

Counterpoint Smartphone Quarterly

GLOBAL EDITION (Q3 2022)



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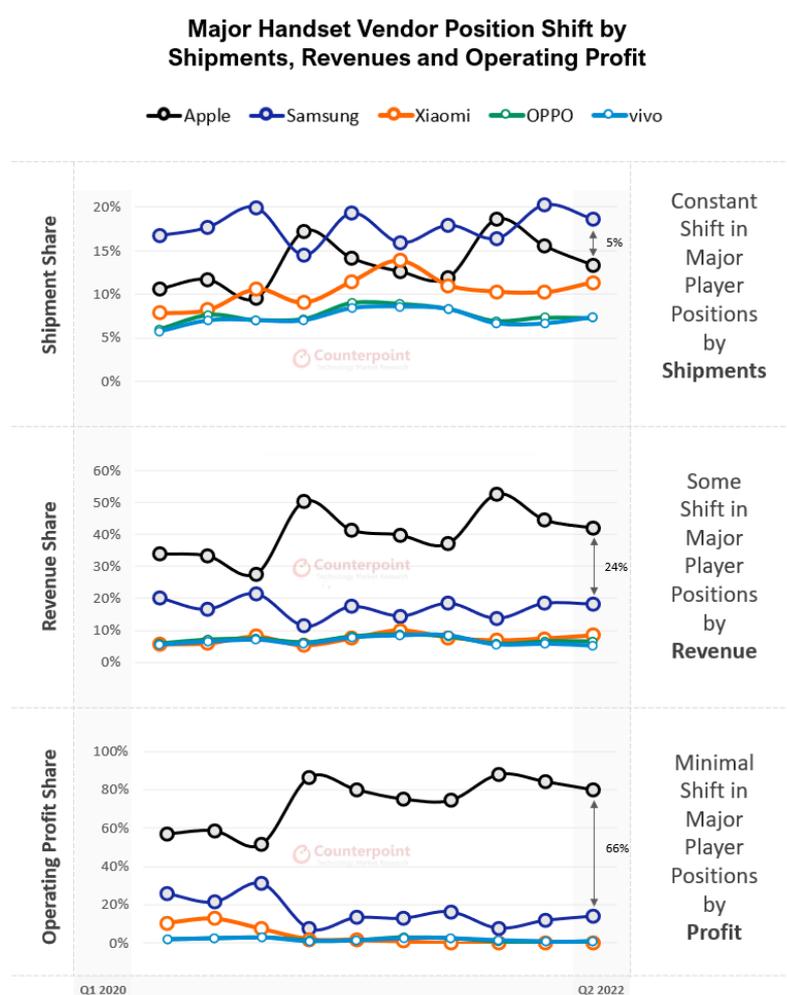
Global Handset Market Operating Profits Grow 6% YoY in Q2 2022 Despite Declining Revenues

SEPTEMBER 28, 2022

|BY HARMEET SINGH WALIA

- Global handset revenues declined 2% YoY and 15% QoQ to \$95.8 billion in Q2 2022.
- Global handset operating profits grew 6% YoY to \$13.1 billion in Q2 2022.
- The top five handset makers contributed around 80% of the total revenue.
- OPPO*, vivo and Xiaomi saw double-digit YoY declines in their revenues.
- Samsung and Apple’s revenues grew 25% and 3% YoY respectively.
- YoY growth in operating profit was also driven by Samsung and Apple while the other three of the top five brands saw significant double-digit declines.

Global handset market revenues declined for a second consecutive quarter, falling 2% YoY and 15% QoQ to \$95.8 billion in Q2 2022, according to the latest research from Counterpoint’s Market Monitor service. A fall in global handset shipments due to factors including Chinese lockdowns and ongoing geopolitical uncertainty caused the revenues to decline despite the average selling price (ASP) going up by 6% in the same period. Consequently, the annual operating profit growth of 6% corresponded with ASP growth rather than shipment decline, reaching \$13.1 billion in Q2 2022.



Source: Counterpoint Market Monitor Service

Commenting on the overall market dynamics, Senior Analyst Harmeet Singh Walia said, “Global handset revenues capitulated under the burden of **continuing shipment declines**. But with global brands such as Samsung and Apple leading overall **ASP growth** and even some Chinese brands such as Xiaomi, Lenovo Group, HONOR, Huawei and **Transsion Group working towards a shift to higher ASP devices** in the past year, overall operating profit saw annual growth in the second quarter of the year. It is, nevertheless, important to set this growth in context. While handset makers’ upward shifts in price bands enabled some of them to increase profit margins (with the notable exception of Xiaomi), much of the annual growth can be attributed to a smaller base in the COVID-battered Q2 2021 rather than to consistent growth in operating profits through the quarters. Compared with the previous quarter, operating profits declined 29% after declining 26% QoQ in Q1 2021.”

Given that handset revenues as well as profits are largely driven by Apple, as can be observed through the disparity in revenue and profit share in the chart above, we expect a growth in both the aspects in the second half of the year.

Associate Director Jan Stryjak said, “Revenue growth in the second half of the year, when compared to the first half, is a near certainty due to the cyclical launch of the highly profitable and relatively economic **downturn-resistant iPhone**. But with geopolitical uncertainty worsening, inflation levels rising and fears of recession growing, the handset market is bound to get impacted and may take longer to return to the trajectory predicted prior to the pandemic.”

*Note: OPPO includes OnePlus since Q3 2021

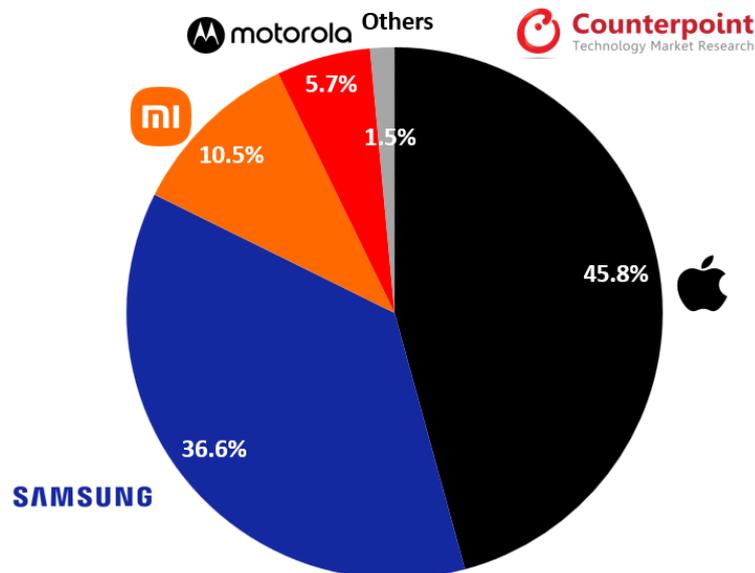
High-end Smartphones in Colombia: Q2 2022 Overview

SEPTEMBER 22, 2022

|BY ANDRES SILVA

Colombia is not a target market for flagship and premium smartphones considering its characteristics. The wholesale price segment of >\$500 (or >2,217.920 million Colombian Pesos*), which typically has devices with a NAND capacity higher than 64 gigabytes, RAM capacity higher than 2 gigabytes, and 4G and 5G connectivity, represented 4.4% of the sales during Q2 2022, significantly higher than the 2.2% share in Q1 2022. This means that despite the seasonality effect, more Colombian customers bought high-end smartphones. This blog discusses the leading brands' flagship models on offer in Colombia. The open channel here is any technology retail store, and the operator channel is any operator store.

Colombia Premium Segment Sales Market Share by OEM, Q2 2022



Source: Counterpoint Market Monitor

Apple

The American brand shines with every new model launched; the iPhone 13 series is no exception. The sell-out price for these models starts at \$1,950 (8,651.960 million Colombian Pesos*) for the Pro version. All iPhone models are available in the country. Apple suffered in the second quarter due to a local court's preliminary order that bans the import and sale of all 5G devices that infringe on Ericsson's 5G patent.

Samsung

The South Korean brand has a broad high-end portfolio with the Galaxy S22 series and Z foldable series. The open channel and proprietary brick-and-mortar stores present a wider variety of models, while the operators are more constrained. Only Movistar from Telefonica sells all the above-mentioned series' models. Sell-out prices range from \$834 (3,699.900 million Colombian Pesos*) to almost \$1,386 (6,149.900 million Colombian Pesos*).

Xiaomi

The Chinese brand has different models in the price segment. On any channel, one will find three model families — Xiaomi 11T, Xiaomi 11T Pro and the new Xiaomi 12. The only difference among channels is in the open market. One can find the POCO sub-brand only in the open market. Prices for Xiaomi's phones in the segment range between \$541 (2,399.000 million Colombian Pesos*) and \$902 (3,999.000 million Colombian Pesos*).

Motorola

The smallest portfolio for the segment is from Motorola. A few models are available in the Moto Edge series. However, this brand enjoys an advantage over its competitors because the new Moto Edge 30 Pro is promoted everywhere as part of a bundle with Moto Buds, which is a unique strategy in this price segment. The open market and mobile operators follow similar pricing and marketing strategies, which is also not common. Sell-out prices are \$676 (2,999.900 million Colombian Pesos*) for the Edge 20 Pro and almost \$744 (3,299.900 million Colombian Pesos*) for the new Moto Edge 30 Pro.

Current macroeconomic indicators like inflation and currency depreciation point to a smaller share of this price segment going forward. At the same time, other brands might enter the market and drive-up competition, bringing price benefits to the customers along with an expanded portfolio of options.

*Exchange rates may cause prices to vary

iPhone 14 Pro, Pro Max Lead US Sales in Latest Apple Launch Day

SEPTEMBER 17, 2022

|BY MAURICE KLAEHNE

Apple announced the new iPhone 14 series on September 9, five days before last year's iPhone 13 announcement. Apple and carrier stores across the country opened their doors at 8 am on September 16 for the official launch of the iPhone 14 and iPhone 14 Pro and Pro Max. Here are the seven key takeaways from the launch:

- Inventory is much improved over last year's launch which was affected by component shortages
 - At opening, many Apple stores still had plenty of inventory for those looking to purchase iPhones as walk-ins, although the supply is waning now and some Pro Max models are on back order at carriers. This was very different compared to last year where customers often had to have devices shipped to them during the launch period due to shortages.

USA iPhone 13 and iPhone 14 Order Times Compared

Estimated Shipments on September 24, 2021 The Official iPhone 13 Launch Date					Estimated Shipments on September 16, 2022, The Official iPhone 14 Launch Date				
Channel	 iPhone 13 Mini	 iPhone 13	 iPhone 13 Pro	 iPhone 13 Pro Max	Channel	 iPhone 14	 iPhone 14 Plus	 iPhone 14 Pro	 iPhone 14 Pro Max
verizon	Oct 8 Backorder	Oct. 8 Backorder	Oct. 8 Backorder	Oct. 15 Backorder	verizon	Sep. 16	Oct. 7	Sep. 30 Backorder	Oct. 14 Backorder
T Mobile	Sep. 24-27	Oct. 5 - Oct. 19 Backorder	Sep. 24-27	Sep. 30 - Oct. 6 Backorder	T Mobile	Sep. 16 - 19	Oct. 8-13	Sep. 16-19	Sep. 30 - Oct. 14 Backorder
AT&T	Sep. 29 - Oct. 01	Sep. 29 - Oct. 5	Oct. 5-12 Backorder	Oct. 11-18	AT&T	Sep. 22 - 26	Oct. 17-24	Oct. 10-17	Oct. 31 - Nov. 7
Apple	Oct. 12-14	Oct. 13-18	Oct. 25 - Nov. 1	Oct. 25 - Nov. 1	Apple	Sep. 20	Oct. 7	Oct. 17-24	Oct. 24-31

Shipment delay of 14 days or less.
 Shipment delay of 15-30 days.
 Shipment delay of more than 30 days.

Based on lowest memory configurations and black color variants.

Sources: Apple.com, carrier websites

- iPhone 14 Pro Max and iPhone 14 Pro lead early sales
 - Early adopters and upgraders continue to opt for the Pro models instead of the base iPhone 14. This is typical for the early months of a new iPhone launch. Many are upgrading from older devices such as the iPhone X series. Fewer are upgrading from the iPhone 13 Pro series. The new deep purple color is a forerunner for color choice.
- iPhone 14 – early upgraders are hesitant
 - Apple store and carrier reps will have a hard time convincing iPhone owners to purchase an iPhone 14 as it is almost identical to the \$100 cheaper iPhone 13. Some of the improvements are an additional core on the A15 bionic chip, a 1.6% bigger battery, a slightly wider F1.5 aperture 12MP rear camera, along with crash detection and Emergency SOS via satellite (which hasn't rolled out yet).

- Savvy customers will know these differences and either hold off or go for the iPhone 13 instead. Reps may also advise iPhone 13 users not to upgrade, especially in cases where devices still need to be paid off or no tangible benefit can be found for an upgrade.
- Carrier pre-order deals are similar to last year, but Verizon not the forerunner anymore
 - Verizon, AT&T and T-Mobile have similar pre-order deals compared to last year, offering up to \$800 off for the base model and up to \$1,000 off for the Pro series devices with trade-ins and unlimited plans. Verizon's iPhone 14 Pro promotion offers another \$200 via e-gift card for switchers. This is worse compared to last year when it offered an extra \$500 via Prepaid Mastercard.
- Apple store trade-in values are less competitive than last year
 - The highest trade-in values for Apple phones this year are \$720 for an iPhone 13 Pro Max and \$600 for an iPhone 13 Pro. Last year's offers were better at \$790 for an iPhone 12 Pro Max and \$640 for an iPhone 12 Pro. Lower trade-in values make Apple's own promotions weaker year over year.

**Apple Store iPhone Estimated Trade-in Value
September 2021 vs September 2022**

Your device	Estimated trade-in value ¹	Your device	Estimated trade-in value ¹
iPhone 12 Pro Max	Up to \$790	iPhone 13 Pro Max	Up to \$720
iPhone 12 Pro	Up to \$640	iPhone 13 Pro	Up to \$600
iPhone 12	Up to \$530	iPhone 13	Up to \$470
iPhone 12 mini	Up to \$400	iPhone 13 mini	Up to \$380
iPhone SE (2nd generation)	Up to \$170	iPhone 12 Pro Max	Up to \$530
iPhone 11 Pro Max	Up to \$500	iPhone 12 Pro	Up to \$430
iPhone 11 Pro	Up to \$450	iPhone 12	Up to \$320
iPhone 11	Up to \$340	iPhone 12 mini	Up to \$250
iPhone XS Max	Up to \$320	iPhone SE (2nd generation)	Up to \$100
iPhone XS	Up to \$240	iPhone 11 Pro Max	Up to \$370
iPhone XR	Up to \$230		

Source: Apple.com

- eSIM woes a mixed bag
 - Having eSIM-only iPhones was a big point of concern for reviewers and media as it makes switching from multiple SIM cards more difficult, especially when travelling in other countries where eSIM isn't as widespread.
 - People who are looking to purchase a US iPhone and send it to someone abroad are also more hesitant to do so with the iPhone 14.
 - eSIM activations have been going smoothly at carrier store locations, according to reps. However, there are complaints coming from people trying to transfer their eSIMs over themselves, as this is a new and unfamiliar process for many. In addition, iOS 16 introduced a bug that impacted new device activations, which required a firmware update to iOS 16.0.1 to fix the issue.
- Store traffic is managed by Apple's appointment system

- Apple has followed a system for several years now where people need to book an appointment to purchase a device. The long lines we see now are for those looking to grab an appointment spot to purchase a device. The hype of previous iPhone launches is more subdued in today's environment.

Conclusion

The iPhone 14 series is off to a strong start, especially for the iPhone 14 Pro and Pro Max. It remains to be seen how the iPhone 14 stacks up compared to the similarly spec'd and more affordable iPhone 13. However, the **success** of the iPhone will likely continue despite the current state of the economy as Apple products are more shielded from inflationary pressures and consumers continue to see strong promotions to help sell devices.

‘Made in India’ Smartphone Shipments Grew 16% YoY in Q2 2022; Domestic Manufacturing Push in Wearables Continues to Grow

SEPTEMBER 16, 2022

BY PRACHIR SINGH

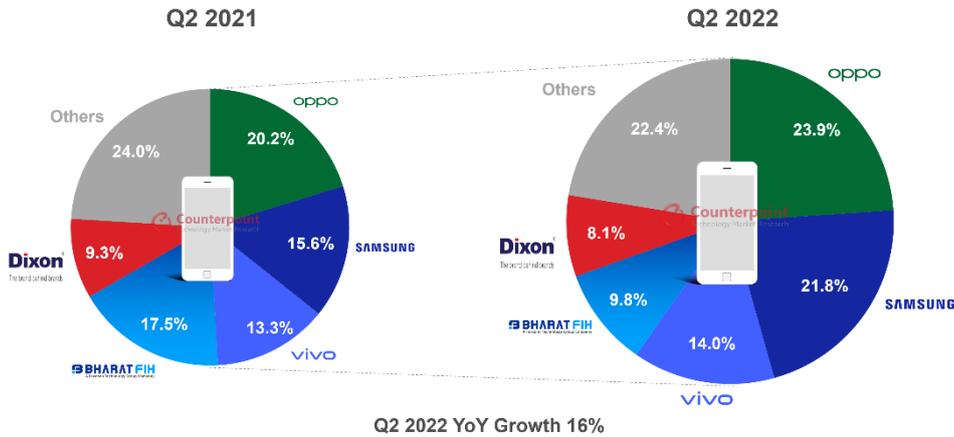
- OPPO led the ‘Made in India’ smartphone shipments with a 24% share, followed by Samsung.
- Lava led the ‘Made in India’ feature phone shipments with a 21% share.
- In the wearable segment, TWS led in terms of domestic manufacturing with a 16% contribution, followed by neckbands and smartwatches.

‘Made in India’ smartphone shipments **grew 16% YoY in Q2 2022 (April-June) to reach over 44 million units**, according to the latest research from Counterpoint’s **Made in India** service. This was the first quarter of the new financial year and the companies pushed for higher output to meet the criteria for PLI incentives.

Commenting on the local manufacturing ecosystem, **Senior Research Analyst Prachir Singh** said, “The Made in India smartphone shipments grew as compared to last year. During the quarter, we witnessed increasing investments in the Indian manufacturing ecosystem with new plants being set up as well as existing ones being expanded. Recently, **OPPO** announced the Vihaan initiative under which it plans to invest \$60 million in the next five years to empower the local supply chain. **Samsung** also increased its manufacturing with the premium segment smartphones, especially the Galaxy S series. Going forward, the upcoming festive season will further drive the Made in India shipments due to the expected increase in local demand.”

On the manufacturing landscape and strategies, Singh said, “In the smartphone segment, in-house manufacturing contributed to almost 66% of the total Made in India shipments in Q2 2022, while the rest of the 34% shipments came from **third-party** EMS players. **OPPO** led the Made in India shipments with a 24% share, followed by Samsung and **vivo**. Among the third-party EMS players, Bharat **FIH**, Dixon and DBG were the leading players during the quarter. Padget Electronics (396% YoY), Wistron (137% YoY) and Lava (110% YoY) were the fastest growing smartphone manufacturers during the quarter in terms of shipments. Also, we may see disbursement of PLI incentives during Q3 2022, which will further boost the local manufacturing sentiments. In the feature phone segment, Lava led the Made in India shipments, capturing more than 21% share. Lava is also the leading mobile phone player among the Indian brands in terms of shipments. It is the only company that is designing its products in India. Going forward, Lava is expected to expand its product portfolio as well as manufacturing capabilities.”

Made in India Smartphone Shipment Share by Manufacturer, Q2 2022

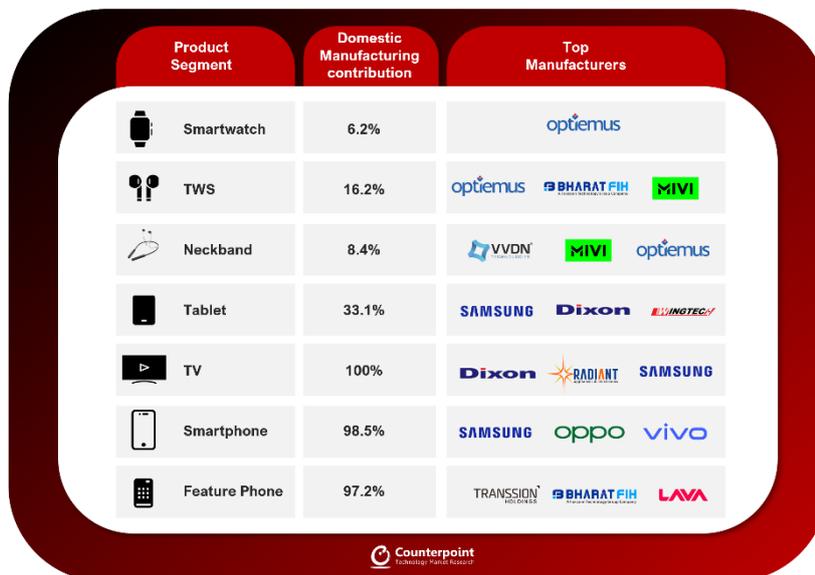


Source: Counterpoint Made in India Research, Q2 2022

Note: Figures may not add up to 100% due to rounding

The local manufacturing push is now impacting other product segments as well, particularly the CIoT segments. The Indian government’s push with multiple PLI schemes has been showing a positive impact and we saw increased local manufacturing share in product segments like **smartwatch**, **TWS**, **neckband** and **tablet**. Optimus leads the Made in India shipments for smartwatches with more than 75% share. In TWS, Optimus, Bharat FIH and Padget are the top three manufacturers. In the neckband category, VVDN and Mivi have a 90% share in the Made in India shipments. In the tablet category, Wingtech, Samsung and Dixon are the top players while in the **TV** category, Dixon, Radiant, Samsung and LG have a 50% share in the Made in India shipments.

India Local Manufacturing Contribution by Product Segment, Q2 2022



Source: Counterpoint Made in India Research, Q2 2022

On the Indian government’s focus, **Research Analyst Priya Joseph** said, “The government aims to make India an electronics manufacturing hub in the next four to five years. In its vision document released earlier, the government considers consumer electronics segments like smartphones, laptops, tablets, TVs, TWS and electric components as among the most promising for India’s transformation as an electronics hub. To help drive more initiatives under the themes of Make in India

and Digital India, the government, in its last budget, pushed the total allocation to \$936.2 million. This step not only aims to incentivize India-based manufacturing but also catalyse investments in the sector to support job creation, ease of doing business, import reduction and export promotion.”

Going forward, with the Indian government’s additional focus on building an overall ecosystem for semiconductors in the country, the country will witness a rapidly expanding electronics manufacturing and innovation ecosystem. By doing so, it does not only aim to become an important destination for manufacturers and investors but also ensure its strategic position in the **global** value chain.

Notes:

- OPPO manufactures smartphones for OPPO, realme and OnePlus.
- Bharat FIH manufactures smartphones for Xiaomi.
- Dixon Technologies manufactures smartphones for Samsung.
- Dixon Technologies’ share does not include Padget Electronics.

iPhone Mini: Can it be the new SE?

SEPTEMBER 15, 2022

|BY VARUN MISHRA

When Apple launched the iPhone SE first generation in 2016, in the “Let us loop you in” event, Apple executive Greg Joswiak stated “Apple has sold over 30 million 4-inch iPhones in 2015” explaining that few consumers still prefer compact phones. The design of the first-generation SE was like the iPhone 5S launched in 2013, but with the latest available chipset (A9 – same as in the 6S series launched in 2015) and several spec improvements. Meanwhile, there had been a shift in the form factor for Apple since the launch of the iPhone 6 in 2014, which featured a larger 4.7-inch display. Hence, Apple was able to use the older form factor, bringing it to a lower price band – US\$399, keeping it well differentiated from its more expensive line up. Consumers who wanted to enter the Apple ecosystem at a cheaper price point were happy to make the trade-off with the smaller display.

A similar trend followed in the launch of the iPhone SE 2 in 2020. The SE 2 came with a similar design to the iPhone 8 (launched three years before in 2017). Again, with the iPhone X and XR, there was a change in the design of iPhones, and the iPhone 8 form factor had become “old”. SE 2 also featured the latest available chipset which was A13 Bionic. However, the SE 2 was more than just a smaller iPhone. With Apple focusing on a service-driven business model, the iPhone SE provided an affordable entry point to Apple’s ecosystem and the A13 could provide best-in-class experience for all Apple’s services to its consumers. It helped in bringing new users to the iPhone installed base. It was also favored by many corporate buyers looking for a lower cost and therefore, lower risk platform to run enterprise applications.

SE was again refreshed in 2022 bringing 5G capability to the mid segment in Apple’s portfolio. It also featured the A15 bionic chipset. SE 2022 performed well in some markets like Japan and the US. However, it has not been as successful as SE 2. The form factor of SE 3 now looks dated and needs an upgrade. Over the last few years, consumers are also preferring smartphones with larger display sizes. Considering the trend, Apple has in fact launched the iPhone 14 Plus with a larger display size.

In 2016, the average screen size of smartphones was 5.1 inches. This is when SE’s first generation was launched with a 4-inch screen. However, the average screen size of smartphones sold in 2020 was 6.2 inches and 2021 was 6.4 inches. While the SE second and third generation featured a 4.7 inch screen. The gap between the average display size and SE’s display size has been widening. Hence a larger display SE is due already. This is where the iPhone mini, with a 5.4-inch display might come in.

