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**EXTERNAL ANALYSIS OF THE SMARTPHONE INDUSTRY IN
SPAIN**

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SUMMARY

The main purpose of this end-of-grade project will be the external analysis of an industrial sector, in this case the Smartphone industry. The analysis will be based on Porter's competitive force model, which allows us to study the competition among the sector and what companies are now leading the market and why. Although it is a market in continuous growth worldwide, this project will focus on how the smartphone market works in Spain.

The project will be divided in four main parts, introduction, industry analysis, where the sector will be studied without paying much attention to completion, Porter's five forces analysis, where competition will be the main element of study, and finally the conclusions extracted from the development of this project.

KEY CONCEPTS

Competitive Force: Factor that influence in the competitive position of the companies operating in one industry. The study of them all allows us to understand the competition within a market and how it affects to the different companies involved in it.

Bargaining Power: Is the capacity that one party has of putting all the facts in his favor through a negotiation with another party of the same market. This domination of the negotiation can be due to size, influence, power, etc. of the party (company) who has the bargaining power. We will analyze two in this project, bargaining power of suppliers over customers and bargaining power of buyers over the company providing products.

Vertical integration: It is a fact that happens when a company owns their supply chain; in other words, the company becomes its own supplier. This is an important fact especially when we talk about a technological industry as Smartphones' is where if you don't own your own supply chain you will probably have to be provided by competitors, giving them power over you.

Market Share: It's the percentage of sales that a company gets from the market. In the Smartphone market is enormously relevant because it is a very saturated market where many companies are operating and having a great market share means that a company is one of the leaders in this industry. It also allows as to study what kind of industry are we study in terms of sales, in this case an oligopoly where just four brands sale more than 80% of the devices

Rivalry: It is the main competitive force described by Porter in his model. It allows us to study how companies behave in the market and among them and also give us an idea of the risk that every company means to each other for retaining their competitive position.

INTRODUCTION

Communication is one of the most profitable businesses nowadays. We are living the age of globalization in which everybody has the imperious need of being connected with the world and especially with the people surrounding them. From this need, many years ago, the mobile communication technology arose.

This technology was a step forward for business communication. People who need to contact each other for work reasons could do it from every part of the world and that was an enormous advance. That was enough till the appearance of the internet or more clear, the time when the internet was accessible for everybody in the developed countries.

It was not enough for the people to have access to the internet, the biggest data network of history, from their houses, people needed more, and it is that line where the Smartphones appeared.

*“A **smartphone** (or **smart phone**) is a mobile phone with more advanced computing capability and connectivity than basic feature phones”¹* that is the definition given by Wikipedia for what a Smartphone is, but it is actually a lot more. A Smartphone is a tool that allows us to be connected with the world with just some finger movement in the screen of our device. It has revolutionized the way of communicating, the way of working or the way to know what is going on in the world right now.

These devices that have completely changed the way the people relate to their environment have created a complete new industry that will be studied through this project.

The market of Smartphones has changed a lot since its origins (not so long ago) and must be studied carefully due to its easiness for changing (as every technological industry). In order to analyze this industry we will use the powerful tool created by Michael Porter consisting in the study of the competitive force that take part in an industry. This forces that influence the competitive position of companies that operate in this industry would be:

- Threat of new entrants: It is the probability of a company that is outside the industry of joining it. In this case we will analyze if it easy or not that this potential

¹ Source: Wikipedia

competitor joins the market and the different barriers they will have to overcome to get into it

- Threat of Substitutes: Here we will analyze the different products in the market that perform similar features as the Smartphone do, and analyze if any of them mean a real threat for substituting it in the market.
- Bargaining power of buyers: In this case the analysis will be focused on the relations between the Smartphone Company and the final buyers. We will study the power the buyers have to negotiate with the company, if any, and how the company can overcome this situation.
- Bargaining power of suppliers: The target of this study will be to analyze the power that suppliers have over the Smartphone companies, how the availability of the product supplied affects to this power, and what is the situation right now among this two entities of the market.
- Rivalry: The most important competitive force. It studies the relations happening right now inside the market and how the companies that compose the industry interact among them. It studies also the competitive advantage that one company has over others and also how companies act to make themselves a name in the market.

Although this will be the main part of the project, it will be formed by some more parts like an overview of the market itself not focusing on the direct competition and also a study made via SWOT analysis of the two main world Smartphone competitors (that will be introduced under the headline of the competitive force Rivalry).

As it is very ambiguous and large to talk about a worldwide market this project will be focused on the situation of the Smartphone market in Spain only, although it will be supported with data from the world sometimes.

The objective it is to Study how the industry is working right now in Spain and also draw conclusions of what can we expect from the Smartphone industry and the companies involved in it in the future.

1. INDUSTRY ANALYSIS

The Smartphone industry is nowadays one of the industries that are nowadays monopolizing headlines of the press as the companies involved in it are some of the most famous and profitable nowadays. Having a Smartphone is already more than just a trend for people who could afford it because most people who are buying a new phone these days are buying Smartphones a fact that explains the growth of the smartphone companies in latest years. These facts can clue us in the size this industry is becoming.

1.1. Market share and growth rate

First of all we should analyze the size of the market for the smartphones. As it has been said before, most of new phones sold are smartphones nowadays, a fact that is even more real talking about Spain, the European country with the highest Smartphone share among phone users, which is around 66%². This issue means that almost 7 out of 10 phones in our countries are smartphones, a very surprising fact, taking into account that only 3 years ago this percentage was around 20%. If this it's not enough to show the enormous growing the industry is carrying out, the amount of money spent by consumers in their phones in 2013 has been 1150 million euros³, more than double than in 2012.

1.2. Rivalry

Once we have realized the size the smartphone market has and the growth possibilities upcoming for the following years, we should now focus on the amount of companies that are operating in this market. Just focusing in the amount of rivals, we could conclude that this market is a very fragmented one because there are lots of competitors retailing smartphones both in Spain and Worldwide, but this wouldn't represent the reality. The real fact is that the Smartphone industry, focusing in Spain, is only a due for three companies that have a considerable market share. Samsung, Sony, and LG are the companies that represent the biggest part of the market share, being the sellers of 76%⁴ of the Smartphones sold in Spain in 2013. Although we can appreciate the leadership of the Asian companies in this industry one should be consider above the other two. Samsung is the undisputed leader of this market, as Sony and LG together are not able to reach the market share of the Korean company. Apple, which is probably the best positioned company in consumers' minds due to the huge amount it spends in publicity and advertising, has only a 6,7% of the Spanish market share³ half of the share they have worldwide (around 13%).

