GfK Mobile Barometer 2007

Global Handset Sales Pass One Billion

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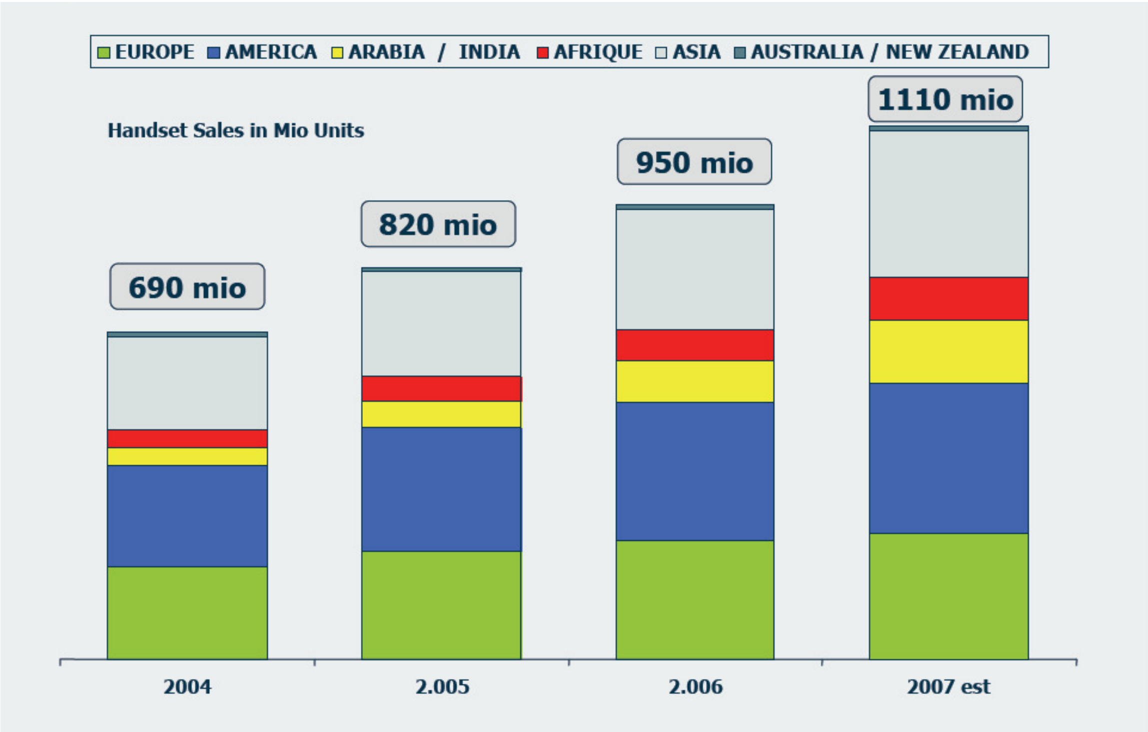
The Handset Market in 2007

Global sales of mobile phone handset passed **one billion units in 2007**, equivalent to every sixth person in the world buying a handset. This is an increase of 160mn in a year, the fastest absolute annual growth for five years.

GfK reports that growth is not even across regions. Growth in Europe has been flat over recent years, with Africa, Asia and Arab countries driving growth.



- This growth has mainly come from emerging markets
- India is now outstripping sales in Africa with over 100 million phones sold in 2007.
- In Africa the ownership and sales growth is very regional, outside of South Africa and Northern Africa there is still huge potential
- One fifth of all the phones sold in the world were bought in China 200 million sales there is huge potential as there is still only 40% penetration
- 30% of all sales were accounted for by global products.
- This sales concentration is mainly in the fast growing countries as the number of products sold in western Europe grows by over 20%
- What is clear is that 2008 will involve huge amounts of global growth