Exhibit – Average Display Size of Smartphones 2016 vs 2021



Source: Counterpoint Research Handset Model Sales

Apple launched the “mini” series with iPhone 12 and refreshed it in the iPhone 13 series. However, in terms of sales, its performance was underwhelming. From the launch, until Q2 2022, iPhone 12 mini contributed to less than 10% of 12 series sales, and iPhone 13 mini contributed less than 5% of iPhone 13 series sales. As a result, the mini-series was discontinued with the iPhone 14 launch. Likely, one of the main reasons for this underwhelming performance was the smaller display at a premium price point of US\$699.

However, if Apple were to bring the ‘mini’ form factor at a lower price point of around US\$429 in a refreshed SE model it would substantially change the value proposition. With the success of older generation SE devices, we have seen consumers are willing to accept some trade-offs of smaller displays in return for the overall Apple experience. Hence, re-spinning mini as a new SE would make a lot of sense. It would also allow Apple to amortize development costs related to the mini form factor such as tooling and other mechanical components.

One of the differentiating features of SE was including the latest available chipset, but in an older form factor. However, with the **14 series**, Apple has shifted its strategy with only Pro models getting the latest A16 Bionic chip. While the USD prices have remained the same, there is now a wider gap between the Pro and the non-Pro models in terms of specs. A new SE, which will likely launch in 2024 (assuming the two-year SE refresh cycle), along with a larger display, will likely sport the latest available chip in the “non-Pro” iPhone models.

Note: This information is speculative and not based on any specific evidence or knowledge of Apple’s plans.

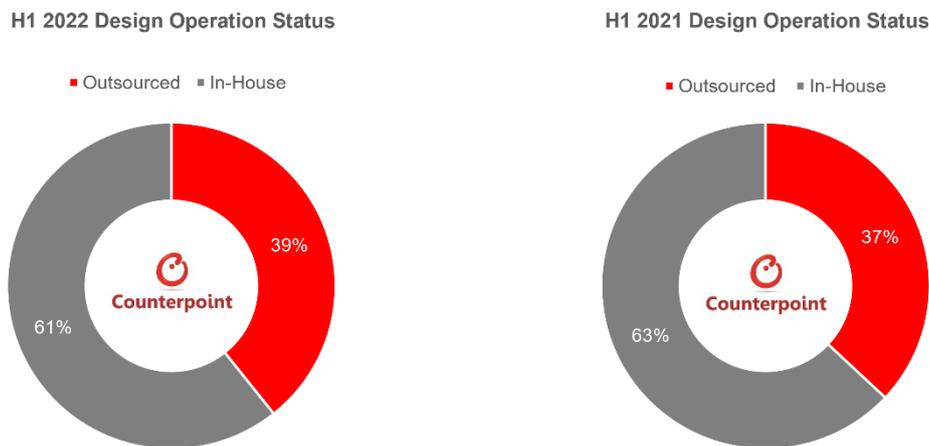
Smartphone ODM/IDH Companies' H1 2022 Shipments Declined 3% YoY Due to Economic Headwind

SEPTEMBER 15, 2022

|BY SHENGHAO BAI

Smartphone shipments from ODM/IDH (Original Design Manufacture/ Independent Design House) companies **declined 3% YoY in H1 2022**, according to Counterpoint Research's **Global Smartphone ODM Tracker and Report, H1 2022**. In contrast, global smartphone shipments fell even more sharply in H1 2022 due to the economic headwind, dropping 8% YoY. While the share of smartphone shipments from outsourced designs (from ODM/IDH companies) increased to 39% in H2 2022, up from 37% in H1 2021.

Global Smartphone Design Operation Status, H1 2022



Source: Counterpoint Research's Global Smartphone ODM/IDH Tracker, H1 2022

Senior Research Analyst Ivan Lam said, "Downtrend in ODM/IDH companies' shipments was driven by weak performance from **OPPO**, and **Samsung**, while the increased orders from **vivo**, **TRANSSION** and **HONOR** contributed offset to the decrease."

Senior Research Analyst Shenghao Bai added, "The impact of inflation, rising food and energy prices in some regions is obvious, and personal consumption has weakened, consumers will tend to choose affordable products. OEMs are also struggling with cost pressure, it is possible to allocate more mid-to-low-end products to ODMs in the future. For example, ODM shipments' proportion in vivo rose to 20% in H1 2022, after its first ODM-made device in H2 2021."

Looking at the competitive landscape of the global smartphone ODM/IDH, **Huaqin**, **Longcheer** and **Wingtech** continued to dominate the market. The 'Big 3' now account for 75% of global ODM/IDH smartphone market, increasing from 70% in H1 2021.

Ranking, Growth of Global Smartphone ODM/IDH Vendors

Top ODM Companies	H1 2022 Shipment Share	YoY Growth
1  HUAQIN 华勤技术	30%	-6% ↓
2  LONGCHEER	25%	23% ↑
3  WINGTECH PROFESSIONAL SOLUTIONS	20%	-0.5% ↓
4  TINNO 	8%	15% ↑
5  CNCE 中诺通讯	6%	-12% ↓
6  MobiWire	5%	284% ↑
7 Others	6%	-63% ↓
Total	100%	-3% ↓

Source: Counterpoint Research's Global Smartphone ODM/IDH Tracker, H1 2022

Commenting on the leading ODMs' performance, Ivan said, "Affected by the performance of Xiaomi and other companies, Huaqin's shipments declined in H1 2022 but still accounted for the largest share among ODMs. At the same time, as of the launch of this research, Huaqin is vivo's exclusive supplier, and with the other core customers recovering in the second half of the year, it is expected to see a good increase in shipments in H2 2022. Thanks to the breakthrough of cooperating with Samsung, Longcheer's shipments increased sharply. Wingtech's shipments slightly dropped YoY after it shifted its focus to the semiconductor and optical module sectors. In Tier 2, Tinno's shipments rose driven by expansion through tie-ups with more OEMs. MobiWire saw a sharp increase after bagging Transsion's projects."

The diversification of manufacturing in the global electronics industry has continued. While smartphone OEMs are aggressively investing in **India**, EMS companies such as Foxconn, Pegatron, Compal and Wistron are expanding assembly lines to India, North America and **Southeast Asia**.

Commenting on these trends, Ivan said, "As OEMs that lean towards in-house manufacturing, such as OPPO and vivo, may shift production to their own facilities in India and Indonesia to satisfy local requirements. Following the EMSs, ODMs are also expanding their factories into India and Southeast Asia to better support the sales of key accounts and comply with policy barriers and mitigation of tariffs. We expect the expansion to regions outside of China to accelerate after COVID-19. However, one should be wary of limiting factors such as sub-optimal supply chain ecosystem and local policy risks."

Apple adds to growing industry sustainability drive

SEPTEMBER 14, 2022

|BY JAN STRYJAK

Over the last few months, various OEMs have been busy touting their **sustainability** credentials. At the launch of its **latest foldable smartphones** in early August, Samsung emphasised its 'Galaxy for the Planet' initiative, a sustainability platform which establishes a set of targets to be reached by 2025 to reduce Samsung's environmental footprint and lessen resource depletion from production to disposal of its Galaxy products. And in early September, HMD Global introduced 'Circular', a new sustainability subscription service that aims to give Nokia devices a second life through recycling, refurbishing and re-subscribing. Then, at its launch event last week, Apple went to great lengths to outline the eco-friendliness of its **new devices**.

Let's take the iPhone 14 Pro as an example. Using Apple's own words, the iPhone 14 Pro is "designed to minimise its impact on the environment, with 100% recycled rare earth elements used in all magnets, including those used in MagSafe, and 100% recycled tungsten in the Taptic Engine. The model also includes 100% recycled tin in the solder of multiple printed circuit boards, and 100% recycled gold in the plating of multiple printed circuit boards and in the wire of all cameras. Fiber-based packaging does not use outer plastic wrap, bringing Apple closer to its goal of completely removing plastic from all packaging by 2025".

Sustainability highlights of the iPhone 14 Pro



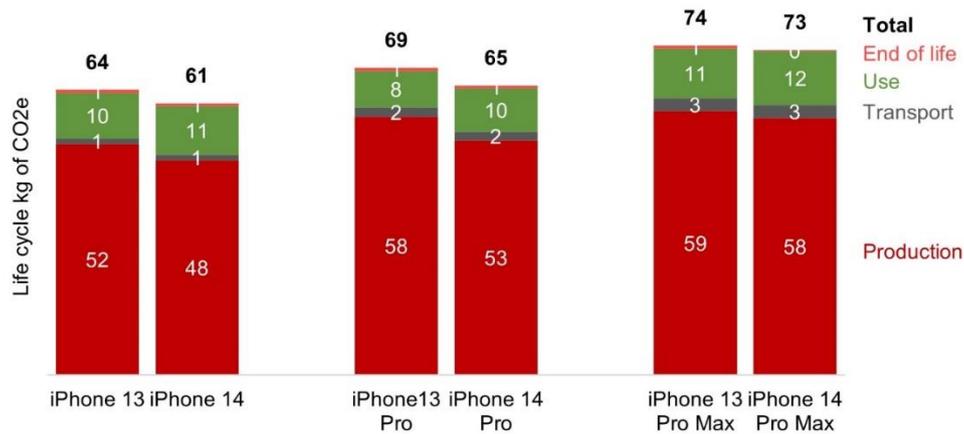
Source: Apple

All the focus on recycled materials has resulted in a drop in carbon emissions throughout the new devices' life cycles compared to last years' iterations. For example, the iPhone 14 has a carbon footprint of 61kg of CO₂e, down from 64kg for the iPhone 13, and the iPhone 14 Pro has a carbon footprint of 65kg of CO₂e compared to 69kg for the iPhone 13 Pro. This reduction in carbon footprint is mostly down to the increased use of recycled materials and a more efficient supply chain, meaning that the production proportion of the phone's life cycle has dropped by as much as 10%.

One concerning point, however, was the increase in carbon emissions through the use of the new devices. This is especially true with the iPhone 14 Pro, where carbon emissions through use have increased by 18% compared to the iPhone 13 Pro (9.8kg CO₂e versus 8.3kg CO₂e). This could be

down to the iPhone 14 Pro's use of the new A16 Bionic chip, although Apple claim the A16 is 15-20% more efficient than the A15. Perhaps then it is due to the slightly upgraded Pro Motion display?

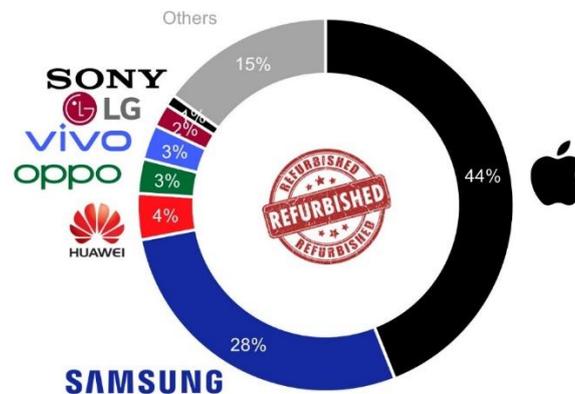
Carbon footprints for current and previous iPhones



Source: Apple

Another interesting point is how much of the carbon footprint is accounted for by the manufacturing of the devices (around 80%). Yes, this is on the way down, but still accounts for the vast proportion of the phone's life cycle. It is heartening, therefore, to see that iPhones are the most popular **second-hand** phones globally. **Refurbished** iPhones are a great way to ensure that the significant carbon emissions of producing a new iPhone go towards multiple lives of the device, not just one.

Refurbished smartphone sales, 2021



Source: Counterpoint Research

Apple also reiterated its carbon neutrality goals: by 2030, Apple plans to be 100% carbon neutral across its entire manufacturing supply chain and all product life cycles. This means that every Apple device sold, from component manufacturing, assembly, transport, customer use, charging, all the way through recycling and material recovery, will have net-zero climate impact. Setting ambitious goals such as this is vital in creating a sustainable future for the smartphone industry. With Apple's resources and momentum, its target looks achievable.

China Accounted for 67% of Global Handset Production in 2021

SEPTEMBER 13, 2022

|BY MINSOO KANG

The global handset production in 2021 was similar to that a year ago. Although there was a brief rise in production in some regions due to the release of pent-up demand, the negative impact of the COVID-19 pandemic remained throughout the year and did not allow recovery to pre-pandemic levels.

China remained volume leader but future position uncertain

China contributed to 67% of the global handset production in 2021, primarily because Apple and other Chinese OEMs failed to make up for Huawei's decline in production. In 2020, Huawei accounted for the big portion of the China's total production. Unlike Huawei, which mostly manufactures its handsets domestically, other Chinese OEMs are seeking to diversify their production sites to fulfil local demand through local production. Apple, which has a high proportion of production in China, is also looking to diversify its production sites. With diminishing demand for handsets in China, the proportion of Chinese production is also expected to decline in the future.

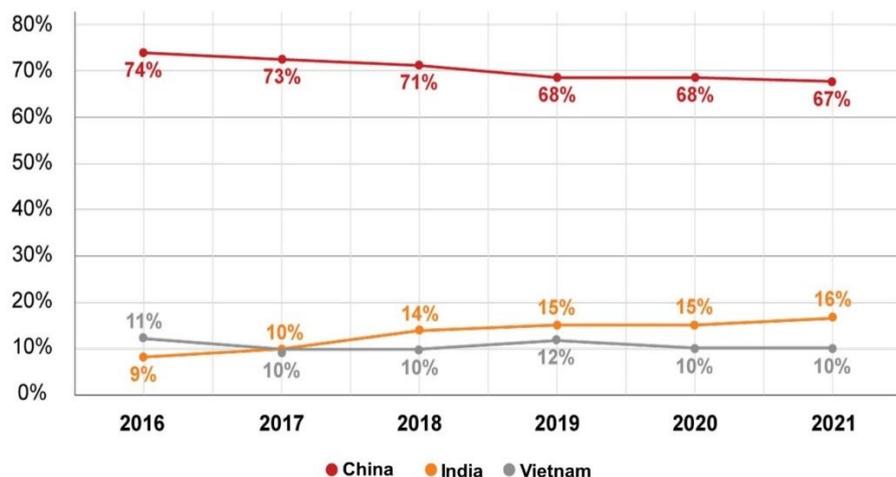
India a distant second with mixed signal for future growth

India accounted for 16% of global handset production in 2021. Production in India, the second largest geography in terms of production volume, rose more than 5% YoY driven by Apple, Xiaomi and OPPO. Taking into consideration Apple's plan to produce the iPhone 14 in India, the country's contribution will continue to rise. However, the Indian government's **regulations** on low-priced phones made by Chinese OEMs might slow down this trend.

Vietnam third with 10% share, may bag iPhone production

Vietnam accounted for 10% of total global handset production in 2021, similar to that a year ago. Despite Samsung's increased production in Vietnam, the withdrawal of LG's smartphone business from the country had a negative effect on production volume, resulting in only a slight increase in production compared to the previous year. As Apple is moving some of its iPad production to Vietnam, the company might transfer some of its iPhone production too, which will then boost overall handset production volume in the country.

Global Handset Production Share by Country



Source: Counterpoint Global Handset Production Report

Apple actively testing locations outside China

Apple is highly dependent on China because a major chunk of its production comes from the country. However, Apple is starting to test its production sites outside China to diversify production and reduce its reliance on the country against the backdrop of the frequent domestic disruptions related to the pandemic and rising US-China tensions. The production of the iPhone 14 in India and iPad in Vietnam seems to be a part of this endeavor. However, it will take a considerable amount of time for any other country to replace the Chinese manufacturing ecosystem.

Samsung strong on diversification

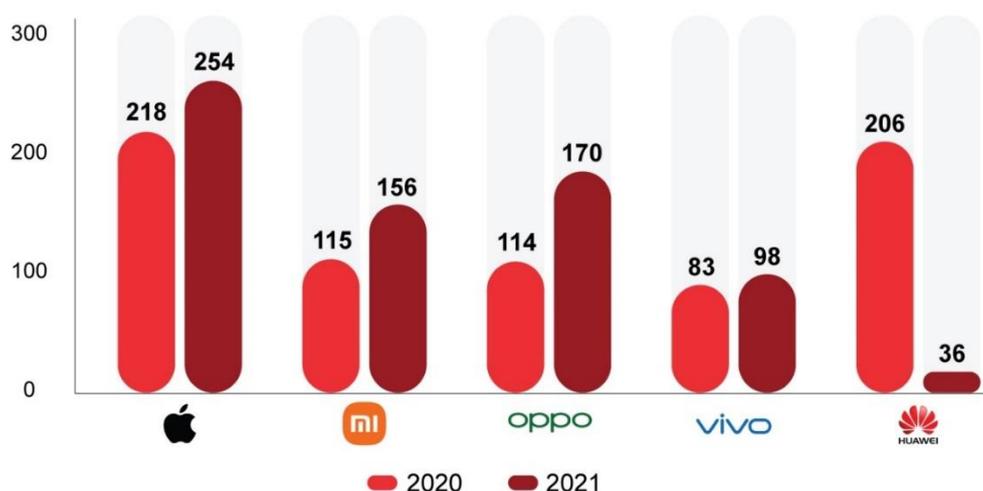
Samsung can now be considered relatively well-diversified in terms of handset manufacturing. Learning from the hardships it faced during the pandemic because of its higher focus on just one country for production, the company will avoid concentration of manufacturing. Additionally, due to the division of global production chains and cost pressure caused by inflation, Samsung will pursue setting up production hubs near its major markets, such as India, Indonesia and Turkey.

Major Chinese OEMs grew in China due to Huawei's absence

Major Chinese OEMs like Xiaomi, OPPO and vivo, which had been declining or stagnating since 2016, were able to increase their production in China in 2021 because Huawei was held back by US sanctions. Meanwhile, production volume in India increased but its proportion in global production decreased. This might remain if the Indian government continues with its additional regulations on Chinese OEMs. Indonesia is the base for Chinese OEMs in the Southeast Asian market in addition to India, and the proportion of production is expected to increase as the regional market continues to grow.

Unlike the major companies mentioned above, HONOR manufactured most of its handsets in China. The company will diversify its production bases as it looks to enter markets outside China, but, just like Huawei, it will maintain China as its main production hub.

Handset Production in China by Major OEMs(M Units)



Source: Counterpoint Global Handset Production Report

Conclusion

Although the direct impact of the pandemic continues to diminish, geopolitical and macroeconomic issues, such as conflicts and inflation, are preventing the market from recovering. The global handset market is expected to decrease by 8% in 2022 from 2021. Within this broader market, the smartphone market will have a less severe decline because of the increasing transition to smartphones from feature phones. Starting 2023, the handset market is expected to maintain a low single-digit percentage growth.

Considering the market's reduced growth rate and the continued downward pressure on ASP of handsets, OEMs have an incentive to maintain concentrated production sites to reduce costs.

Despite this incentive, the disruptions caused by the pandemic and increasing geopolitical tensions highlighted the disadvantages of having a concentrated production site, forcing companies to set up multiple production sites.

Currently, there appears to be a balance between these two factors. However, in the long run, as the production concentration outside China increases and cost competitiveness is achieved, handset production outside China will accelerate further.

Philippines Smartphone Shipments Decline 3% YoY in Q2 2022; Apple Fastest Growing Brand

SEPTEMBER 9, 2022

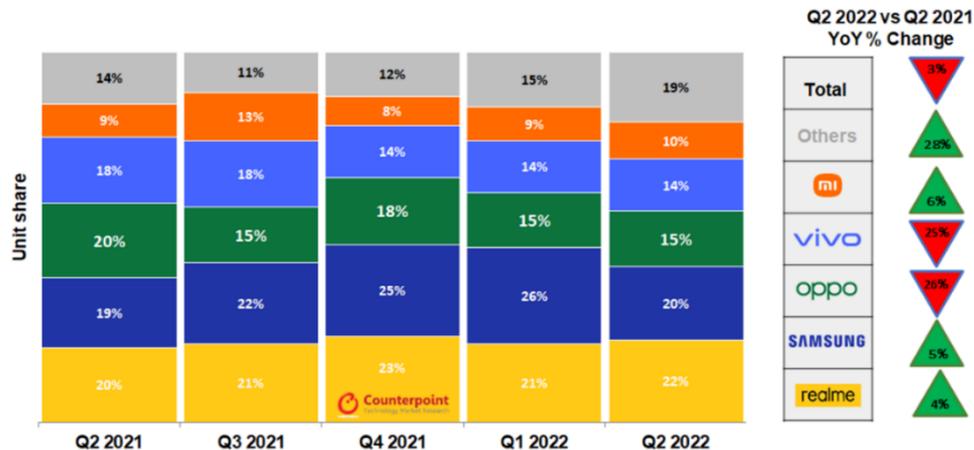
|BY GLEN CARDOZA

- The **Philippines'** Q2 2022 smartphone shipments declined 3% YoY to 4.7 million units.
- **Apple**, Infinix and TECNO were major YoY gainers in terms of shipments.
- Chinese players except Xiaomi and realme saw a decline in their smartphone shipments.
- 5G smartphone share in shipments increased from 7% in Q2 2021 to 34% in Q2 2022.
- Online shipments increased 15% YoY with Lazada leading with a 46% share.

The Philippines' Q2 2022 smartphone shipments declined 3% YoY to 4.7 million units, according to Counterpoint's latest **Monthly Philippines Smartphone Channel Share Tracker**. The figures show the country's macroeconomic stability, low inflationary pressure and an increase in consumer spending due to its markets returning to normal.

Commodity-exporting economies in **Southeast Asia** like the **Philippines** are expected to outperform the commodity-importing ones because of improved terms of trade. The economic impact of the Ukraine-Russia war is gradually fading out from Southeast Asian countries even as COVID-19 weakens its grip, pushing up tourism. New launches, along with customer **preference for premium models**, also played a key role in the Q2 2022 smartphone shipments.

Q2 2022 Philippines Smartphone Shipment Share by Key OEM



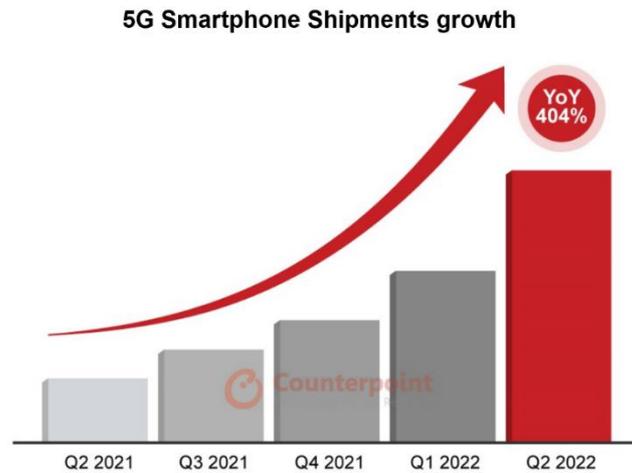
Note: OPPO includes OnePlus since Q3 2021

Source: Counterpoint Monthly Philippines Smartphone Channel Share Tracker, Q2 2022

In terms of market share, **realme** took the top spot with a 22% share driven by the launch of its reasonably priced smartphones, particularly the C series and 9 series, in Q2 2022. **Samsung** took the second spot with a 20% share driven by its newly launched Galaxy A series models and ongoing promotions. **OPPO** had a 15% share driven by its Reno A series while **vivo** had a 14% share driven by its V series and newly launched X series. Xiaomi took the fifth position with a market share of 10%.

Demand for **5G smartphones** increased considerably during the quarter as their shipments increased to 34% share from 7% in the same period last year. To stay competitive, major **telecom providers** Globe Telecom, Dito and Smart have been actively extending 5G coverage. With the introduction of DITO Tele-community, **telecommunication infrastructure** investments have more than

tripled. The primary factors driving growth in the telecom industry are increasing coverage, lower costs, better service, rising data demand, and smartphone adoption.



Source: Counterpoint Monthly Philippines Smartphone Channel Share Tracker, Q2 2022

Apple, at 50% YoY, saw the biggest growth during the quarter with Filipinos preferring premium smartphones. Reduction in the iPhone 13 series prices contributed to the growth.

Chinese players **Xiaomi** and **realme** ran several promotional campaigns online, particularly on Shopee and Lazada, which helped with their shipments. On the other hand, shipments of other Chinese brands decreased in Q2 2022 as the brands faced inventory issues. The **e-commerce industry** is expanding quickly in the region. Around 18% of all shipments in Q2 2022 were made through the online channel, an increase of around 15% YoY. Apart from online channels, social commerce is gaining popularity, especially through TikTok. **realme** became the first brand to launch its official store in TikTok live shopping.

Commenting on mobile gaming, **Senior Analyst Glen Cardoza** said, “The Philippines is a **key gaming market** in Southeast Asia and is seeing rapid growth. Manufacturers are keeping up with the demand. High-end **gaming smartphones** like the Black Shark 4 Pro, Asus ROG Phone 5s and 5s Pro, and ZTE’s Nubia RedMagic 7 are doing well in the market. Major companies are following suit and joining forces with **gaming leagues** to serve as official sponsors. In May 2022, there was a gaming competition.”

Smartphone brands are also organizing e-sport tournaments, like vivo’s PUBG, OPPO’s Game on Cup, or Samsung’s MLBB All-star Showdown in partnership with Moonton.