² Source: Europa Press (20minutos.es)

³ Source: Kantar Worldpanel

⁴ Source: GFK(economíadigital.es)

The issue about rivalry will be further analyzed in next chapter when talking about the competitive forces.

1.3. Competitive Rivalry Scope

Smartphones are a device for communication that is growing up worldwide. The industry is in continuous growth and every day new Smartphone users appear in every part of the world, especially in less developed countries where the industry is being more and more introduced every day, as according to Gartner *“In 3,5 years most Africans will have a Smartphone”*. So with this data we can realize that the competition among the Smartphone producers reaches the whole world.

1.4. Number of buyers

Another important fact to consider would be the amount of buyers that can be found on the smartphone market. As we have said before the amount of smartphones is increasing month by month, this is explained by the increasing amount of customers that change their ordinary phone for another one with more features. The quantity of smartphones that are being used in Spain nowadays is around 20 million, which means that the amount of customers is really big. The customers for smartphones are not a fragmented market as there is not much differentiation in the way the smartphones are sold for different kinds of customers; most smartphones have similar features, some have some more, better cameras, better screen, but most of them allow their owners to perform the same activities, the only way to differentiate is the price.

As the number of buyers is really big, the power that buyers may have over the smartphone companies is not much because, although the switching costs from one company to another are not very high, there will always be customers for a specific smartphone. This issue will be further analysed when talking about the competitive forces, more specifically in the chapter about the bargaining power of customers.

1.5. Level of differentiation

An important issue that should be also considered for the smartphones is the differentiation among the products provided by all the competitors. With every new product released we are able to realise that smartphones appear with more and more similar features among them. There are two aspects where the differentiation could be made on the devices, hardware and software.

- There are considerable differences in software as there are different OS that make the phone work. Years ago, the market was dominated by phones using Symbian and Blackberry OS, two operative systems that have almost disappeared nowadays (especially Symbian). With the arrival of the iPhone and the apple operative system, called iOS, followed by the appearance of Android, and finally the latest arrival of Windows phone, there are almost no smartphone in the market that uses a different OS. Although a different kind of operative system could be considered as a big difference, it is not that much if we take into account that in the Spanish situation, most of the smartphones, actually around 90%⁵ use the Android system; this situation make us think that the differentiation through software is complicated.
- There is a different situation when we talk about hardware. There might be differences among the different smartphones in the market. The devices may show differences in the camera, the screen, the processor, etc. These differences normally show a difference in prices also, and the customer is the one who should think about the needs he/she has for his/her smartphone.

These differences generate a big gap among prices of the products in the market. Some companies with high standard brand names, such as Samsung, make the strategy of “offer more, for a higher price” in their best products, we have the example of the Samsung Galaxy S5, one of the best smartphones in the market, but one of the most expensive ones as well; the Asian company also offer other products with less features for a lower price, but always keeping a medium to high level of prices.

On the other hand we have other Asian companies such as Jiayu, Huawei, or Xiaomi, which try exactly the opposite as Samsung, “offer more, for lower prices”, with the disadvantage of buying a mobile from a company not as trustable, theoretically, as Samsung is; the real fact is that this companies don’t expend a huge amount of money in advertising and are able to offer devices with good features for a price much lower than the others.

Talking about prices there is a special case, and couldn’t be other than Apple. The iPhone was once the best smartphone in the market, but as their competitors have been improving their products more and more, there are now products as good, or even better than iPhone 5S(the last smartphone released by Apple) for lower prices. However the prices of Apple’s products haven’t decreased and that’s because the brand name Apple has, due to the huge

⁵ Source: Kantar Media

amount of money invested in advertisement in recent years, which make people think they are buying the best, while they are just buying a really good smartphone whose difference with the rest is the OS, at a higher price. The design used in Apple products, also considered a hallmark of the company, also attracts many buyers.

1.6. Product innovation

The Smartphone industry, as most industries that have any relation with technology nowadays are suffering a huge competition among the companies competing in them and that makes R&D a key factor for the success of a company. Smartphone companies are continuously releasing new products with new features that can make other product released 3 months before seem old.

The industry innovates faster every year and products become obsolete in less time, a fact that makes an important issue to invest a lot in R&D so the company can be the first to release a Smartphone with a brand new feature.

The fact that the company must continuously innovate and release new products make the company face another problem as it is the willing of the customers to buy a new product just for some feature that is not in customers' needs. For ensuring the customer to keep on buying products, technological companies have provoked the phenomenon called "planned obsolescence" which means that technological products have a limited useful life. This does not mean necessarily that the products will no longer work, but the new downloadable apps may not work on it or it may become old-fashioned.

A considerable investment in R&D will not guarantee the success of a new smartphone with new features but if the characteristics of the new product released meet the needs demanded by the potential customers, it will give the company an advantage over its competitors if the company is the first one offering that product.

1.7. Supply and Demand

Some years ago there was a problem of supply in the smartphone industry. Only a few competitors were offering smartphones and its prices were very high and most of the people could not afford it. The options were just a few (mainly iPhones and Blackberries) and many people didn't think this devices were so necessary to spend a big amount of money on them. The scarce of products allowed the companies in the market to increase their prices.

In the last years this trend has completely changed. The number of competitors has increased a lot as well as the variety of devices in the market. Many people see the smartphone as a need nowadays, as it makes easier the communication with others and also includes a great amount of other features that years ago were only reachable with a computer.

The new need for smartphones has created a large number of new potential customers that want to buy a smartphone. The big amount of buyers in the market decrease a lot their bargaining power as companies will always have new customers willing to buy their products; this fact will be further analysed in point 2.3 – Bargaining power of buyers.

The amount of buyers is expected to keep on increasing so probably the supply should increase as well, both with new products released by the existing companies and with products released by companies entering the market in the future trying to seize the entrance of the new potential smartphone in the market.

1.8. Technological change

The Technological change is one of the most important facts in the Smartphone industry. Every company must invest enormous amounts of money in engineering and R&D in order to be at the forefront in technology and if possible, be the first to invent and release a new feature and patent it; doing this companies win an edge over their competitors who will be obliged to pay for using the patent.

1.9. Vertical integration

Vertical integration in this industry means being your own suppliers for the different components required for producing Smartphones. Vertical integration requires a huge capital investment and it is difficult for some companies to expend that big amount of money. Some companies which already produced other technological devices, like Samsung or LG, are vertical integrated and are suppliers of their competitors. This fact will be further analysed in 2.5. Bargaining power of suppliers.

