

Samsung Showing Hopeful Signs; Apple Demand Remains Strong

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Overview: Consumer smartphone buying is experiencing a seasonal drop in the aftermath of the holidays and new iPhone releases. Despite this, Apple demand is holding relatively strong and Samsung is showing some positive signs as it works to recover from the Note 7 ordeal. Google’s new Pixel smartphones are also off to a good start.

The December 12-30 survey of 4,125 primarily North American consumers from 451 Research’s Leading Indicator panel focused on smartphone buying trends, including next 90 day demand, customer satisfaction and screen size preferences.

Seasonal Drop in Planned Smartphone Buying

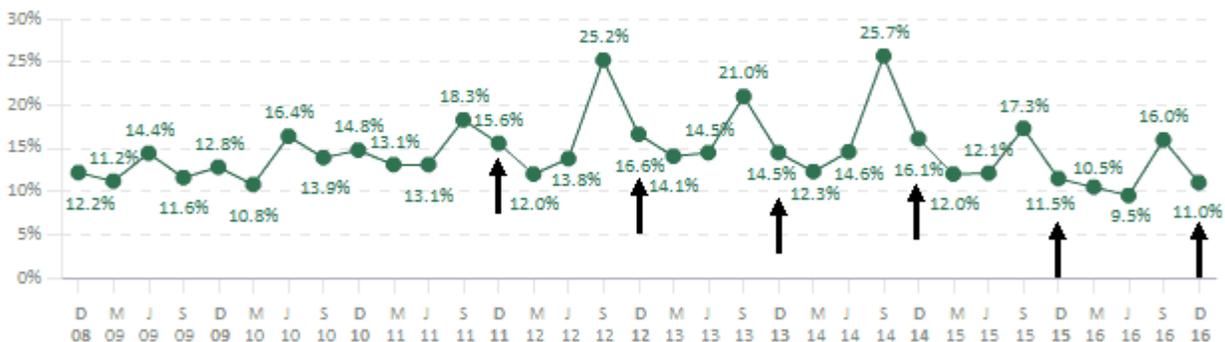
Planned smartphone buying is down now that the combined effect of the holiday spending period and new iPhone launches are in the rear view. A total of 11.0% of respondents plan on buying a smartphone in the next 90 days – 5 points lower than the previous survey in September and just below the level of a year ago.

This is a trend we normally see this time of year, though purchase intentions have fallen to the lowest December level since 2008.

Consumer Market: Future Smartphone Buying

Dec '08 - Dec '16

Percentage of Respondents Who Plan on Buying a Smartphone Over the Next 90 Days



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

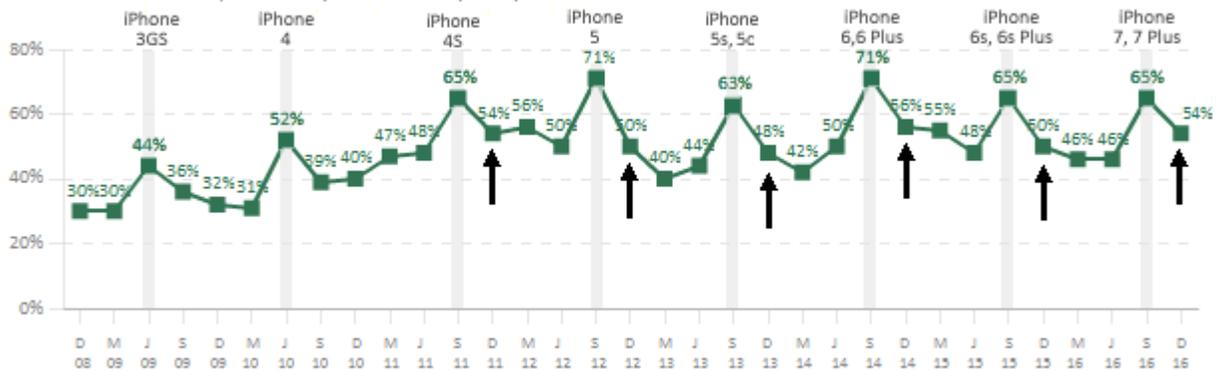
Competition Among Manufacturers. Buying plans for individual smartphone manufacturers show Apple holding a big lead over the competition, with 54% of planned smartphone buyers saying they'll purchase an iPhone over the next 90 days.

While this is down 11-pts from the previous survey – conducted as the iPhone 7 and 7 Plus were being released – it's less of a decline than a year ago after the 6s/6s Plus releases (down 15-pts).

Consumers: Apple Smartphone Buyers - Next 90 Days

Dec '08 - Dec '16

% of Planned Smartphone Buyers Who Say They'll Purchase an iPhone



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

Demand for the iPhone 7 (40%) exceeds that of the 7 Plus (29%) – a shift from the previous survey when the larger screen model was slightly ahead. That said, buying plans for the iPhone 7 Plus are higher than a year ago (24% iPhone 6s Plus).