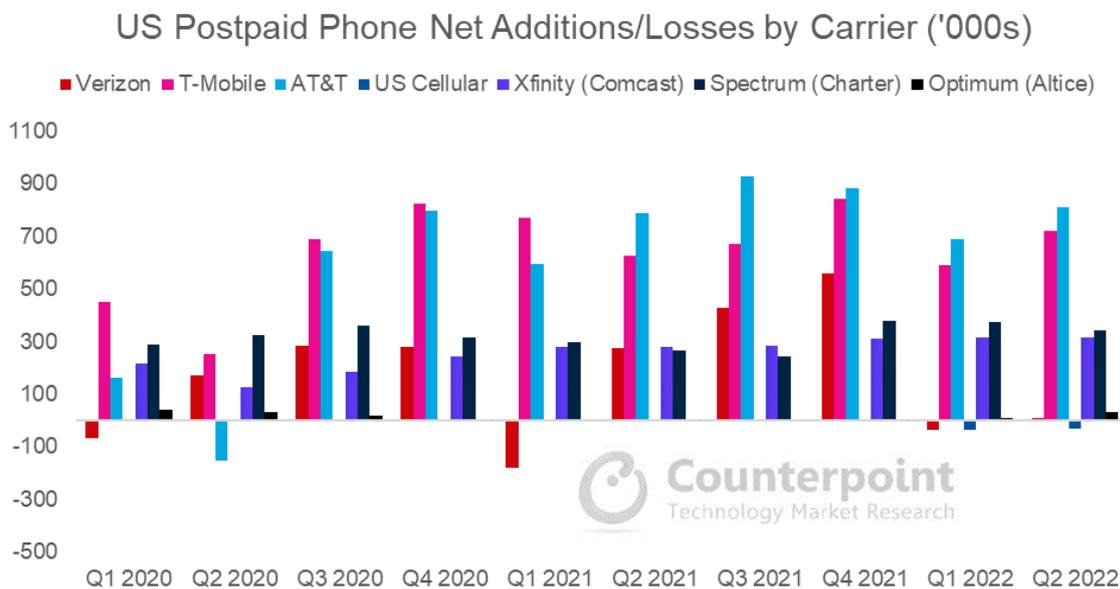
In the coming months, the economic impact of the Ukraine-Russia war will gradually fade. Also, COVID-19 restrictions in Southeast Asian countries are likely to be relaxed, bringing back tourists and, in turn, increasing cash flow in the market and purchasing power. On the other hand, China, with its **zero-Covid policy** triggering partial or full lockdowns in various cities, and global **inflation** may impact smartphone shipments. The Philippines posted a GDP growth of 7.4% in Q2 2022 with recovering consumer sentiment. We expect the market to expand further. As a result, the smartphone shipments in Q3 2022 may increase a bit but the TAM will be on the flatter side.

Cable Players Capture Nearly One-third of US Postpaid Phone Net Additions in Q2 2022

SEPTEMBER 8, 2022

|BY MATTHEW ORF

The US cable players are continuing to make their presence known across the wireless landscape, even if their total subscribers are dwarfed by those of Verizon, T-Mobile and AT&T. Over the course of the past few years, the cable players have captured an unignorable number of postpaid phone net additions throughout the industry, snatching subscribers from the major carriers and limiting their growth. In Q2 2022, Xfinity, Spectrum and Optimum Mobile together captured 694,000 postpaid phone net additions. While this lagged AT&T's 813,000 and T-Mobile's 723,000, their subscriber growth far outpaced Verizon's. Together, the cable companies stand as a significant competitor to the wireless incumbents and one that is having a significant impact on the shape of the industry.

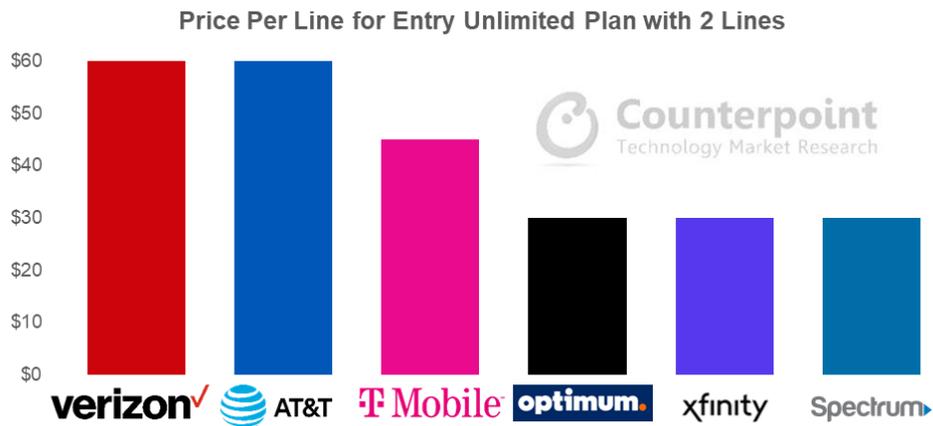


*From Q2 2022 earnings releases

Cable players offer strong value

Over the course of the past two years or so, the dynamics of the US smartphone industry have changed, with the carriers bringing back huge device subsidies that allow many customers to get new flagship devices for free. The cable players played a role in this dynamic, challenging the postpaid carriers to offer better value to their subscribers in fear that the cable players could win them over with their low service plan prices. Based on pricing for two lines of entry-level unlimited plans, the cable companies offer wireless service for half the amount per line that Verizon and AT&T charge. But there are drawbacks. For one, mobile services from the cable companies are only available to existing customers. Additionally, Xfinity and Spectrum both throttle data speeds on their unlimited plans after customers use 20 GB of data, below the threshold of the carriers. The carriers also offer Wi-Fi hotspot data with their unlimited plans, an extra perk the cable players do not offer.

Thanks to their low operating costs due to the leasing of spectrum from the carriers and the dynamic use of existing Wi-Fi networks, the cable companies have been able to offer much lower prices for wireless plans than are on offer at the carriers. This value proposition has been recognized by consumers who are looking to save money amid macroeconomic uncertainty and high inflation.



Competition to stay hot in H2 2022 as Boost Infinite and Cox Mobile launch

The competition between the postpaid carriers and cable companies has helped to keep service and device prices low for consumers even as inflation reached the highest level in decades. The battle over value is likely to stay hot through 2023, as **Boost** plans to launch Boost Infinite, its long-awaited postpaid service, in Q4, and as Cox Communications launches its own wireless services in several states.

With about 6.8 million customers, Cox Communications may not have the extensive subscriber base that Comcast or Charter have, but its entry into the market shows the impact that Comcast, Charter and Altice have had, pioneering a new model that other cable companies are following. Like its forebearers, Cox Mobile will operate as an MVNO while offloading traffic onto its extensive Wi-Fi network, when possible, to keep costs down. Progress will be slow at first. Right now, Cox Mobile is available in only three locations – Hampton Roads (VA), Omaha (NE) and Las Vegas (NV). Cox offers services in 18 states across the country and the strong value cable companies can offer customers is sure to capture mobile customers. If customer adoption follows in Comcast, Charter and Altice's footsteps, wireless service penetration of existing Cox customers could be about 10% in three years.

eSIM Only iPhone 14 is an Inflection Point for eSIM Adoption

SEPTEMBER 8, 2022

|BY ANKIT MALHOTRA

An eSIM-only iPhone, finally!

eSIM in Smartphones has been around since 2017, however, the adoption has grown slowly. **Google** started it all when it launched the Pixel 2 with eSIM Support as part of “Project Fi”. However, it has been **Apple** that has led the popularisation of eSIM in the industry. It introduced the eSIM technology with iPhone XS and since then all iPhones launched have been compatible with **eSIM**. Now Apple has introduced eSIM only SKUs in US with iPhone 14.

Following in Apple’s footsteps, other OEMs such as **Samsung**, **Huawei**, and Motorola have launched smartphones with eSIM capability, mostly in the premium segment. So far, 14 OEMs have launched eSIM-capable devices.

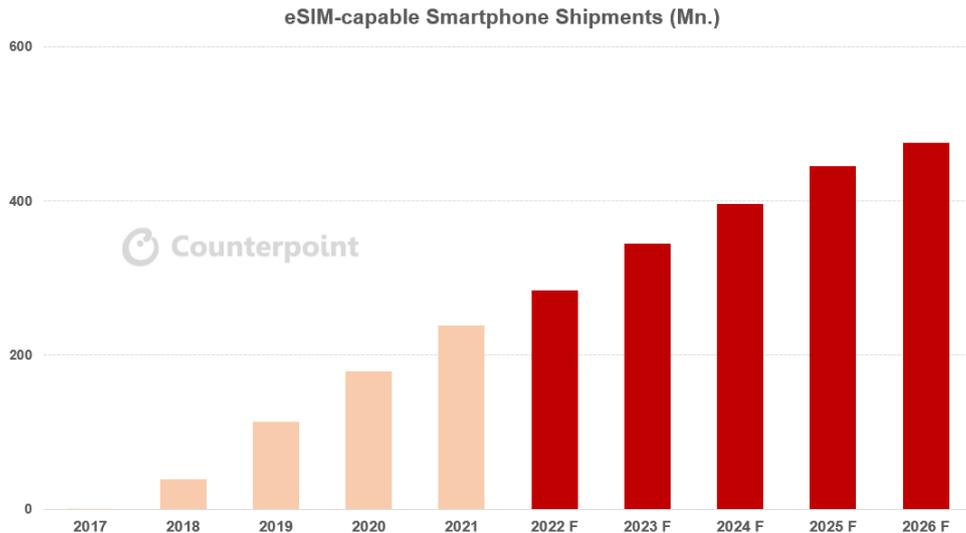


So why is an eSIM-only iPhone significant?

Apple quite simply sets the de facto standard in the industry. We’ve seen this happen multiple times over the last few years. Sure, other OEMs may be able to launch something faster than Apple, but the technology sees faster adoption once Apple uses that to sell iPhones. It happened with dual **cameras**, portrait cameras, the display notch with FaceID.

The same phenomenon will repeat with **eSIM**. Google may have been the first one to launch an eSIM capable smartphone, and Motorola may have launched the world’s first eSIM-only Phone three years before Apple but with this launch, we’ll see an exponential increase in the launch of eSIM in smartphones.

We believe the launch of eSIM is an inflection point for the industry, to help transition from the physical SIM card to eSIMs. An eSIM-only iPhone will not only embed eSIM to the mind many consumers around the world, but it will also push other OEMs to switch to **eSIM** in the future.



Why is Apple choosing eSIM?

The eSIM excels across multiple attributes compared to a traditional SIM card, including provisioning, size, flexibility, security, customer experience, and, above all, cost.

From a device design standpoint, features like thinner, smaller, and more power-sensitive device form-factors, often themselves embedded in a larger machine, are also driving eSIM solutions

Self-provisioning is the biggest advantage for service providers, which drives a superior and stickier customer experience. The eSIM re-programmability extends the SIM lifecycle, bringing durability and convenience for customers.

From a consumer perspective, eSIM offers the potential for greater flexibility in how to access services seamlessly and securely. At the same time, it offers time and cost savings associated with some of the current in-store provisioning or activation processes.

There have been rumors that Apple is looking to bring a portless iPhone. Removing physical SIMs would have to be an essential part of that. I believe the introduction of dual eSIMs in iPhone 13 and now the eSIM-only iPhone 14 is the first indication that a portless iPhone is in the works. The next step would ideally be moving to iSIM by adding functionality baked directly into the “Apple Silicon” which will further save board space and give Apple even greater control over the SIM.

Are operators ready?

MNOs have been gradually adopting eSIM capabilities as many face challenges either in terms of faith in the technology, a fixed mindset or cost constraints. As the eSIM-capable device ecosystem is entering the mainstream bringing rising consumer awareness, many MNOs have integrated eSIM technology into their networks.

A further push toward eSIM has been the semiconductor shortage that has impacted availability of physical SIMs. And while many aspects of the semiconductor shortage have ameliorated, this is not fully the case for SIMs.

More than 200 leading mobile network operators in over 75 countries are already supporting eSIM provisioning and management however some MNOs have gone above and beyond when it comes to eSIM are considered **L.E.A.D.E.R**s in the industry. They support an average of 20 or more devices, including smartphones, smartwatches, laptops, and tablets. Most of the operators who support eSIM devices are already supporting older Apple devices like the iPhone 13. With the launch of eSIM-only iPhone in the US, it is a signal to MNOs around the world to get ready, the eSIM is here to stay!

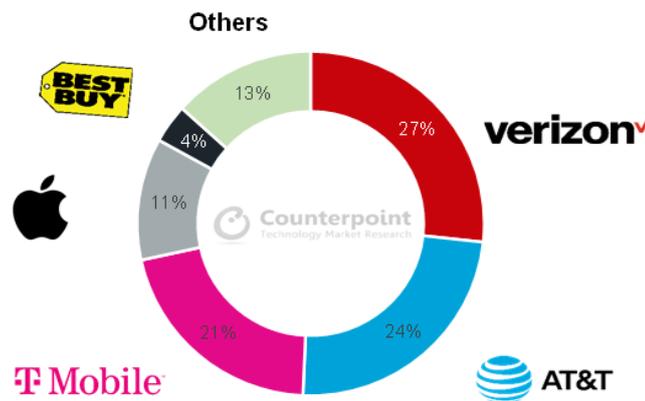
Which US Carrier will sell the most iPhone 14s?

SEPTEMBER 7, 2022

BY MATTHEW ORF

The release of Apple's latest flagship smartphones, the iPhone 14 series, on September 7 will unleash fierce demand among consumers who are raring to get their hands on the brand's latest mobile technology. Fresh upgrades and strong promotions at the carriers should make the iPhone 14 series a strong seller. But where exactly do customers buy their new iPhones? Luckily enough, Counterpoint's US Channel Share Tracker follows model-level sales by sales channel and can help provide an indication of which carrier is likely to sell the most iPhones and which carrier may lag.

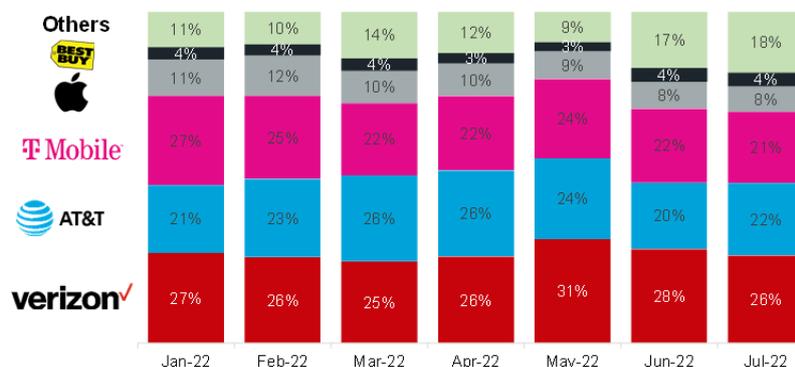
Apple Sales Share by Channel, September 2021



Source: Counterpoint US Channel Share Tracker

Last September, when the iPhone 13 series was launched, Verizon stores were able to capture 27% of all Apple sales, followed by AT&T at 24% and T-Mobile at 21%. Historically, Verizon and AT&T have had more premium subscriber bases than T-Mobile, which helped them capture a higher share of Apple sales. But this trend may be changing. As T-Mobile has merged with Sprint, it has seen higher uptake of its Magenta Max plan and has seen its customer base become more premium. It has also been selling the most smartphones overall among the carriers in recent quarters. With an increasingly premium subscriber base and a larger share of total phone sales, T-Mobile stores should gain a higher share of iPhone 14 sales at launch this year.

Apple Sales Share by Channel, Jan-Jul 2022



Source: Counterpoint US Channel Share Tracker

Note: Figures may not add up to 100% due to rounding.

Apple sales by channel so far this year

In 2022 so far, **Verizon** stores have been able to capture the largest share of iPhone sales due to the size and premium nature of its subscriber base. But T-Mobile stores have improved their share of Apple sales, beating out **AT&T** stores in several months as it grows its subscriber base and offers impressive promotions to new customers. Apple Store's share of iPhone sales has seen a decline in recent months due to seasonality, as the demand tends to drop during the summer leading up to the iPhone launch, especially outside of the carriers. The share of iPhones sold at Apple Store will jump in September with the launch of the iPhone 14, from the roughly 8% currently to as high as 15%. Apple tends to prioritize inventory at its own stores where it can sell other hardware and accessories, which also boosts its sales share at launch. The postpaid carriers are expected to dominate iPhone 14 sales at launch, but if demand exceeds supply, as it often does, customers are likely to try and get their hands on the iPhone 14 wherever they can, which could help Best Buy, Walmart, Costco, Sam's Club and other retailers.

iPhone promotions help drive sales at the carriers

Another major factor that will decide which carrier wins the highest share of iPhone 14 sales will be the promotions that they have on offer at launch. While all carriers currently offer impressive promotions, there are tangible differences that will impact their iPhone 14 sales. AT&T will likely continue to offer its strong promotions to both new and existing customers. Currently, AT&T is offering up to \$700 off the iPhone 13. Meanwhile, T-Mobile is offering the same devices for up to \$800 over 24 months of bill credits to customers who activate a new line on a qualifying plan and who trade in a qualifying device. Similarly, Verizon is offering up to \$800 off the devices to switchers who have a qualifying trade-in and select a qualifying plan. Customers can expect similar promotions of between \$700-\$1000 off from each of the carriers, though they'll likely need a trade-in and an unlimited plan.

A wild card in the mix is the cable players. In the past, Xfinity, Spectrum and Altice haven't been able to match the carriers in terms of promotions on their devices, but their promotions are improving. Another issue that the cable players faced last year were shortages. With limited supply, Apple prioritized sales to the major carriers. The same could potentially happen this year if demand outpaces supply and if COVID-19 and China's zero-covid policy disrupt production. While a significant portion of new subscribers at the cable players are still bringing their own device, expect the cable players to snag a higher share of iPhone 14 sales this year.

Apple's growing installed base helps boost service revenues

As Counterpoint **recently reported**, Apple's installed base crossed the 50% threshold in the US during Q2 2022, meaning that most Americans now use an iPhone. Strong promotions at the postpaid carriers for Apple's latest flagship models and sales of the iPhone SE 2022 and older iPhone models at the prepaid carriers have helped Apple capture a strong share of sales. With the upcoming iPhone 14 launch, Apple is likely to further grow its installed base. While most consumers are dedicated to purchasing either Android smartphones or iPhones, there is a small trickle of Android users who switch to iPhones with each new launch, and Counterpoint expects the same with the launch of the iPhone 14.

Apple's predominance in the US market is foundational to its business model going forward. As our Research Director Hanish Bhatia **recently discussed**, the room for further Apple penetration is quite small in the US and Apple will rely on upgrade cycles to continue selling its mobile hardware. But as its hardware business plateaus in the US, Apple is relying more heavily on services, which make up a growing share of Apple's total revenues. And as Apple's installed base continues to grow, it is not only capturing revenues from device sales but is opening bringing in a significant amount of lifetime value as it is likely to retain the consumer and sell them accessories, other hardware and, increasingly, services.

Premium Smartphone Average Selling Price Reaches Record Q2 High

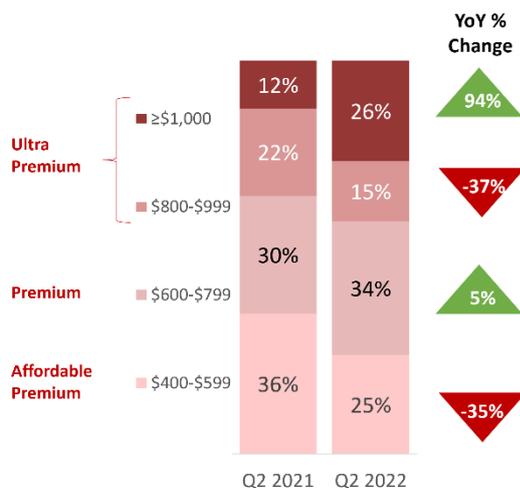
SEPTEMBER 1, 2022

|BY VARUN MISHRA

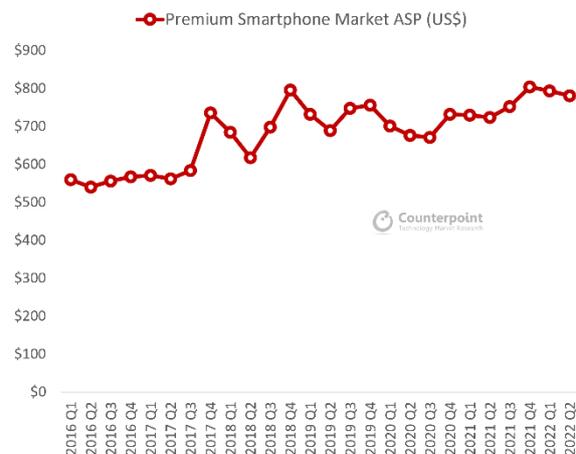
- The global premium smartphone market (\$400 and above wholesale price) average selling price (ASP) grew 8% YoY to reach \$780, a second-quarter record, in Q2 2022.
- This was mainly driven by the 94% YoY sales growth in the \$1,000 and above price segment.
- In terms of sales, the premium market continued to outperform the overall global smartphone market for the ninth consecutive quarter.
- Apple captured 57% of premium smartphone market sales, while vivo surpassed OPPO to become the third largest premium smartphone brand for the first time.

The global premium smartphone market (\$400 and above wholesale price) average selling price (ASP) grew 8% YoY to reach \$780, a second-quarter record, in Q2 2022, according to Counterpoint Research's **Market Pulse Service**. This was mainly driven by the 94% YoY sales growth in the \$1,000 and above price segment. The segment alone contributed to over one-fourth of premium smartphone sales and over a fifth of global smartphone revenues in Q2 2022. The growth of the segment also drove the global smartphone ASP to its highest second quarter ever.

Global Premium Smartphone Market Share by Price Band and YoY Growth, Q2 2022



Global Premium Smartphone Market Average Selling Price (Wholesale, US\$)



Source: Counterpoint's Global Monthly Handset Model Sales (Sell-through) Tracker, August 2022

Commenting on the growth of the \$1,000 and above price segment, **Senior Analyst Varun Mishra** said, "As 5G is becoming more prevalent, consumers are upgrading their devices. This is especially significant, as the large installed base of premium iPhone users upgrades to 5G. Apple's sales grew 114% YoY, capturing over 78% of the \$1,000 and above price segment. Consumers whose finances were not affected by the pandemic have been using the extra disposable income created due to restricted travel to buy more expensive devices, including smartphones. During the pandemic, users also realized the importance of smartphones and started seeing more value in upgrading their devices. Another interesting factor is that this trend in the ultra-premium market is ubiquitous across regions, despite inflationary pressures. This is because affluent consumers are not affected by the current economic headwinds. Hence, the low-to-mid-price segment has been hit hard by the recent macro headwinds while the high-price segment still looks solid, further boosting the

ASPs. Also, the increasing number of financing schemes and a growing ecosystem of trade-ins and EMIs are also helping consumers to upgrade their devices without paying the total price upfront.”

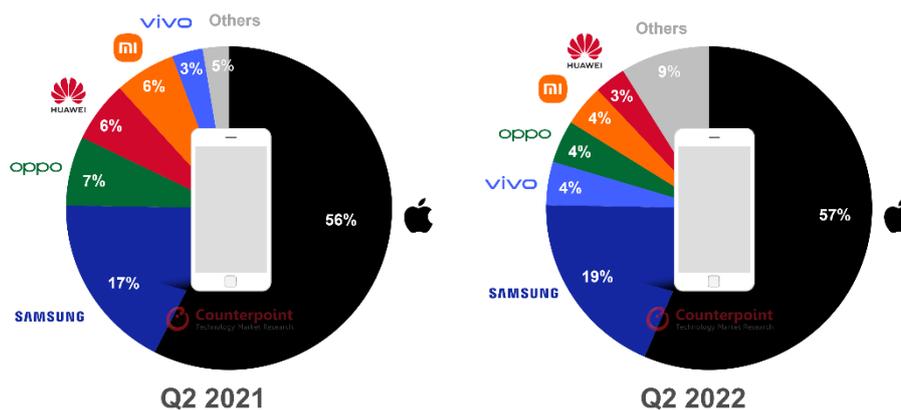
The segment’s growth has also helped in arresting revenue declines. Despite the unit sales decline, global premium smartphone market revenues remained flat YoY. As lower price tiers got affected more by inflationary pressures, the premium market’s revenue contribution to the overall smartphone market increased to 60% in Q2 2022 from 58% in Q1 2022.

In terms of volumes, sales in the premium segment declined 8% YoY in Q2 2022 but performed better than the overall smartphone market, which declined 12%. This is the ninth consecutive quarter in which the premium market has outperformed overall smartphone market growth.

Apple continued to lead the premium segment with a 57% share as the 4G iOS installed base continued to upgrade. Sales and promotions in the US remained strong through the quarter. There was no evidence of any macroeconomic impact on demand. Apple also continued to successfully onboard new users as switcher growth hit a fresh record during the quarter, largely driven by robust growth in emerging economies.

Global Premium (>\$400) Smartphone Sales Share by OEM, Q2 2021 vs Q2 2022

Top Smartphone OEMs’ Market Share for Premium Segment, Q2 2021 vs Q2 2022



Source: Counterpoint’s Global Monthly Handset Model Sales (Sell-through) Tracker

Samsung’s sales grew 2% YoY and its share also increased as the S22 Ultra continued to be the best-selling Android smartphone in the premium segment for the second consecutive quarter.

The share of Chinese OEMs OPPO, Xiaomi and Huawei declined as their home market struggled through Q2 2022, clocking the lowest quarterly sales since Q4 2012. However, vivo’s sales grew 59% YoY as it surpassed OPPO to become the third largest premium smartphone brand in Q2 2022 for the first time ever. Most of this growth came from China, driven by the X80, S15 and iQOO 9 series. vivo also became the second largest premium smartphone brand in China for the first time ever. It was also the largest smartphone OEM in China in the affordable premium segment (\$400-\$699), driven by the X80 series.