1.10. Economies of scale

Economies of scale are cost advantages that a company can obtain due to its size, output, etc. The bigger the company is, the easier it will be for it to get better prices and reduce their production costs. For example, if Sony is one of the main customers of one supplier,

and Sony's purchase mean a big percentage of the suppliers business revenues, the Japanese company will pressure in order to get better prices

2. MAIN COMPETITIVE FORCES

This is the main part of the project. Here we will study the factors that affect the competitive position of the companies in the Smartphone industry for afterwards, jump into conclusions about the situation of this industry in Spain and compared to the world.

2.1. Threat of new entrants

We can clearly realize that the threat of potential new entrants to a market like the Smartphone one have to be scarce. Not many companies can afford such a big investment like the one needed to start a complete new business in this industry.

For the "threat of new entrants" to be considered a real threat some circumstances must happen in the market situation. There are two main factors that make the potential entrants a real threat as they are:

- The amount of companies willing to enter the market and the resources they can count with. The more profitable is an industry, the more companies will be willing to invest on it.
- The second factor is given by the barriers to entry in an industry, that is to say, the obstacles that every potential entrant will have to overcome in order to get into the industry. The main barriers to entry in the smartphone industry are:
 - The existence of economies of scale in any step of the manufacturing process.
 - High capital investment required for manufacturing.
 - A strong distribution network is required
 - Strong brand names are competing in the market
 - The industry requires a high and continuous investment in R&D

For addressing the first point, the amount of potential entrants, we should just take a look to the behavior of the market in recent years. The smartphone market is in its growing stage of its life cycle and is likely to keep on growing for next years, given the forecast for 2014 that says that around 1700 million smartphones will be sold this year⁶, almost 700

⁶ Source: IDC Spain(ltespresso.es)

million more than in 2013 were the amount was a little higher than 1000 million⁵. As the companies see the possibilities this rising trend offers their willing to invest increases but they have to think carefully if they want to expend a big amount of money to enter in an industry that already have strong companies on it, and if they will be able to compete with them.

The second point, the one about the barriers, is the key factor here. The barriers for entering the smartphone industry are really high and a company must be very sure of its capability to compete in this market if it is thinking to invest the required amount of capital and resources in order to overcome them.

First of all and probably the most important trouble would be the capital investment. A company cannot simply start from 0 and become a Smartphone producer. A new company means a whole new line of products with its different price and feature range. The new brand has to invest a lot in Research and Development in order to create a whole new line of products that will have to attract the potential buyer. Many features of these products will be shared within the competitors, that fact is something unavoidable, but the brand needs something to make them different from the others in order to attract potential customers; we can talk about better cameras, better apps, better design or simply better prices.

Another barrier for potential entrants would be the popularity of the existing brands. They are not only comfortably positioned in the market but in the minds of the consumers. It is really difficult that a new brand can be as successful as to be positioned in buyers' minds as some brands are right now. When a person thinks of a Smartphone, nobody thinks in a no-brand device but in an iPhone or Samsung Galaxy or even a Sony Xperia; in this topic we can find another trouble that will be faced by the new entrants, and we are talking about brand loyalty, people who is very happy with one brand's products decide to keep buying them because they want to retain that good return. In this part we need to do a special mention to the case of Apple. Many people in the last years have become addicts to Apple products. Their huge amount of money invested in marketing campaigns have made these people think that any product released by apple will be the best, even when their prices rise with every new iPhone, iPod or iPad in the market and are much higher than other products as good or even better as Apple's.

With all these drawbacks to join the Smartphone industry, we can say that the threat of new entrants is **LOW**, but it's exactly the same situation that some years ago when all the

Chinese brands (Huawei, Jiayu, Xiaomi...) came into the market with high-standard Smartphones with really reasonable prices. It's not likely that a similar situation happens again, but we should think about it because while this theory tells us to rate the threat to low, due to all the barriers explained above, it is just a theory and doesn't guarantee that there is no threat in the market.

2.2. Threat of substitutes

The range of substitutes is quite wide in the Smartphone industry since there are some products that almost fulfill the same operations that the Smartphones do. The curious thing here is that most of the substitutes that can be found in the market are released by the same companies that released the Smartphones. These are the main devices with similar features as Smartphones:

- **Personal Digital Assistant (PDAs):** Each day less and less common. Nowadays they don't offer anything that a Smartphone can't do. They were very popular some years ago because it was the only portable device with Wi-Fi but today, there is a whole range of devices that are much better than the PDAs so probably in some years they will disappear completely.
- **Tablets:** Probably the most complete substitute of Smartphones nowadays. They offer the same apps as the Smartphones as they share the OS (most of them work with android) but a bigger screen, but much easier to carry than a laptop. They are able to launch apps that smartphones can't and the different sizes they appear in, can make the buyer choose the one that suits better to his needs. The weakness of this product against the Smartphone is that it will never be as portable as the other, and the fact that you need a Wi-Fi connection to connect to the internet, while the Smartphone can connect by itself (paying the fare of the corresponding Telecom operator). Some telecom operators are now starting to offer internet fares for tablets, but, at least in Spain, it is not the most common thing nowadays.
- **iPad:** Quite similar product to the previous one, the tablets, but manufactured by Apple. More powerful, but with similar applications as the iPhone, the iPad has the advantage of being able to incorporate 3G/4G internet as if it were a Smartphone. It has the advantage over other tablets of being the first tablet in the market, a reason why it's better positioned in consumers' minds.
- **Netbooks and notebooks:** These products are basically small laptops with small differences in order to its use as a laptop, but both of them are portable, light

enough to be carried without problems and are able to perform any task that a Smartphone can do with its apps. The problem is that they don't offer a fast response for checking the apps as the tablet and the Smartphone does, and they need to be lean on a surface to work with them comfortably.

- **Smartwatch:** It is the newest device that has similar usage as a Smartphone. This device has the shape of a watch but is a very complete device that is able to launch some of the apps of the smartphones and it's able to call by itself. Its shape makes it very portable and usable as a substitute of a normal watch (with the drawback that the battery dies in less time). Although it may be a good complement for the Smartphone, as they can get connected if both of them are using the same OS (most the Smartwatches released by now use Android) I don't see it as a complete substitute for the smartphone, as it is not as powerful as smartphone as and also the screen is too small.

