

Report: Smartphones Account for 93 Percent of Gross Handset Profits

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Smartphone margins are where it's at if you're a handset manufacturer these days. According to a new [report](#) [1] from IHS iSuppli, smartphones accounted for 87 percent of handset industry revenue in 2012 and a staggering 93 percent of gross profits, even though they only made up 46 percent of unit shipments.

Feature phones accounted for 54 percent of handset unit shipments but accounted for 13 percent of revenue and just 7 percent of gross profits.

The shift has meant spoils for top smartphone vendors Apple and Samsung, while Nokia and Motorola have suffered.

Lee Ratliff, principal analyst of broadband & digital home for IHS, attributes the shift to the introduction by Apple of the iPhone in 2007.

"Able to host a multitude of apps, provide sophisticated features like voice and gesture recognition, and even operate as a music player and handheld camera, smartphones relegated feature phones with their simple and unadorned functionality to the fringe, largely reserved for poorer parts of the world that could not afford smartphones or possessed little access to wireless infrastructure," Ratliff said in a statement.

IHS found gross profits for smartphones rose from \$13.4 billion in 2007—the year of the iPhone—to \$75.3 billion last year, equivalent to \$116 in gross profit per smartphone based on shipments of 650 million units.

To put that into perspective, feature phones saw gross profits tumble from \$27.5 billion to \$5.5 billion during the same period, which means feature phones last year had gross profits of \$7 per unit, based on shipments of 751 million units.

Together, Apple and Samsung account for 81 percent of industry gross profit. In comparison, the next most profitable manufacturer—at a very far remove—is Nokia, with just a 4 percent share. All other handset brands split the remaining 15 percent, with no single entity holding more than 3 percent.

So dominant are Apple and Samsung that IHS iSuppli believes the smartphone space could soon be "dominated by a duopoly."

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Published on Wireless Week (<http://www.wirelessweek.com>)

Source URL (retrieved on 06/12/2013 - 12:31pm):

<http://www.wirelessweek.com/news/2013/03/report-smartphones-account-93-percent-gross-handset-profits>

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[1] <http://www.isuppli.com/Mobile-and-Wireless-Communications/MarketWatch/Pages/Smartphones-Completely-Redraw-Handset-Landscape-with-Apple-and-Samsung-Now-on-Top.aspx>