The increase in the share of “Others” brands was mainly driven by HONOR. The brand has been rapidly expanding in China over the last few quarters. The HONOR 70 was its best-selling model in the premium segment, followed by the Magic 4. The overseas markets’ contribution to HONOR’s sales is also likely to increase as the brand enters new geographies.

Going forward, the premium segment is likely to continue to outpace the global smartphone market. Commenting on the outlook, **Research Director Tarun Pathak** said, “The second half of the year will also be marked by key launches like the new Fold series from Samsung and the new iPhone series from Apple, which are likely to drive growth in the premium segment. Chinese OEMs will also start to bring their **foldable** devices to the global markets, further expanding the premium market portfolio. Higher BoM and operational costs backed by the raw material prices remaining high, growing inflation, and volatility in foreign exchange rates have been putting further pressure on OEMs to maintain profitability, which will be reflected in the growing ASPs. All these factors will keep on driving the ASPs high in 2022. We believe the premiumization trend has already started across several markets, and it is here to stay.”

Notes: The analysis is based on wholesale ASPs. OPPO includes OnePlus and vivo includes IQOO.

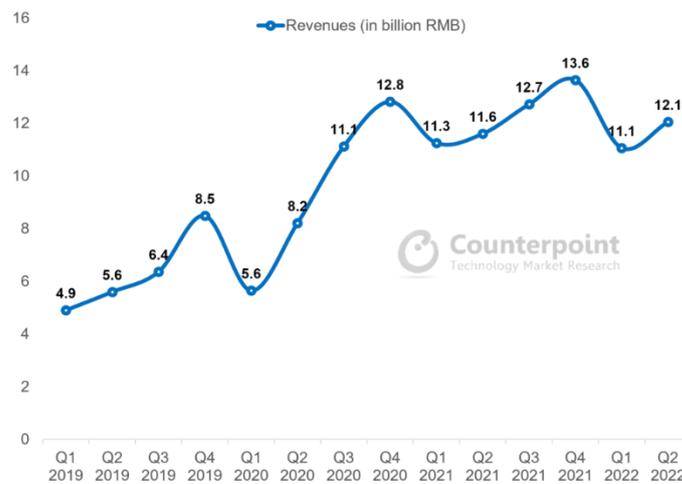
Transsion Updates Q2 2022: Resilient Q2 Performance Driven by Pivot to Value, But Macroeconomic Challenges Remain

AUGUST 29, 2022

BY YANG WANG

Transsion Holdings reported a 3.7% YoY increase in its Q2 2022 revenue to RMB 12.1 billion and a 4.5% YoY decline in net profit to RMB 1.04 billion. Considering the macroeconomic headwinds in Transsion’s core markets, the increase in revenue was a bright spot, especially compared with Q1 when the company posted a quarterly revenue drop for the first time since its market debut in September 2019.

Transsion Group Quarterly Revenue



Source: Transsion Group financial report, Counterpoint analysis

Transsion’s Q2 smartphone shipments grew 4.1% YoY, an impressive performance despite a shrinking global market, which retreated 9% YoY during the quarter. Geopolitical tensions and high inflation rates have hurt the global smartphone market in general. Further, companies exposed to the low- to mid-end segments and emerging markets are more prone to secondary impacts, such as the strain on customers from high food and energy prices, weaker local currencies against the US dollar, and higher government taxes and levies on ‘non-essential’ imports like consumer electronics.

Transsion Group Q2 2022 Smartphone Shipments Analysis – Growth and Regional Contribution



Source: Counterpoint Market Monitor Service

Transsion defied these global trends through resilient performance in its Africa home market and strong growth in other regions, most noticeably in India and Southeast Asia. In both these regions, Transsion is ranked sixth in terms of shipments, helped by the company's double-digit annual growth rate. Gaining a foothold in these new markets helps the company diversify its revenue sources and also allows the company to move up the pricing curve. According to Counterpoint's Model Sales Service, Transsion's smartphone average selling prices (ASP) increased 14% YoY, mainly driven by the success of the company's TECNO and Infinix brands. The brands' latest products received good market reception and are edging closer to the \$150 mark.

Due to the increased pricing, Transsion's Q2 normalized gross profit margin reached 22.9%, up 1.4% YoY, to reverse a six-quarter slump. However, the bottom line retreated, mainly due to a significant 40% increase in R&D spending. In our view, this is a positive sign that the company is moving out of its comfort zone of focusing only on pricing competitiveness in its African home market and committing to make more sophisticated products for the higher value markets.

Despite our positive commentary, we also recognize the significant challenges brought on by the macro environment, which is not likely to ease in the near term. In Q2 2022, we observed inventory challenges across handset and component makers, including Transsion. The company's inventories reached RMB 9.6 billion as at the end of Q2, 27% higher than that in Q4 2021 and 73% more than in Q4 2020. Currently, inventory levels are 19% of the company's 12-month trailing revenue, which could become an issue if it remains high or if revenue declines in the coming months.

We also note that the company's recently announced stock options plan for 2022 is linked to its targeted 2024 financial metrics. The plan suggests that the company forecasts revenue and net profit to increase 15% and 32.25% respectively as a baseline case, or 20% and 44% respectively as a bull case by 2024. The targets are compared with the metrics from 2021, which was a strong financial year for Transsion, indicating that the company is extremely bullish about the next couple of years.

Xiaomi Tops Bangladesh Smartphone Market for First Time Ever in Q2 2022

AUGUST 24, 2022

|BY AKSHAY R S

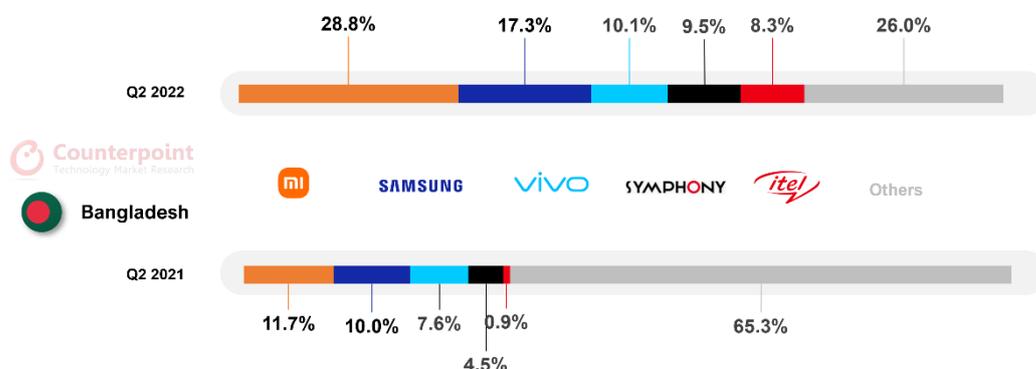
Bangladesh's smartphone market shipments declined 3% YoY in Q2 2022, according to the latest research from Counterpoint's **Market Monitor Service**. The market declined due to **soaring inflation** and rising commodity prices, which resulted in a weakened consumer purchasing power for **electronics**. However, Bangladesh performed well as one of the most stable economies in South Asia.

Commenting on the brands in the market, **Senior Analyst Karn Chauhan** said, "In Q2 2022, **Xiaomi** captured the top spot for the first time in Bangladesh's smartphone market with a share of 28.8% and 134% YoY growth. **Xiaomi's** growing offline presence, well-developed local manufacturing facility and a wide entry-level portfolio with features like larger display size, huge battery capacity and improved camera helped it to reach the top spot. Eid festivities also helped Xiaomi drive significant volumes. Going forward, the brand will continue to focus on offline expansion and adding more features to the entry-level segment."

"**Samsung's** newly added budget smartphones and their steady performance in the entry- and mid-price levels took the brand to the second spot with a 17.3% market share and 65% YoY growth. Samsung's active promotions and marketing helped it remain in the top three despite falling from its first position in Q1 2022. vivo took third place with a 10.1% share driven by its strong omni-channel presence and ability to target a range of entry- and mid-level price bands," he added.

Commenting on the market dynamics, **Chauhan** said, "Bangladesh's smartphone market experienced a good start with Eid celebrations during April. The month contributed almost half of the quarter's total shipment volumes. However, the volumes declined adversely in May and June due to smartphone costs rising by up to 10% on increasing component prices and the addition of VAT. OEMs are expected to increase smartphone prices by up to another 20% in the coming months."

Bangladesh Smartphone Shipment Share by Key OEM, Q2 2022 vs Q2 2021



Source: Counterpoint Bangladesh Monthly Handset Model Tracker
Note: Xiaomi includes the Poco brand

Bangladesh's feature phone shipments declined 12% YoY, mainly due to the shift towards smartphones, which resulted in a 9% YoY decline in the country's overall mobile handset market in

Q2 2022. Symphony continued to be at the top position in Bangladesh's **feature phone market** in Q2 2022, capturing a 17% share followed by itel and Nokia HMD.

Market Summary

- **Smartphone shipment penetration** increased in Q2 2022 to nearly 48% of the overall handset market, up from 45% in Q2 2021.
- More than **80% of the smartphones shipped in Bangladesh have been manufactured locally** since 2020. Bangladesh's smartphone market is now a mature market in terms of local manufacturing. It has the capacity to produce more than 2 million smartphones per month. Locally-made smartphones' penetration is expected to cross 95% by next year.
- **5G smartphone** shipments grew 20% YoY in Q2 2022 to take their share to 13% of total shipments, up from 6% in Q2 2021. Nearly 80% of all 5G smartphones shipped in Q2 2022 came from the top five brands.
- **Top 10 smartphone models** captured 44% of the smartphone market in Q2 2022. Xiaomi took four spots on the list. Its Redmi Note 11 was the best-selling smartphone in Q2 2022, followed by Samsung's Galaxy A13.
- During the start of Eid sales in April, Xiaomi offered attractive installment schemes to smartphone buyers at zero cost of interest. For the Eid sales in June, Samsung provided up to 50% cashback on its complete mobile phone portfolio, as well as exchange option and no-cost EMI for up to 24 months. Brands like OPPO and vivo targeted the online audience during the festive season by launching various campaigns on leading **e-commerce** websites like Daraz and Pickaboo.

China Premium Smartphone Market Weathers Headwinds to Expand Share in Q2 2022, vivo Takes Second Spot for First Time

AUGUST 24, 2022

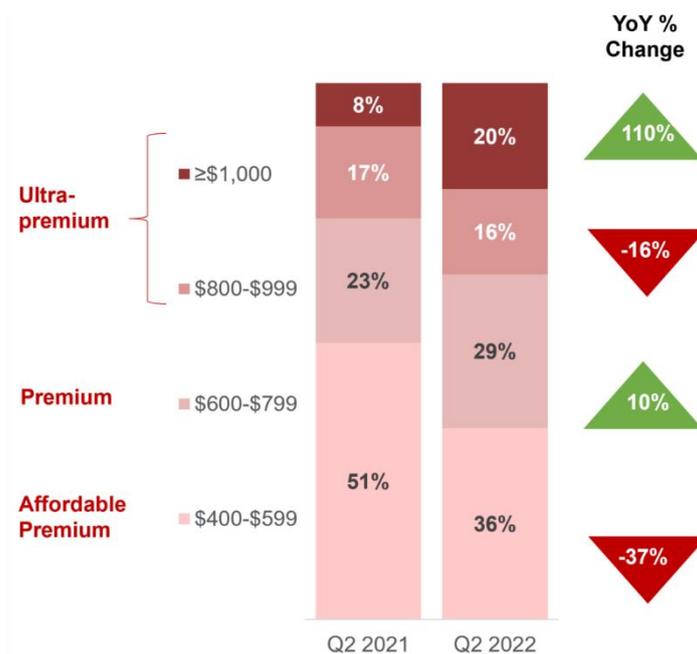
|BY IVAN LAM

- China’s premium smartphone sales (\$400 and above wholesale price) increased their share in overall sales to 33% in Q2 2022 from 31% in Q2 2021.
- Premium smartphone unit sales declined 10%, significantly less than the [14% fall](#) in the overall market sales.
- vivo reached the second spot for the first time ever, with its consistent strategy for the high-end segment paying off. HONOR jumped from sixth to fourth place.

Beijing, London, San Diego, Buenos Aires, New Delhi, Seoul, Hong Kong – August 24, 2022

China’s premium smartphone market (\$400 and above wholesale price) sales volume share edged upwards to 33% in Q2 2022 from 31% in Q2 2021, according to Counterpoint Research’s **Market Pulse Service**. **Premium segments** (which include affordable premium, premium and ultra-premium segments) declined by only 10% in terms of unit sales compared to the broader market which fell 14%. The \$600-\$799 (premium) and \$1,000 & above (ultra-premium) segments saw increases in Q2 2022.

Exhibit: China Premium Smartphone Share by Price Band, YoY Growth, Q2 2022



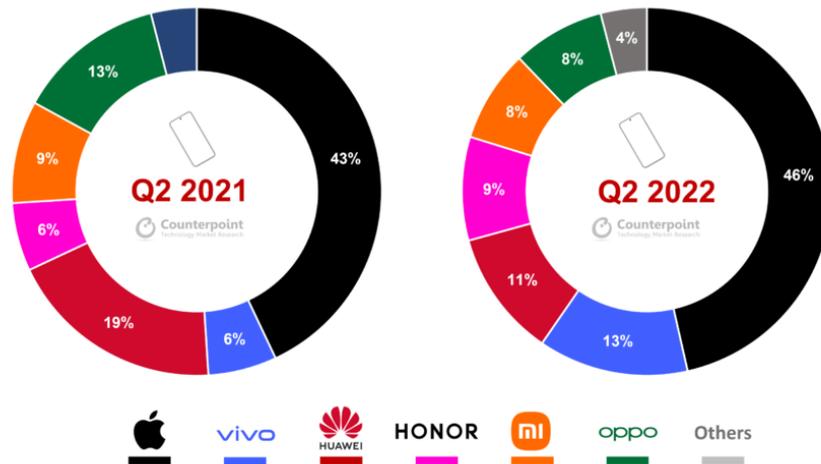
Source: Counterpoint Research Handset Model Sales, Aug 2022

Commenting on the changes in the premium segment, **Research Analyst Mengmeng Zhang** said, “After back from COVID-19 in the second half of 2020, China’s smartphone sales reached a temporary peak in Q1 2021 before declining again and reaching the lowest point in a decade in Q2 2022. This trend prevented a big drop in premium segments in Q2 2022. Of course, lockdowns in key Chinese cities impacted the premium segment sales because customers for this segment are mostly based in these cities.”

Zhang added, “Apple did well in the \$1,000 and above segment, recording 147% YoY increase, while Samsung also grew 133% YoY. Both these brands benefitted from Huawei’s decline and the shift in

purchase trends towards premium phones in China. Driven by the vivo X80 series' success, vivo grew 504% YoY in the premium segment. The vivo X series perfectly combines design and performance for this segment, helping vivo perform well in online channels.”

Exhibit: Top Smartphone OEMs' Market Share for Premium Segment in China, Q2 2021 vs. Q2 2022



Source: Counterpoint Research Market Pulse Service, Jun 2022

The top six OEMs took 95% of the premium segment in Q2 2022. vivo's unit sales grew 91% YoY, displacing Huawei to take the second spot in China's premium segment for the first time ever.

Commenting on vivo's performance, **Senior Analyst Ivan Lam** said, "Apple and Huawei have been competing for the first and second spots for long. But now other major Chinese OEMs have started targeting the premium segment.

In Q2 2022, vivo faced strong competition from HONOR in the \$400 and above segment, where HONOR grew unit sales and market share by 43% and 50% respectively. Both vendors managed to gain a significant share from Huawei and OPPO, which gave up a combined share of almost one-sixth of the market. Lam added, "OPPO was especially sensitive to lockdowns and its offline sales got severely impacted during the quarter."

Commenting on the ongoing trends in the premium segment, **Senior Analyst Varun Mishra** said, "Leading Chinese OEMs have been actively focusing on the premium segment with concrete strategies, including bringing foldable flagship models customized for Chinese consumers and partnering with traditional camera giants such as Leica, Zeiss and Hasselblad. We expect the competition in this segment to intensify going forward. At the same time, Samsung is capturing a higher share in this segment due to its foldables line-up, which could result in a resurgence for the South Korean vendor."

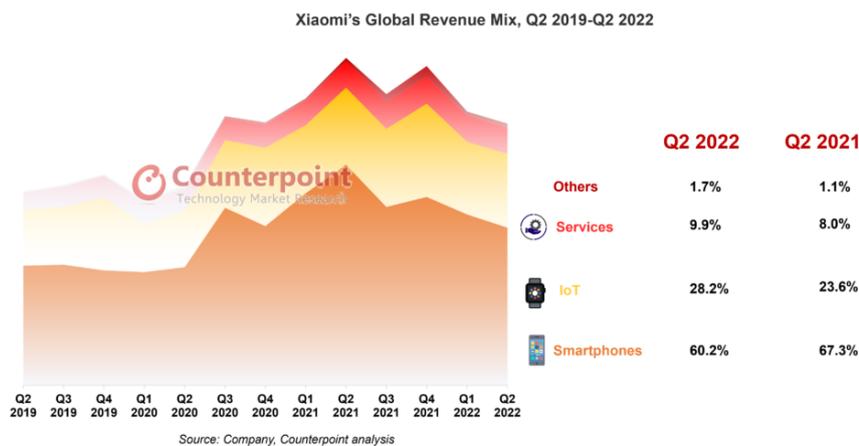
Global Smartphone Market Downturn Impacts Xiaomi Numbers

August 23, 2022

|BY ARCHIE ZHANG

Xiaomi's latest financial numbers fully demonstrate the impact of the global smartphone market downturn in Q2 2022. The company's revenue dropped 20.1% YoY to RMB 70.2 billion (or \$10.3 billion) during the quarter. Most of this decline came from the company's smartphone unit, which dropped 28.5% to RMB 42.3 billion (\$6.2 billion). According to Counterpoint's **Market Monitor Service**, Xiaomi's shipments were down 25% in Q2 2022 with a market share of 13.4%, the third highest after Apple and Samsung.

Xiaomi's revenue distribution appeared more diversified in Q2 2022 than it was in the same period last year as the non-smartphone units recorded fewer declines in Q2 2022.



Commenting on Xiaomi's smartphone business in Q2 2022, **Senior Analyst Ivan Lam** said, "In Q2, Xiaomi's smartphone business was squeezed by Samsung overseas and HONOR in home market China. After the mid-year '618' shopping festival, Xiaomi's inventory situation in China eased and returned to a normal level. However, inventory issues still haunt Xiaomi in other regional markets as global inflation and the looming macroeconomic recession keep customers from purchasing or replacing smartphones. In China, HONOR's strong momentum also pressured Xiaomi's smartphone sales in Q2. Xiaomi's shipment share ranked fourth in China while HONOR took the top spot. Looking forward, we believe the Chinese smartphone market is bottoming out but not before realizing a double-digit decline in 2022. The global market will contract too. Xiaomi is slowing down expansion offline, which will weaken its ability to take on the competition in China. The headwinds faced by Xiaomi's main business are far from over."

Xiaomi's Global Shipments and Market Share, Q1 2020-Q2 2022



Source: Company; Counterpoint Market Monitor

Inventory issues faced by smartphone OEMs, including Xiaomi, have been under the spotlight this year. There have been reports of OEMs slashing production orders, cancelling component purchases and adjusting shipment targets for 2022. According to Counterpoint's analysis of Xiaomi's financial report, the company's inventory turnover days edged higher in Q2 2022. But as the inventory level in China has been lowered, we think Xiaomi may embark on relatively aggressive sales promotion campaigns in other regional markets.

Xiaomi continues to invest in the long term. The company's R&D expenditure grew 22.8% YoY to RMB 3.8 billion (\$0.56 billion) in Q2. More than RMB 611 million went to new businesses including EV.

Founder and CEO Lei Jun said Xiaomi's EV would go into mass production in the first half of 2024. This means the company still needs one-and-a-half years to see its new growth engine start running. Commenting on Xiaomi's EV ambition, **Research Analyst Archie Zhang** said, "EV is a brand-new business for Xiaomi. Therefore, its smartphone business needs to generate enough profits to sustain the growing ADAS and digital cockpit R&D expenditure. Xiaomi has a great advantage over car OEMs, especially since it knows what tech-savvy customers are looking for. But our research shows EV customers still prioritize safety over other factors such as in-car entertainment. That is why established car OEMs like BYD and Volkswagen still dominate EV sales in China, according to our data. Xiaomi may need a couple of more years to prove that its EVs are stable and secure to win over a considerable market share."

Vietnam's Apple Shipments More Than Doubled in Q2 2022

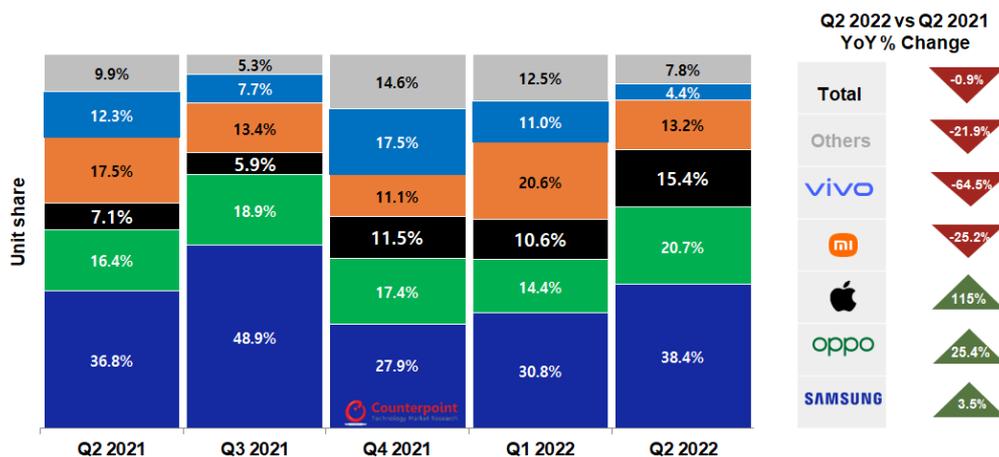
AUGUST 23, 2022

IBY AKASH JATWALA

- Vietnam's Q2 2022 smartphone shipments declined 1% YoY to 3.2 million units.
- Premium smartphones' (>\$400) shipments saw a growth of 75% YoY.
- Among the top OEMs, Apple's shipments increased 115% YoY.
- Most major Chinese brands saw a decline in their shipments.
- Offline channels picked up with brands opening more retail stores.

Vietnam's Q2 2022 smartphone shipments remained nearly flat, falling 1% YoY to 3.2 million units, according to Counterpoint's latest **Monthly Vietnam Smartphone Channel Share Tracker**. The numbers reflect the country's **macroeconomic** stability, with moderate inflationary pressure, and increased customer spending due to its markets regaining normalcy. Increasing exports amid geopolitical conflicts and COVID-19 lockdowns in China also helped the economy. New launches, along with customer preference for premium models, played a pivotal role in the Q2 smartphone shipments.

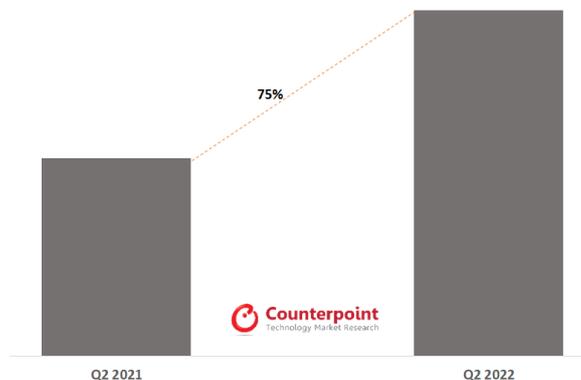
Vietnam Smartphone Shipment Share by Key OEM, Q2 2022



Source: Counterpoint Research Monthly Vietnam Channel Share Tracker, Q2 2022

Demand for budget devices was moderate during the quarter. High-end smartphone shipments saw big growth along with gaming-focused ones.

Premium Segment (>\$400) Smartphone Shipment Growth, Q2 2021 vs Q2 2022



Source: Counterpoint Research Monthly Vietnam Channel Share Tracker, Q2 2022

Samsung's growth was nearly flat at 3% YoY as it was struggling with inventories and had to cut production at its Vietnam factory. Samsung launched low-to-mid-end devices in its A and M series, which helped the brand maintain its market share. Its high-end S series models were among the bestsellers in the premium category during the quarter.

OPPO was the only **Chinese** player to see positive growth of 25% YoY as its newly launched mid-end models fared well in the market, whereas other players like **Xiaomi**, **vivo** and **realme** saw a YoY decline in their shipments as they were struggling with higher inventories.

Apple, at 115% YoY, saw the biggest growth during the quarter with Vietnamese people preferring premium smartphones. Apple is increasing its stores in Vietnam via official distributors, which is helping the brand to expand its customer reach.

Vietnam's smartphone market is dominated by offline channels. Therefore, OEMs are opening more retail stores across the country. Major Vietnamese distributors are opening mono-stores of major brands, which are driving most of the sales, with Samsung and Apple leading the chart. **Research Analyst Akash Jatwala** said, "The premium price band (>\$400) grew around 75% YoY driven by the iPhone 11, iPhone 13 Pro Max and Galaxy S series. Vietnam's people are passionate about premium smartphones. Besides, Apple has recently reduced the prices of older iPhone models in Vietnam, making them among the cheapest in the world. Vietnam is becoming one of the major markets for Apple in Southeast Asia."

