

**For immediate release**

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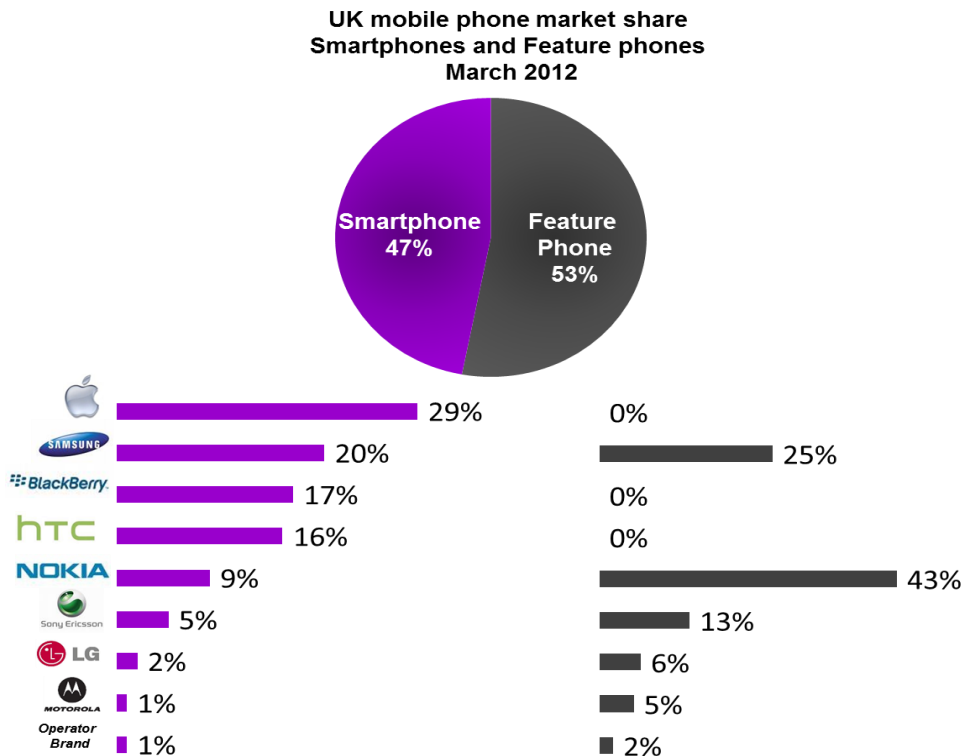
**Smartphone growth in the UK: Challenges in the handset market**

In the UK, there has been a steady but slowing growth of smartphone usage; latest research from YouGov's Technology and Telecoms team confirms that almost half of mobile owners now use smartphones (47%). Apple's iPhone leads the way with close to 30% share of the smartphone market; BlackBerry has steadily lost share over the past two years (17%); Samsung and HTC have gained popularity, representing clear threats to Apple's dominance in the market, increasing their shares to 20% and 17% respectively.

Despite resistance from feature phone owners, YouGov anticipates that smartphones will dominate the market with a clear majority (over 55%) within the next 12 months. Therefore, the onus is on the feature phone market as they represent key conversion opportunities for manufacturers.

Samsung, in particular, has a firm presence in both smartphone and feature phone markets: 20 and 25% respectively, meaning the manufacturer is in a great position to convert feature phone users with established products in both markets.

Nokia remains the most popular manufacturer for feature phone owners, holding the largest share of the market, with over 40%. Nokia holds a unique opportunity to capture and convert a sizeable proportion of the feature phone market. However, unlike Samsung, Nokia lacks smartphone market share and has famously struggled to capture the current market with their smartphone offerings.



Conversion of the feature phone market will not be easy; the challenge for manufacturers is converting the 'Late Majority' and 'Laggard' segments who are not necessarily technology-focused and are sceptical of the value of smartphones. And YouGov's latest SMIX (Smartphone Mobile Internet eXperience) findings confirm this: over 40% of feature phone users "have no need for a smartphone"; over 50% are "happy with their regular mobile phone".

Indeed, scepticism amongst this group translates to less than 40% expecting to switch handsets within the next 18 months and only 42% of that group expecting to switch to smartphones. In other words, roughly 16% of the current feature phone users will switch to smartphones in the next 18 months.

YouGov's research indicates that expense appears to be another critical issue with conversion, between 30% and 40% of feature phone users also feel that "smartphone handsets are too expensive". For their part, manufacturers have sought to address this issue; with the exception of Apple, most smartphone manufacturers have expanded product lines to include less expensive models, in order to appeal to transitioning feature phone users. And this strategy may be paying off for Samsung and HTC; Apple barely holds its own in the smartphone market, gaining just 30% of the feature phone converters. Samsung and HTC, however, grab 25% and 16% respectively. All other things being equal, YouGov predicts that Samsung and HTC will increase their share of the smartphone market over the next year.

This is not the case for Blackberry and Nokia however, as their diversified product portfolio strategy does not appear to be paying off. Blackberry has suffered from well documented problems both in the UK and worldwide. Nokia, despite currently having the lion's share of the feature phone market, has been unable to convert this base to its smartphone models (Lumia) and may capture just 4% of feature phone converters within the next 18 months.

"This situation may be a case of Nokia coming to the smartphone party, too little and too late - their loss of share may be permanent", says John Gilbert, Consulting Director of YouGov's Technology and Telecoms team.

Gilbert continued, "To address the various barriers to smartphone conversion requires a better understanding of the complacent and currently satisfied feature phone market. Smartphone features, such as the wide variety of apps, need to be communicated more effectively, as they will play an increasingly crucial role in handset selection in future".

**-ENDS-**

**Notes to editors:**

Figures, unless otherwise stated, are from YouGov Plc.

Total sample size was 2,066 nationally representative British adults and 2,077 targetted smartphone owners. Fieldwork was undertaken 9<sup>th</sup> March – 13<sup>th</sup> March 2012. Each interview was conducted online and was approximately 20 minutes in length.

YouGov's SMIX (Smartphone, Mobile Internet eXperience) is a quarterly study that tracks consumer perception on the following:

- Handset usage, attitude and satisfaction

- Mobile operator usage, attitude and satisfaction
- Renewal
- Churn
- Operating systems
- Apps
- And more...

The next wave of the tracker begins in June with a report due in July 2012.

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YouGov is considered a pioneer of online market research and has a panel of 2.5 million people worldwide, including over 350,000 people in the UK representing all ages, socio-economic groups and other demographic types.

As the most quoted market research agency in the UK, YouGov has a well-documented and published track record illustrating the accuracy of its survey methods.

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