

Why global smartphone demand continues to drop

Article

The news: Nearly every smartphone maker except **Samsung** and **Apple** is reporting lower shipments in Q2 even as consumers continue to splurge on pricey phones, [per](#) Ars Technica.

Peak smartphone: The smartphone market is expected to cool further as a result of inflation, COVID-19-related lockdowns, and lack of any major innovation or reason for users to upgrade this year.

- Even the biggest growth markets like China are seeing a downward trend, with **Xiaomi marking a 25.5% drop in Q2**, [per IDC](#). **Vivo** and **Oppo** also saw [significant downturns](#).
- Samsung and Apple, which rule the flagship space with devices costing well over \$1,000, are offering incremental upgrades for 2022—the most recent big leap was [the transition to 5G](#).
- Sameness, or lack of any game-changing innovation in design and functionality, is another reason the smartphone segment seems to be contracting.
- More than half of respondents in a **Kantar [survey](#)** of the Gen Z, millennial, Gen X, and baby boomers demographics agreed with the sentiment that "**smartphones today are all pretty much the same.**"
- Form factors like foldable and dual-screen devices exist but have [struggled](#) to gain traction, mostly because of their higher cost.

The bigger picture: Premium smartphones continue to sell relatively well because consumers tend to hold on to them longer. The average length of phone ownership has been increasing steadily from 20 months, to more than two years, [per CNBC](#).

- Expect the latest flagships to cost more and be in short supply. **The latest, greatest models from Apple, Samsung, and Google could be harder to come by due to protracted component shortages.**
- They could also cost more due to the persistent effects of inflation, which could further dissuade consumers to upgrade, especially if they made the leap to a 5G-capable device in the past two years.

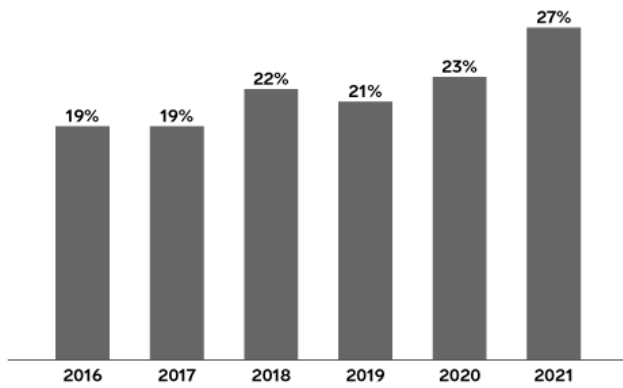
Three possible areas of smartphone innovation: The usual yearly upgrade cycle of more powerful processors, more capable mobile cameras, premium materials, and larger high-resolution screens aren't enough to stoke consumer desire for new flagship phones.

- **Improved repairability and modular design:** Devices enabling easier end-user repairs could help manufacturers adhere to tightening right-to-repair regulations while cutting down on e-waste.
- **Smartphones that double as PCs:** Solutions like Samsung's **DeX** and **Microsoft's Continuum** were early examples of smartphones that could work as basic PCs. Something that today's more powerful devices could easily do, if permitted.

- **Improved AR features:** Google, [Apple](#), and Motorola's smartphones had early dalliances with augmented reality, including cameras and apps that enabled another layer of interaction. Future AR handsets could implement this technology to gain traction.

Premium Smartphone Share of Total Smartphone Sales Worldwide, 2016-2021

% of total



Note: represents sales to end users; smartphones with an average selling price (ASP) of more than \$400
Source: Counterpoint Technology Market Research as cited in press release, March 23, 2022
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