On the smartphone manufacturing side, activities are increasing and OEMs are raising their investments in the country. Xiaomi has started manufacturing smartphones in Vietnam in partnership with DBG Technology. Samsung, which makes the bulk of its smartphones in Vietnam, plans to increase its investment in the country while expanding the supply chain.

For the second half of 2022, we have moderate expectations for the Vietnamese smartphone market. We expect the last quarter to see shipment growth. At present, Vietnam is cushioned from major macro issues and there is not much inflationary pressure, even as manufacturing activities are increasing. But in the second half, the economy may be affected by macro issues to some extent. Manufacturing activities may feel the impact of raw material price increases due to global inflationary pressures, with consumer preference shifting to other essentials. We expect the local demand to revive during the last quarter, driven by the Lunar New Year consumer spending and Apple's new iPhone launch.

Thailand Premium Smartphone Market Grew 22% YoY in Q2 2022 Even as Overall Shipments Fell 17% YoY

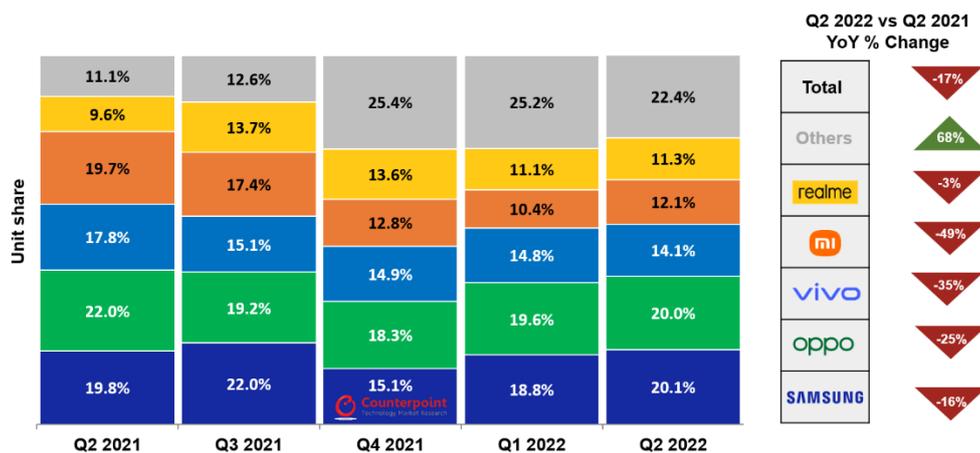
AUGUST 19, 2022

|BY GLEN CARDOZA

- Thailand's smartphone shipments fell 17% YoY in Q2 2022 to 4.2 million units.
- 5G volumes increased 20% YoY with **OPPO** and **Samsung** leading the segment.
- Premium smartphone shipments (>\$400) increased 22% YoY in Q2 2022.
- Online channels made up 22% of shipments compared to 19% last year.

Thailand's smartphone shipments fell 17% YoY in Q2 2022 due to continued volatility in the macroeconomic situation, according to Counterpoint's latest **Monthly Thailand Smartphone Channel Share Tracker**. The macroeconomic turbulence has impacted Thailand more than its neighbors like **Indonesia** and **Philippines**, which is evident from the reduced consumer demand over the last two quarters. The **inflation** rate rose to 7.66% in June, the highest in 14 years. However, premium smartphone shipments (>\$400) managed to buck the trend and grew 22% YoY in Q2 2022.

Q2 2022 Thailand Smartphone Shipment Share by Key OEM

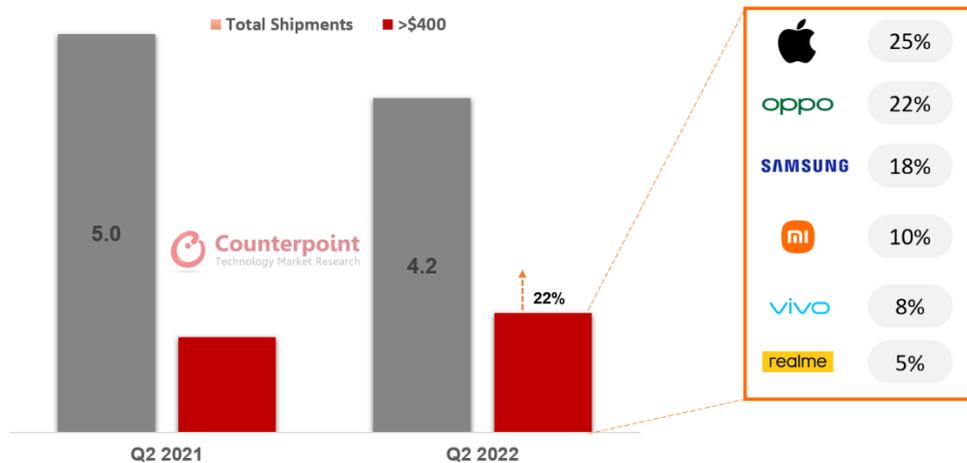


Source: Counterpoint Monthly Thailand Smartphone Channel Share Tracker, Q2 2022

Note: Figures may not add up to 100% due to rounding

Discussing the factors that affected the shipments in Q2 2022, **Senior Analyst Glen Cardoza** said, "Thailand has a decent share of consumers who can maintain a good financial standing during this **economic slowdown**. It is this type of consumer who looks to purchase at least a mid-tier smartphone even in such an economic scenario. With food and related categories being hit the hardest by inflation, consumers who would consider buying a low-tier smartphone are not taking that decision right now. This has resulted in a 23% YoY drop in shipments for smartphones priced less than \$250."

Growth in Thailand Premium Segment smartphones, Q2 2022 vs Q2 2021



While low-tier smartphones are facing the macroeconomic heat, the **higher tiers** are balancing the demand in Thailand. Smartphones priced more than \$400 have increased their sales substantially in the country over the last two years. In Q2 2022 itself, premium models of brands like Samsung, OPPO, vivo and realme saw an increased demand with every new launch in this category. **Apple** is always sought after in Thailand, but it has mostly covered the ultra-premium segment. Top Chinese brands have branched out from low- and mid-tiers to the higher price brackets, providing consumers with a much-needed variety in the post-COVID-19 economy. Gaming is another aspect that these brands are promoting better than **Apple**.

On the **operators'** side, **5G** smartphones are increasingly finding a place in their packages. Despite a YoY decline in overall shipments in Q2 2022, 5G volumes increased 20% YoY. Samsung and OPPO led this increase with their **5G** models.

Operators like **Dtac** are offering free **SIM** cards to tourists entering the country as part of unlimited package deals. Dtac has also started trade-ins and e-waste collection at its locations. **AIS** and others are building a better broadband system with AI-powered smart **routers** especially targeted at consumers who work and learn online, along with the growing number of gaming aficionados in the country. All these developments are boosting smartphone appeal despite the tumultuous economic situation.

While the Thai Baht is at its weakest, there are factors that are helping the smartphone market to rebound:

- Improving tourism
- Increasing domestic production
- Growing exports
- **Government** initiatives to control inflation

The country's commerce ministry has warned that price pressures will move into Q3 2022. But it is quite possible that the smartphone market will start seeing a recovery towards the end of Q3 2022 itself. The coming months should see an uptick in pent-up demand. The **online share** of smartphone shipments saw a YoY rise of around 3% in Q2 2022 to 22%. The coming months will see this share increasing due to focused **online** marketing by e-commerce players and OEMs. Q4 is likely to be the key quarter in **Thailand's** smartphone market revival in 2022.

LATAM Smartphone Shipments up 9% YoY; Samsung Widens Lead to All-time High

AUGUST 16, 2022

|BY TINA LU

- LATAM smartphone shipments increased 9% YoY and 8% QoQ in Q2 2022.
- Samsung led the market with 43.5% share, followed by Motorola with 19.6% share.

Buenos Aires, New Delhi, Hong Kong, Seoul, London, Beijing, San Diego – August 16, 2022

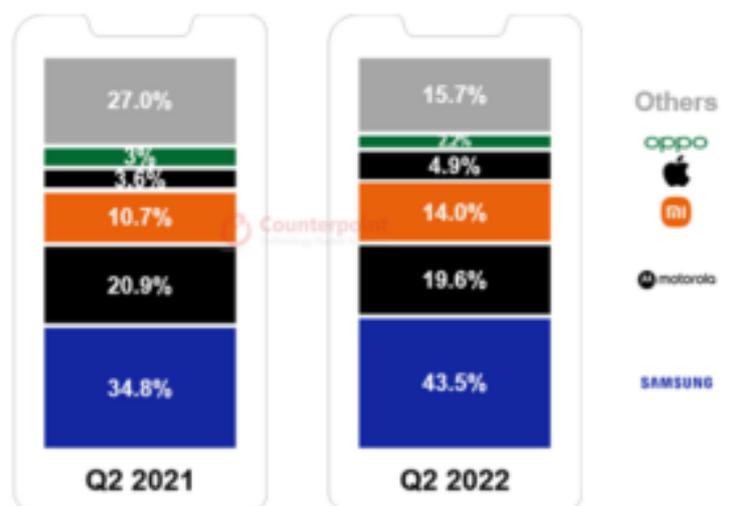
Latin America’s (or LATAM’s) smartphone shipments increased 9% YoY and 8% QoQ in Q2 2022, according to the latest data from **Counterpoint Research’s Market Monitor** service. The growth came despite the regional economic crises and weak global smartphone shipments. Argentina led the region with 32% YoY growth, followed by Mexico and Colombia. Samsung’s shipments and market share reached all-time highs during the quarter.

Commenting on the market dynamics, **Principal Analyst Tina Lu** said, “Samsung, Xiaomi and Apple’s shipments grew YoY in the LATAM market. These brands managed to offset the loss registered by other brands in LATAM’s overall shipment numbers. But the shipments didn’t match consumer demand, resulting in a record-high inventory, especially for Samsung and to a lesser degree for Xiaomi.”

Lu added, “Inventory was especially high in the higher price bands. Shipments in the \$250 and above price band more than doubled YoY. The economic crisis did not allow the consumer demand to be as high as the OEMs’ expectations. Furthermore, in terms of product rotation, many retailers and operators were offering longer payment terms of up to 24 installments. 5G is still not widely demanded in the region. Most 5G devices are from the high-end segment.”

Research Analyst Andres Silva said, “Q2 is usually the second biggest quarter of the year in terms of seasonality as it includes Mother’s Day and Father’s Day in most markets. Both these festivals see key promotional sales. This year too, OEMs had promotions to offer, like Xiaomi had the ‘Xiaomi Day’, where most models had double-digit discounts. Colombia also had the “Dia sin IVA”, a VAT (value-added tax)-free day. Although it was only for one day, it accelerated the market to some extent”.

Top Smartphone OEMs’ Market Share in Latin America, Q2 2021 vs Q2 2022



Source: Counterpoint Research Q2 2022 Market Monitor

Q2 2022 Market Summary

- Samsung was one of the few OEMs that were able to resolve or significantly improve the supply chain issue. This drove a massive surge in volume in both YoY and QoQ terms.
- Samsung's shipments and share in Q2 2022 were at all-time highs. The brand saw strong shipments but softer sell-through, resulting in high inventory, especially in the mid-high- and high-price segments.
- Supply shortages impacted Motorola's shipments for most of Q1 2022. Starting Q2, it increased shipments and launched low-price models in the region, which led to higher sell-through despite the slower consumer demand.
- Xiaomi continued to grow YoY and QoQ. Very aggressive pricing for the Note series, specifically the Redmi Note 11 model, led to this growth.
- Xiaomi's sub-brand Redmi grabbed 91% of its volume in the region. Redmi has been very aggressive in dropping the price of its Note series to compensate for the absence of the A series.
- OPPO saw a shipment volume decline, but the brand improved its position in the region. Most of its volume is still concentrated in Mexico.
- OPPO is pushing to increase its participation in the affordable premium segment (\$300-\$500). It has launched the Reno 7 model in the region but is facing fierce competition from established OEMs. The brand is intensifying marketing, particularly at the sales point.
- Apple grew YoY driven by the iPhone 11 model and Apple Store and premium resellers partnering with banks to offer installment payments.
- Apple's volume and share in the region continued to grow. Its older 4G model iPhone 11 drove the growth. Brazil, Chile and Mexico led in volume terms.
- The "Others" category continued to decline YoY, affected by larger OEMs' aggressive promotions and bundling.

Indonesia's Q2 2022 Smartphone Shipments Decline 11% YoY as Macro and Currency Issues Hobble Low-End Segments

AUGUST 16, 2022

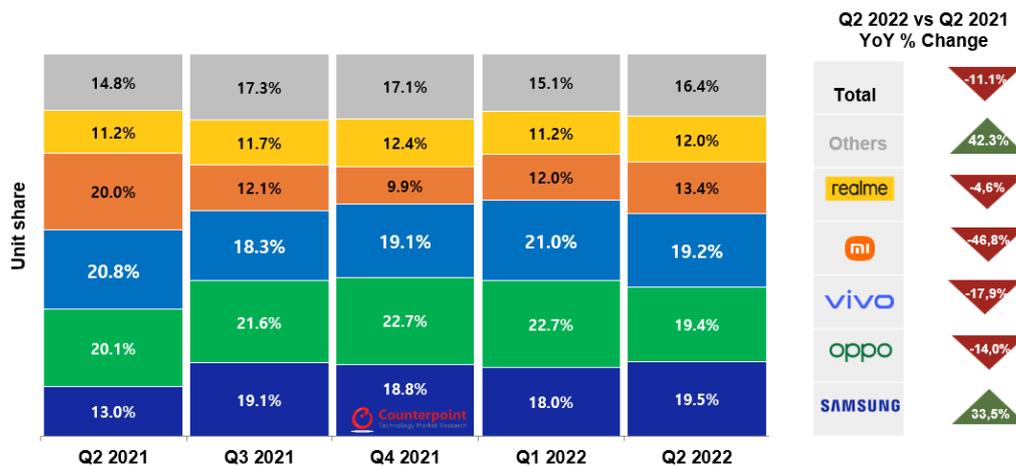
|BY FEBRIMAN ABDILLAH

- Indonesia's Q2 2022 smartphone shipments declined 11% YoY to fall below 9.4m units
- The broad preference for budget, sub-\$150 devices made Indonesia especially vulnerable to macro weakness and currency fluctuations
- Of the top OEMs, only Samsung managed to grow shipments YoY
- Most major Chinese brands saw double-digit declines
- Online channels ticked up, highlighting its continued importance
- We are 'not bullish' on 2H, but device upgrade cycles a bright spot with 5G devices more than 20% shipment share during Q2

Indonesia's Q2 2022 smartphone shipments fell 11% year-on-year to 9.4m units, according to Counterpoint's latest Monthly Indonesia Smartphone Channel Share Tracker.

The disappointing results reflected broader regional and **global trends** where macro headwinds and currency issues made for a tough quarter. Base effects were also in play, as severe lockdown restrictions last year boosted demand for smartphones as more people spent more time online, magnifying the impact of this year's economic woes.

Q2 2022 Indonesia Smartphone Shipment Share by Key OEM



Source: Counterpoint Monthly Indonesia Channel Share Tracker, Q2 2022.

Demand for budget devices (<\$150), which account for a big portion of the market, fell the most, with shipments falling after Ramadhan and Eid Al Fitr. The latter half of the quarter was especially bad; June was off by almost 1m units compared to last year in the budget category.

Samsung was the only gainer in terms of unit shipments, which grew by a massive 33% – though much of it was due to base effects as the vendor struggled last year from supply issues stemming from its Vietnam factory shutdown.

Nevertheless, **Samsung** flooded the market by launching various low-to-mid end devices like it's A and M series, which did especially well in April, accounting for 14% of total domestic shipments during the festive month. It was enough to help the company take pole position in terms of market share for the first time in three years, but not enough to match pre-COVID levels.

Xiaomi saw the biggest slide as chipset supply issues continued to plague shipments after its record Q2 2021. The latest quarter saw shipments fall YoY by an astonishing 47%.

Q2 2021 vs. Q2 2022 Indonesia E-Commerce Rank for Smartphone Shipments

	Q2 2021	Q2 2022
1	 Shopee	 Shopee
2	 Lazada	 Lazada
3	 xiaomi	 akulaku
4	 tokopedia	 tokopedia
5	 blibli	 blibli

Source: Counterpoint Monthly Indonesia Channel Share Tracker, Q2 2022.

More broadly, **online channels** ticked up as OEMs and major e-commerce sites offered promotions to help drive sales. Almost one out of every five smartphones shipped last quarter were through online channels. “What’s interesting to see is the fast rise of domestic fintech player Akulaku, which grabbed third spot last quarter in online shipments,” notes **Senior Analyst Febriman Abdillah**. “One of the ways they grabbed share was by providing buyers with Akulaku instalment plans. This ‘pay later’ pricing strategy will be important in growing the mid-end of the market, especially considering the current macro climate.”

Looking forward to 2H, our expectations for Indonesia remain tempered. Although it is less vulnerable to a recession than some of its regional and global peers, currency fluctuations will likely play a strong role in driving or hampering smartphone demand and our **global macro outlook** implies elevated inflation risk. Reduced spending power will hit segments shopping for low-to-mid end devices the hardest – making domestic smartphone demand especially vulnerable over the second half of 2022. However, there is room for some optimism as the upcoming 3G shutdown and continued **digital transformation** efforts will lead consumers to upgrade their phones.

“We’re expecting to see not only 3G replacement drive the lower end of the market, but consumers upgrading from **4G to 5G**, which reached 1.96m units for Q2, to help boost higher-value segments as people look to enhance their online experience,” says **Senior Analyst Glen Cardoza**. “This is good news for the mid-end of the market, which today delivers some incredible value in terms of specs.”

“We are also keeping our eye on e-sports and **smartphone gaming in the region**. We expect specs to support this type of gaming to become mainstream across mid-end devices. Hence, beyond **5G**, we see this as another upgrade driver, particularly amongst younger users – a massive demographic in Indonesia.”

Foldable Smartphone Shipments to Hit 16 Million Units in 2022, Up 73% YoY

AUGUST 10, 2022

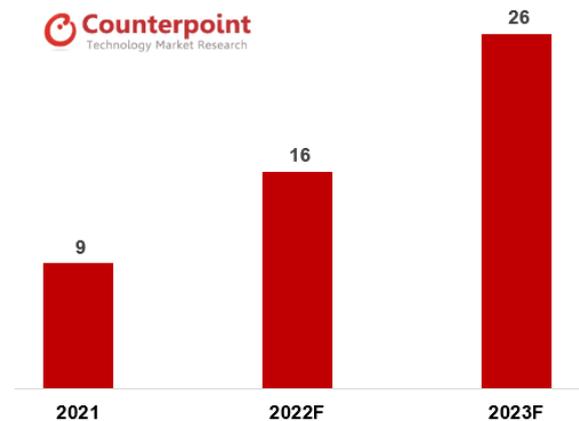
|BY JENE PARK

- Foldables continue to be the fastest growing smartphone product category this year. We expect their shipments to grow 73% YoY in 2022 to 16 million units.
- Samsung continues to lead the category it created with the first Galaxy Fold device.
- Samsung's share of the foldable market was 62% in the first half of this year.
- We expect this to jump to 80% in the second half with its new Galaxy Fold 4 and Flip 4 product launches.

Seoul, San Jose, London, New Delhi, Hong Kong, Beijing, Buenos Aires – August 10, 2022

The global foldable smartphone market will grow 73% this year from 9 million units last year to 16 million units, according to Counterpoint Research's latest Foldable Smartphone Forecast. The strong growth defies current economic headwinds as the premium market shows resilience and steady demand. Counterpoint forecasts strong growth through next year too, with foldables expected to grow to 26 million units in 2023.

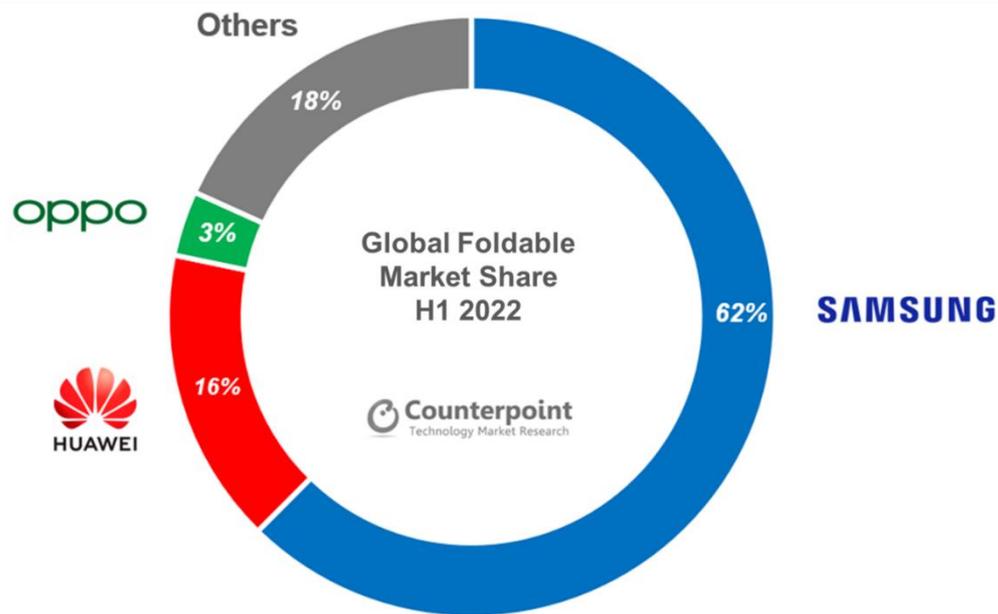
Global Foldable Smartphone Shipments (m units)



Source: Counterpoint Research Foldable Smartphone Forecast, August 2022

During H1 2022, Samsung enjoyed dominant market share of foldables, accounting for 62% of the market according to Counterpoint's Foldable Smartphone Tracker, June 2022; Huawei and OPPO came in a distant second and third.

Global Foldable Smartphone Market Share, H1 2022 (sell-through, unit-based)



Source: Counterpoint Research Foldable Smartphone Tracker, June 2022.

Commenting on Samsung's performance, **Senior Analyst Jene Park** said, "Samsung has led the market since the beginning, and we think its dominance will continue for some time. Huawei, OPPO, Xiaomi and vivo are all introducing new foldables but they are mostly limited to the Chinese market. Motorola may be the only contender in markets like the USA for now."

"We expect the new Galaxy Fold 4 and Flip 4 combo to continue Samsung's momentum in the space and sell close to 9m units this year, helping the company's H2 2022 foldables share to jump to 80%."

On the significance of the foldables segment across the broader market, Park added, "Foldables not only bring fresh design to smartphones – traditionally ruled by bar-type form factors – but also more screen real estate. This is growing in importance with smartphone use cases expanding, especially across media, entertainment and work."

Framing the growth in foldables, **we see the premium market showing strong growth** despite macro headwinds, with ultra-premium leading the segment.

MEA Smartphone Shipments Decline 7.8% YoY in Q2 2022 on Macro Headwinds

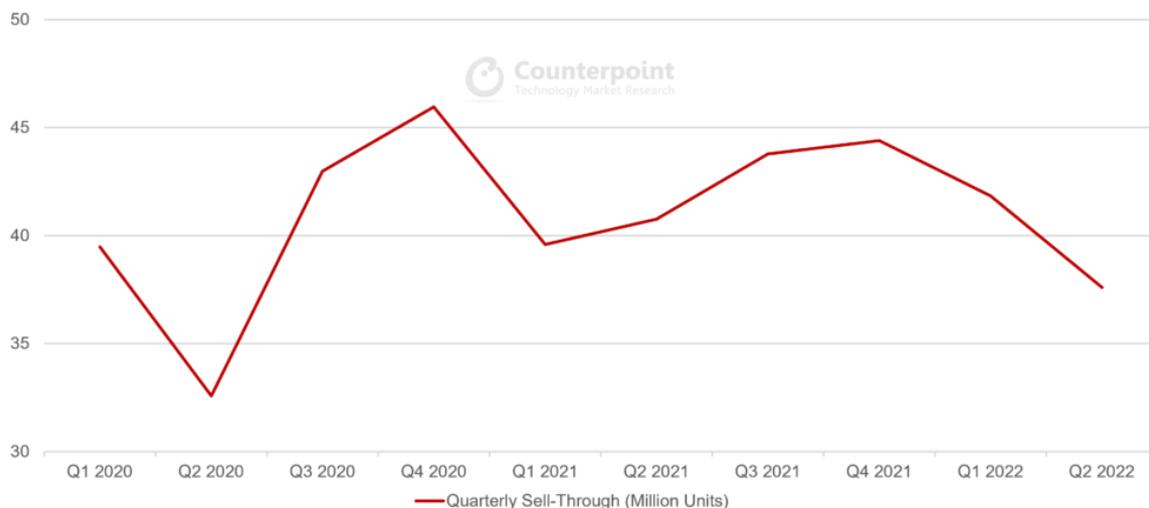
AUGUST 8, 2022

|BY YANG WANG

- MEA smartphone shipments retreated 7.8% YoY and 10% QoQ in Q2 2022 to 38 million units.
- This was the lowest level since Q2 2020, or since the depth of the COVID-19 pandemic.
- Samsung's shipments and market share increased YoY as the mid-range A series gained popularity in the region.
- Transsion Group's shipments were generally flat YoY. Infinix and TECNO gathered pace while itel struggled.
- New Chinese entrants Xiaomi, OPPO, vivo and realme trended down sharply due to caution stemming from demand issues elsewhere.

Smartphone shipments in the Middle East and Africa (MEA) region fell 7.8% YoY and 10% QoQ to 38 million units in Q2 2022, according to the latest research from Counterpoint's **Market Monitor Service**. Worsening macro headwinds on the economic and geopolitical fronts undermined consumer demand as well as brands' enthusiasm to expand their footprint across the region.

