

In China, Smartphone Shipments Declined in 2017

Years of consecutive growth snapped

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A saturated market and shifting consumer attitudes have finally put an end to years of consecutive growth in smartphone shipments in China.

Research firm [Canalys](#) recently reported that smartphone shipments in China dropped 4% year over year to 459 million units in 2017. The [China Academy of Information and Communications Technology \(CAICT\)](#) reported a comparable smartphone shipment figure for China last year (461.4 million units).

Similarly, [Counterpoint Technology](#) said smartphone shipments in China declined 1% in 2017 to 468 million units. Given the different market dynamics, however, sell-through went up by 5% for the year, according to the industry insight provider.

By and large, the downturn means the smartphone market in China is unlikely to return to the high double-digit growth seen in the years prior to 2015. And smartphone manufacturers will have to work much harder to win over consumers.

Take Apple devices, for example. The iPhone was considered a status symbol in China, especially in the early days. While the country still brought in a quarter of the total 29 million Apple iPhone X shipments in

Q4 2017, consumers are no longer blindly chasing after the latest device.

Some pundits point to Tencent's do-it-all WeChat app—the app that essentially lets users complete any task—as playing a role in reducing the need to switch smartphone operating systems, and thereby, undermining iPhone sales indirectly when all consumers need is WeChat, which can be run on lower-priced phones.

Urban smartphone users in Tier 1 cities such as Beijing, Shanghai and Shenzhen are replacing their smartphones at a slower rate, and have become more thoughtful and value-conscious about their purchases. This has led to the rise of Huawei, which sells high-spec smartphones at a more affordable price compared with Apple's products.

Smartphone Sales in China, by Brand, 2017		
<i>millions of units and % of total</i>		
	Smartphone sales	% of total
Huawei*	102.6	23%
Oppo	77.6	17%
Vivo	72.2	16%
Apple	51.1	11%
Xiaomi	50.9	11%
Meizu	16.8	4%
Gionee	14.9	3%
Samsung	11.1	2%
Lepphone	4.7	1%
Lenovo	1.8	0%
Other	45.8	10%
Total	449.4	100%
<i>Note: represents sales to end users; numbers may not add up to total due to rounding; *includes Honor, a subsidiary brand</i>		
<i>Source: GfK as cited by Tencent, Jan 19, 2018</i>		
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Some smartphone manufacturers in China have shifted their growth strategies to lower-tier cities. Data from mobile data analytics firm [Trustdata](#) suggests that lower-tier cities are driving smartphone user growth in China, where monthly active Android and iOS devices in Tier 4 and Tier 5 cities in December 2017 jumped 61.1% and 48.9% year over year, respectively.

Investment in brick-and-mortar distribution networks in lower-tier cities has helped drive the emergence of brands such as Oppo and Vivo. The trend also prompted China-based smartphone brand Xiaomi to

reconsider what was once their online-only sales model and built up their brick-and-mortar presence in those areas.

For some smartphone manufacturers in China, India and several countries in Africa have become attractive markets. For Xiaomi, its investments in those countries and regions are beginning to bear fruit. According to Canalys, Xiaomi topped the list for smartphone shipments in India in Q4 2017.