KANTAR WORLDPANEL

An insight report
by Kantar Worldpanel Comtech

MOBILE TRENDS THAT MATTER TOMORROW

A GLANCE BACK AT 2013 AND WHAT THE YEAR AHEAD MAY BRING

2013 was a year of significant change for the global mobile industry. BlackBerry all but disappeared from the consumer market, innovative new 'free' tariffs emerged as challengers to established mobile carriers, and Android strengthened its position as the world's top OS. It was also the year that smartphone screen sizes grew faster than ever before and a minnow of the mobile space – Windows – made a significant comeback.

This report reviews the key 2013 mobile trends across some of the world's most important markets and looks at what we can expect from 2014

It's tough at the top

Samsung joined the smartphone race a little late, but has since ploughed its considerable resources into making up for lost time. The investment has paid off, and it's now the world's largest smartphone manufacturer.

The difficulty Samsung faces is maintaining its lead. In Europe, Samsung's share of sales during the three months ending November 2013 fell to 41.3% from 43.4% a year before. The brand grew its share of the Chinese market, but has increasingly come under intense pressure from local brands Xiaomi, Coolpad and Huawei – all of which will continue to challenge the market leader in 2014. In Latin America, competition comes from a resurgent LG and Motorola. Samsung isn't likely to be overtaken in 2014, but pressure to compete in an increasingly crowded market is likely to see the company's growth level off.

> The difficulty Samsung faces is maintaining its lead.

Samsung has begun to employ new tactics to stop consumers leaving. For the first time last year it moved away from its open roots toward to a more closed wall Apple-style approach – the prime example being the release of the Galaxy Gear watch that will only work with other Samsung devices. Samsung is likely to continue making its products more interconnected to help build customer loyalty.

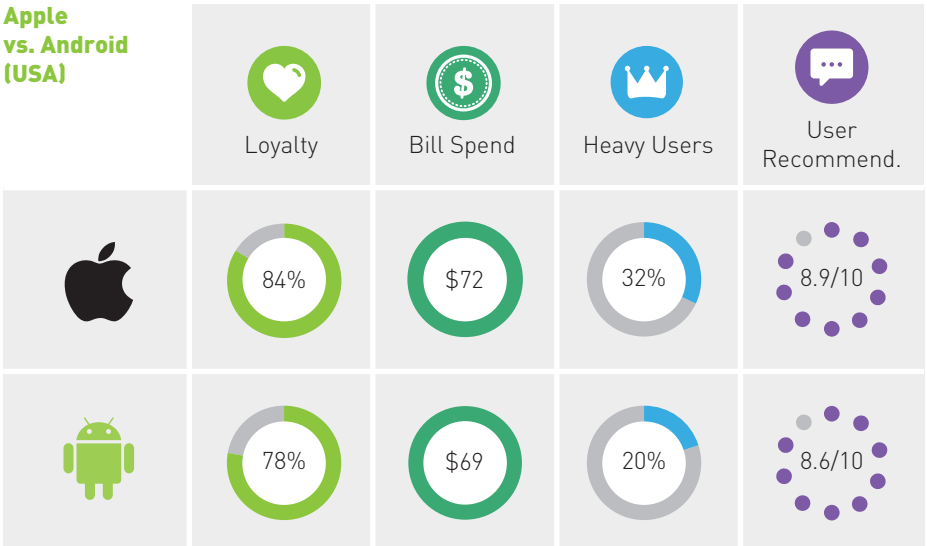
Android or Apple on top? It depends how you cut it.

Which had a better year, Android or Apple? Fanboys would argue passionately on both sides, but the fact is that it depends how you cut it.