MEA Smartphone Quarterly Unit Shipments



Source: Counterpoint Research Market Monitor, Q2 2022

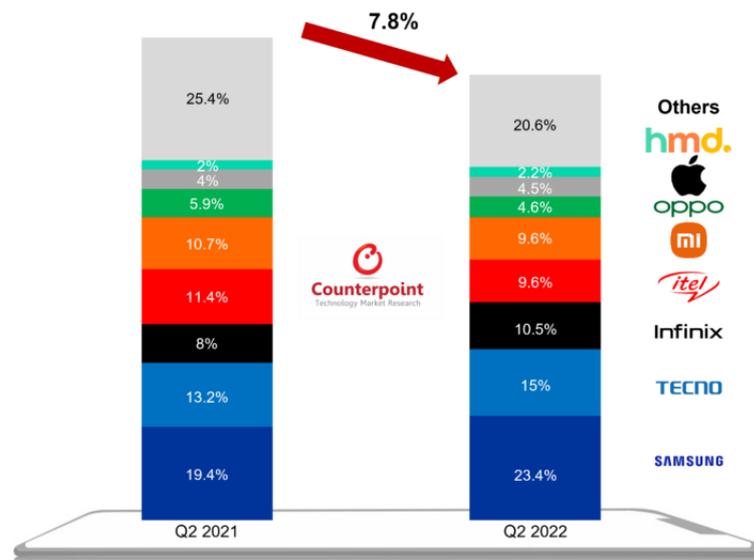
Commenting on the market's performance, **Senior Analyst Yang Wang** said, "The biggest drag on the market was, unsurprisingly, macro issues. Inflation induced by food and fuel shortages dampened consumer demand while declining domestic currencies against the US dollar reduced the purchasing power of consumers."

There were also secondary macro factors that impacted the market. For example, some governments imposed food export bans or 'non-essential' goods import bans to stem the outflow of foreign currency reserves. Taxes on electronics products were also increased, adding more hurdles to the market's smooth operation.

Given the pessimistic global macro sentiment, we also saw some brands becoming cautious about activities in the region. Difficulties elsewhere meant that brands were under pressure to streamline budgets and activities, which were redirected to more strategic markets and regions. This meant that incentives to push brand penetration in MEA were scaled back, which in turn forced distributors and

resellers to raise prices to defend their margins. These headwinds led to declining shipments for many OEMs.

MEA Smartphone Unit Shipments Share, Q2 2022 vs Q2 2021



Source: Counterpoint Research Market Monitor, Q2 2022

Notes: Xiaomi includes POCO and Redmi; OPPO includes OnePlus; Figures may not add up to 100% due to rounding

The market leader, **Samsung**, grew YoY from a relatively low base in Q2 2021 when it faced COVID-19 disruptions at its Vietnam production facilities. The new and revamped Galaxy A-series devices have performed well and were among the best-selling devices during Q2. Samsung's shipments are expected to grow in H2 with the upcoming launch of its new generation of foldables and as end-of-year sales approach.

Transsion Group's brands continued to take the biggest share of smartphone shipments in the MEA region. Transsion Group brands' shipment share grew YoY, largely driven by a strong performance of **Infinix** and **TECNO** devices. Multiple stylish and feature-rich new launches, like Infinix's Hot series and TECNO's Pova and Spark series, helped the brands weather adverse market forces. On the other hand, as the asymmetric impact of inflationary pressures on the low and entry tiers mounted during the quarter, **itel**'s smartphone shipments declined 23% YoY in Q2. itel is in a tough spot with regard to rising component prices, an underwhelming product portfolio revamp and customers migrating to the more upmarket TECNO and Infinix devices.

Apple's shipments also grew 2% YoY, largely due to better distribution and product availability in GCC countries. The iPhone 13 series has the best-selling premium devices in the region since its launch. **OPPO**, **realme**, **vivo** and **Xiaomi** saw steep YoY declines in their Q2 shipments. The OEMs continue to struggle in establishing a foothold in the region, as weak distributor incentives and supply issues have plagued the brands throughout H1 2022. Furthermore, stiff competition from regional stalwarts Samsung and Transsion Group's TECNO and Infinix has curtailed market share for the challenger brands. However, the ramping up of local production in Pakistan, specifically for OPPO, vivo and Xiaomi, could help ease supply issues in the region. But it is unlikely to have any substantial effect in 2022.

Despite the underwhelming market performance in the first half of the year, there are some reasons to be cautiously optimistic about the rest of the year. Though inflation has reached double digits in many

countries across MEA, it is not a new phenomenon and most customers have experienced these episodes in the recent past. This has brought them the ability to adapt quickly to the new economic realities. Also, we noticed that the average selling prices (ASP) of smartphones are continuing to trend up in the region, suggesting increasing digitization and customers' need for more sophisticated handsets. The easing of the global semiconductor shortage, which led to severe product availability issues for MEA in 2021, is also expected to help the market find a stronger footing once the economic issues subside.

Counterpoint Research's market-leading [Market Monitor](#), [Market Pulse](#) and [Model Sales](#) services for mobile handsets are available for subscribing clients.

Europe Smartphone Shipments Decline 11% YoY in Q2 2022 as Macro Climate Continues to Deteriorate

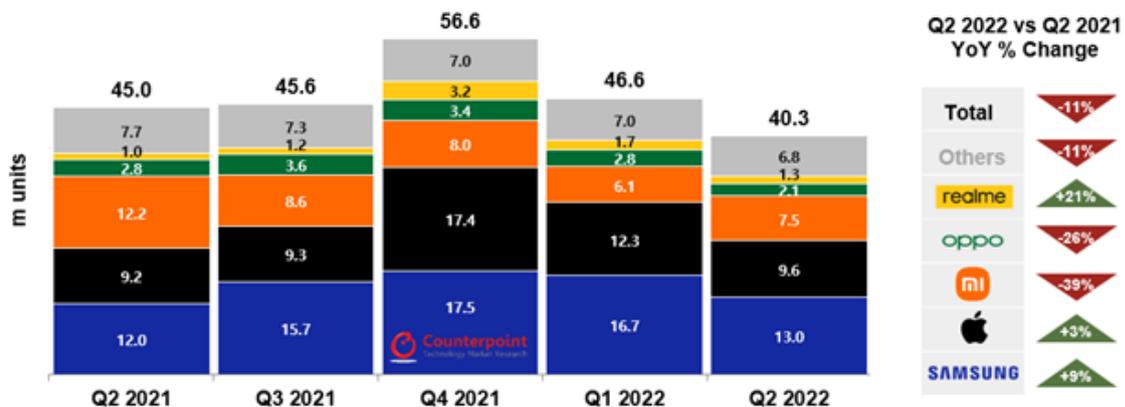
AUGUST 2, 2022

|BY JAN STRYJAK

- The Europe smartphone market declined by 11% YoY and 13% QoQ to 40 million units in Q2 2022, the lowest quarterly total since Q2 2020.
- A deteriorating macro climate and geopolitical uncertainty were the main constraints on demand
- Samsung and Apple managed to grow shipments and market share YoY, although both declined QoQ due to their withdrawal from the Russian market.
- Xiaomi and OPPO*, hit by China lockdowns, suffered double digit YoY declines in their respective shipments.
- realme continued its European expansion with double digit YoY shipment growth in Q2 2022

The European smartphone market declined by 11% year-on-year in Q2 2022, according to the latest research from **Counterpoint Research's Market Monitor** service, registering the lowest quarterly total since the early part of the COVID-19 pandemic. A deteriorating economic climate and ongoing geopolitical uncertainty continued to hamper both Europe's and the world's recovery from the COVID-19 pandemic and chip shortages.

Q2 2022 European Smartphone Shipments and Growth

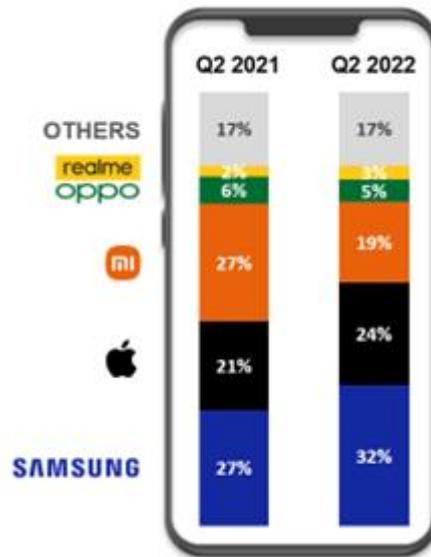


Source: Counterpoint Research Quarterly Market Monitor, Q2 2022.

Note: OPPO includes OnePlus since Q3 2021.

Counterpoint Research's Associate Director, Jan Stryjak said, "it was a mixed bag of results in Q2 2022, and year-on-year comparisons mask complex market dynamics. Much has changed in Europe compared to last year and even last quarter, both from an industry and macro perspective."

Q2 2022 European Smartphone Shipments Share



Source: Counterpoint Research Quarterly Market Monitor, Q2 2022.

Note: OPPO includes OnePlus since Q3 2021.

Samsung remained Europe's number one vendor and grew both shipments and market share over the year, but this was mostly thanks to Q2 2021 being Samsung's lowest European shipments total in over a decade due to factory shutdowns in Vietnam. Compared to Q1 2022 though, Samsung's European shipments dropped by almost a quarter due to its withdrawal from **Russia**.

Apple also grew both shipments and market share year-on-year in Europe – largely due to the launch of the 5G-enabled iPhone SE – but it declined drastically quarter-on-quarter for the same reason as Samsung.

Xiaomi declined from a peak in Q2 2021, which was its best quarter in Europe ever, having been hit particularly hard by supply issues. However, Xiaomi made the most of Samsung and Apple's Russian withdrawal and gained significantly quarter-on-quarter, especially in Eastern Europe.

Rounding out the top five, OPPO was hit by supply and manufacturing issues in **China**, while **realme** continued its impressive performance in Europe with double digit year-on-year shipment growth (although growth has stalled a bit in recent quarters).

Commenting on the outlook for the rest of the year, Stryjak added “the situation in Europe unfortunately remains **bleak**. Many countries in Europe are slipping closer to recession, and domestic political tensions in numerous countries beyond Russia and Ukraine are rising, for example in France, Germany and the UK. We remain hopeful, though, that the bottom has been reached and the trajectory should turn upwards soon, but the recovery will likely be long and slow.”

Apple Posts Revenue Growth Despite ‘Cocktail of Headwinds’

JULY 29, 2022

|BY HANISH BHATIA

Apple reported a record June quarter with “better than expected” revenue, up 2% YoY at \$83 billion. **Supply chain constraints**, foreign exchange (FX) headwinds and Russia-Ukraine conflict **spillover effect** remained the key growth challenges with Apple describing them as a “cocktail of headwinds”.

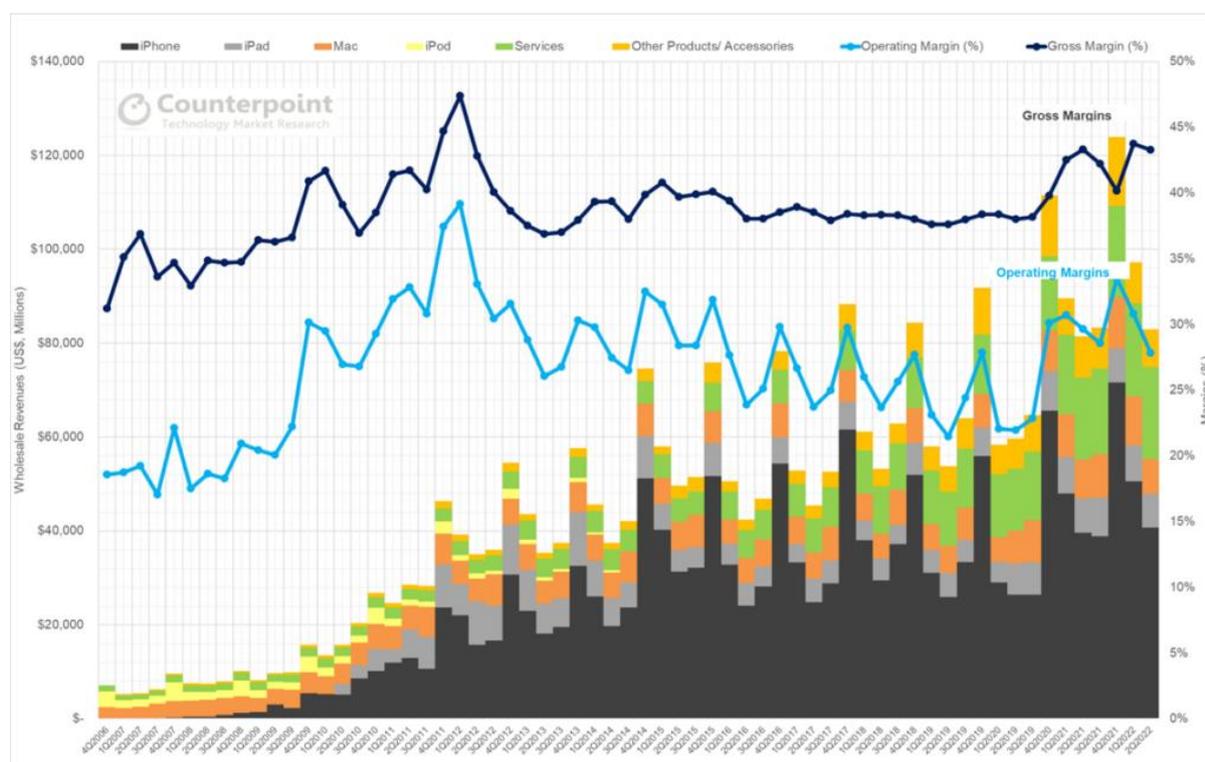
The company posted record revenues in the Americas, Europe and Rest of Asia-Pacific driven by strong double-digit growth in **Brazil, Indonesia and Vietnam**, and **2X growth in India**. In China, **COVID-19 lockdowns** impacted the demand which rebounded towards the end of the quarter, but YoY growth still remained negative.

iPhone resilient to unfavorable FX, macro environment; wearables, home categories impacted

Apple recorded \$63-billion revenue on the product side, covering iPhone, iPad, Mac, wearables, home and accessories. While the iPhone demand remained resilient, Apple did see some impact in other categories.

- iPhone revenue grew 3% YoY at \$40.7 billion despite FX headwinds, but there was no evidence of macroeconomic impact on demand. iPhone 13 camera features, such as cinematic mode and macro photography, have been hallmarks of the model that continue to drive strong demand. The iPhone Mini has been the weak link among the four iPhone SKUs. But stronger differentiation of Pro and non-Pro lineups can bring more choice to consumers in the coming launch cycle.
- Apart from the strong upgrade cycle, Apple is successfully onboarding new users. Its switcher growth, which hit a fresh record during the quarter, is particularly driven by emerging countries where Apple has plenty of headroom to grow. This will continue to build further the 1.8 billion+ device installed base (last reported in January 2022).
- Mac and **iPad** revenue were down YoY at \$7.4 billion and \$7.2 billion, respectively. Since both categories were hit by supply constraints, the sensitivity of the demand to macro factors remained untested. Apple remains bullish on both iPad and Mac with vertical integration of its product lineup with the M2 chip and continued investment in Apple silicon.
- The **wearables**, home and accessories category reported \$8.1 billion in revenues, down 8% YoY due to the impact of FX downtrend, macro factors and unfavorable launch timing of certain home and accessory products, like the launch of AirTags in Q2 2021. But Apple continues to add first-time users to its watch ecosystem. Almost two-thirds of the **Apple Watch** users are first-time users. Watch users still remain underpenetrated when compared to the brand’s strong iPhone user base. Apple continues to lead smartwatch innovation in features, design, pricing and new technologies like 5G Redcap, which are likely to be a growth engine for the next generation of wearables.

Apple Wholesale Revenues, Operating Margin, Gross Margin



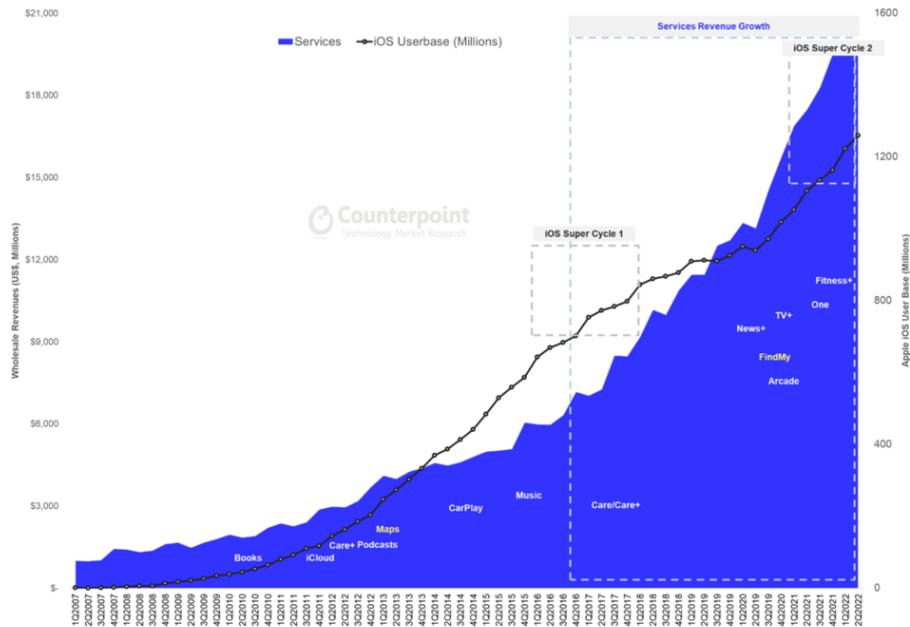
Source: Counterpoint Research

Services continues to post double-digit record revenues; gross margins much higher than hardware

Apple's **services** business continues to grow faster than hardware categories. The segment posted \$19.6-billion revenue, up 12% YoY driven by a bouquet of services such as news, fitness and gaming. This also marked the highest ever share of Apple's services revenue in its total revenue at 23.5%. It is important to note that the services gross margin at 71.5% remains much higher than the hardware gross margin of 34.5%.

- Services revenue growth was at an all-time high in the US, Mexico, Brazil, South Korea and India. Music, Cloud, Apple Care and Payment Services posted a record quarter.
- Most services had no noticeable impact due to weaker global economy, but digital advertising was clearly impacted. This is also consistent with the latest earnings reported by Snapchat, Facebook and Google.
- Higher lending rates are leading to leaner advertising budgets. The impact on Apple is likely to be much lower as much of its services revenue is recurring.
- The subtle placement of Apple products in its original content on Apple TV+ has created strong brand loyalty and continues to fuel the growth of hardware products as well. Severance and Black Bird were notable mentions from the previous quarter. This will continue to build up as Apple wins streaming rights for Friday night baseball and soccer leagues.
- Apple now has 860 million paid subscriptions across its services platform, adding 160 million in the last 12 months alone. But Apple shied away from giving a certain growth rate for its services business due to the breadth of services.

Apple Device and Services Super Cycles



Source: Counterpoint Research

Opportunities

- Apple's next-generation CarPlay, announced at **VWDC22 in June**, is diving deeper into the automotive industry ahead of the anticipated Apple Car launch. At present, 98% of the cars sold in the US come with pre-installed Apple CarPlay. This further builds an opportunity to sell services to car owners. GM already drives \$2 billion+ from in-car subscriptions, while **Tesla charges \$199 per month** for full-self-drive (FSD) capability.
- Apple sees a two-fold initiative to keep affordability in check – the buy-now-pay-later trend that is already picking up across the world, and a trade-in program. The latter is a huge differentiator as the perceived value of a used iPhone remains a key value proposition for consumers making a new purchase.
- Watch is a powerhouse of health data for Apple and the company continues to add new features to target daily lifestyle activities around wellness and fitness. Apple talked about new features awaiting FDA approval that could track irregular heart rhythms.
- On the AR/VR opportunity, there are now 14,000 ARKit apps on the app store accessible through iPhone and iPad. But Apple again shied away from making any speculative statement on the much-hyped AR/VR hardware.

Currency headwinds but eased supply constraints in the coming quarter

Apple expects currency headwinds to continue in the September quarter, but supply chain constraints are likely to ease unless the geopolitical or economic environment worsens. Counterpoint's base case scenario expects a YoY growth for Apple in the next quarter. Weaker overall demand is seen, particularly in China and Europe, but the US continues to record strong demand driven by carrier subsidies and promos. The brand's growth in the emerging market also continues.

In the medium term, a modest sales cycle is likely to be followed by another super cycle of iPhone sales. This will further inflate the iOS user base, which will catapult Apple's services revenue beyond 25% of its total revenue sooner than we expect.

India Smartphone Shipments Decline 5% QoQ; 5G Smartphone Installed Base Crosses 50 Million

JULY 29, 2022

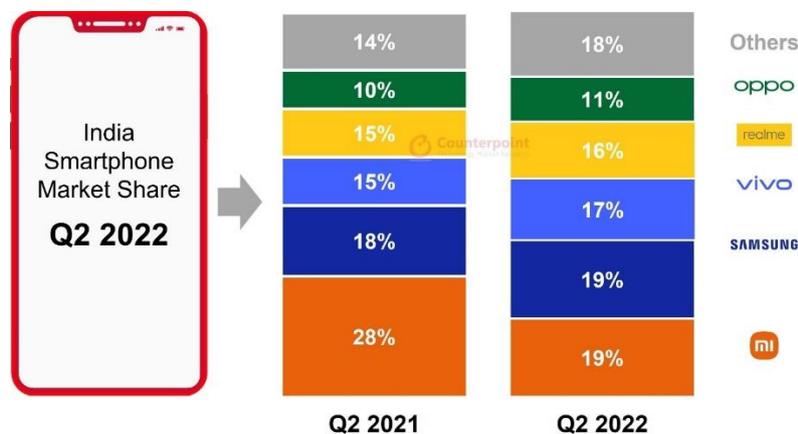
BY SHILPI JAIN

- India's smartphone installed base crossed 600 million during the quarter.
- Xiaomi led the market in Q2 2022 with a 19% shipment share, closely followed by Samsung.
- 5G smartphones contributed to 29% of overall shipments. Samsung led the 5G smartphone segment with a 25% share, followed by vivo and OnePlus.
- Three out of the top five smartphone models in Q2 2022 were from realme.
- Samsung led the premium smartphone market (>INR 30,000), closely followed by Apple.

India's smartphone shipments **grew 9% YoY but fell 5% QoQ to reach almost 37 million units** in Q2 2022 (April-June), according to the latest research from Counterpoint's [Market Monitor](#) service. The YoY growth was primarily driven by a lower base in Q2 2021 due to the second COVID-19 wave. The QoQ drop was due to macroeconomic headwinds affecting consumer demand.

Commenting on the market dynamics, **Senior Research Analyst Prachir Singh** said, "We saw the consumer demand declining QoQ during the quarter, especially in May and June. Consumers are preferring to repair their device or buy a refurbished one than make a new purchase. This trend is more visible in the entry and budget segments. Due to this decline in demand, almost all the brands are facing inventory issues. At the end of June, India's smartphone market was sitting on more than 10 weeks of inventory, more than double the normal inventory size. Brands were seen aggressively promoting offers to clear this inventory and prepare for the festive season."

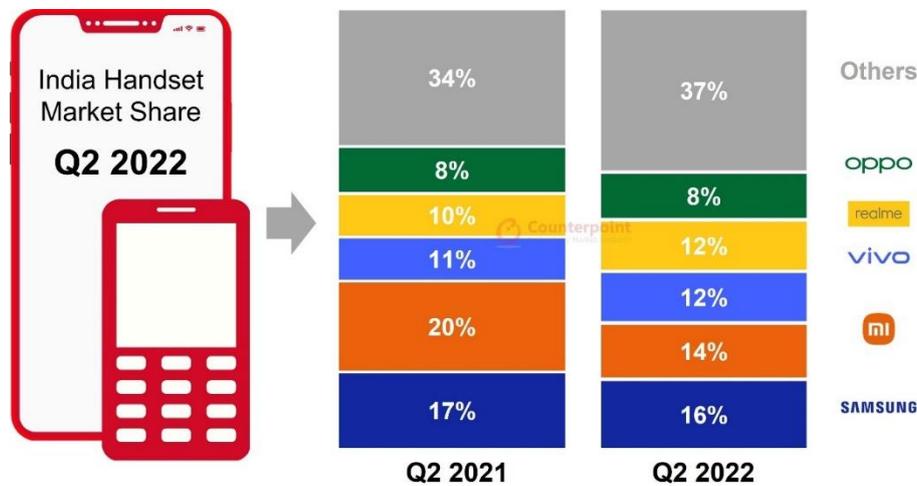
Commenting on the competitive landscape and brand strategies, **Research Analyst Shilpi Jain** said, "India's smartphone user base crossed the 600-million mark during this quarter. Also, the **5G** smartphone penetration continued to increase. The 5G smartphone shipment share reached 29% of overall shipments in Q2 2022, which was the highest ever. The 5G auction and commercial availability will accelerate 5G smartphone adoption among users. The smartphone retail ASP (average selling price) is also witnessing a growth trend. It grew 10% YoY in Q2 2022 driven by an increasing share of the higher price segments. The >INR 20,000 price band's share reached the highest ever in Q2 2022, crossing the 22% mark. The growth in upper and premium segments is primarily due to the availability of financing schemes aimed at increasing device affordability."