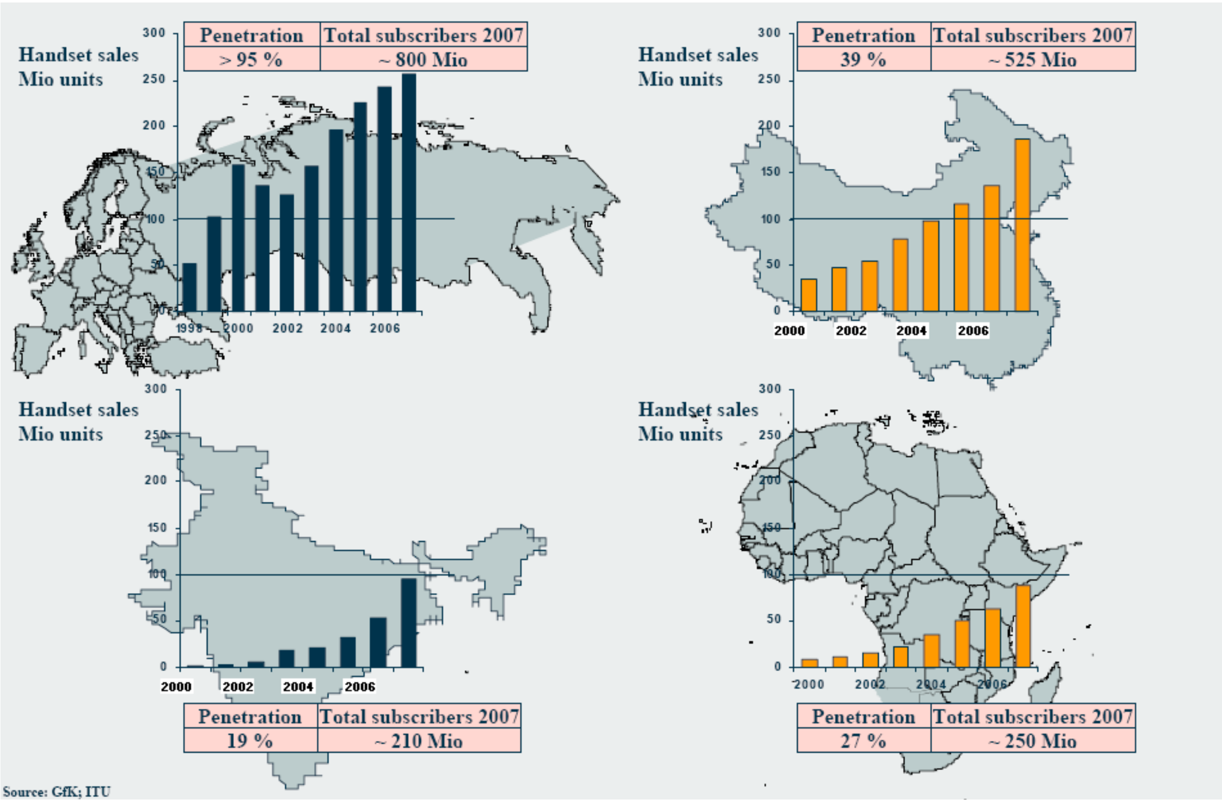
Mobile/Smart Phones by Region

Europe: Penetration has reached 95% in Europe, with total subscribers now 800mn. Growth has slowed in many Western and Northern European countries, with countries such as Turkey (45% increase in handset sales) seeing the biggest growth.

China: Annual sales of handsets increase from 130mn to 190mn in 2007. Penetration is now 39%, with a total subscriber base of 525mn.

India: 2007 saw handset sales double, from 45mn to 90mn. Penetration is now 19% in India, with a total subscriber base of 210mn.

Africa: Penetration is now 27% in the continent of Africa, with 250mn subscribers. The growth curve is similar to that of India and China, with a notable delay.

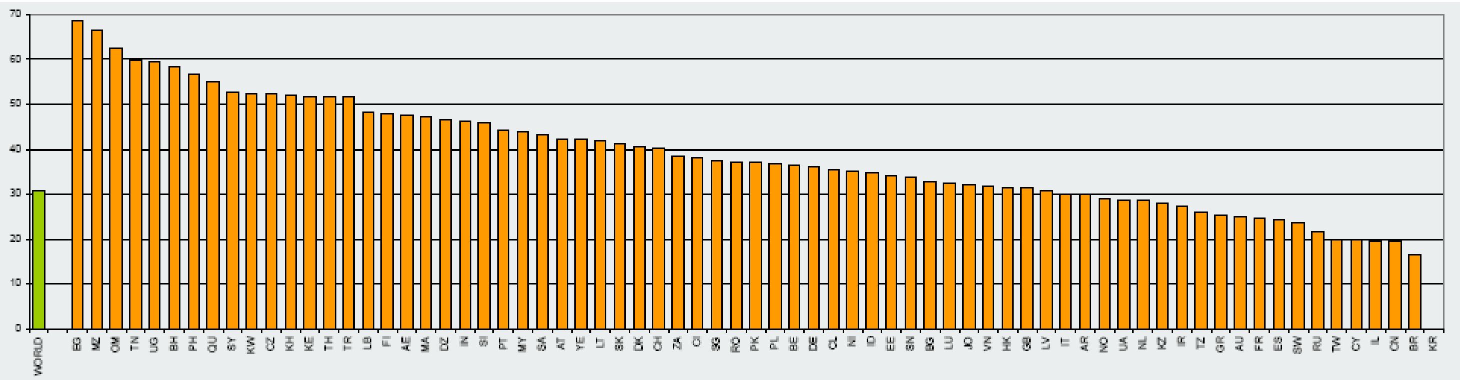


Global Products?

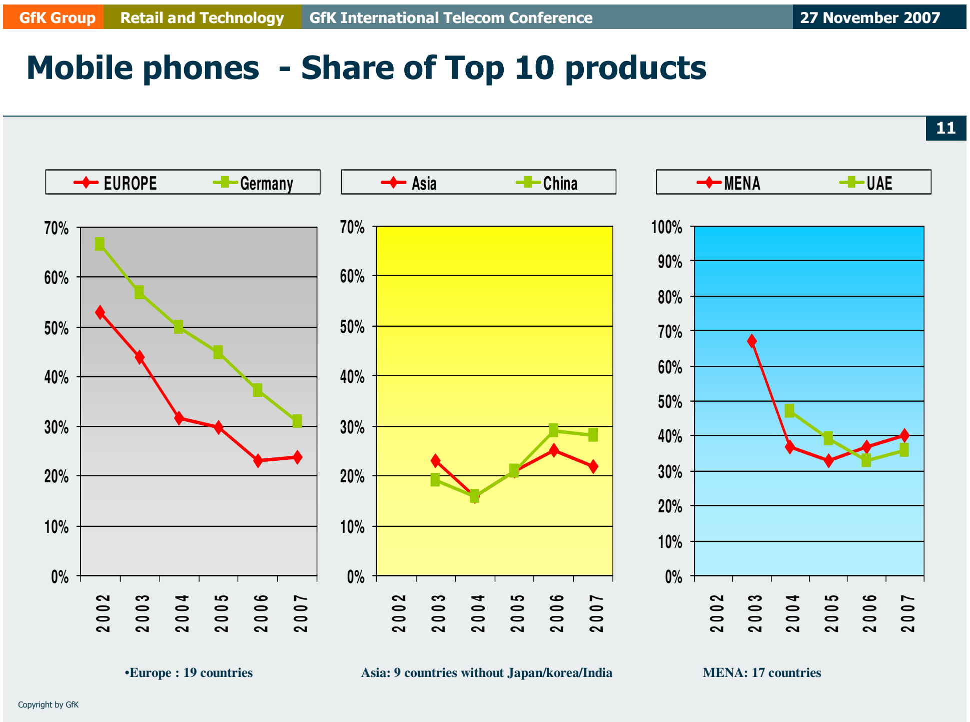
GfK looks at Global Products, defined as Mobile phones which are sold in more than 55 countries, having a market share of more than 0.1% in those countries.

