

# Branded Handsets Dominate China's Wi-Fi Phone Market

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## Executive Summary

Wi-Fi has become a common feature of smartphones in the global handset market. In China, however, Wi-Fi-enabled handsets only became available in April 2009 when the Ministry of Industry and Information Technology (MIIT) permitted Wi-Fi to be installed in handsets, provided they are also compatible with Wireless Authentication and Privacy Infrastructure (WAPI) technology.

In 2009, smuggled Wi-Fi phones made up XX% of the market with shipments of around XX million. XX million Wi-Fi-enabled "black" phones were also shipped. Branded phones, which were available for a shorter period, shipped only XX units.

WAPI is the key for handset vendors who wish to enter the Wi-Fi phone market. It can be adopted either by updating software or redesigning hardware. Neither method increases the material cost for chipset vendors but requires extra time and effort for localization and negotiation with WAPI patent-holders, which in turn delays launch times.

Motorola and Nokia were the first to ship Wi-Fi-enabled phones to the Chinese market. Motorola provides mid-range and high-end business-oriented smartphones, while Nokia provides mid-range entertainment-oriented smartphones. Wi-Fi capability was removed from the iPhones sold in China, but it may be added back to the iPhone following great pressure from smuggled Wi-Fi-capable iPhones.

Local handset vendors, led by Lenovo, are also entering the Wi-Fi phone market and the Wi-Fi penetration rate for local branded handsets will gradually increase. However, these phones account for only a small proportion of the overall number of smartphones produced and will not be the market mainstream. Combined sales of international and local branded Wi-Fi phones will increase rapidly to XX million and grow by a factor of XX in 2010.

Operators are speeding up on expanding their Wi-Fi coverage. China Telecom is the most enthusiastic due to its "CDMA+WLAN" strategy. China Mobile is also actively building Wi-Fi hotspots as it intends to use Wi-Fi connections to compensate for the limitations of its TD-SCDMA network. China Unicom is lagging behind since it is currently focused on expanding its WCDMA network and has not completed integration with China Netcom, which holds the fixed-line resources in China's northern provinces.

In-Stat estimates that, driven by intense competition and user demand, China's Wi-Fi enabled handset market will growth at a five-year CAGR of XX% and reach total shipments of XX million by 2013.

### HIGHLIGHTS

- In 2009, XX million Wi-Fi-enabled handsets were shipped in China; of these, XX% were smuggled phones.
- User demand for free mobile international connections and intense competition among handset vendors are promoting market growth.
- Branded Wi-Fi phones will dominate the market in 2010 with shipments of XX million, or XX% of the market.
- Shipments of Wi-Fi-enabled handsets will reach XX million by 2013, a five-year CAGR of XX%.

Figure 1. Wi-Fi-Enabled Handset Shipment Forecasts (in Millions)

XX

## Report Summary

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Thanks to the softening of MIIT's ban on Wi-Fi, vendors of branded handsets are now permitted to sell Wi-Fi handsets in China. In-Stat believes that branded Wi-Fi-enabled phones will dominate the market going forward, and that shipments will reach XX million by the end of 2010.

This report is exclusively focused on the handset industry. Using information gathered from interviews with industry experts, chipset vendors, and handset vendors, we outline the current Wi-Fi phone market status and examine the various sub-markets, including black phones, smuggled phones, and branded phones. A value-chain analysis that examines the impact of WAPI and researches operator attitudes is also provided.

Finally, we provide five-year forecasts for China's Wi-Fi handset market and discuss market trends in the three sub-markets.

### What Information is Contained in This Report?

- Market overview
- Market breakdown
- WAPI's impact on the ecosystem
- Value-chain analysis
- Shipment forecasts for Wi-Fi-enabled handset in China (2009 to 2013)

### Who Will be Interested in This Report?

- Chipset vendors
- Handset vendors
- AP vendors
- Operators

### What Questions Does This Report Answer?

- What is the current market size?
- What are the market shares of branded, black, and smuggled Wi-Fi phones?
- What impact is WAPI having on the market?
- What are the market trends for the next five years?

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## Related In-Stat Reports

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- #IN0804324CCM *Wi-Fi Usage in China: Thriving Growth Fueled by Wi-Fi City*, November 2008  
<http://www.instat.com/abstract.asp?id=240&SKU=IN0804324CCM>
- #IN0804141CCM *Wi-Fi City in China: Users Reluctant to Become Subscribers*, September 2008  
<http://www.instat.com/abstract.asp?id=240&SKU=IN0804141CCM>