

Gartner Says Worldwide Mobile Phone Industry Experienced an 18 Percent Increase in Unit Sales in First Quarter of 2003

STAMFORD, Conn., June 2, 2003 — The mobile phone industry experienced better than expected sales, as worldwide mobile phone unit sales totaled 112.7 million units, an 18 percent increase from the first quarter of 2002, according to Gartner, Inc. (NYSE: IT and ITB).

"The mobile handset industry rode the crest of a wave of robust replacement demand to realize record levels of sales to end-users for the first quarter," said Bryan Prohm, senior analyst with the mobile communications worldwide research group for Gartner. "Significant demand was recorded across all geographical regions during the quarter, and annualized sales trends based on these results suggests the market could be on pace for a double-digit rate increase for the full calendar year."

Nokia, with a 35 percent market share in the first quarter of 2003, continued to have more than double the market share of its nearest competitor (see Table 1). Despite market share of more than 50 percent in almost all GSM markets in Europe and Asia/Pacific, Gartner analysts said Nokia is still positioned to grow market share in these core markets through the remainder of the year.

Table 1
Worldwide Mobile Terminal Sales to End-Users Estimates for 1Q03
(Thousands of Units)

Company	1Q03 Sales	1Q03 Market Share (%)	1Q02 Sales	1Q02 Market Share (%)	Growth (%)
Nokia	39,479.2	35.0	32,649.0	34.2	20.9
Motorola	16,561.1	14.7	16,804.3	17.6	-1.4
Samsung	11,878.9	10.5	8,890.4	9.3	33.6
Siemens	8,584.6	7.6	8,121.4	8.5	5.7
Sony Ericsson	5,384.8	4.8	6,000.8	6.3	-10.3
Others	30,785.5	27.3	22,867.2	24.0	34.6
Total Market	112,674.1	100.0	95,333.1	100.0	18.2

Note: Table includes iDEN shipments, but excludes mobile WLL and ODM to original equipment manufacturer (OEM) shipments.

Source: Gartner Dataquest (June 2003)

The remainder of 2003 will see Motorola and Samsung battle for the No. 2 position, while Sony Ericsson and LG will try to hold the No. 5 position. Both South Korean vendors are solidly entrenched in leadership positions in the CDMA segment, and both continue to make inroads into GSM markets across the globe.

"In 2003, an explosion in the availability of color screen and camera phones is expected in mature markets, such as Western Europe, and we predicts that many customers will be tempted to replace their existing mobile terminals," said Ben Wood, principal analyst with the mobile communications group for Gartner in Europe. "Photo messaging, which Gartner terms 'disposable photography,' is expected to be the cornerstone service in mobile network operators' marketing campaigns throughout the year."

"The mobile terminals market in 2003 will be characterised by 'device diversity' as mobile terminal manufacturers launch a wide range of new handsets with features, such as gaming, music and video. However, the majority of worldwide sales will remain in the low-tier, low-function segment," said Wood.

While the worldwide mobile phone industry has reason to be excited by 1Q03 results, Gartner analysts said there are several risks unique to 2003 market supply and demand dynamics that could impact the industry during the second quarter, as well as the rest of the year.

"There is a deepening inventory predicament in China, and there is the economic impact of severe acute respiratory syndrome (SARS) in the Asia/Pacific region and beyond," said Ann Liang, industry analyst with the mobile communications group for Gartner in Asia/Pacific. "Clearly, then, any optimism should be met with an equal measure of prudence."

Gartner analysts have also expressed concern over the number of vendors trying to compete in the mobile phone industry. There are more than 100 manufacturers now competing in the global market, and this will result in downward pressure on average prices for mobile terminals as companies struggle to survive and resort to competing almost solely on price.