It shows that on average the top twenty Global Products account for 30% of unit sales. This figures is higher in developing countries, where the Global Products sold tend to be lower end, cheaper products.

Market share of top 20 Global Products – World and per Country

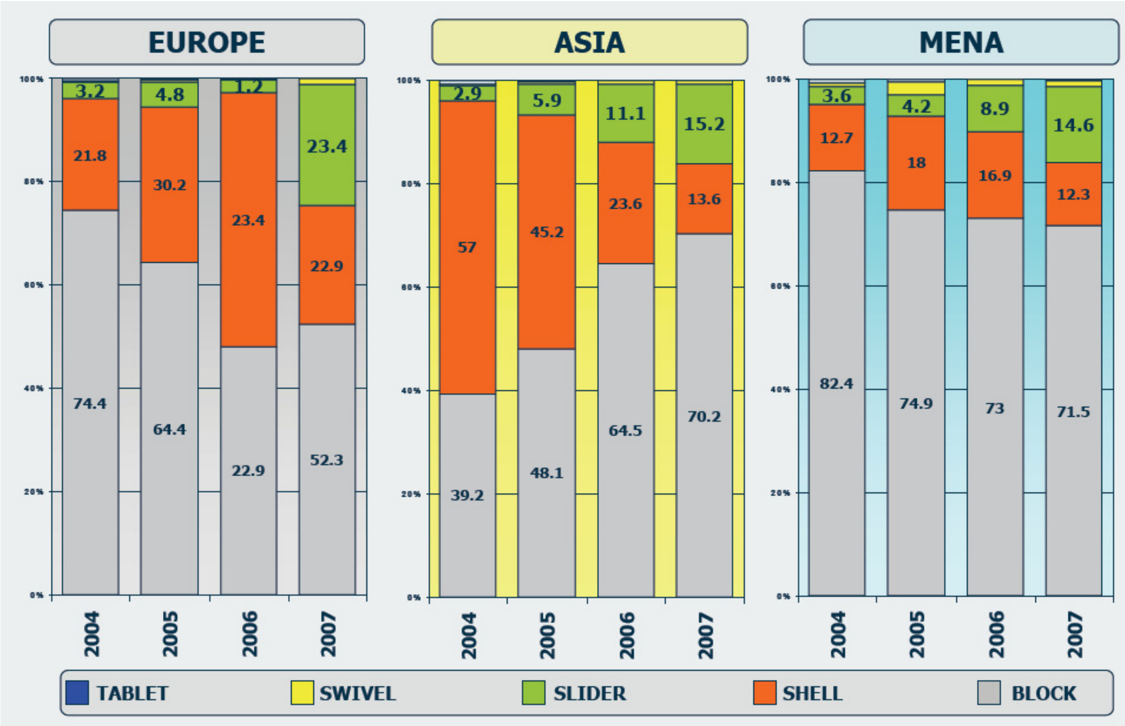


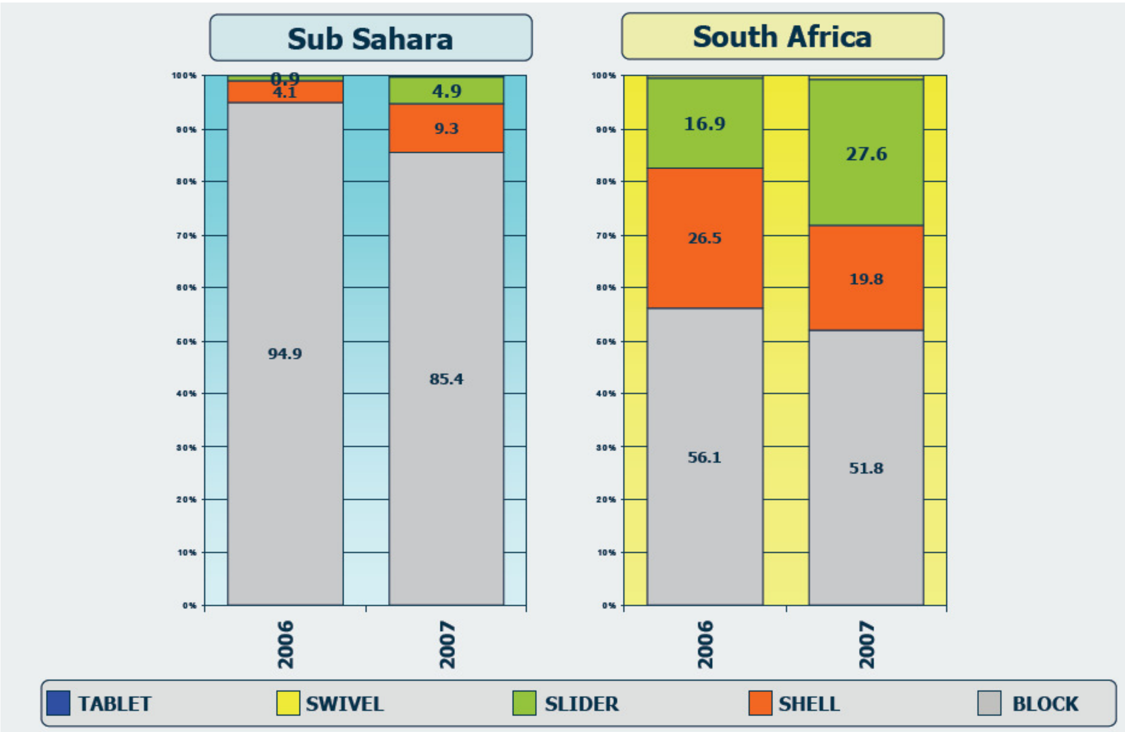
- The top 10 products account for 25% of all phones sold in Europe. 5 years ago the top 10 accounted for half of the market
- The fragmentation is fuelled by the technological development of the phones to cater for individual preferences
- Across the globe Scandinavia , Far East and UK set the trend for a lot of technology uptake



