1Q08	1Q08 Market
	Sales	Share (%)	Sales	Share (%)
Nokia	97,398.2	36.2	115,191.8	39.1
Samsung	51,385.4	19.1	42,396.5	14.4
LG	26,546.9	9.9	23,645.8	8.0
Motorola	16,587.3	6.2	29,884.7	10.2
Sony Ericsson	14,470.3	5.4	22,061.0	7.5
Others	62,732.0	23.4	61,103.2	20.8
TOTAL	269,120.1	100.0	294,283.0	100.0

Note* This table includes iDEN shipments, but excludes ODM to OEM shipments.

Note: Totals may not add to 100.0 percent due to rounding.

Source: Gartner (May 2009)

Smartphone sales represented 13.5 per cent of all mobile device sales in the first quarter of 2009, compared with 11 per cent in the first quarter of 2008. Gartner analysts said positive performance by Research In Motion (RIM) and Apple (see Table 2) showed that services and applications are now instrumental to smartphones' success.

“Much of the smartphone growth during the first quarter of 2009 was driven by touchscreen products, both in midtier and high-end devices,” said Roberta Cozza, principal analyst at Gartner, based in Egham, UK. “‘Touch for the sake of touch’ was enough of a driver in the midtier space, but tighter integration with applications and services around music, mobile e-mail, and Internet browsing made the difference at the high end of the market.”

Table 2
Worldwide Smartphone Sales to End Users in 1Q09 (Thousands of Units)

Company	1Q09	1Q09 Market	1Q08	1Q08 Market
	Sales	Share (%)	Sales	Share (%)
Nokia	14,991.2	41.2	14,588.6	45.1
Research In Motion	7,233.6	19.9	4,311.8	13.3
Apple	3,938.8	10.8	1,725.3	5.3

HTC	1,957.3	5.4	1,276.9	4.0
Fujitsu	1,387.0	3.8	1,317.5	4.1
Others	6,896.4	18.8	9,094.8	28.1
TOTAL	36,404.4	100.0	32,314.9	100.0

Note: For HTC, Gartner counts only the company's own-branded devices including the G1.

Note Totals may not add to 100.0 percent due to rounding.

Source: Gartner (May 2009)

Symbian accounted for 49.3 per cent of worldwide smartphone operating systems (OS) market share in the first quarter of 2009, down from 56.9 per cent share in the first quarter of 2008. RIM's smartphone OS market share reached 19.9 per cent in the first quarter of 2009, up from 13.3 per cent share in the first quarter of last year. The iPhone OS accounted for 10.8 per cent of the market, up from 5.3 per cent market share in the first quarter of 2008.

Vendor Performance

Nokia's worldwide sales reached 97.4 million units in the first quarter of 2009, thanks to reductions in inventory in markets such as Asia/Pacific and Latin America. This was the first time Nokia's sales dipped below 100 million units since the first quarter of 2007. The real impact of the current market recession was on the average selling price (ASP), which saw an 18 per cent drop year over year. Nokia managed to grow its sales in the smartphone segment by introducing the Nokia 5800 into more regions.

Samsung had a very successful first quarter of 2009. With sales of 51.4 million units, Samsung's market share grew 4.7 percentage points to 19.1 per cent. It returned to double-digit profitability due to a good product mix. Sales of its Omnia, Tocco and Pixon handsets continued to benefit from strong consumer interest in touchscreen devices. The arrival of the Tocco Ultra Edition late in the first quarter of 2009, and the announcement of its first Android-based product, the i7500, will help Samsung in a highly competitive second half of 2009.

LG sold 26.5 million units in the first quarter of 2009, growing its market share by 1.9 percentage points year over year. The company benefited from a very strong portfolio of touchscreen, messaging and imaging devices. The new LG Arena device showcases a new user interface that demonstrates a positive focus on improving usability. However, Gartner said LG's biggest challenge is to become competitive in the smartphone segment as services and applications become more important to customers.

Motorola continued to experience significant difficulties even in its home market, but it had a solid quarter with prepaid operators Boost Mobile and Tracfone. It expects worldwide sales of iDEN handsets to be up 50 per cent in 2009 compared with 2008. These factors will help sustain Motorola until it revamps its portfolio in the fourth quarter of 2009. Motorola has committed to Android not only to revamp its position in the second half of 2009, but also to produce long-term performance improvements. Gartner analysts question how Motorola will be able to differentiate its offering when so many players in the mobile device market will be delivering Android-based products at the same time.

Sony Ericsson lost market share compared both with the fourth quarter of 2008 and the first quarter of 2008, with sales of 14.5 million units. While the recession contributed to this decline, a weak product portfolio was also a factor. The product features that helped Sony Ericsson become one of the world's top vendors — imaging and music — are now too common to serve as a differentiator. Sony Ericsson is late to catch on to the popularity of touchscreen devices and has a limited smartphone portfolio. While its focus on services through Play Now Arena is important, Sony Ericsson needs to ensure its devices include the most desirable applications and features for consumers.

"With inventory-reduction efforts expected to continue in the second quarter of 2009, although to a lesser extent than what we have seen so far, and better-than-expected figures for the first quarter of 2009, we remain confident that overall sales to users for 2009 will remain considerably higher than the sell-in that many vendors are expecting," Ms Milanese said. "Device vendors will focus increasingly on smartphones, improved user interfaces and services to differentiate themselves and fuel consumer demand. We maintain our view that sales to users will decrease by about 4 per cent for 2009 compared with 2008, while sell-in will slow to around a 10 per cent decrease."

Additional information is in the Gartner report "Dataquest Insight: Market Share for Mobile Devices, 1Q09." The report is available on Gartner's Web site at http://www.gartner.com/DisplayDocument?ref=g_search&id=984612&subref=simplesearch.

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