

# Japanese handset makers to go global again

Cambridge, 23<sup>rd</sup> of May, 2009

By Cantab Wireless

In recent years Japanese handset makers have been concentrating on their home markets in Japan. Whereas Korean and Taiwanese handsets are widely available in most markets, Japanese handsets are only available in Japan, with a few minor exceptions. The reason for this development was the unique operator subsidy system in Japan. For many years the Japanese mobile network operators subsidized the handsets generously, enabling the users to acquire the latest handset models at low prices. The handsets also became technically very advanced; customers wanted more and more features while the handsets were still affordable for them. However, this also meant that handset manufacturers were no longer able to sell the same handset models abroad since these handsets became prohibitively expensive without subsidies. Moreover, in Japan most new handsets now come with an integrated 1seg mobile TV receiver. Outside Japan this standard is only used in Brazil and therefore these handsets have no markets in, for example, Europe and the USA.

However, this arrangement started to crumble in 2008. The Japanese operators were no longer willing to continue the policy of large handset subsidies; instead their customers were encouraged to use their handsets a bit longer. Together with the sudden economic slowdown, the result has been a sharp drop in the number of handsets sold in Japan, from around 50 million handsets per year to about 35 million handsets.

This development is forcing Japanese handset makers to go global again. Even though the competition is hard out there, they may not have a choice if they want to survive. Panasonic and Sharp have announced their intentions this week. Panasonic has not revealed where it plans to sell its handsets, but Sharp will enter the Brazilian market. This is an attractive market since new 3G networks are being opened and expanded in Brazil, generating a huge market for 3G handsets. Moreover, Brazil has adopted the same 1seg mobile TV standard already in use in Japan, and therefore Japanese made 3G/1seg handsets can also be sold in Brazil.

The competition in the global handset market is very hard, but the Japanese companies will have the advantage that they are large electronics companies which already have distribution and marketing channels available. New products, such as mobile phones, can easily be introduced into the new markets via these channels.