

ADVERTISEMENT

TECHNOLOGY NEWS | Fri Feb 19, 2016 | 3:20pm GMT

Phone makers look to add-on gizmos to revitalize market

By Paul Sandle | LONDON

Phone buyers looking for innovation at next week's big industry show in Barcelona will need to look beyond the handsets themselves to additional gadgets like 360-degree cameras which can be hooked up to their computing power, as manufacturers struggle to differentiate their core products.

The need to invent has never been greater as phone buyers are less keen to buy devices only marginally better than the ones they already own, leaving manufacturers struggling to eclipse rivals with only faster processors, higher resolution screens or better cameras - all at ever lower prices.

And yet the annual Mobile World Congress industry gathering in Barcelona is expected to have little new to show other than dozens of handsets with colored metallic cases and oversized screens, all largely indistinguishable from last year's models.

Only two of the top five vendors, Samsung and Huawei, increased sales to end-users in the last quarter, while Apple suffered its first quarterly decline, with iPhone sales down 4.4 percent, according to market research firm Gartner.

Apple, which gave birth to the smartphone industry in 2007, on the eve of the financial crisis, still rakes in the lion's share of the profits, distinguished in part by its vibrant software apps market and exclusive ecosystem of connected services.

But for Apple and its main rivals western markets are now saturated. And the growth engine of China, where the market more than doubled in size each year from 2001 to 2013, is stalling, with forecast growth of only 1-2 percent in 2016.

Meanwhile shudders in the global economy will cause China's own phone makers, which now sell between 65 and 105 million phones a year on wafer-thin profit margins, to look overseas.

"The Chinese manufacturers can no longer depend on their home market for growth," CCS Insight's Ben Wood said.

"They've got to look elsewhere, and that means they are aggressively coming after every other market in the world, and that's what's been the undoing of companies like Sony, HTC, Nokia and others."

The Chinese companies are well placed to capitalize on demand for mid-range to lower-end smartphones in Asia, the Middle East and Africa, as well as make inroads into Western markets, where the reduction in phone-buying subsidies by network operators on top-end devices plays to their strengths.

"Their cost advantage allows them to push affordable, but more sophisticated mid-tier offerings," Gartner research director Roberta Cozza said.

Wood said Chinese company Xiaomi, which is practically unknown outside China but nonetheless ranks fifth worldwide, was one to watch.

"They are prepared to sell devices at a little bit over cost to grab share and their whole business model is predicated on selling additional things as well like content and services," he said.

ADVERTISEMENT

TRENDING STORIES

- 1 **Reflation trades fizzle, sterling holds above \$1.28**
- 2 **As Trump warned North Korea, his 'armada' was headed toward Australia**
- 3 **Life's illusions catching up with Japan's middle-aged 'parasite singles'**
- 4 **Macron clings on to lead in tense French election race**
- 5 **Credit Suisse pay revolt rumbles on even after concessions**

ADVERTISEMENT

SPONSORED TOPICS

VIRTUAL REALITY

ALSO IN TECHNOLOGY NEWS

Yahoo's first-quarter revenue jumps 22 percent

IBM posts first revenue miss in five quarters, shares tumble

But while the competition intensifies true innovation has not, with the Barcelona show expected to feature instead other products that connect to phones, like all-round cameras capable of producing immersive views, new wearable devices and electronic gadgets for the home or workplace that use smartphones as a processing hub.

As usual Apple will be absent, preferring to run its own events for new product launches.

"We will see a lot of stuff around 360-degree cameras and virtual reality headsets with a smartphone," said Francisco Jeronimo, an analyst with research firm IDC.

"Commodities rather than innovation", said Forester analyst Thomas Huston.

"I don't expect true innovation, it's going to be more about the specifications, the better processing power, the battery life," he said.

"What's the benefit for consumers? I think it will be very limited."

(Additional reporting by Eric Auchard; Editing by Greg Mahlich)

Our Standards: [The Thomson Reuters Trust Principles](#)

NEXT IN TECHNOLOGY NEWS

China EV makers to take on Tesla's Model 3 through price, local manufacture



SHANGHAI It's not due to arrive in China until next year, but already Chinese-funded, smart, connected plug-in car start-ups are scrambling to launch cars to go head-to-head against Tesla Inc's "mass market" Model 3 sedan.

MORE FROM REUTERS

Eleven missing after ship sinks off Crimean coast - officials

Grandvision to acquire Tesco's British optician chain

UBS fined for delayed release of price-sensitive information

Invesco Perpetual continues to trim Allied Minds stake

As Trump warned North Korea, his 'armada' was headed toward Australia

SPONSORED CONTENT

FROM AROUND THE WEB

Promoted by Revcontent

From the Web

Ads by Revcontent

Card Machine Companies Are Furious People Know About This

Discover The Game That Only Real Gamers Can

Now Is The Time To Invest In Canada's Marijuana Boom