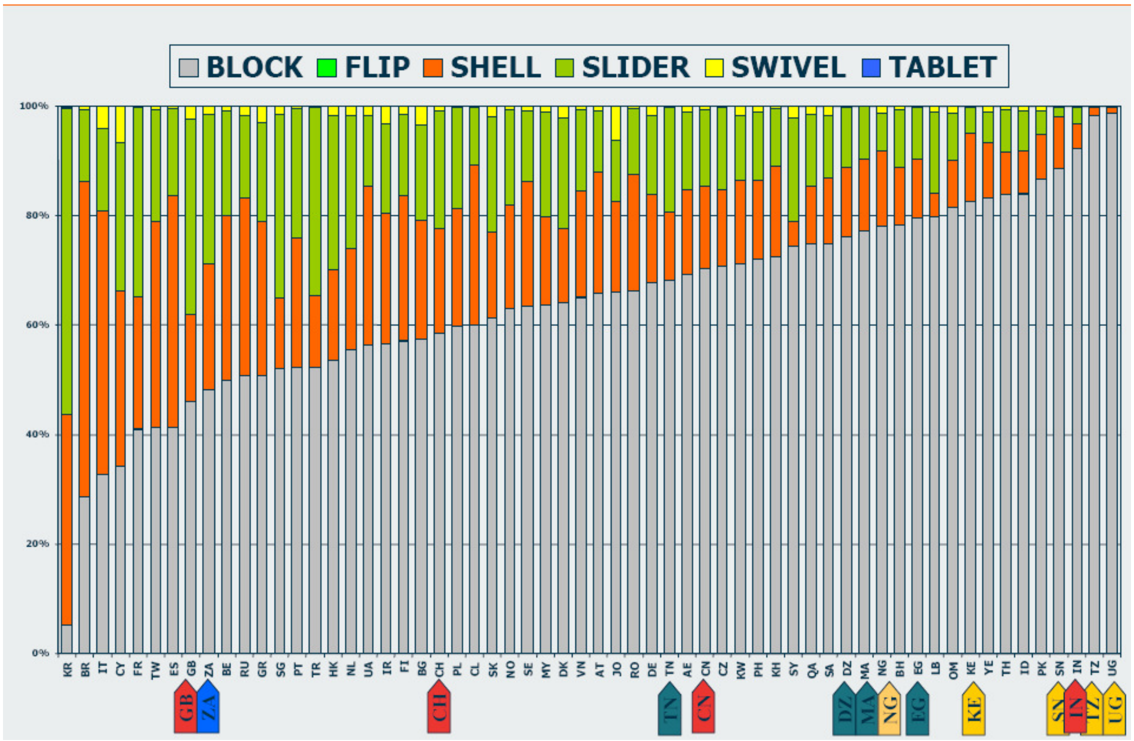
Form

Generally, most phones sold in the world are block form or 'candy bar'. However 'slider' and 'shell' phones are popular worldwide, including Sub-Sahara Africa where they make up almost 15% of sales.