Samsung. Samsung traditionally bounces back after taking a hit in demand due to iPhone launches. But this is not an ordinary time for Samsung, as the company works to recover from the Note 7 ordeal.

Our previous survey (Sep '16), which was conducted after the initial Note 7 recall but before Samsung halted sales and production of the device, showed Samsung demand at nearly the same level as the previous four September surveys – an encouraging finding for the company at the time. But questions remained, as the timing of the survey didn't allow us to fully capture the impact of the Note 7 recall.

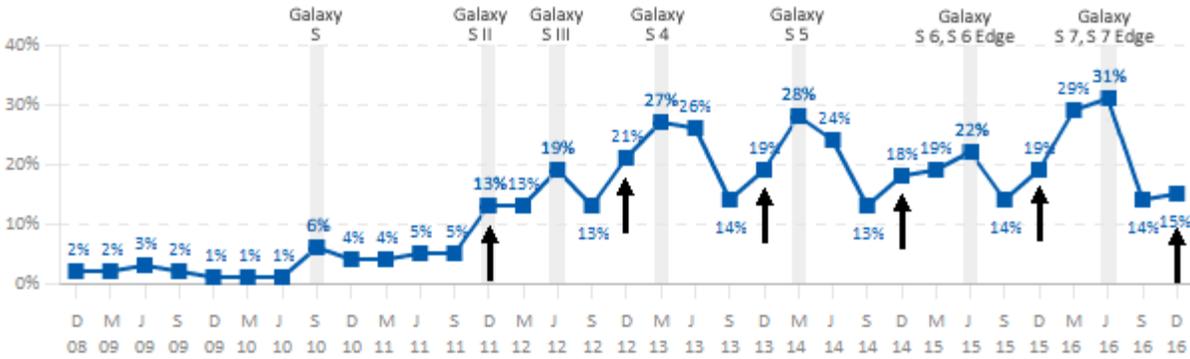
Our latest December survey shows demand for Samsung smartphones (15%) up a slight 1 point from previously. Although this is smaller than the 5 point jump we've seen in the past three December surveys, it is nonetheless a hopeful sign given the circumstances.

Samsung appears to have minimized damage from the Note 7 battery issues, and is looking towards its Galaxy S8 launch (expected this spring) to spur a new wave of demand.

Consumers: Samsung Smartphone Buyers - Next 90 Days

Dec '08 - Dec '16

% of Planned Smartphone Buyers Who Say They'll Purchase a Samsung



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

Among planned Samsung buyers, the Galaxy S7 (31%) is most popular, followed by the S7 Edge (18%).

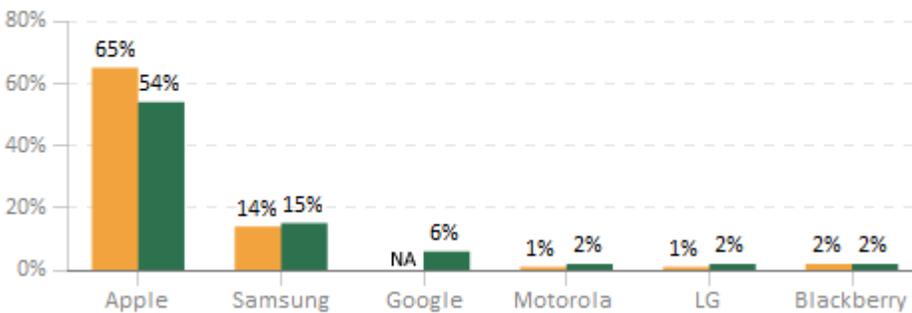
Apple and Samsung have been dominating the smartphone scene for years, but with Apple down and Samsung little changed from previously are any other manufacturers posing a real challenge?

Google just released its Pixel smartphone in October 2016, the first phone made by Google and available exclusively through Verizon and Google's Project Fi wireless service. A total of 6% of planned smartphone buyers say they'll purchase a Google Pixel or larger-screen Pixel XL smartphone.

Planned Smartphone Manufacturer

Sep 2016 vs. Dec 2016

Who is the manufacturer of the Smartphone you plan on buying?



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

This is a solid initial showing for Google, especially considering the limited availability of the Pixel since it cannot yet be purchased directly from other major wireless providers. Moreover, these results are similar to what we saw when the first Samsung Galaxy S launched back in 2010.

Customer Satisfaction

Apple users are the most satisfied, with 61% of iPhone owners saying they're *Very Satisfied* with their smartphone. Samsung (46%) comes in second, followed by Motorola (43%) and LG (37%).

Apple also continues to have the most devoted customers, with 91% of current iPhone owners who plan on buying a new smartphone in the next 90 days saying it will be another iPhone – 4 points higher than a year ago.