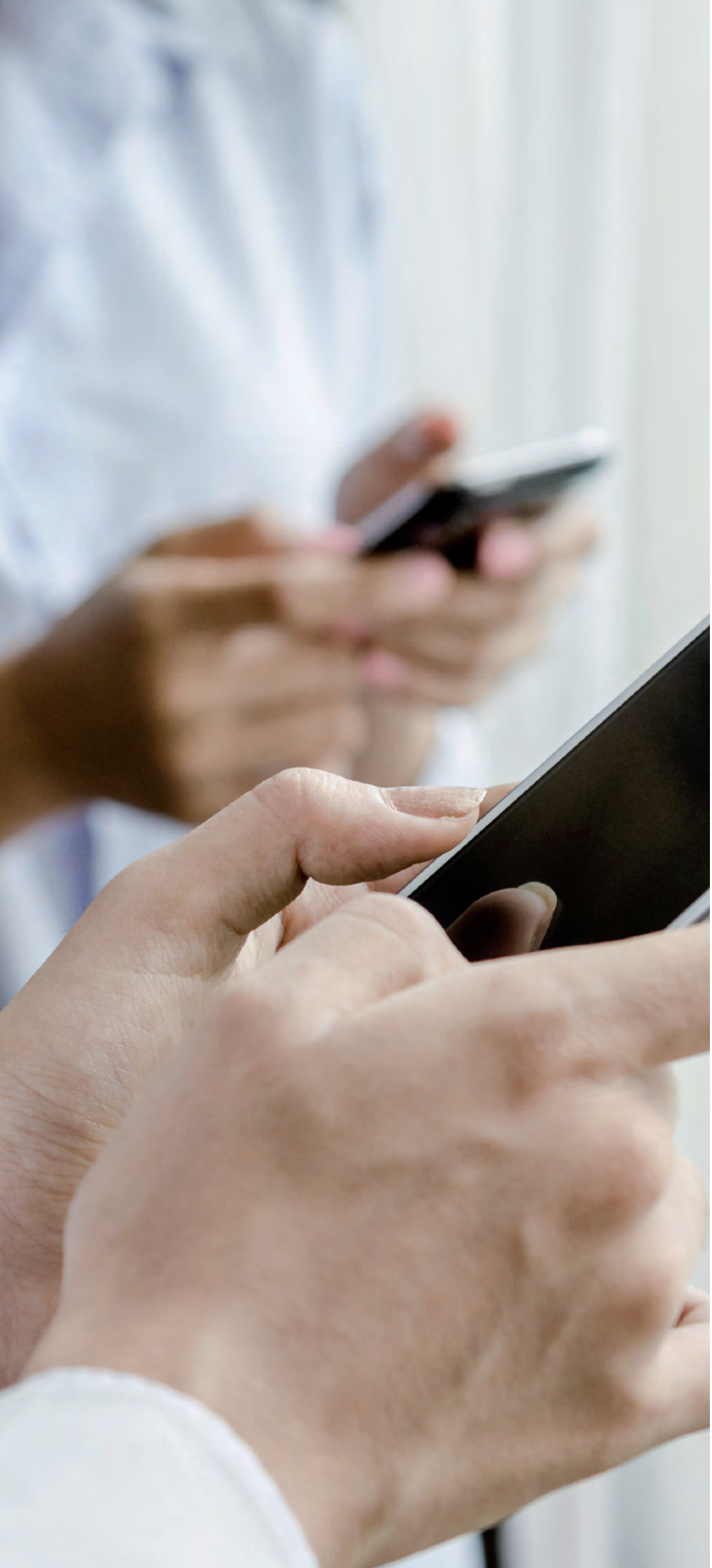
Android began and ended 2013 with a clear lead in the smartphone share battle; it accounts for 70% of the market across 12 major world economies versus 22% for Apple. On the surface, it looks like its quest for dominance is all but complete.

But these figures don't tell the whole story. Apple reigns supreme in several important areas including user engagement, spend and loyalty.

There are signs that Apple isn't attracting and retaining as many early adopters as it once did, with larger screens seeming to drag a number of users away from the brand. But with industry-leading satisfaction and loyalty rates, Apple can be confident that most iPhone users will still own one next year.



Despite Android's leadership in 2013, Apple reigns supreme in several important areas



Making a comeback

If Android and Apple can claim to be the big players of 2013, Windows Phone wins the title of top-performer.

It wasn't a promising start for Windows Phone when launched in October 2010 as solid reviews failed to translate into meaningful sales. A lack of apps and consumer wariness of a new platform were blamed and many claimed that the experiment had failed.

Three years later and Windows is the fastest growing OS in the world. It has overtaken Apple in Italy, is a close second in Germany and has snatched back third place in Britain. What changed?