Source: Counterpoint Research Market Monitor, Q2 2022

Note: Xiaomi includes POCO brand; OPPO excludes OnePlus brand; vivo includes IQOO brand; Figures not exact due to rounding

India's mobile handset market grew 6% YoY but fell 9% QoQ in Q2 2022. The feature phone market registered a decline of 17% QoQ primarily due to the decline in consumer demand. itel led India's feature phone market in Q2 2022 with a 25% share. itel has been the top feature phone brand for 10 consecutive quarters.



Source: Counterpoint Research Market Monitor, Q2 2022

Note: Xiaomi includes POCO brand; OPPO excludes OnePlus brand; vivo includes IQOO brand; Figures may not add up to 100% due to rounding

Market Summary:

- Xiaomi maintained its lead in India's smartphone market in Q2 2022**, though it declined 26% YoY. Xiaomi faced multiple issues like component shortages, which persisted throughout Q2, inflation and increasing competition in the entry-level segment. However, revamping the budget portfolio with the Redmi 10 series, gaining mindshare in the mid and premium segments and multiple sales throughout the quarter helped Xiaomi maintain its top position. It also captured the third position in 5G smartphone shipments.
- Samsung held the second spot** in Q2 2022 with a 14% YoY growth. It also remained the top-selling 5G smartphone brand in India. Focus on supporting multiple 5G bands in the mid segment (INR 20,000 – INR 30,000) drove Samsung's 5G growth. Revamp of the **M series**, strong demand for the S22 Ultra, introduction of various financing schemes in Tier 2 cities and strengthening of own e-store aided Samsung's growth in Q2 2022. Samsung also kept its top position in the affordable premium segment (INR 30,000 – INR 45,000).
- vivo recaptured the third position with 22% YoY growth**. Strong position in the offline segment while expanding reach in online through T-series, upgrading the sub-INR 10,000 portfolio with the Y15c and Y01, increasing local production, leaner inventory and revamping the X series in the premium segment helped vivo gain mindshare as well as market share. vivo also held the second position in 5G smartphone shipments with a 23% share driven by the T1 series.
- realme slipped to the fourth spot in Q2 2022 but remained the fastest growing among the top five OEMs** with 23% YoY growth. Diversified supply chain, aggressive distribution strategy both for offline as well as online, focus on 5G in the >INR 15,000 segment and revamp of its star C series drove realme's shipments. However, higher inventory in channels might impact its shipments in the coming months.
- OPPO** remained consistent in maintaining its fifth position in India's smartphone market. However, revamping the portfolio across price tiers with the A16 series in the budget segment, F21 series in the upper-mid segment and the K10 series in the lower-mid segment,

expanding online reach through the newly launched K10 series and positive response from consumers led to OPPO's 18% YoY growth in Q2 2022.

- **Transsion Group brands** (itel, Infinix and TECNO) captured a 12% share in India's handset market and held the fourth spot. itel led the sub-INR 6,000 smartphone segment with a 77% share driven by strong shipments of the A23 Pro and A27. TECNO captured the second spot in the sub-INR 8,000 smartphone segment driven by strong demand for the Spark Go 2022 and Pop 5 LTE in Tier 2 and Tier 3 cities.
- **Apple grew** 63% YoY in Q2 2022 driven by a smaller base in Q2 2021 due to the COVID-19 second wave. It remained the top-selling brand in the ultra-premium segment (>INR 45,000 or ~ \$650). Increasing 'Make in India' capabilities for both local consumption as well as exports, offline push through multiple promotions and consumers' brand preference in the >INR 50,000 segment helped Apple retain its edge in the premium segment. The opening of its own e-store, iPhone SE 2022 and offers on other models will further drive Apple's shipments in the coming quarters.
- **OnePlus grew 45% YoY in Q2 2022 driven** by the Nord CE 2 series and OnePlus 10 shipments. OnePlus remained at the third spot in the premium segment (> INR 30,000). The brand also captured the third position in 5G smartphone shipments owing to its 100% 5G portfolio.

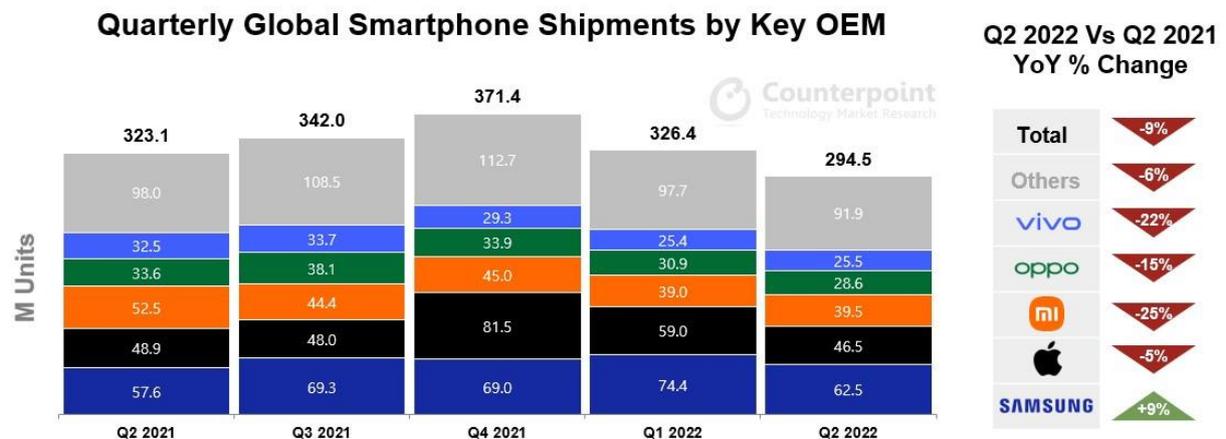
Global Smartphone Shipments Decline 9% YoY in Q2 2022 Amid Deteriorating Economic and Geopolitical Climate

JULY 29, 2022

|BY JAN STRYJAK

- The global smartphone market declined by 9% YoY and 10% QoQ to 295 million units in Q2 2022.
- This was the first time quarterly shipments dropped below 300 million units since Q2 2020 during the early part of the COVID-19 pandemic.
- Samsung was the only top-five smartphone brand to grow YoY, increasing shipments by 8% YoY and growing market share by three percentage points to 21%.
- Apple’s shipments declined by 5% YoY in Q2 2022, although its share increased in a diminished market.
- Xiaomi, OPPO* and vivo, hit by China lockdowns, suffered double digit YoY declines in their respective shipments.

The global smartphone market took a further dip in Q2 2022, with shipments declining by 9% year-on-year to reach 294.5 million units, according to the latest research from **Counterpoint’s Market Monitor** service. Deteriorating economic conditions were exacerbated by ongoing geopolitical uncertainty caused by the war in Ukraine, weakening an industry that hadn’t yet fully recovered from the COVID-19 pandemic and chip shortages.



Source: Counterpoint Research Quarterly Market Monitor, Q2 2022

Note: OPPO includes OnePlus since Q3 2021

Commenting on the overall market dynamics, Associate Director Jan Stryjak said “the second quarter of 2022 proved **challenging** for the global smartphone market, with most vendors recording year-on-year shipment declines. Samsung was the only top-five vendor that managed to grow over the year, although this was largely due to Q2 2021 being a particularly poor quarter for Samsung thanks to COVID-related production issues, especially at its Vietnam factory. Nevertheless, Samsung retained the top spot, growing 8% year-on-year and gaining three percentage points of market share to 21%. **Apple** experienced a relatively small decline of 5% year-on-year due to macroeconomic headwinds, particularly in **China**. Shipments of Xiaomi, OPPO* and vivo, however, fell by 25%, 15% and 22% respectively.”

These top Chinese brands – facing lockdowns in China on top of a global economic slowdown – were hit particularly hard as the Chinese market fell to its lowest level in almost a decade. At the same time, they are being challenged more aggressively at home by a strengthened **HONOR**, while Huawei

has also begun showing signs of recovery thanks to the trust that it still enjoys among Chinese smartphone users.

Senior Analyst Harmeet Singh Walia noted, “outside the top five, there was also a mixed bag of results. But the clear winner was HONOR, which became the sixth largest smartphone vendor globally (from eighth in Q2 2021) with year-on-year shipment growth of 79% in Q2 2022. This is primarily due to the re-establishment of the brand’s relationships with component players. Transsion Group’s brands TECNO and Infinix also posted shipment growth of 2% and 16% respectively over the year. Offering phones with enhanced design and improved specs paid dividends, as did their strategy to continue incentivising distributors while few other brands are doing so.”

Looking ahead, the challenges are likely to continue for the rest of the year. A pessimistic economic growth outlook with many countries on the brink of recession, ongoing and prolonged geopolitical uncertainty, rising commodity prices and weakening consumer demand for tech products are all impediments to the smartphone industry’s post-COVID recovery.

*OPPO includes OnePlus from Q3 2021

China Smartphone Sales Hit New Low in Q2 2022; HONOR Bucks the Trend, Doubles Sales

JULY 27, 2022

|BY IVAN LAM

- China's smartphone sales hit a fresh low in Q2 2022 to reach less than half of the sales of the historical peak in Q4 2016. The last time the sales were lower than this point was nearly a decade ago in Q4 2012, when the iPhone 5 was introduced.
- Capturing a 19.8% share, vivo retained its first place in Q2 2022, followed by HONOR (18.3%) and OPPO (17.9%).
- Apple took the fourth position with a 15.5% share.
- HONOR doubled its sales YoY and was the only major brand to show a YoY increase. realme's sales dropped 44.3% YoY.

China's smartphone sales decreased 14.2% YoY in Q2 2022, according to Counterpoint's **Market Pulse** report. The quarter's volumes were 12.6% lower than the level seen during the severe pandemic-hit Q1 2020, and less than half of the historical peak of Q4 2016. *The last time the sales were lower than this point was nearly a decade ago in Q4 2012, when the iPhone 5 was introduced.*



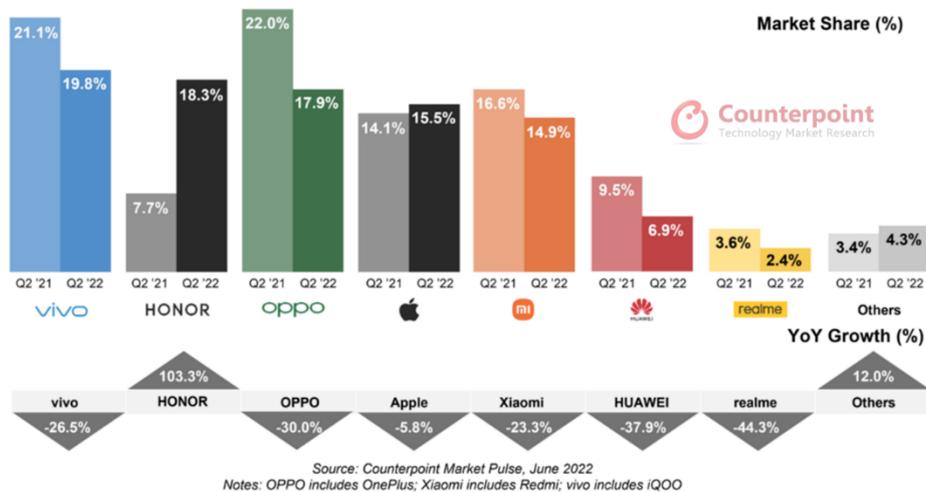
Source: Counterpoint Market Pulse, June 2022

Commenting on the Chinese smartphone market's performance, **Senior Analyst Ivan Lam** said, "China's economy merely grew 0.4% YoY in Q2 2022, lower than the market expectation of 0.8%-1%. During this period, major cities across China, including financial and manufacturing hub Pan-Shanghai, went through full or partial lockdowns. The hardest hit was the services sector, which fell into contraction territory, from 4% YoY growth in the first quarter to 0.4% in the second quarter. The deepest decline occurred in April's consumption data, with total retail sales of consumer goods falling 11.1% YoY. Weak consumer sentiment combined with the high smartphone penetration rate in China resulted in poor Q2 performance of smartphone sales."

Lam added, "Smartphone sales rose during the 618 e-commerce promotion period and with the gradual lifting of lockdowns in major cities. However, the sales during this promotion period were still down around 10% YoY. Given the low sales volume number for Q2 2022, we expect smartphone sales to rebound in the next quarter. At the same time, with the demand continuing to be

underwhelming due to weak consumer sentiment and lack of new innovations, it is going to be very hard to make the situation better in the second half when compared to last year.”

China Smartphone Market Share, Q2 2021 vs Q2 2022



On key vendors’ performance, **Research Analyst Mengmeng Zhang** said, “During the quarter, **vivo** maintained its leadership. The mid-to-high-end S12 series helped vivo grab a good share in the \$250-\$399 segment. Sub-brand iQOO also received positive market feedback, especially from younger customers.”

Zhang added, “**HONOR** continues its great comeback by expanding its offline presence. With the lockdowns hitting major cities, HONOR’s coverage in lower-tier cities, which saw fewer lockdowns, helped the brand steer through the turbulence in Q2 2022. It may be noted that HONOR managed to take share from all the leading Chinese brands, including Huawei, during the quarter. It is time for OPPO and vivo, known as the “offline channel kings”, to take HONOR seriously.”

Apple still saw a comparatively good performance thanks to the shining sales of the iPhone 13 series in Q2 2022. Xiaomi saw a sales pick-up in June driven by the models like the Redmi K50 and Note 11 series. **Research Analyst Archie Zhang** said, “The increasing 5G penetration in China allows **Xiaomi** to tackle the shortage of 4G/LTE SoCs. But though its products can be seen on the shelves of more than 10,000 offline shops, Xiaomi is still grappling with sluggish sales.”

Despite the discouraging performance in Q2 2022, major Chinese OEMs continued efforts to strengthen their positions in the high-end segment. HONOR and **Xiaomi** have been benchmarking their high-end models against Apple by incorporating several iPhone features. OPPO and vivo are also leveraging their newly launched **foldables** to increase premium segment share. Commenting on the fast-growing new form factor, **Lam** said, “Major Chinese OEMs have not many options when it comes to penetrating the Apple-dominated premium segment. Foldable smartphone sales in the first half of 2022 have already surpassed that of 2021 with Huawei leading the segment, followed by Samsung and OPPO. We expect at least 4-5 new foldable models to be launched in the second half of 2022.”

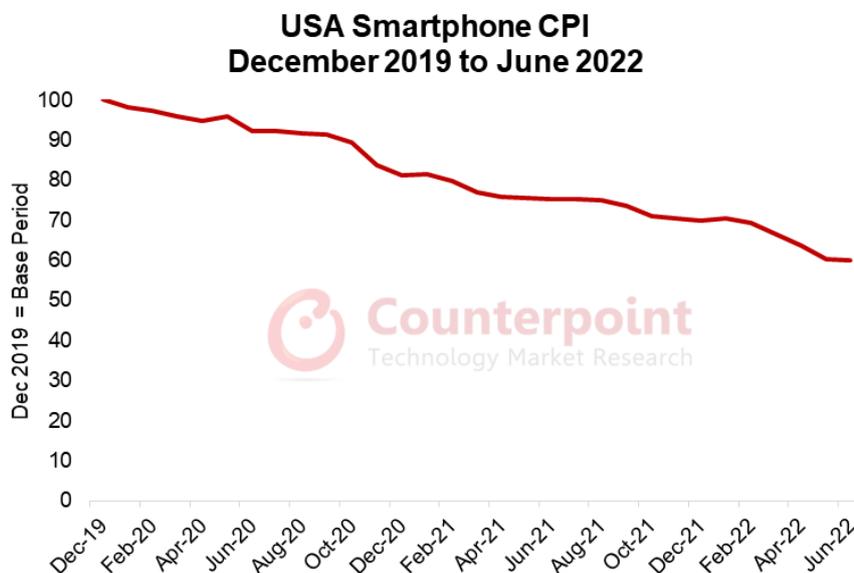
20% YoY Decline in US Smartphone CPI Hides True Rising Costs of Devices

JULY 26, 2022

|BY MAURICE KLAEHNE

The US Consumer Price Index (CPI) measures the average change over time of a basket of goods and services. It is one of the primary measures of **inflation**. The recent June report notes that the CPI for all urban consumers rose 9.1% over the last 12 months not seasonally adjusted.

However, during the same period, smartphone CPI declined 20% YoY. In fact, taking December 2019 as the base period, we have seen smartphone pricing decline almost every month. What does this all mean?



Source: US Bureau of Labor and Statistics, June 2022

Looking at these numbers don't tell the full story. While the CPI does provide a good indication of inflation, when looking at the goods and services measured, it ignores the role of promotions and discounts in reducing prices. Though the smartphone market has been **fiercely competitive**, full retail prices for smartphones have increased over the last several years if we ignore promotions and discounts.

5G rollouts heighten carrier competition, sweeten deals

- Carrier **promotions** have increased over the years as they try to grab subscribers from each other and get more subscribers on their 5G networks.
- **AT&T** has pledged a promotional strategy that gives both new and old subscribers the same deals, eliminating the surprise price increases that consumers often face after promotional pricing runs out.
- Verizon has been very aggressive with its trade-in offers, even allowing for broken devices to be traded in for full value at times.
- T-Mobile has been touting its Great Free 5G Phone Upgrade program and other promotions for well over a year. We have not seen promotions cool in 2022 yet. Instead, they are better than in 2021 in many cases.

Improvements in smartphone design, components raise prices

- Since the introduction of first 5G smartphones in 2019, we have seen full retail prices for devices increasing due to the added cost of 5G modules and increases in other specs to optimize 5G technology.
- In addition, foldables entered the market at very high retail prices and have continued to remain a premium product.
- Lastly, due to the component shortages of 2021, there was a lack of LTE chipsets, which drove up costs for manufacturers as they had to pay for higher-priced 5G SoCs.
- According to Counterpoint's **USA Channel Share Tracker**, wholesale prices increased by about 20% YoY in Q2 2022.

Will we see prices increase in future?

- Japan's yen recently depreciated an almost unprecedented 20% against the US dollar, making Apple and even the carrier Rakuten raise iPhone and other Apple product prices by 20%-40%, stirring up concerns of price hikes in other countries.
- In the case of Japan, many were buying these iPhones and trying to resell or ship them to other markets. The price increase took this into account.
- In general, Apple pricing and volumes are locked in by carriers and rarely change in most countries. This sort of price increase in the middle of a sales cycle will likely be more rare in other economies and highly dependent on further unprecedented currency depreciation.
- Supply chain and logistics costs may increase smartphone prices in the future. However, so far, these have not been passed on to the consumer in the US. Carriers are absorbing these costs by increasing services and other fees.

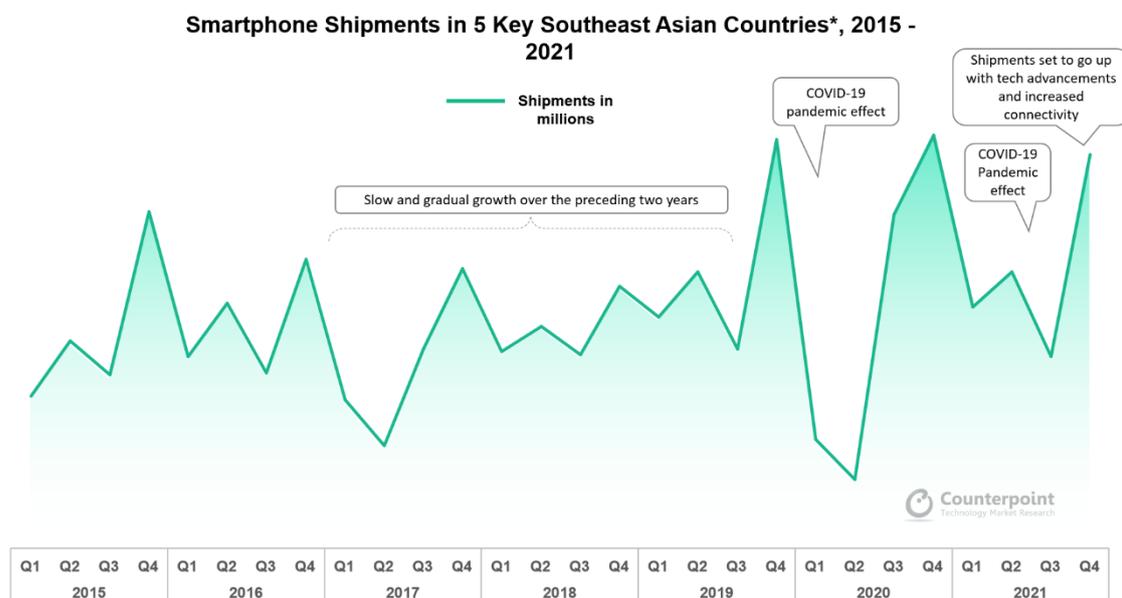
Southeast Asia Can't Get Enough of Smartphone Gaming

JULY 20, 2022

|BY GLEN CARDOZA

Gaming as an industry has been growing in leaps and bounds globally. While consoles and PCs are widely used platforms, the smartphone gaming demographic is growing the fastest and this is particularly seen in **Southeast Asia**. The region also looks to be more promising as there are many factors propelling the current growth, chief among them being a whole new demographic adopting smartphones, getting digitally savvy and getting to know the gaming world. There are other important factors like increased internet connectivity and favorable changes accelerated by the COVID-19 pandemic in the last two years.

There are many other reasons at the country level as well, but there is one undeniable factor that would not have made this growth possible – smartphones. According to **Counterpoint Research's Southeast Asia Smartphone Tracker**, key Southeast Asian countries' (**Indonesia, Thailand, Philippines, Malaysia and Vietnam**) smartphone shipments in 2021 were back to 2019 levels.

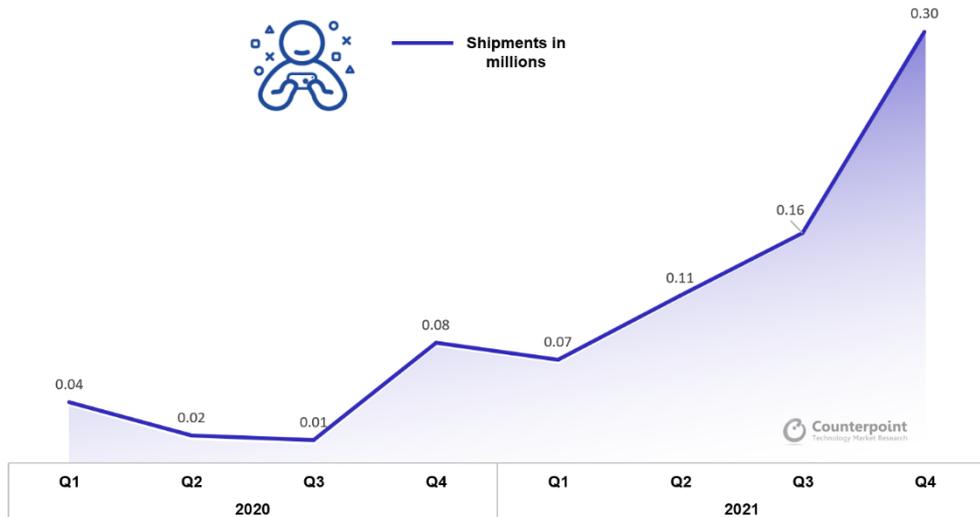


*Key five countries include Indonesia, Thailand, Philippines, Malaysia and Vietnam

Source: Counterpoint Research Southeast Asia Smartphone Tracker

Gaming smartphones continue to see an increase in demand. During the festive season in Q4 2021, gaming smartphones saw a 270% YoY increase. The affluent gamer demographic is growing exponentially, and this trend is likely to increase with all the focus that gaming is getting in these markets. Along with consumer interest, there is an increased focus on **e-gaming** from **governments** and industry players across the ecosystem. Currently there are more than 102 million active smartphone gamers in the 5 key Southeast Asian countries and this number is bound to increase in the coming years.

Growth in Specialized Gaming Smartphones, 2020-2021



*Specialized gaming smartphones include the likes of Asus ROG Phone, Nubia Red Magic series and Black Shark models

Source: Counterpoint Research Southeast Asia Smartphone Tracker

Indonesia, Malaysia, Thailand, Vietnam, Singapore, and the Philippines are the six most significant countries for mobile gaming in Southeast Asia. Whether they are small quick games to pass some time or more engaging strategy and shooter-type games, the gamer consumer base has gone up in the region just as fast as smartphone adoption over the last two years.

Factors pushing gaming growth over the last two years:

- Investments in **internet penetration**, especially in Tier 2 and Tier 3 cities.
- Increased focus on 5G infrastructure growth and adoption.
- Consistently growing **demand for smartphones**, gaming smartphones in particular.
- An effective way to pass the time when stranded at home during pandemic **lockdowns** and restrictions. For many people, less work or no work is a motivation to play on smartphones.
- An escape from ongoing volatility in macroeconomic factors like **inflation**, sustained COVID-19 repercussions, war situation in Europe and other more country-level factors.
- Widening choice with multiple gaming genres (like strategy, shooting and e-sports) across multiple platforms (mobile, PC, console and even television).
- Types of games all the way from casual to elaborate heavy-duty games that make a player a full-time earning pro-gamer. Some countries in this region also promote international gaming tournaments.

Connectivity and Ecosystem Initiatives:

Connectivity has played a vital role in increasing online gaming in the region. **Fixed broadband** connections have seen tremendous growth in the last two years along with a jump in new subscribers. Tier 2 and Tier 3 cities in the key SEA countries have seen some major growth as well. Broadband, whether fiber or fixed wireless, makes up more than 38% of the base in these key SEA countries. 5G connectivity is being improved starting with metro and Tier 1 cities. 4G connectivity is being increased throughout these countries as well. All this has played a major role in pushing the gaming culture irrespective of geography, age, gender, or economic background of the user.

