Abstract
Amid the global economic uncertainties, it is anticipated that global Smartphone shipment volume will still witness a 27% year-on-year growth to around 868.0 million units in 2013. However, the global Smartphone industry is highly concentrated such that the combined revenue share of Apple and Samsung is expected to have reached around 60% and the combined profit share around 95% in 2012, thereby leaving only 5% of profits to be shared by other Smartphone branded vendors. This report profiles the development of the global Smartphone industry in 2012, examines strategies of five major groups in the industry and provides an insight into the future outlook of the industry while pointing out feasible product strategies to be put in place by other Smartphone brands, aside from Apple and Samsung, in order to seize a larger piece of the market-pie.

by Edward Lin
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bipolarization. MIC predicts that the share of Smartphones priced under US$300 will reach around 32% of the total Smartphone shipment, further expanding to xxx in 2015 and xxx in 2017. Meanwhile, the share of high-end Smartphones priced over US$600 will maintain around xxx.

In the case of bipolarization, the room for development of mid-range Smartphones has been eroded. As a result, telecom operators have begun adjusting their subsidy strategies. AT&T, for instance, normally enjoys average revenue of US$xxx for a person subscribing to a two-year plan. After deducting all costs, AT&T can earn US$xxx per user. Therefore,….. Telecom operators will then have difficulty in choosing subsidized models as there are too many to choose from.

1.3 Telecom Operators Prioritize Apple and Samsung over Other Vendors

To date, Apple already launched six generation of iPhone series including the latest iPhone 5. Observing the sales volume of Apple's iPhone series by quarter, it is found that around xxx
In the future, it is anticipated that Smartphone will continue to enjoy a xxx year-on-year growth and the market development is promising. However, with the industry competition becoming fiercer, the industry has become highly concentrated, with the combined share of Apple and Samsung taking up around xxx of the total Smartphone shipments, xxx of the total revenues and xxx of the total profits. Against such backdrop, other branded vendors will have to improve competitiveness in order to battle for the remaining market share in the already fierce competition.

2. New Competition in the Smartphone Industry

MIC reckons there are five types of players in the Smartphone industry. The first type is branded vendors such as HTC, Nokia, Sony and LG which aim at the global market. With the global deployments already in place, those branded vendors hope to obtain higher profits by increasing product prices. In order to expand their market share, they require more technology innovations and applications to be applied to their future products. The second type is regional vendors that focus on a certain market such as China's Coolpad and Lenovo. Due to high homogeneity in consumer demand in a regional market, it will be
difficult trying to have huge variants in prices. In order to increase profitability, regional vendors have to reduce costs such as the costs related to managing channel distributions. The third type is mobile operating system suppliers that already have high profits from Smartphones, with an aim to expand their reach from Smartphones to other products. In order to make forays into other products and markets, they may need to integrate with other operating system platforms in the future. The fourth type is networking service suppliers which do not rely on revenue from Smartphone hardware but from services and applications provided via Smartphones. In China, a bunch of networking service suppliers is rising. However, they are facing a problem as they are lack of a profitable business model to run businesses so they need to develop new services to help them increase profits and revenues. The fifth type includes PC vendors such as Acer, Asus and HP which have their products sold around the world but have yet to see significant growth in the Smartphone market. Leveraging their strengths and advantages in the PC and corresponding markets, it is expected that they still stand a chance by diversifying their services and products in the future.

Figure 7

<table>
<thead>
<tr>
<th>Networking Service Operator</th>
<th>Operating System Operator</th>
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<tbody>
<tr>
<td>Xiaomi</td>
<td>Google</td>
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<tr>
<td>Baidu</td>
<td>Microsoft</td>
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<td>Alibaba.com</td>
<td>iOS</td>
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New Platform Integration

<table>
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<th>Regional Brands</th>
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<tr>
<td>Coolpad</td>
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<td>Lenovo</td>
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<td>Alcatel</td>
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<td>OPPO</td>
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New Channel Revamp

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<th>Local Market</th>
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<tbody>
<tr>
<td>HTC</td>
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<td>Nokia</td>
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<td>Sony</td>
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<td>LG</td>
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New Technology Applications

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<th>Global Market</th>
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<tr>
<td>Acer</td>
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<td>Asus</td>
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<td>HP</td>
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<td>Dell</td>
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New Market Development

| New Product Market |

Source: Respective companies, compiled by MIC, October 2012
Appendix
Glossary of Terms

AMOLED  Active Matrix Organic Light Emitting Diode
ARPU  Average Revenue Per User
CPU  Central Processing Unit
EDGE  Enhanced Data rates for GSM Evolution
EMR  Electro Magnetic Resonance
EMS  Electronic Manufacturing Service
FOB  Freight On Board
HTML  Hyper Text Markup Language
SIM  Subscriber Indentify Module
STB  Set Top Box
UI  User Interface
WPC  Wireless Power Consortium
List of Companies

Acer
Alcatel
Alcatel One Touch
Alibaba
America Movil
Apple
Asus
AT&T
Baidu
Bharti Airtel
China Mobile
China Telecom
China Unicom
Clairvoyante
ConvenientPower
Coolpad
Dell
FingerWorks
Gionee
Google
Hisense
HP
HTC
Huawei
Lenovo
LG
Liquidmetal
MediaTek
Meizu
MTI MicroFuel Cells
Murata Manufacturing
Nokia
OPPO
Orange
Panasonic
Powermat
Qualcomm
Samsung
Shanda
Sony
Telefonica
Tencent
T-Mobile
Toshiba
Verizon
Vodafone
Xiaomi
ZTE