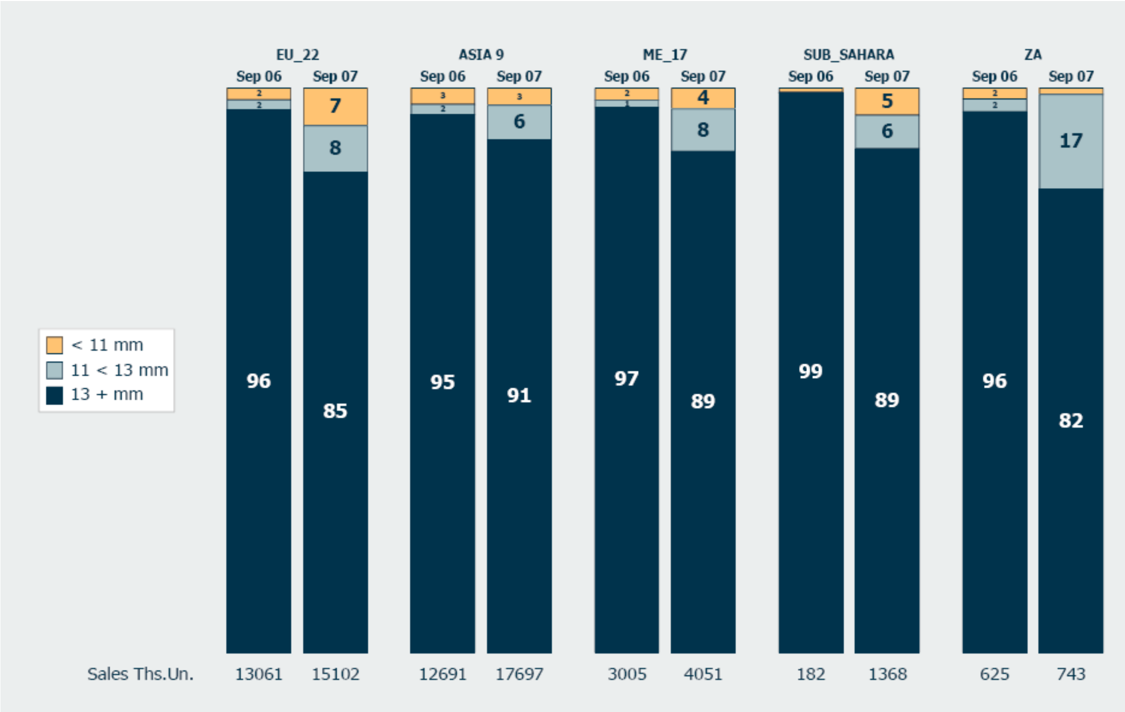


Phone form by country



Size

Predictably phones are getting smaller across all regions.

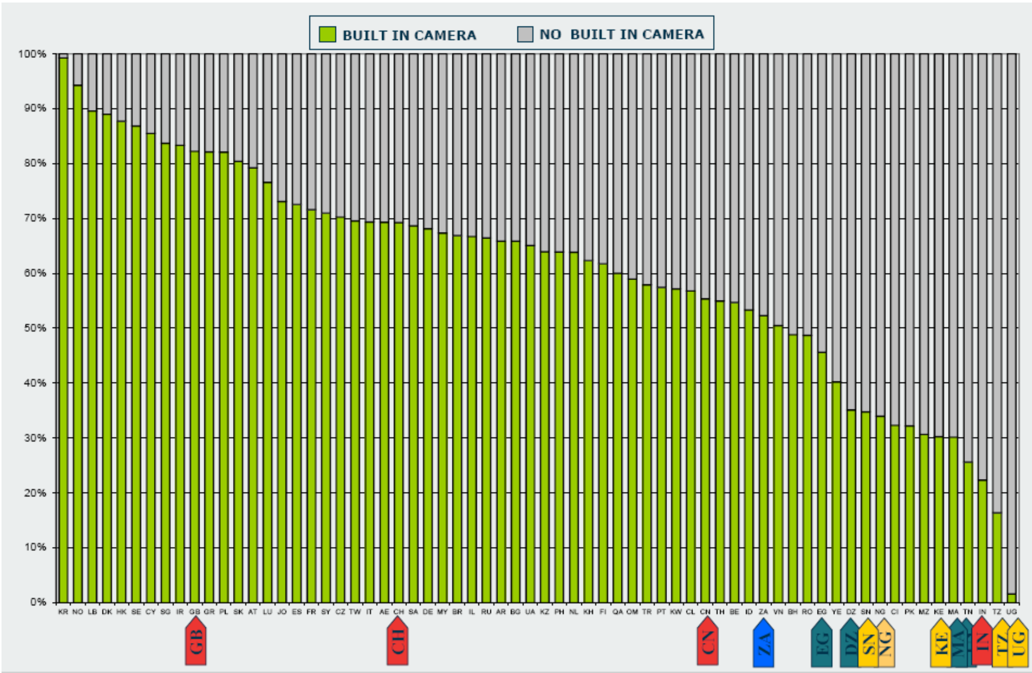


Function

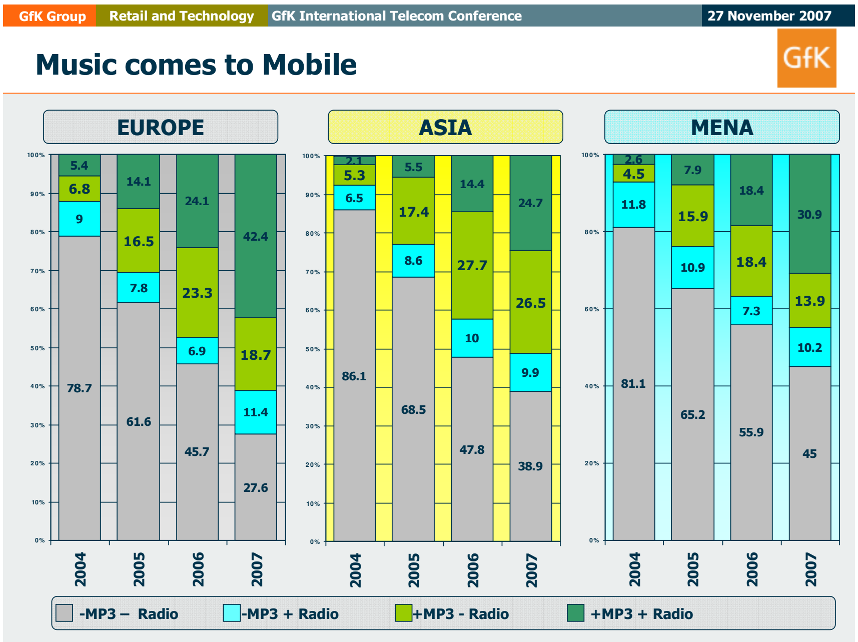
Cameras on board

Built in cameras are now extremely common in most developed countries, with nearly all phones sold in South Korea and Japan including them.