Windows is the fastest growing OS in the world

Most early adopters were already on their second smartphone when Windows Phone launched, making it very hard for Nokia to attract them across to a new platform. The turning point for Windows Phone was 2013's launch of the Nokia Lumia 620 and 520. Changing tactic and re-focusing on the low to middle-end of the market appealed to a large number of the remaining first-time smartphone buyers, many of whom still own Nokia featurephones. It has sucked up the remaining customers from Symbian and BlackBerry and is now eating into the low-end Android market.

The good news for Nokia and Microsoft is that once consumers buy their first smartphone and become more engaged in the market, they are willing to spend significantly more on their upgrade. Nokia may be skewed to the low end now, but if it can keep its increasing base of customers loyal the high-end should follow soon after.

OPPORTUNITIES FOR 2014

Market entrants – New kids on the block

With huge players like Nokia and HTC struggling to compete with the billion dollar marketing budgets of Apple and Samsung, you might think that launching into a fiercely competitive market would be foolhardy. But a few brands which have done just that, and have achieved spectacular results.

Wiko, a mobile manufacturer created in 2011 in Marseille, claimed 8.8% of French smartphone, sales in November 2013, just below global giant Sony. Similarly Xiaomi, a privately owned Chinese mobile manufacturer founded in the same year, took 16.2% of Chinese smartphone sales in November 2013 and plans to sell over 40 million devices in 2014.

Competing with global giants is possible but it is crucial to focus on satisfying your niche target better than any other brand

These companies are very different in their products but have both successfully targeted a sizeable niche. Wiko appeals strongly to value-conscious consumers who appreciate the dual SIM capability. It's particularly popular among older women. Xiaomi also manages to hit a low price point, appealing to those looking for a bargain, and in this case has found popularity among the tech-savvy youth.

As consumers become more knowledgeable, and the realisation that most smartphones come from the same components grows, there is a real opportunity for newcomers that offer value-for-money handsets. Existing brands must take note.

The lesson here is that competing with global giants is possible but it is crucial to focus on satisfying your niche target better than any other brand.

Loyalty

Customer loyalty is incredibly important to all brands. The challenge handset manufacturers face is that just 41% of users stay loyal to a specific brand when they change device compared with 68% who stay loyal to their existing OS. This is a particular problem for Android-carrying brands to convince customers to stick with the brand rather than switching to another device.

Consumers know that whatever Android device they log on to all of their contacts, apps will be available in a familiar userface. Persuading customers to buy into the brand rather than the OS has been a key focus for Samsung over the past two years, with the results clear in their rising figures. HTC, Sony and LG are now re-focusing and investing in helping consumers connect with the brand rather than just products – success in this area will be crucial to their long-term success.

Just 41% of users stay loyal to a specific brand

Apple is, of course, unaffected by this – iOS is Apple, Apple is iOS. If consumers want to jump ship to Android or Windows they must re-buy apps, copy across previous content and learn a new OS. These barriers, combined with a compelling product, mean few Apple users are ready to leave the brand.

Screen size – how big is too big?

One of the most visible trends in 2013 has been ever increasing screen sizes. Large, high-resolution screens encourage consumers to change the way they use their smartphone, with rapid growth seen in watching videos and browsing the internet.

However, the trend seems to be retreating as people question 'how big is too big'. Close to half of European phablet owners chose a smaller screen when they bought a new smartphone last year with the sweet spot between 4.7" and 5.0. No matter how thin and light phablets become there is no getting around the pocketability. With new high-end devices like the Galaxy S4 and LG G2 fitting a 5.0" screen into a virtually bezeless body, there's less incentive for consumers to adopt phablets.

Close to half of European phablet owners choose a smaller screen when they bought a new smartphone.