Although it is appreciable that there are many products in the market that can be considered as substitutes for the Smartphones, there is no product that can fulfill all the applications the Smartphones are able to perform. Thereby, the only products that fulfill the action of phone calling are the ordinary mobile phones with no "smart" technology, since all the other substitutes need an app to call. The rest of the applications can be fulfilled by any of the other substitutes, but none of them give the customer the portability provided by the Smartphone but the Smartwatches; these new gadgets will probably mean the future of brands like Samsung, which have recently released the Samsung Gear, a Smartwatch that almost covers all the possible applications of a Smartphone being just a Smartwatch, but, by now, these products are not very popular and are not a big threat for the Smartphone market. After doing the whole analysis we can conclude that the threat of substitutes is **LOW**, since there are some products that could act as substitutes for some applications of the Smartphones, but there is not a product that can do every action that a Smartphone can.

2.3. Bargaining power of buyers

The threat represented by the bargaining power of buyers is the influence the potential customers may have on the company upon their decision of buying a product of the company or not.

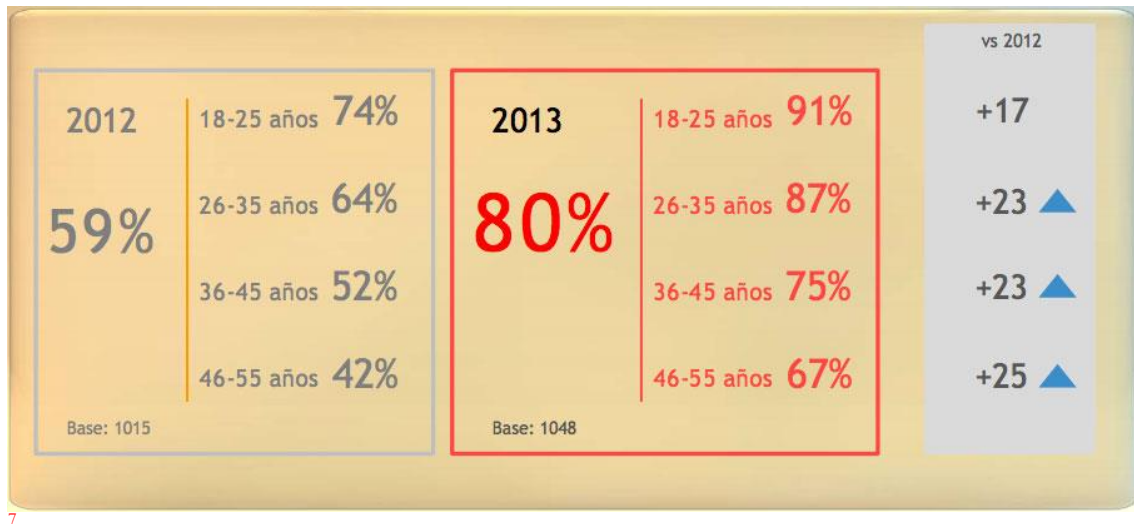
For the bargaining power of buyers to be high there are some points that must be fulfilled as they are:

- Relatively small switching cost among products (smartphones)
- Small amount of buyers
- Weak demand
- Well-informed buyers about how much does a smartphone cost for the company that manufactures it (Samsung, Apple)
- Buyers mean a real threat having the possibility of integration in any of the previous stages of the smartphone manufacturing.
- Buyers have the possibility of deciding if they buy the product and when to buy it

We should start with the points that potential smartphone buyers fulfill. The amount of money that switching from one device to another is not very high; we have a full range of smartphones with very similar prices and really similar features too. Of course we can also find high standard devices, whose prices are much higher, and even in this case almost every company has their own high standard products to compete; but talking about the average smartphones and their prices, the differences are not that high.

The other fact fulfilled by the buyers is the possibility of deciding if they want to buy and when to buy a smartphone. Of course nobody is forcing buyers to buy a smartphone but it is also true that these devices are more and more present every day in our lives and the makes a lot easier to communicate with people around us and also to be able to do some things that were unthinkable years ago with the ordinary mobile phones. These facts are creating needs in people that, in many cases, lead to the purchase of a new smartphone. So the buyers have the option, yes, but the environment press to have one of these devices.

Regarding to the amount of potential buyers, nobody can say it is small. The amount of people owning a Smartphone is increasing year by year, especially in Spain where the smartphone penetration reached the 80% in 2013 against the 59% on 2012. The amount of people willing to buy a smartphone is huge, and that decreases a lot the bargaining power of buyers against the companies, because there will be always another person who wants to buy the product released.



In the same line of the previous point we can speak about the demand. It is not only that the number of potential customers is big, it is also a fact that they want to buy a smartphone. The brands have created the need of having the latest, newest and most powerful device in the market; people don't want a smartphone released years, or even months ago, but the one with most features with better design in the market. Because of the price, not all the people are able to continuously change their phone, but the demand will be high anyway.

The info that the buyers have about costs and prices of the products they are buying isn't accurate either. People buying and smartphone don't really how much did it cost to the company or if they are paying a fair price for it.

The last point to analyze, the possibility of the buyers joining the manufacturing process, is not a real possibility as the potential customers are common people, not companies who could afford joining the manufacture at a stage previous to the smartphone companies.

Given all this data we should consider the bargaining power of customers as **LOW to MEDIUM**. It is true that the potential smartphone buyers fulfill some of the requirements, but the huge amount of people willing to buy a smartphone and the high demand make facts as the relative small switching costs on a second level, because there will be always buyers for a company's products.

2.4. Bargaining power of suppliers

⁷ Source: IAB Spain (Masquenegocio.com)

The Bargaining power of suppliers is said to be a considerable competitive force depending on some factors and market situations related with the amount of suppliers and the scarcity of the products supplied. These factors are:

- The article provided is available to buy from a lot of suppliers. The more suppliers selling that article, the less bargaining power they will have.
- If just a few companies are the main supplier of the resource the company wants to buy, those companies have the power to negotiate.
- The switching cost from one supplier to another. If the switching costs are high, the company will think that it is not worth it to change to another supplier. Their supplier power will be high.
- If there is scarcity for the resource the company wants to buy, then is the supplier the one with power to negotiate.
- If the product provided by the suppliers represent a big part of the manufacturing costs of the smartphones.

We have to distinguish two kinds of suppliers for the smartphone manufacturers which are the ones who provide de general parts and the ones who provide those more special and high performance parts, which are essential for the right working of the smartphone.

Among the suppliers who provide the general parts there is a huge competition. There are many companies able to manufacture these components, as they don't require any kind of specific technology to create them. This situation gives the power to the buyers, in this case, the smartphone manufacturers, who can impose conditions in order to get the offer that fits best to its needs. The suppliers are forced to make big discounts when the companies buy a huge quantity of components in order to retain its customer, otherwise, the companies will find another supplier that let them apply their economies of scale, and get discounts for the amount of components they need.