In comparison, 48% of current Samsung owners who plan on purchasing say they'll get another Samsung smartphone. This is 2 points higher than a year ago, which is yet another sign of resiliency for the Korean company in the aftermath of the Note 7 recall.

| Planned Smartphone Buyers – Next 90 Days | Current Survey Dec '16 | Previous Survey Sep '16 | Previous Survey Jun '16 | Previous Survey Mar '16 | Previous Survey Dec '15 | Previous Survey Sep '15 |
|--|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Current iPhone Owners who plan to buy an Apple iPhone | 91% | 95% | 87% | 84% | 87% | 94% |
| Current Samsung Owners who plan to buy a Samsung smartphone | 48% | 49% | 68% | 60% | 46% | 44% |

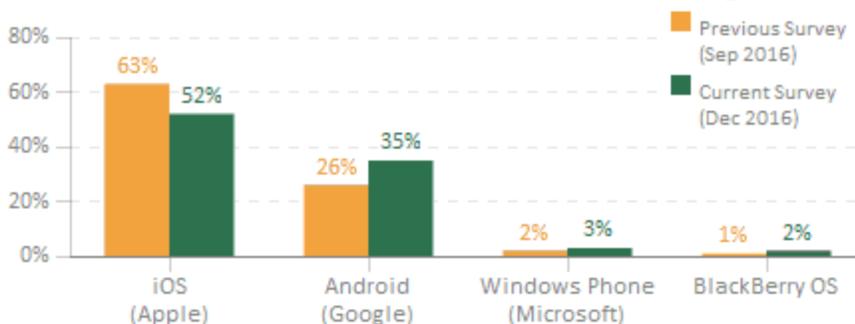
Mobile Operating Systems: iOS vs. Android

Apple's iOS (52%) is most preferred among planned smartphone buyers – down 11 points from previously. Google's Android (35%) is up 9 points and ranks second.

Mobile Operating System Preferences: Future Smartphone Buyers

Sep 2016 vs. Dec 2016

For Respondents Planning on Buying a Smartphone Next 90 Days, Which Mobile OS Would You Prefer to Have on the Smartphone You Plan on Buying?



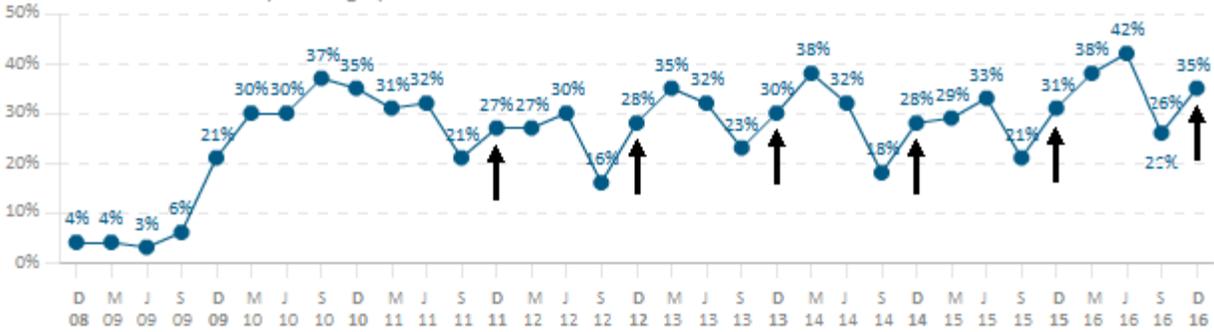
Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

Importantly, this is the highest December level for Android in five years – and likely reflects the impact of the Google Pixel release.

Mobile Operating System Preference - Android

Dec '08 - Dec '16

% of Planned Smartphone Buyers Who Prefer Android Mobile Operating System



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

OS Customer Satisfaction. When it comes to OS customer satisfaction, Apple (61% *Very Satisfied*) continues to have a sizable lead over Android (44%).

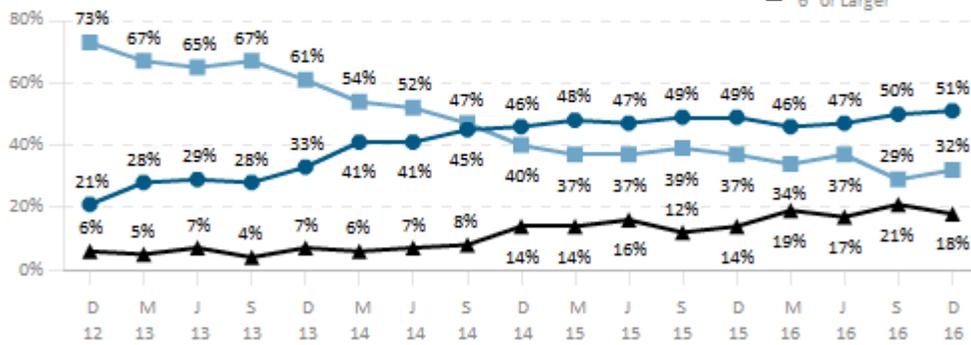
Other Smartphone Trends

Demand for Big Screens. Interest in large-screen devices remains strong, with better than half of planned smartphone buyers (51%) saying they're most interested in a 5-5.9 inch screen. Another 18% say they would most prefer a 6 inch screen or larger. Although this is down from three months ago, demand for super-sized smartphones during 2016 has clearly been higher than the prior year.