Mobile phone sales – with and without camera



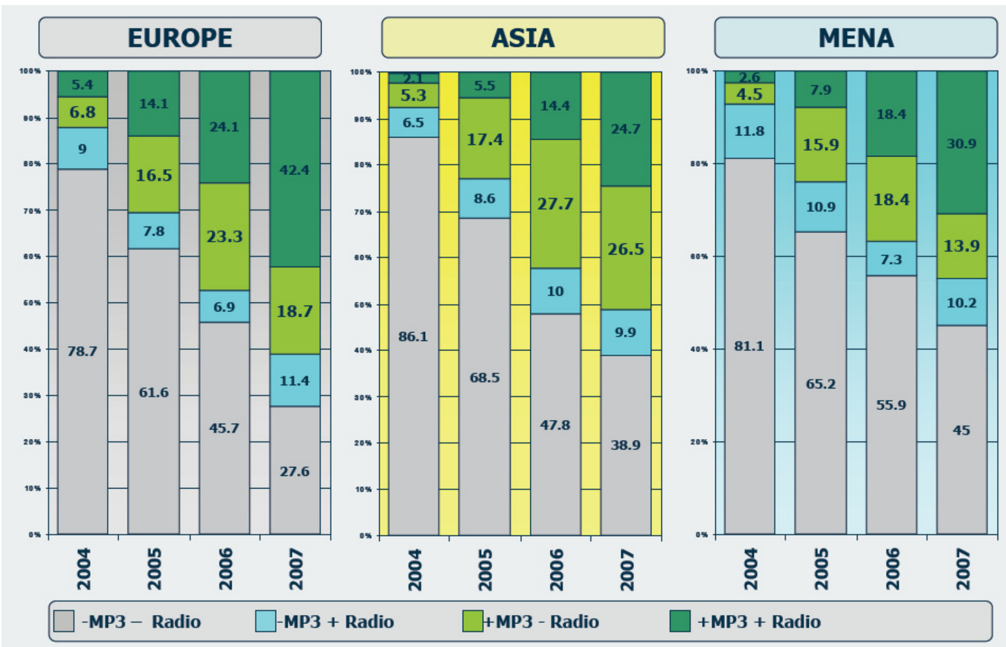
- 3% of phones sold in Europe were equipped with GPS, but that accounts for 25% of all **GPS** products sold in 2007
- Now that they are close to standard (over 85% of all phones bought in Europe) **Cameras** on phones getting better higher mega pixels optical zoom will play a feature Already over 20% of all phones in Europe have a resolution over 3 megapixel
- Huge amounts of **mp3** capabilities – in 2006 phones with mp3 capabilities outstripped stand alone mp3 players
- Now close to two thirds of phones sold in Europe can play mp3s.

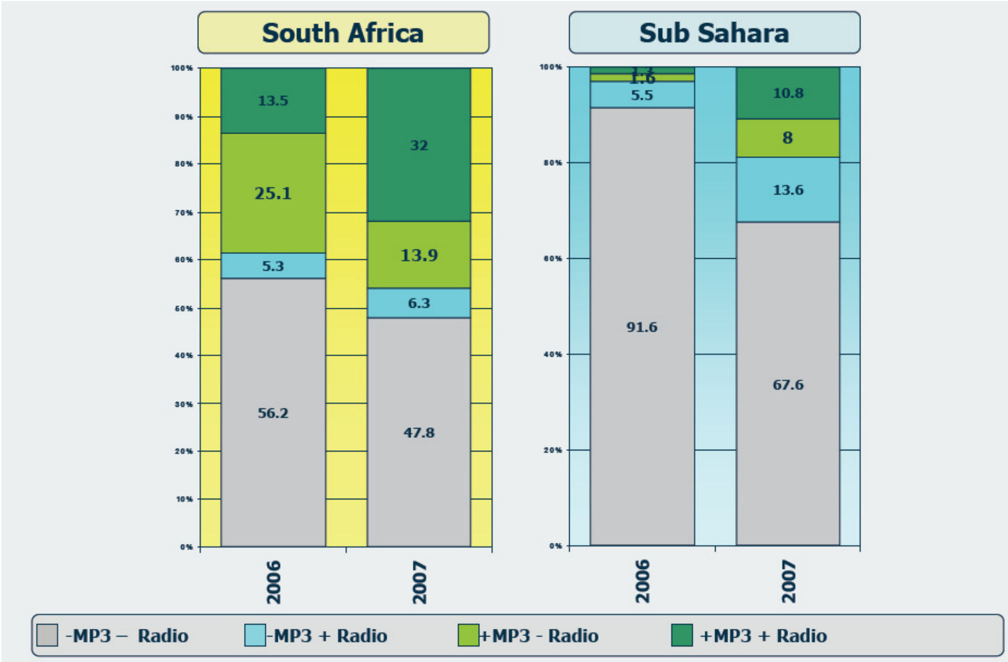


Music on board

Mobile phones with music functions were popular in 2007.

