

Japanese Mobile Phone Makers Locked out of China

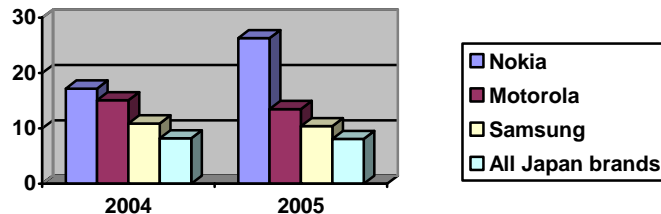
CHICAGO—January 8, 2007. China's mobile phone market is one of the most promising and fastest growing in the world, but Japanese handset makers have been largely shut-out. In 2005 and 2006 alone, four major Japanese mobile phone brands exited the China market. This is not what one would expect from a technology and consumer electronics powerhouse such as Japan.

Why can't Japanese mobile phone makers cut-it in China, and what are the lessons about the China market that we can learn from their failures?

Quick facts:

- In 2006, around 132 million mobile phones were sold in China, 14% of a global total of 935 million. By 2010, with still only 50% of Chinese owning a mobile phone, China's share of the market could rise to 17%, or 195 million mobile phones.
- In November 2006, NEC withdrew from the China market
- Toshiba closed its China mobile phone operations in April 2005
- Panasonic closed its China handset business in December 2005
- Mitsubishi exited the China mobile phone market in February 2006

Top 3 Mobile Phone Brands in China vs. Japanese brands (units sold)



Source: THT Research, companies

“Most Japanese handset companies have encountered similar problems in China,” states THT Research analyst Susan Myers. “They’ve relied too much on R&D and phone quality, and invested too little in branding, advertising, and developing sales channels. They’ve also failed to introduce enough models at a broad range of price points that appeal to cost-sensitive Chinese consumers. Also, the design preferences of Chinese consumers generally work to the advantage of South Korean brands, and to the disadvantage of Japanese brands.

“These miscalculations can be explained by the fact that the Japanese companies have mainly staffed their China offices with Japanese managers who operate according to Japanese management styles,” explains THT’s Myers. “In addition, there’s the nationalist factor to take into account: when good quality and well-priced alternatives are available, Chinese consumers generally prefer, for all kinds of historical reasons, not to purchase from Japanese companies.”

The bottom line? Succeeding in the China market takes more than a good product that works on the global market. Products need to be customized for Chinese consumers, serious attention needs to be paid to sales channels and branding, and of course companies should hope that their governments’ don’t start fighting with China.

Download THT’s FREE whitepaper: *China’s Mobile Phone Market: Market barriers for Japanese vendors:* <http://www.thtresearch.com>

New research forthcoming from THT: *China’s Leading Mobile Phone Vendors: Company and domestic market overview.* <http://www.thtresearch.com>.

Media inquiries: pr@thtresearch.com

Sales inquiries: sales@thtresearch.com