However, it is a complete different scenario compared with the one above when we talk about the high performance components. There are not many companies able to manufacture these specific components, a fact that gives the suppliers a big bargaining power over the Smartphone manufacturers. The switching costs from one supplier to another would be high in this case, and there would not be many suppliers to choose among.

Looking at this situation we can observe that the bargaining power of the suppliers is **high**, because although the general components suppliers have almost no bargaining power but the more specific suppliers have a high one, and those components are the one indispensable for the right working of the device.

Despite the high bargaining power of suppliers in the industry, we have to talk about an exception among the Smartphone companies where this power is lower. In the case of Samsung, the bargaining power of supplies is reduced as its vertical integration is almost complete, a fact that allows it to be its own supplier and also is able to be the supplier of some brands in the competition, like Apple⁸. The South Korean company describes the importance its vertical integration on their own web page:

“Having full control over the NAND, controller and firmware has major implications both for performance and reliability. Samsung has intimate knowledge of every nuance of these components and can tweak them along each step in the development process to ensure that they work perfectly together. [...]

As the most-integrated SSD manufacturer in the industry, Samsung controls all of the most crucial design elements of an SSD: NAND, Controller, DRAM, and Firmware. Working together, these components are responsible for a crucial task – storing and protecting your precious data. When it comes to SSDs, no one knows more about building a high-performance, reliable drive than Samsung.”⁹

2.5. Level of Rivalry

2.5.1. Competitive Force

The level of rivalry inside an industry represents the competition among the companies in the market to become the first option when a buyer plans to buy a new product. The companies will try to position themselves the best they can in order to become a leader in the operating market. The factors that show the level of rivalry in an existing market are:

- The amount of competitors. The bigger the number of competitors inside an industry is, the bigger will be the competition.
- Level of similarity. There will be more rivalry the competitors share common facts among them company size or product likeness.
- Rivalry increases when demand becomes significantly reduced and leads to a situation of oversupply

⁸ Apple official supplier list (www.apple.com)

⁹ Source: Samsung.com (Document: “Why integration matters”)

- If the switching costs are low and customers have no trouble in change from one product to another belonging to other company, the rivalry increases. The lower the switching costs are, the higher will be the rivalry.

The amount of competitors in Smartphone industry is quite big and has been increasing throughout the years. The first competitors in this industry were mostly three, Apple (iPhone), RIM (Blackberry) and Nokia. Later on, many Asian companies joined the market, leaded by Samsung (South Korea), the leader of the market nowadays, HTC (Taiwan) or Huawei (China). The Asian companies kept filling the Spanish and European market with some brands that had been very successful in the Asian Market as Xiaomi, Oppo, or the Chinese computer manufacturer Lenovo who has recently joined the Smartphone market. The companies have seen such a great potential in this industry that even some Spanish companies have entered the market trying to compete against the big companies; this is the case of BQ or Geeksphone. As we see the amount of competitors is really big and keeps increasing as potential entrants see a good opportunity in the smartphone market.

The level of similarity is also an important fact in the Smartphone industry. Every new feature in a product released by a company that receives a positive return in the market will be copied by other companies. This situation leads to a problem of patent violation by which companies may have to pay a big amount of money to the company owning the patent; the company doing the violation considers that paying a fine for copying is profitable as they will be able to sell a better product in the future. This fact is taking us to a situation where there are lots of similarities among products in the same product range which allows the buyer to select the product that fits better to him from a huge range of devices with very similar characteristics.

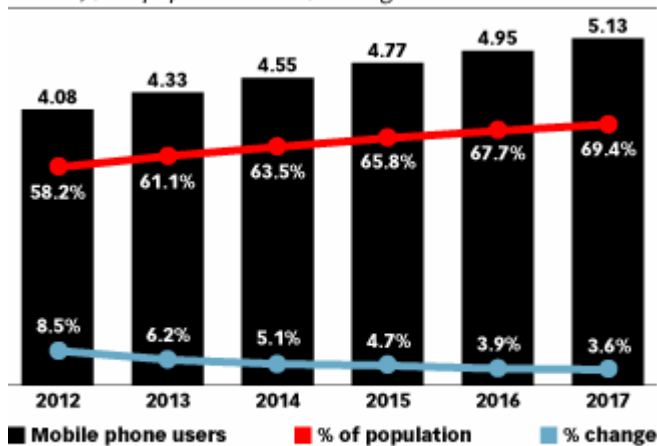
The situation described in the paragraph above is closely related to other fact that explains the rivalry in the industry as it is the easiness a buyer can change among different smartphone brands with. The smartphones getting more and more similar are making the buyers think only about the price of the device they are buying. Among the same product range, especially the average one, that is the one with more devices a customer looks for some specific features in a price range that is also not very big, that makes the switching costs low which increases the rivalry in this aspect. This is one of the reasons why companies expend enormous amounts of capital in marketing campaigns in order to condition potential buyers and make them buy their products instead of others in a similar price range.

A new and important fact affect the easiness of the customers to change from one product to another is brand loyalty. There are some smartphone users that have been so satisfied using their device that only want to replace it for other product of the same brand, no matter if there is a price difference even if the features of the device are the same as other cheaper. This situation of brand loyalty is likely to happen more when we talk about Apple; Forbes magazine described the Apple situation in one of its articles saying “*iPhone users have blind loyalty to Apple*”.

The remaining point, about the decrease in demand and the oversupply is a fact we are not facing right now and probably not in the following years as the smartphone industry is nowadays growing and it is likely to continue this way. The graph made by eMarketer shows the forecast for the following years where we can appreciate that the market will keep on growing and the amount of smartphone users will continue increasing.