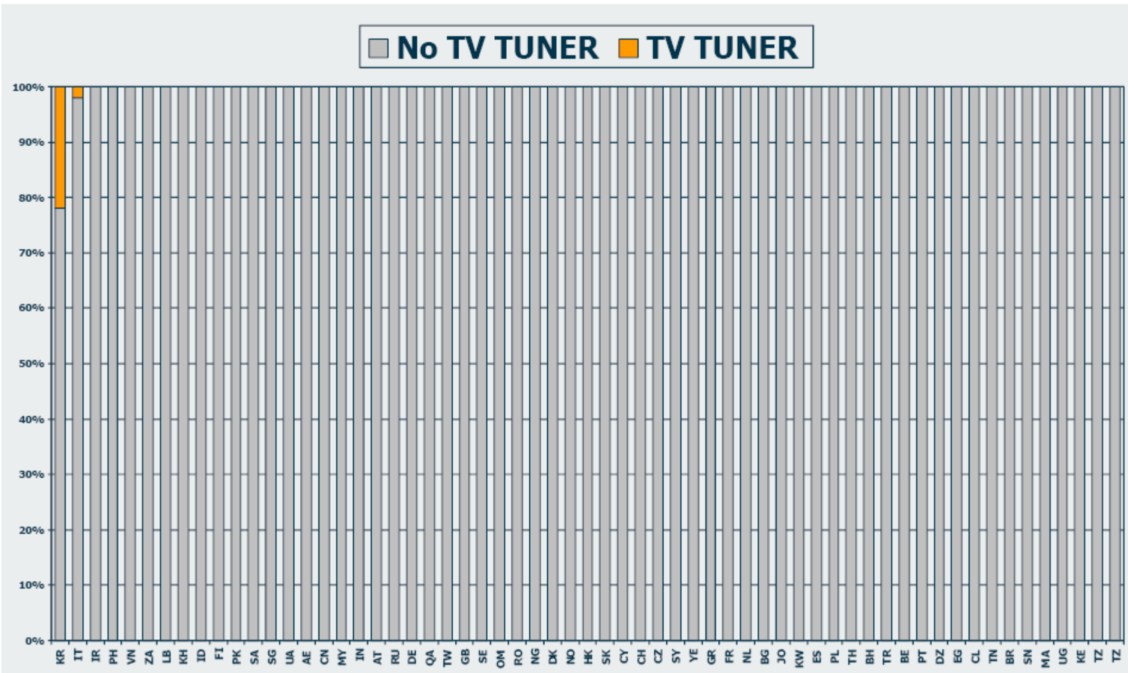
In Sub-Sahara Africa, it is FM radios that are popular, partly due to the cost of downloading or sideloading music.





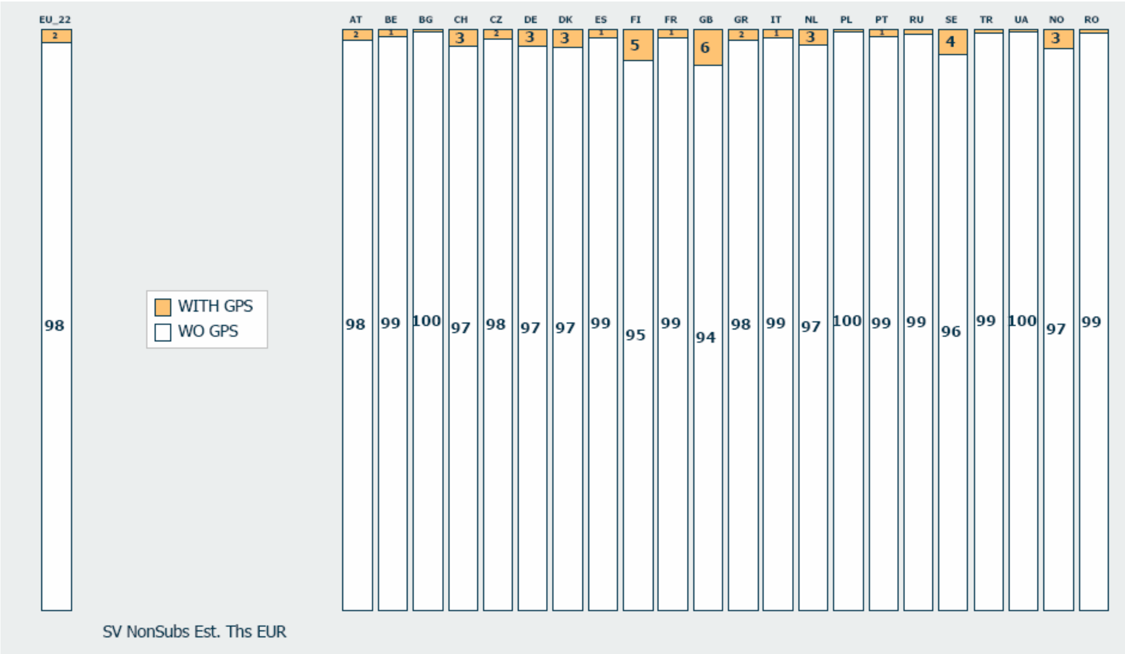
TV on board

So far built in TV tuners have failed to take-off. Only South Korea has seen significant adoption of the technology.



GPS on board

Similarly, built-in GPS technology is only beginning to be adopted.



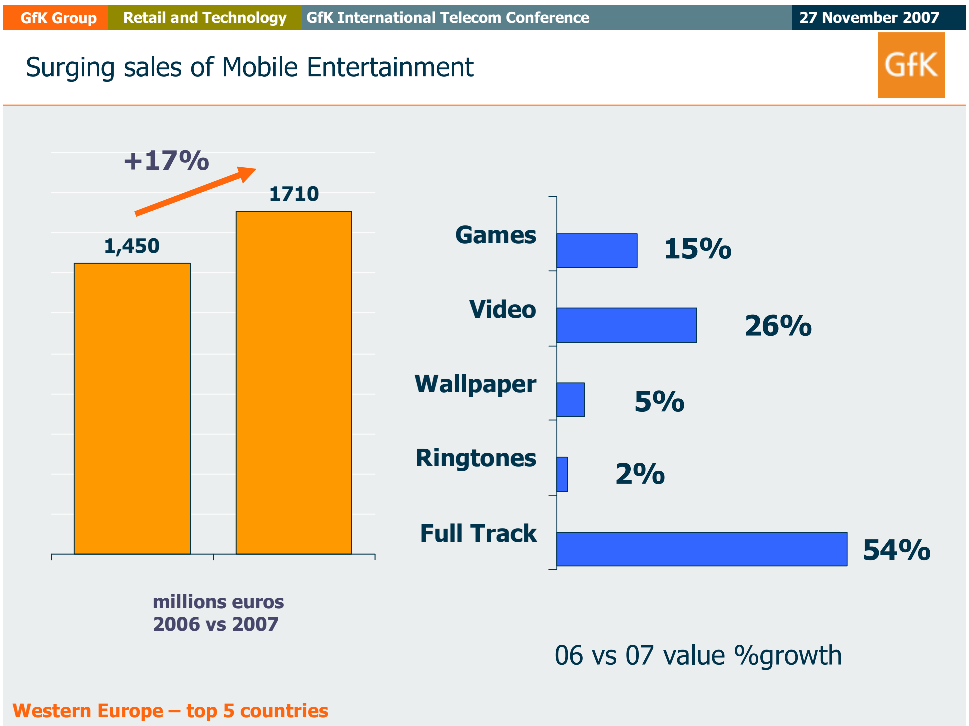
What has your thumb been up to this year?