Consumers: Demand for Smart Phone Screen Sizes

Dec '12 - Dec '16

Preferred Customer Smart Phone Screen Sizes Over Next 90 Days



Source: 451 Research's VoCUL: Smartphone Trends (Leading Indicator Survey), Dec 2016

Where Consumers Purchased Their Smartphones. Smartphone owners were asked where they purchased their device, and nearly three-in-five (58%) say they bought it from their *Wireless Service Provider*. Another 12% purchased *Directly from the Manufacturer*.

A total of 60% purchased their phone in-store, however, a comparison of recent buyers vs. those who purchased their smartphone more than six months ago shows a shift towards ordering online. A third (34%) of recent purchasers bought their phone online vs. 22% who purchased more than six months ago.

Bottom Line

Overall consumer smartphone buying is down, a trend we typically see once the holiday shopping season and new iPhone releases are in the past. Even though buying levels didn't drop as much as a year ago, they have hit the lowest December level since 2008 – confirmation of an increasingly mature North American smartphone market.

Despite this seasonal pull back, Apple demand is holding relatively strong three months after a new release, with the iPhone 7 model now slightly ahead of the 7 Plus. Apple also continues to lead the industry in customer satisfaction.

Samsung is showing encouraging signs as it works to recover from the Note 7 ordeal. Buying plans are up – albeit only 1 point – and a higher percentage of current Samsung owners say they'll purchase another Samsung smartphone compared to last year. In combination, these results point to resiliency for the Samsung brand. Our March smartphone survey will provide more clarity on consumer perceptions of Samsung and their buying intentions as the Galaxy S8 launch approaches.

Google's new Pixel smartphones are off to a good start – debuting in third place ahead of all other remaining manufacturers. And with Pixel devices only available on Verizon and Project Fi, if that changes it could drive further momentum.

In other smartphone trends, consumer preference for Android is at its highest December level in five years – a likely result of the Google Pixel release.

Summary of Key Findings

Apple Maintains Lead in Smart Phone Buying

- Among respondents planning to buy a smartphone in next 90 days, 54% say they'll get an iPhone
- While down 11-pts from previously, it's less of a decline than a year ago
- Demand for iPhone 7 (40%) exceeds 7 Plus (29%) – but interest in larger screen 7 Plus is higher than 6s Plus a year ago

Hopeful Signs for Samsung

- Samsung (15%) is up 1-pt from September, which is less than uptick in past three December surveys, but an encouraging sign after Note 7 ordeal

Solid Initial Demand for Google Pixel

- Google's Pixel (6%) has solid initial demand after October release – even considering availability is limited to Verizon and Project Fi wireless service

Seasonal Drop in Overall Smartphone Buying

- 11.0% say they're buying a smartphone in next 90 days – a 5-pt drop and lowest December level since 2008

Mobile OS Market

Preferences – Next 90 Days

- Apple iOS (52%)
- Android OS (35%)

OS *Very Satisfied* Ratings

- Apple iOS (61%)
- Android OS (44%)

Customer Satisfaction

Smartphone Ratings

- Apple (61% *Very Satisfied*)
- Samsung (46%)

Brand Allegiance

- 91% of current iPhone owners buying a new phone in next 90 days say it'll be another iPhone – up 4-pts from a year ago
- 48% of Samsung owners who plan on buying say they'll get another Samsung – up 2-pts

Demand for Big Screens

- 51% of planned buyers say they're most interested in a 5-5.9 inch screen
- 18% prefer 6 inch screen or larger

VoCUL: Research Methodology

This report presents the findings of a December 12 - 30, 2016 survey on consumer smartphone buying. A total of 4,125 consumers from 451 Research's ChangeWave Leading Indicator panel participated.

451 Research's ChangeWave Leading Indicator panel is a group of 25,000 accredited business and technology professionals – as well as early adopter consumers – who work in companies across a range of industries. The surveys measure the pulse of consumer and business spending via weekly demand-based tracking surveys, and converts the information into a series of proprietary quantitative and qualitative reports.

The intelligence gathered provides a real-time view of companies, technologies, and key market sectors, along with an in-depth perspective of the macro economy – well in advance of other available sources.

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