Mobile Phone Users Worldwide, 2012-2017

billions, % of population and % change



Note: individuals of any age who own at least one mobile phone and use the phone(s) at least once per month
Source: eMarketer, Dec 2013

Smartphone Users and Penetration Worldwide, 2012-2017

	2012	2013	2014	2015	2016	2017
Smartphone users (billions)	1.13	1.43	1.75	2.03	2.28	2.50
—% change		68.4%	27.1%	22.5%	15.9%	12.3%
—% of mobile phone users		27.6%	33.0%	38.5%	42.6%	46.1%
—% of population		16.0%	20.2%	24.4%	28.0%	31.2%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month
Source: eMarketer, Dec 2013

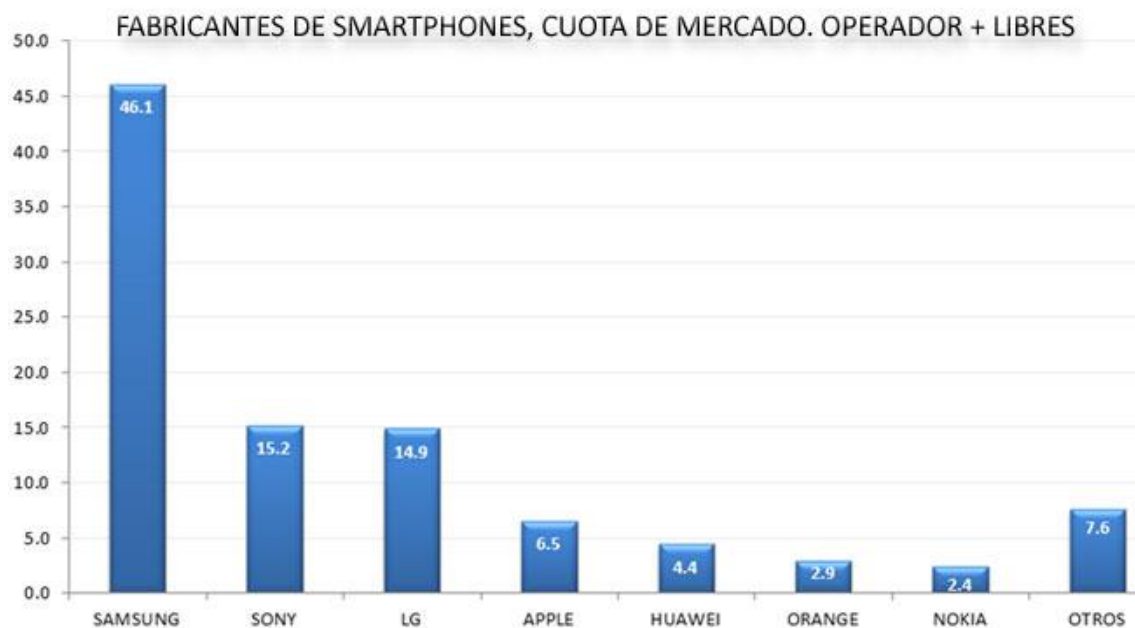
¹⁰

2.5.2 The Spanish market situation

The situation in the Spanish market share can be considered a situation of oligopoly where just a few companies have more than 80% of the market (the data covers from January to

¹⁰ Source: eMarketer.com

the beginning of November, 2013)¹¹. The Spanish market share can be observed in the following graph.



It is quite clear that there are three dominating companies that are far from the rest. Among them, there is an undisputable leader in this market that is Samsung. The Korean company has almost half of the market share of the country and sells by itself the same amount as the next 5 companies following it in sales.

The key for Samsung's success is that they compete in every product range in the market. You can find high standard Samsung smartphones as you can find Samsung Smartphones competing with the devices with less features in the market. Samsung is well positioned in every product range, a fact that is well combined with a wide price range and a well-considered brand name, all of them factors that have led them to the leadership in this market.

Sony by itself is also competing in every product range. The Japanese company has positioned in the second place of the Spanish ranking with much lower sales than Samsung but being competitive in every range.

Following them, we find LG which has had a good growth and finally has reached the third place of the ranking mainly competing in the average range of phones. The company will soon try to enter into the premium and high range of products, and try to compete with the three companies leading the high standard range, Samsung, Sony and Apple.


¹¹ Source: GFK(movilzona.es)

In fourth place we find Apple. By the ways the company advertises itself and because of that common thought that “everybody wants an iPhone” we could maybe think that Apple may be above in the ranking, but we cannot forget that Apple is nowadays competing in the market with only three devices, all of them varieties of the iPhone (5, 5S and 5C) and even the one that is in a lower range is on average a high range product. With these facts and given that Apple only competes with three products and only in the high range, the company owns a 6.4% market share and is competing face to face with Samsung in the premium ranges.

About the rest we should consider some facts like the growth of Nokia which has grown 1.5% in Spain from the end 2012 to the end of 2013, being the almost only company using Windows phone and finding a place in the market not only in Spain but in the whole Europe. Huawei gets highlighted among the Chinese manufacturers ending up above all of them with a considerable 4.4% market share. Blackberry, a brand that not so long ago was one of the leaders of this market has almost disappeared.

2.5.3 Analysis of the main rivals

As more than 80% of the Spanish market share in Smartphone market is shared by only 4 competitors we should analyze them individually in order to guess what could be the near future of this market in which this companies are expected to be the leaders, as nowadays they have a privileged position in the industry. I have selected only two market leaders as they are Samsung, who owns almost half of the market share, and Apple, its traditional competitor and main rival in the premium product range and the company ranked by Interbrand as the best brand in the world in 2013^{12, 13}.

	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Hardware produced with open source OS and software • Effectiveness and efficient production made Samsung the market leader. • Innovation and design. • Environmentally friendly • Low production costs • Largest market share • Prestigious brand name 	<ul style="list-style-type: none"> • Patent infringement • Too low profit margin • Main Companies Samsung supplies are also its main competitors • Lack of its own OS and software • Focus on too many products

¹² Source: Best Global Brands Report (Interbrand.com)

¹³ Source for the Swot Analysis: strategicmanagementinsight.com

Opportunities	Threats
<ul style="list-style-type: none"> • Growing smartphone market in less developed countries. • Growing mobile advertising industry. • Growing demand for quality processors. • Large portfolio of patents. 	<ul style="list-style-type: none"> • Saturated smartphone market • Rapid technological change • Breached patents • Price wars

Strengths

- **Hardware produced with open source OS and software.** Samsung, right now working with Apple is producing devices able to work with different operative systems while other competitors are only making their devices able to work with a default OS. This fact gives Samsung an edge over some competitors such as Apple, whose iOS has completely lost the battle against Android and is losing market with other OS like Windows Phone.
- **Effectiveness and efficient production made Samsung the market leader.** Samsung has reached success not only through advertising and positioning in the market. The company produces and sells high standard products due to its efficient and effective production.
- **Innovation and design.** Samsung is one of the companies that own more patents in the US list¹⁴. Most of the patents that Samsung owns are nowadays present in smartphones from every brand. The ownership of these patents strengthens Samsung position among its competitors.
- **Environmentally friendly.**¹⁵ Samsung has been recently trying to manufacture environment friendly products that are free from PVC and BFRs (currently only MP3 and mobile phones). Some recycling programs carried out by Samsung have been awarded for their success (eCycling Leadership Awards, 2013)¹⁶. Samsung's focus on environment becomes an advantage over its competitors in the eyes of its customers. The company has also risen from place 25th to 16th from 2012 to 2013 in Interbrand's best global green brands report.¹⁷