Well quite a lot I imagine but one thing is for sure: it definitely likes mobile games and preferred music full tracks to ringtones. We are definitely downloading more mobile entertainment than ever before.

Growing Market

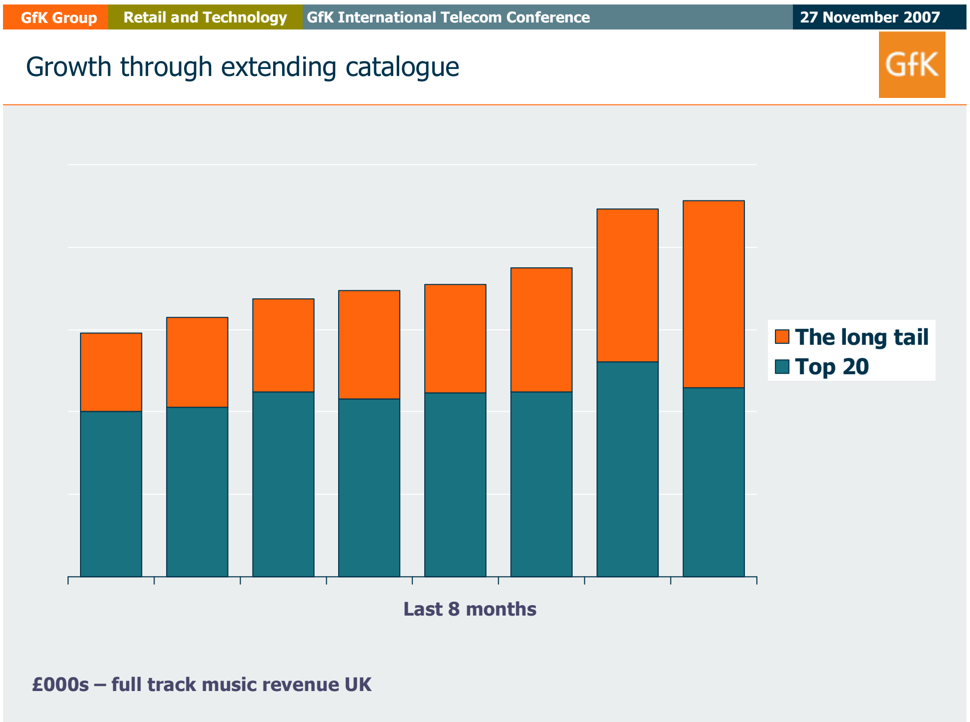
GfK m2's research reveals that the UK mobile games market has grown by 13% in volume quarter on quarter. You have downloaded 38% more songs across the same period. In the end, you downloaded a game every 2 seconds and a song every 6 seconds on average. There are 2 and a half year's worth of music downloaded every month.

We have seen a shift in our music purchases towards Music full tracks driven by keener pricing and wider catalogues, as well as the spread of mp3-enabled handsets in the market. Ringtones maintains its rate of sales but FTM is the fastest growing form of mobile entertainment.



The Long Tail

This depth of range has clearly helped grow revenues. At the beginning of 2007 the top 20 music tracks and games accounted for close to half of the sales. The top 20 now only account for less than 40% of the revenue in games and music full tracks – so all majority of the growth in revenues is driven on the smaller selling titles.



3G points the way.

Clear that although only just over 16% of population own a 3G device, they are currently the heavy users and purchasers of mobile entertainment. 45% of all mobile entertainment revenue in 2007 has come from 3G phones. The penetration is growing, over a quarter of all phones bought in the last year were 3G so we expect further growth as penetration of 3G expands.

New handsets have invigorated the market and have lead to increased revenue .At the moment there are some key devices that generate over 4 euros a month of mobile entertainment revenue per handset owned – a phenomenal number. The market is no longer reliant on a handful of handsets - 60% of sales came from mobile phones not in the top 10. New specialised imaging, music and gaming phones will also further boost sales. New handsets are one step in the right direction but not the total answer.

- Music expenditure has grown in the UK in recent months, close to 2 million euros per month
- New handsets having an impact 50% of spend in UK is based on phones

With better handsets and flat-rate data plans now offered by all the major networks we expect the industry to grow as we move from early adopters to early majority. Expand the audience and get the existing users to do more. More blisters on thumbs to come… Elastoplast will be happy!

Trends for 2008 and beyond

- Convergence of Hardware and Channels into the IT and Consumer Electronics arenas
- Ultra Trends – ultra slim, ultra low cost, ultra advanced devices
- Impact of top 10 phones declining across the Globe
- Sideloading and converged digital solutions
- More brands – fashion and technology to mobile
- Converging Content and Service suppliers across all formats
- Subscription based services
- The internet on the go as a mass market proposition
- Higher levels of international alliances and partnerships
- Still huge volume growth in emerging markets but it is technology and usage which will keep ARPU growing in the mature markets.

GfK Growth from Knowledge

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