OEMs have understood that a good gaming experience is supposed to be a necessity even for the casual gamer and not just the heavy-duty gamer.

Esports is big in the **Philippines**. **realme**, one of the top smartphone brands in the country, has partnered with the national team SIBOL for esport tournaments. realme itself has its pro-gaming tournament 'Realme Mobile Legends Cup' in the country.

Infinix is an upcoming brand in most Southeast Asian countries. Its focus on gaming models has led to the brand being considered for low-range to mid-range smartphones for gaming. Gaming smartphone biggies like **Asus** have said that the gaming smartphone business is not yet profitable for them, but they are still sticking to their image and launching more gaming phones.

Operators like **Dtac** in **Thailand** are offering gamers a specialized package with maximum speed and special internet lanes to make sure excess usage does not result in lags.

Top semiconductor companies **Qualcomm** and **MediaTek** have been focusing on the **gaming** consumer for a while now with gaming-related chipset versions of their standard offerings. Even chipset makers like **ARM** have been considering gaming as a motivation behind future tech. ARM recently came out with a gaming-specific chip.

The Changing Ecosystem:

There is a mix of low-end to high-end smartphone users in each of the SEA countries, but every country shows different characteristics and preferences in gaming genres. Southeast Asia's consumer base is maturing. Indonesia and Thailand are the region's largest revenue earners, followed by the Philippines and **Malaysia**. The **Indonesian** market is not only the region's largest but also the fastest growing. In Southeast Asia, the younger population, which used to play smaller games on cheaper phones, is upgrading to mid-tier phones and preferring more heavy-duty games.

It is already established that SEA is a huge gaming market with more potential but there are many factors changing this volatile tech trend currently.

Trends changing the gaming ecosystem:

- Female gamers lead male gamers in many areas of the region. Most avid gamers can be found between the ages of 25 and 60. The bulk of this demographic in the region usually does not have a very high-priced smartphone. This means that even low-range to mid-range smartphones are being used for gaming and not necessarily just for casual games.
- Increase in **video content** related to gaming, with the rising viewership on online platforms such as Twitch and YouTube, is resulting in marketing initiatives across platforms, apps and games.
- **Cloud-based gaming** and interconnectivity of gaming platforms are likely to affect device purchases in the coming year. There is an opportunity for consumers to opt for phones with lower specifications. As cloud gaming increases its footprint, gamers will only need a steady, fast internet connection.
- To counter the frequent churn due to higher boredom levels in casual games, more variety is now being introduced in these games. Game makers are investing in research, marketing campaigns and, more importantly, associating with the right players in the ecosystem.
- Consumers are actively demanding the capability to play heavy-duty console and PC games on mobile platforms. This is a big opportunity for smartphone OEMs especially with growth in 5G connectivity.

Gamers and their Smartphones:



Source: Counterpoint Research

Gamers who are invested in heavy multiplayer graphics online games like PUB G make up a smaller portion of the pie in this region. Instead, games like Subway surfer, Mobile legends, Arena of Valor, Roblox and Free Fire are played the most.

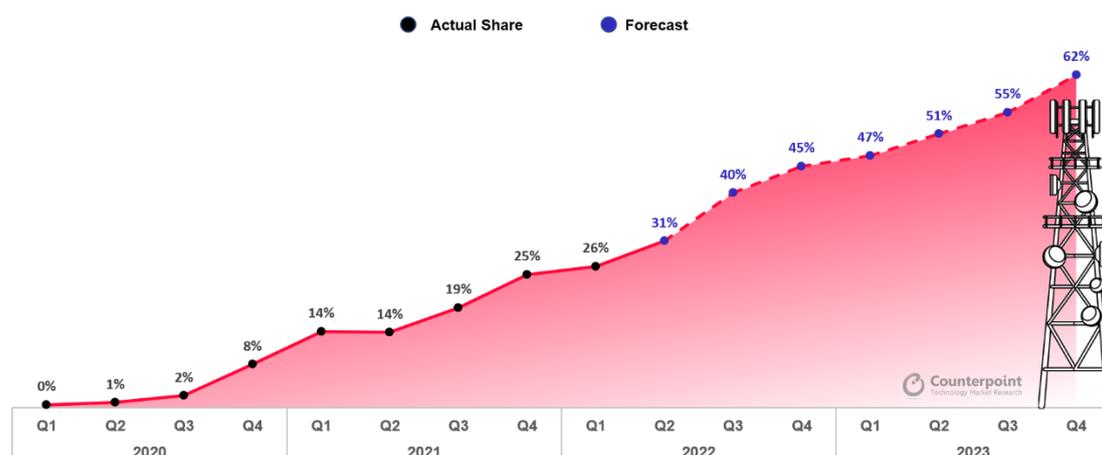
Gaming companies are making sure that smartphone versions of their games are available and that the hardware requirements need not be too high to enjoy these games on the mobile phone. Multiplayer gaming platforms on mobiles are nascent in this region as of now but as the telecom sector advances, this gaming preference is set to grow.

5G and Gaming:

5G penetration into gaming will be a slow process for another 2-3 years, especially for major markets like Indonesia. While Singapore is leading the curve in 5G, **Thailand** and the **Philippines** are more capable of advancing with **5G** in gaming. The future of cloud gaming and multiplayer mobile setups, however, is bound to remain bleak in this region as compared to the West.

The 5G share in monthly smartphone shipments is likely to reach well above 45% by the end of this year. Most gamers, whether casual or professional, will look to include **5G** in their gaming experience, especially since there is growth in the smartphone version of games usually played on consoles and personal computers.

5G Smartphone Shipment Share and Forecast, 2022-2023



Source: Counterpoint Research Southeast Asia Smartphone Tracker

The Future of Gaming

Though Southeast Asia has the highest number of gamers in Asia, it contributes the least revenue. The entry point of free games is a crowd puller, but gaming companies and developers are trying to have a stronger revenue model. Ecosystem players have focused on all segments of consumers and made sure that multiple platforms can cater to different demographics based on their convenience and motives. Mobile gaming in Southeast Asia is capable of not just increasing gamer volumes and revenue but also spreading across multiple sectors like retail, e-commerce and sports.

While gamers in Southeast Asia are spread across early teens to senior citizens, the 18-35 age bracket is the one contributing most to the maturing gamer ecosystem.

In the coming months, we will likely see more marketing initiatives on platforms, and gaming business models centered around profit generation, which could be through increased micro-transactions within free game offerings. OEMs, operators, and retail distributors will combine the gaming aspect much more with their offerings.

phone (1) launch: much ado about Nothing

JULY 12, 2022

|BY JAN STRYJAK

This afternoon, the latest smartphone brand will launch in selected markets across Europe, the Middle East and Asia. The Nothing phone (1), spearheaded by OnePlus co-founder Carl Pei, promises to “remove barriers between people and technology to create a seamless digital future.”

As a UK-based company, Europe will be one of Nothing’s key target markets. But Europe is a notoriously difficult market to crack, so what are Nothing’s chances of success?

The phone

Let’s get something clear straight away...I don’t like the name. There, I’ve said it. I personally think it’s a bit awkward! Nothing phone (1), especially with the brackets, doesn’t flow well, and tends to require further explanation to make someone understand what you are talking about. Even telling colleagues that I was “writing an article about Nothing” was met by initial confusion. It also lends itself a bit too easily to wordplay and puns (as you may notice throughout this article).

The next issue is that the Nothing brand is largely unknown. There is a lot of hype amongst enthusiasts, but Carl Pei is not a household name outside of the tech community. Nothing’s first and only other product, the ear (1) TWS earbuds, has done ok (just under a million units sold globally so far), but this is still leagues behind the market leader Apple that sold 17 million AirPods in Q1 2022 alone. Nothing will therefore need to focus on raising awareness of the brand to grow visibility in the mass market.

To this end, Nothing seems to be trying to do an Apple-esque job with its marketing, and has managed to ratchet up the hype by largely doing nothing (excuse the pun). The problem is that it doesn’t yet have the clout to back it up, and the device certainly isn’t as premium as an iPhone. Overall, the phone is shaping up to be a solid mid-range device; nothing more, nothing less (there’s another one for you).

On the plus side though, it helps that Nothing is a UK-startup (homegrown companies are always well received, especially with the recent rapid growth of the relatively new Chinese vendors), plus its ecosystem approach, including the ability to integrate products from other brands more smoothly, is intriguing.

Nothing is also trying to make the design the differentiating factor. The see-through case and LED lighting is pretty cool and unique, but will this be enough? The UI and overall experience will be vital to grow mindshare and get phone (1) to stand out from the crowd. And there’s a big crowd indeed.

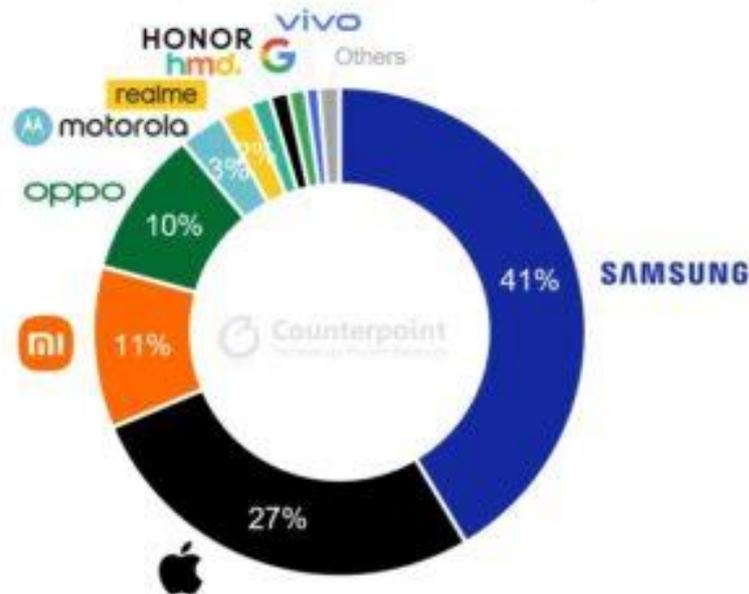
The competition

Europe has seen a mass influx of new smartphone brands over the last few years, with the likes of Xiaomi, OPPO, realme and vivo all launching in the region to try to capitalise on Huawei’s exit. Huawei offshoot HONOR is also now making a play as an independent brand, and then of course we have incumbents Samsung, Apple, Nokia, Motorola and Google rounding out the field.

Xiaomi has lost a bit of ground since its peak in mid-2021, but it looks to have largely recovered from supply issues, while OPPO, realme, HONOR and vivo are all growing steadily. Even Motorola and Nokia HMD are seeing a bit of a resurgence in recent years.

Western Europe is a very crowded market

Western Europe smartphone sales share, May 2022



Source: Counterpoint Research Market Pulse

The strategy

While there isn't really an ideal number of vendors, this does make for a very crowded market. However, Nothing has one important advantage: the operators. The operators are a key channel in Europe, and vendors that rely on a direct or online-only approach will always have limited growth prospects. Nothing, meanwhile, has forged partnerships with operators O₂ in the UK and Deutsche Telekom in Germany, which will give it an edge over some vendors.

Then there is Nothing's 'invite-only' model. OnePlus found moderate success with this approach in its early days, and Nothing will likely follow a similar trajectory: a cool thing for those in the know, but very niche. Yes, with OnePlus struggling somewhat at the moment, Nothing could potentially capitalise and grab share within the tech-savvy community. But sales will always be limited without mass market availability.

Lastly is the issue of timing. The current economic conditions in Europe are dire, with record inflation levels severely impacting consumer spending. Even if the phone (1) is pitched as an affordable iPhone challenger, many consumers may wait until the macro environment settles down before taking a chance on something new, however affordable it may be. This could leave the high-profile launch as a hiding to nothing (these puns are hard to resist).

The prospects

With a brand new, largely untested product (including the new Nothing OS software that may need to go through multiple updates to get everything ironed out) and stiff competition from numerous Chinese vendors, not to mention Samsung and Apple, Nothing has its work cut out. It may make a bit of a splash initially, but it will take time to gain momentum.

OnePlus reached 5% of smartphone sales in Western Europe at its peak in August 2021, so anything close to that would be a big success for Nothing. But it will likely take a number of years, launches in many more markets (especially France, Italy and Spain) and multiple iterations of the product to reach this level. For the latter, the post-purchase experience and customer feedback will be critical. But with Carl Pei at the helm though, anything is possible. So here goes Nothing (sorry).

China Foldable Market Trends Favor Domestic Brands

JULY 8, 2022

|BY JENE PARK

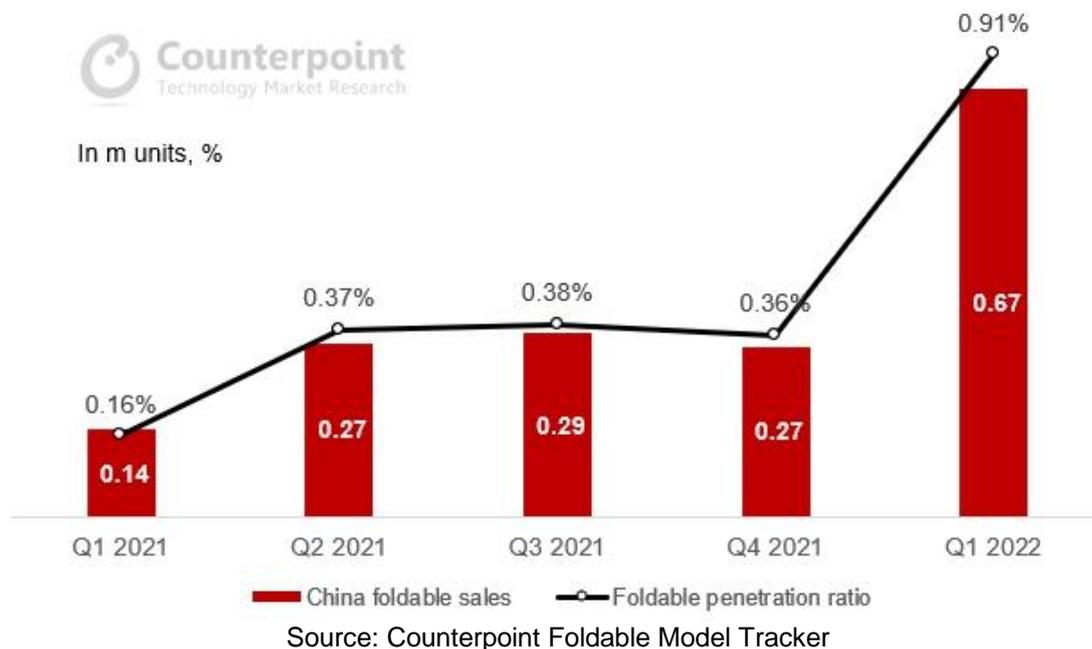
Chinese brands such as Huawei, OPPO, vivo, and Xiaomi are expected to determine the future direction of the China foldable smartphone market. In the second half of 2022, Huawei, OPPO, and Xiaomi are expected to launch new foldable smartphones and continue to provide growth momentum to the segment.

Apple performed well in 2021 by successfully occupying the space vacated by Huawei in the Chinese smartphone market's premium segment of \$600 and above. But with no foldable in its portfolio, Apple's dominance of this segment is strongly challenged by Samsung, the global leader in foldables, and Chinese brands.

China's foldable market is expected to see significant growth in 2022

The Chinese smartphone market is expected to see big gains in foldable sales in 2022. This, in turn, will prove to be an important factor in pushing the overall growth of the global foldable market in 2022. The Chinese foldable smartphone market saw a sales volume of 0.67 million units in Q1 2022 to register 391% YoY and 152% QoQ growth. As foldable sales have maintained their momentum in April and May, China's foldable market is expected to grow 225% YoY to reach 2.7 million units in terms of shipments.

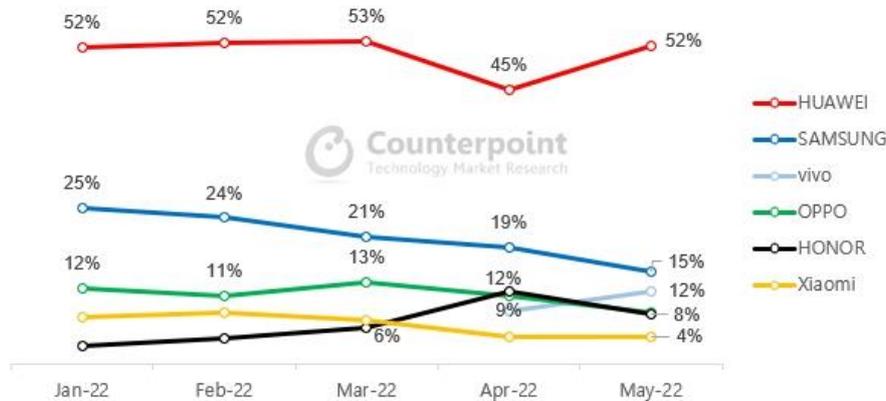
China Smartphone Sales Trends



Patriotic consumption or brand recognition or product quality?

The Chinese foldable smartphone market's growth in 2022 will make clear the market's characteristics, like the preference for domestic brands. The sales volume for the Chinese foldable market for January-May 2022 shows Huawei occupying 50% of the foldable sales in China, followed by Samsung with 20%, and OPPO and Xiaomi in third and fourth places, respectively. vivo has been present in the Chinese foldable market since April 2022 and, based on the April and May sales only, it is showing a good start with a 10.3% market share.

China Foldable Smartphone Market Share by Brand



Source: Counterpoint Foldable Model Tracker

Huawei is aggressively targeting China’s foldable smartphone segment, which accounted for about 7% of smartphone sales in China from January to May 2022. As smartphone sales in China are mainly 5G, Huawei seems to emphasize a new form factor – foldable.

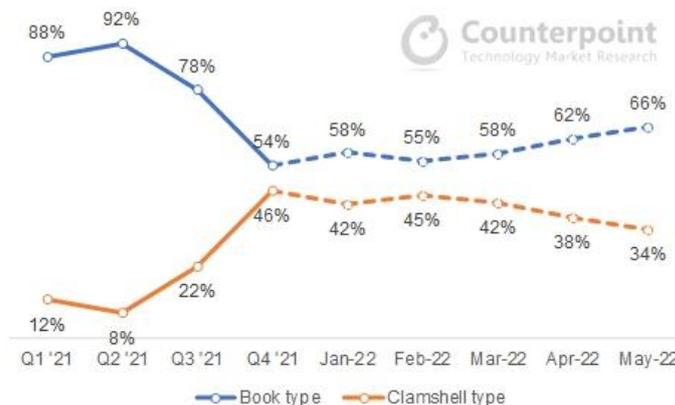
With the overall Chinese smartphone market expected to show weakness in 2022, Chinese OEMs are aiming to strengthen their penetration in the premium segment. Other Chinese brands such as OPPO, Xiaomi, and vivo also focus on foldables to target the Chinese premium market. At least 4-5 new foldable products are expected to be launched in the second half of 2022.

Global foldable leader Samsung is also expected to strengthen its position in the Chinese market. The new Galaxy Z series coming in Q3 2022 is expected to perform better than its predecessor, thanks to the rising popularity of foldables in China.

Clamshell-type foldables’ influence is expected to increase in China in 2022

The sales volume of book-type foldables in the Chinese market was significantly higher than that of the clamshell type until 2021. Looking at the sell-through trend for January-May 2022, book-type foldables account for about 77% of the sales share for the foldable market, showing a different trend from the overall global foldable market.

China Foldable Smartphone Market Share by Folding Type



Source: Counterpoint Foldable Model Tracker

However, this trend is likely to change in 2022.

The market share of the clamshell type in China remained at 22% until Q3 2021, before Huawei launched its P50 Pocket. But after this launch, the clamshell type started showing a growing trend to reach 46% in Q4 2021. The share is expected to exceed 50% in H2 2022 as new clamshell-type models are launched. Clamshell-type foldables are relatively more accessible due to their low price, besides being easier to carry compared to the book type due to their less weight and size.

[Intensifying foldables competition in China to intensify competition in its premium market](#)

Given the recent downward trend in the prices of foldables, the segment is likely to see big growth in the Chinese premium smartphone market in 2022 and 2023. After Huawei's retreat, Chinese global brands have continuously tried to advance into the Chinese premium market. Therefore, we believe that they will take an aggressive approach with foldables as well. It is here that Apple, currently a strong player in the Chinese premium market, will have to reconsider its market strategies.

China Smartphone Sales During 618 Fell 10% YoY Amid COVID-19, Slowdown

JULY 1, 2022

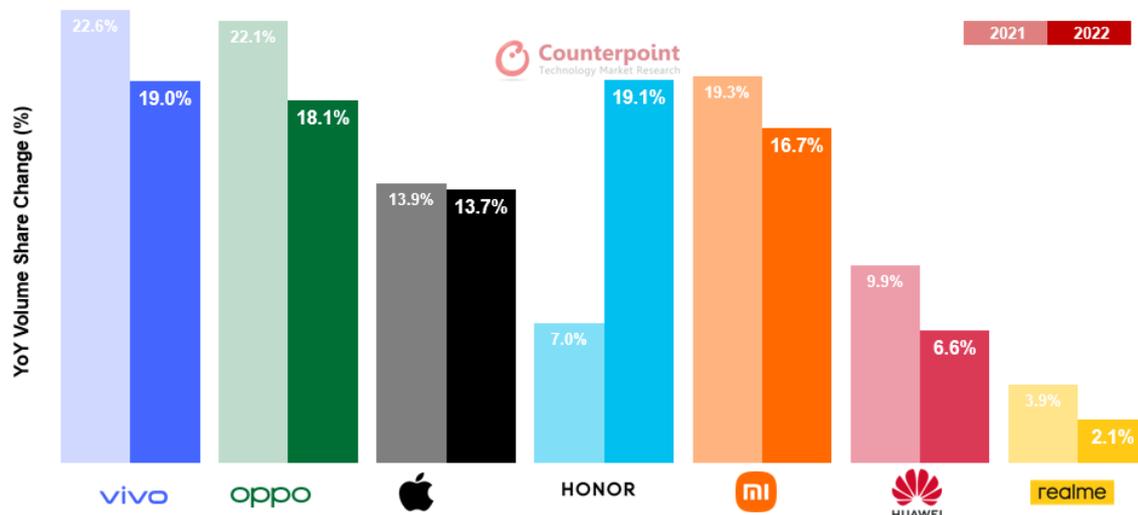
|BY MENGMENG ZHANG

This year's 618 e-commerce festival in China, which ran from May 31 to June 18, came amid gradual lifting of COVID-19 lockdowns in two of China's largest cities. The e-commerce festival's performance is an important indicator for predicting consumer sentiment in China. As was the case last year, TMALL chose not to reveal its 618 figures for 2022. The other e-commerce behemoth, JD, recorded a GMV of RMB 379.3 billion (~\$56.6 billion), an increase of 10.3% compared to 2021. Nonetheless, this was the slowest growth ever for the 618 event.

Commenting on the smartphone segment's performance during the 618 festival, **Research Analyst Mengmeng Zhang** said, "Discounts and promotions during the 618 period helped lift China's smartphone market from its low in April and May. Smartphone sales during the first week of 618 (May 30-June 5) were up 32% compared to May 23-May 29. However, total smartphone sales during the 618 period were still down about 10% compared to last year, indicating that the overall consumer appetite for smartphones was hurt by the repeated COVID-19 waves and a slowing economy."

Commenting on the key vendors' performance, **Associate Director Ethan Qi** said, "**HONOR** surpassed vivo by a very slight margin to lead the market during this year's 618 and was the only major OEM to register positive growth. Coming from a low base as well as a competitive portfolio covering a wide price band, HONOR posted an impressive growth of 148% during this period compared to last year. HONOR also utilized this e-commerce festival to successfully launch its latest HONOR 70 series, which immediately made it to the top 10 bestseller list."

China 618 Shopping Festival Smartphone Market Share, 2021 vs 2022



Note: OPPO includes OnePlus; Xiaomi includes Redmi; vivo includes iQOO

Source: Counterpoint Weekly Tracking Service

vivo and OPPO moved down one spot to the second and third spots respectively in terms of market share when compared to 2021. New offerings in the mid-tier segment, such as the Reno 8 and vivo S15, helped drive vivo and OPPO sales.

Xiaomi's market share also declined this year, pulling the brand down to the fourth spot. As a traditional online brand, Xiaomi continues to invest heavily in e-commerce festivals and claimed to give out RMB 1 billion (~\$0.15 billion) in subsidies for this year's 618 event. Besides, Xiaomi's online promotional activities are better aligned with its offline stores this year. Similar to vivo and OPPO, Xiaomi's best sales contributor this year was a mid-end offering – Redmi K50. The Redmi K50 was one of the best value-for-money smartphones at the RMB 2,000 (~\$300) price point, powered by the MediaTek 8100 chip, 2k display with 120Hz refresh rate and 5500 mAh battery capacity.

Apple ranked fifth while maintaining stable market share during this year's 618. Despite a decline in sales from last year, Apple was the clear winner in the high-end segment during this year's 618. Apple has nearly no competition in this segment after Huawei's losses. The deep discounts offered by Apple also made the iPhone 13 series very attractive. Platforms gave out as much as RMB 1,000 off on select iPhone 13 models.

Pinduoduo is increasingly emerging as an important sales channel for smartphones. Continuing its RMB 10 billion (~\$1.5-billion) joint subsidy campaign with brands and merchants, Pinduoduo saw its smartphone sales value increasing 148% YoY during the festive period.

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