¹⁴ Source: IFI Claims

¹⁵ Source: Samsung Sustainability Report 2013

¹⁶ Source: environmentalleader.com

¹⁷ Source: Best Global Green Brands (Interbrand.com)

- **Low production costs.** As many other companies, Samsung has set their production in countries (for example, China) where the costs are much lower, a fact that allows the company to sell their products in lower prices and increase their margins.
- **Largest market share.** Samsung has achieved the largest market share in Spanish market for Smartphones as well as in other parts of the world. This market share provides the company bargaining power that can be used in favor of the company in order to reduce their costs and be less worried about the bargaining power of buyers.
- **Prestigious brand name.** Samsung has achieved the number 8th in the best brands of the world ranking in 2013, one place higher than in 2012 and 9 places higher comparing to 2011. Furthermore has been named the 4th when we talk only about technological companies. The company had by the end of 2013 a value of 39.610\$ million.¹⁸

Weaknesses

1. **Patent infringement.** Samsung is nowadays violating some patents belonging to Apple and other brands. Although other companies are doing the same with Samsung patents, this behavior damage the company's reputation besides having to pay a lot of money for this patent infringement.¹⁹
2. **Too low profit margin.** Although Samsung sells lots of Smartphones all over the world their margins are not very big because their cost are no so low for the prices they are selling their products. Samsung is a very profitable company that earns lots of revenues every year, but the profits they make come for the enormous amount of devices they sell instead of winning a good amount with every product.²⁰
3. **Main Companies Samsung supplies are also its main competitors.** Apple, Sony and other brands are the main buyers of Samsung electronics. This situation, that should be favorable to the Korean company, isn't that way because the weight of the sales Samsung does to these companies is so high that gives the companies bargaining power over Samsung instead of giving Samsung supplier power over them. Samsung could not stand losing that big amount of sales.

¹⁸ Source: Best Global Brands Report (Interbrand.com)

¹⁹ Source: Wikipedia article: Apple vs. Samsung Electronics Co.

²⁰ Source: Reuters (gadgets.ndtv.com)

4. **Lack of its own OS and software.** One of the facts that make Apple so unique is the existence of their own Operative System. Samsung devices work with Android and, although the Google's OS is right now the leader OS among the worldwide, the lack of an own OS makes the companies lose an edge over a competitor like Apple.
5. **Focus on too many products.** Samsung is unable to focus only in one market as they cover the whole range of Smartphone products. Although this can also considered a strength, because the amount of potential customers is much higher, they will never be able to be as dedicated to their product as a company with only a few but premium range, like Apple, is.

Opportunities

- **Growing smartphone market in less developed countries.** Smartphone market is starting taking off in countries with great potential in Africa and especially Asia, where Samsung has a strong presence, and where the company has an opportunity to increase, even more, its sales.
- **Growing mobile advertising industry.** The company has developed its own advertising platform for its mobile devices hoping to get profit of the internet advertising business. The platform is called "Samsung AdHub".²¹
- **Growing demand for quality processors.** Samsung is one of the main manufacturers of processors for Smartphones. Both the growing demand of products and the increasing number of Smartphone companies are giving Samsung a key position in the Smartphone market as a supplier.
- **Large portfolio of patents.** Samsung dedicates large amounts of money to R&D in order to be the first to release a new feature on their Smartphones. Due to this Samsung investment, they have acquired a large number of patents, created by them, that have to be added to the ones the company acquires by purchase to other firms.


Threats

1. **Saturated smartphone market.** Although there is a large amount of potential customers willing to buy a Smartphone, there are too many brands operating in the

²¹ Source: www.SamsungAdHub.com

same market what increases a lot the competition and make it difficult to companies to grow fast.

2. **Quick technological change.** The technological change is a serious factor in this market. Companies need to invest a lot in R&D because the one that cannot keep the pace with the competition will fail in this industry. By now Samsung is doing the things right in this aspect, but must keep this way if they want to remain as the leaders of the market.
3. **Patent infringement.** Samsung owns a great portfolio of patents that many times are used by its competitors. This situation benefits Samsung in the way that they have to pay for using the patent and Samsung obtains money from it but there are some companies that infringe the patent and pay nothing, but it is actually difficult to find out the companies that do it
4. **Price wars.** The low margin Samsung obtain from their products doesn't allow them to enter into price wars. Decreasing the prices in order to keep their sales will reduce their profits to almost nothing, so, if their competitors cut their prices Samsung would be in serious problems.

 Apple Inc.	
Strengths <ul style="list-style-type: none"> • Closed ecosystem • Customer loyalty • Leader in innovation • Gross Profit margin • Brand name • Marketing that works 	Weaknesses <ul style="list-style-type: none"> • High price. • Devices only work with Apple's iOS • Decreasing market share. • Patent infringements. • Lack of leadership in management • Decreasing profits
Opportunities <ul style="list-style-type: none"> • High of new releases • New suppliers for application processors • Growth of smartphone markets. • Obtaining patents through acquisitions • Damages from patent infringements • Growing mobile advertising industry 	Threats <ul style="list-style-type: none"> • Quick technological change • Complains about working condition in some Apple assembly plants • Breached patents • Samsung's supply power over Apple • Android OS growth

Strengths

- **Closed ecosystem.** Apple has a closed ecosystem where they develop the features for their products. These facts give the brand exclusivity and make the company better for the eyes of the potential buyers. In this system Apple develops all the necessary for make their product unique (unique apps, exclusive OS...)
- **Customer loyalty.** The customer's loyalty is, in my opinion the most important fact in Apple's success. People who buy Apple products don't even consider buying products from other brands because they are extremely happy with Apple. The exclusivity they have having an iPhone is worth paying a bigger amount of money. This customer loyalty increases the company's competitive advantage.
- **Leader in innovation.** Apple has always been characterized by being a company that invests a lot in R&D in order to be one of the most innovative businesses in this industry. The company has been ranked several times as the most innovative company in the world, last time in 2012²²
- **Gross Profit margin.** Although profits may have decreased Apple has one of the highest profit margins in the market, having around 68% of profit margin per iPhone 5 sold.²³
- **Brand name.** Apple's reputation is enormous and has been increasing since they first entered in the Smartphone industry. The Brand has been ranked on the first place, as the best brand in 2013. Apple's brand value has reached the amount of 98,316\$ million²⁴.
- **Marketing that works.** Marketing is one of Apple's main reasons for success. Their Marketing campaigns are directed to make potential users think that paying more for and iPhone it's worth it, because it is the best product. Even more, some people who can't afford Apple products and buy other with similar features for fewer prices keep on thinking that iPhone is the best device. That's one of the keys of Apple's success.