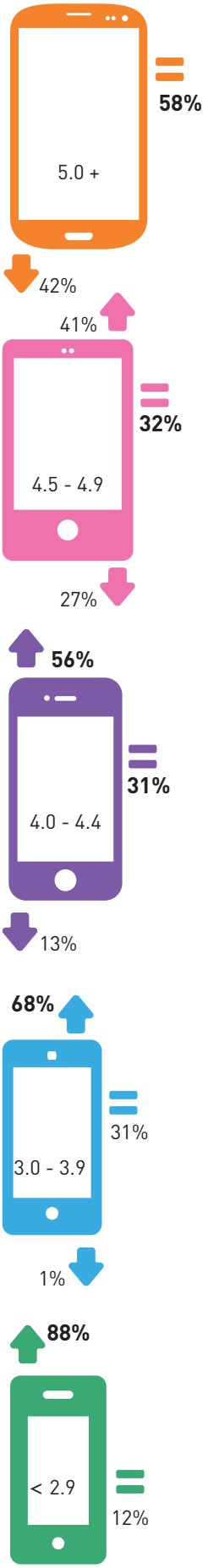
This downsizing trend is less apparent in China, where the Tablet market is less developed, with many consumers choosing 'Phablet's to avoid the need to buy both a Smartphone & Tablet. However, in developed markets like Europe & the US where Tablet penetration is already very high, this trend is one the industry must take note of fast.

upgraded to a **bigger** screen device

changed to the **same** sized screen

downgraded to a **smaller** sized screen

Smartphone Screen Size Switching (EU5)



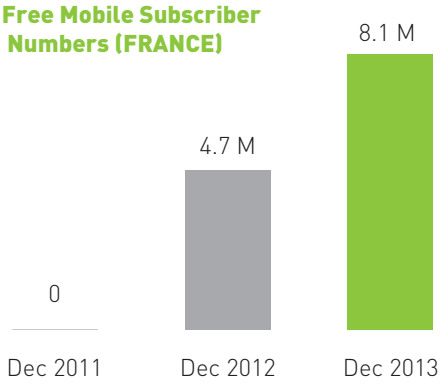
Making a splash in the carrier world

Generally speaking, network market shares – unlike manufacturer shares – tend to see relatively small movements over time. In France, this idea has been flipped with the arrival of Free Mobile in early 2012. The disruption caused by Free Mobile's arrival had never been seen before and it should make big networks everywhere take note of changeable market dynamics are when new entrants come in with irresistible offers.

Free was an existing broadband and Pay TV provider in France with a large existing customer base. When it entered the mobile space it offered two tariffs: an unlimited mobile package for €19.99 or €2 per month for two hours of talk time and unlimited texts. Both were offered at even lower rates to existing broadband customers. The average contract price plan in the French market was €32 per month before Free Mobile launched, but had dropped to just €25/month by end of the third quarter of 2013. With a huge existing customer base to target, and an increasing demand for large data packages, Free grew rapidly.

Now BT is positioning itself to make its first move back into the UK mobile market since its sale of O2 11 years ago. It has many parallels with Free including a large existing customer base. Certainly, if BT decides to adopt a similar model it could very quickly become a significant player within the carrier market. At the very least, its entry would prompt a response from other providers and lower tariffs across the board. O2, EE and Three should carefully watch this space.

Free Mobile Subscriber Numbers (FRANCE)



GREAT EXPECTATIONS

There's a lot to look forward to in the mobile market this year, with changes likely in both the handset and carrier markets. We'll see the first signs of how Nokia's sale to Windows will affect the company, whether the iPhone 6 can bring Apple more success and how the carrier market adapts to new players. We'll also get an indication of how effectively local brands can start to compete with the major players and if wearable technology will be a new cash-cow for the big players. Whatever it brings, 2014 will certainly be interesting.

Dominic Sunnebo

Dominic Sunnebo is a Global Strategic Insight Director at Kantar Worldpanel ComTech. Dominic has over 10 years' experience working in consumer research within the technology sector alongside the world's leading handset manufacturers, carriers and operating systems.

Dominic.Sunnebo@KantarWorldpanel.com
T +44 (0)208 967 4616
M +44 (0)7764 272 299
Twitter: @DomSunnebo

More information at:
www.kantarworldpanel.com/comtech.

Global:
comtech@kantarworldpanel.com
+44 (0)208 967 4972

Europe

UK, Germany & Italy: +44 (0)208 967 4616
France: +33 (0)130 748 347
Spain: +34 93 5 819 434

Americas

United States: +1 212 991 6163
Brazil: +55 11 4133 9761
Mexico: +52 (55) 4147 6228
Argentina: +54 1147 878 514

Asia Pacific

China: +86 10 8201 5388
Japan: +81 3 6859 5351
Australia: +61 (0) 410 046734