

Gartner Dataquest Says Worldwide Mobile Phone Sales in 2001 Declined for First Time in Industry's History

SAN JOSE, Calif., March 11, 2002 - Worldwide mobile phone sales totaled nearly 399.6 million units in 2001, a decline of 3.2 percent from 2000 sales, according to Dataquest, Inc., a unit of Gartner, Inc. (NYSE: IT and ITB).

Worldwide mobile phone sales between 1996 and 2000 experienced a compound annual growth rate of close to 60 percent, but in 2001, for the first time in its history, the mobile phone industry suffered a drop in unit sales (see Table 1).

"The removal of prepaid subsidies supporting mobile terminal sales in historically high-growth markets like Western Europe and Latin America was a significant factor in the decline in handset sales during 2001," said Bryan Prohm, senior analyst with the Mobile Communications Worldwide research group for Gartner Dataquest. "Additionally, unexpectedly strong growth in Subscriber Identity Module (SIM)-only subscriptions gave rise to a burgeoning market for second-hand terminals across the developing world."

"A considerable bubble of unsold inventory from the fourth quarter of 2000 further depressed sales in key markets," said Ann Liang, industry analyst with the Mobile Communications Worldwide research group for Gartner Dataquest. "The distributors and carriers most exposed to the inventory overhang sought out the gray market. Consequently, the Asia/Pacific region, and in particular the Chinese market, experienced what was arguably the most active period of gray market importing of mobile terminals in several years."

Table 1
Worldwide Mobile Terminal Sales to End-User Estimates for 2001 (Thousands of Units)

Company	2001 Shipments	2001 Market Share (%)	2000 Shipments	2000 Market Share (%)	Growth (%)
Nokia	139,672	35.0	126,369	30.6	10.5
Motorola	59,092	14.8	60,094	14.6	-1.7
Siemens	29,753	7.4	26,989	6.5	10.2
Samsung	28,234	7.1	20,639	5.0	36.8
Ericsson	26,956	6.7	41,467	10.0	-35.0
Others	115,877	29.0	137,173	33.2	-15.5
Total	399,583	100.0	412,731	100.0	-3.2

Source: Gartner Dataquest (March 2002)

Gartner Dataquest analysts said worldwide sales of General Packet Radio Service (GPRS) terminals failed to live up to expectations in 2001. "GPRS network operators were almost universally unprepared to persuade new or existing end users to upgrade to GPRS terminals," Prohm said.

In North America, mobile phone sales were somewhat depressed by the economic recession and the resultant lack of sufficient end-user motivation to replace existing devices. Indeed, across the mobile world, end-users with a mind to upgrade their devices appeared to be waiting for a greater selection of next-generation mobile terminals from which to choose.

While the overall industry declined, Nokia extended its lead in the market, as its market share increased to 35 percent in 2001. Gartner Dataquest analysts said fourth-quarter sales

of close to 40 million units pushed Nokia's market share to nearly 37 percent in the quarter.

Motorola surpassed Nokia to capture the No. 1 position in the Chinese market, and it established itself as the leading code division multiple access (CDMA) vendor in Latin America and North America. The No. 3 position changed between the vendors each quarter in 2001, but Siemens finished the year ranked third.

Samsung showed the strongest unit sales growth among the top-tier vendors as it grew 36.8 percent. Samsung's success was attributed to the ongoing diversification of its product portfolio, the extremely strong performance of a handful of flagship products, and aggressive regional marketing and sponsorship campaigns.

Ericsson's unit sales declined 35 percent in 2001, but the combined sales of Ericsson and Sony during 2001 were close to 34 million units. Gartner Dataquest analysts said the Sony-Ericsson joint venture enters 2002 from a renewed position of market share strength, a reality that demonstrates that the battle for the third overall market share position is far from over.

"The prospects for strong growth in mobile terminal sales during the first half of 2002 are not encouraging, but there are some positive signs on the horizon," Prohm said. "For instance, consumers seemed to embrace Ericsson's T68 during the fourth quarter of 2001, suggesting that color mobile terminals are a more significant catalyst for replacement sales than initially envisioned."

"We believe that leading manufacturers will accelerate the timetable for deployment of this feature across their 2002 product portfolios, and deliver a wide range of color terminals during the latter half of 2002," said Ben Wood, senior analyst with the Mobile Communications Worldwide research group for Gartner Dataquest. "The pressure is on vendors to create novel, compelling mobile devices to drive replacement sales."

This research is published by Gartner Dataquest's Mobile Communications Worldwide research group. This group examines the opportunities in mobile communications with detailed coverage of the entire value chain of mobile services and equipment that are enabling the creation of a new wirefree networked economy. To keep up to date on the latest telecommunications issues, please visit Gartner's Telecommunications Focus Area at www.gartner.com/1_researchanalysis/focus/telecom_fa.html.

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