Weaknesses

²² Source: "The world's 50 more innovative companies (2012)" (fastcompany.com)

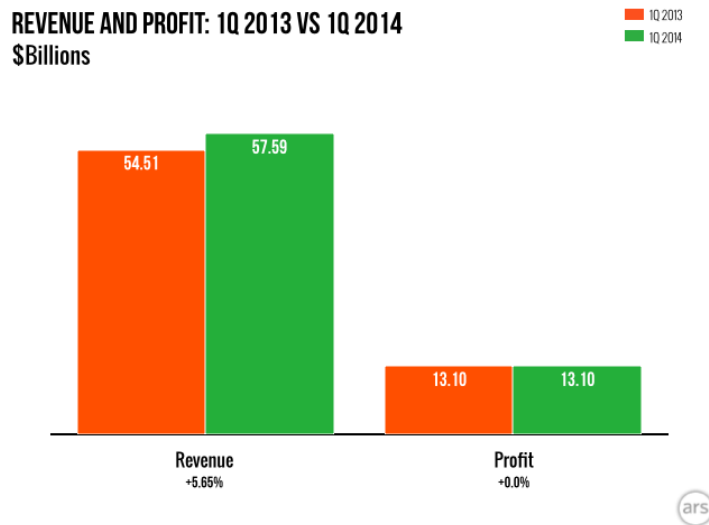
²³ Source: IHS iSuppli Research (thegadgetmasters.com)

²⁴ Source: Best Global Brands Report (Interbrand.com)

- **High price.** For a reason nobody knows why, Apple products are much more expensive than the ones released by the competition. Although this fact gives Apple an appearance of exclusivity, people is starting to wonder why they should pay for an iPhone more than for a phone of the competition that offers the same features for less price. Luckily for Apple, the company has achieved a good degree of brand loyalty that makes people keep on buying their products keeping the price in a secondary place.
- **Devices only work with Apple's iOS.** Apple's Operative System, iOS, is only compatible for Apple devices as well as Apple devices are only able to work with iOS. Android has a complete dominium of the market and, although the OS fact gives some exclusivity to the brand, it is not comfortable for the users to use a different OS while 9 out of 10 people's smartphone surrounding them are using Android.
- **Decreasing market share.** Although Apple saved the year with the introduction in the market with their new devices iPhone 5s and 5c, their market share has been reduced in 2013 compared to 2012. As the market share of the American brand decreases so will do their influence on potential customers.²⁵
- **Patent infringements.** The firm has been accused eventually of infringing other companies' patents and has even lost some trials. We can see this in every company in this market, and probably every technological industry, but it doesn't make it right. This fact damages Apple brand and its financial situation.
- **Lack of leadership in management.** There is no doubt that Steve Jobs was the living soul of Apple Inc. Since he passed away in 2012, the company hasn't been able to find a leader so charismatic and with the speaking ability he was. Jobs was one of the reasons why Apple's marketing worked so well, and people, although they still trust Apple as a brand, haven't got the same confident on it as when Jobs was in charge of it.
- **Decreasing profits.** Apple's profit has decreased a lot due to some relevant factors such as the increasing costs of production or the decrease in price of the iPhones and other devices. The revenue has increased comparing first four months of 2013 and 2014 but the profits have remained similar to 2013. In order to show up this

²⁵ Source: Kantar Worldpanel (theinquirer.es)

we should take a look to the following graph (worldwide data) where it is showed Apple's situation nowadays.²⁶



Opportunities

- **High of new releases.** Despite of having the most expensive Smartphones on the market, every new Apple release gets a warm welcome from the potential customers and the sales are normally high for a product of its price.
- **New suppliers for application processors.** The great amount of Smartphone companies, which has been continuously increasing in latest years, has led to a situation where the potential suppliers want to go into the market as consider it profitable. Until now Apple's main provider for processors was Samsung which was also its main competitor, a fact that was giving the Korean company a bargaining power over Apple. With the appearance of new providers Apple can change its suppliers and deprive Samsung of that power over the American company.
- **Growth of smartphone markets.** The growth of the smartphone markets means a really good opportunity to increase their sales. As smartphone users keep increasing worldwide, there is more chance that some of those new buyers will be willing to pay for a device like the iPhone. In this case, the Spanish market represents a good opportunity as it is the market with highest Smartphone penetration in Europe

²⁶ Source: Apple's financial results (arstechnica.com)

- **Obtaining patents through acquisitions.** Although Apple owns a lot of patents created by the company itself, it lacks some others that are necessary to keep competing in the market. The good financial situation of the company allows it to acquire those patents by purchasing them, so they can continue developing devices with all the technology available in the market.
- **Damages from patent infringements.** Although patent breaching is normally considered a threat, a company can take advantage of this situation. If a company is caught infringing a patent, will be sued and most probably obliged to pay a fine as a penalty, but apart from the economical fact, if the competitor is caught, it will be harmful for its reputation.
- **Growing mobile advertising industry.** The company has developed its own advertising platform for its mobile devices hoping to get profit of the internet advertising business. The platform is called “iAd”²⁷. The growth of mobile advertising market is an opportunity which could be further seized upon.

Threats

- **Quick technological change.** The technological change is a threat for every company operating in this industry. Companies must face a really fast technological change with success if they want to keep competing in the market. In order to achieve this Apple has to invest lots of money in R&D to keep releasing new products and features faster and faster. If one company stops investing in this aspect, it will be quickly overcome by its competitors, as all of them know the importance of being the first releasing a new product. Apple has traditionally been a very innovative company, but since this business has become more and more equal in terms of innovation, being innovative is getting more and more difficult.
- **Complains about working condition in some Apple assembly plants.** It is true that Apple has part of its production in some plants in China. The working conditions of the people working there are not the best as the companies arrive to the Asian country looking for a way of cutting the prices and that’s why some workers are complaining what has been translated into salary rises. One of the most

²⁷ Source: Apple iAd platform (<http://advertising.apple.com/es/>)

famous cases was the Foxconn company case, a Chinese company that work for apple as a supplier and had some workers assembling Apple's devices.²⁸

- **Breached patents.** Some companies commit patent infringement with Apple patents without paying for it. If these companies are not discovered violating the patent, it weakens Apple.
- **Samsung's supply power over Apple.** Having your biggest competitor as a supplier has some disadvantages and one of them is that the Korean company is able to decide the prices Apple has to pay to Samsung for supplies that are not very common in the market.
- **Android OS growth.** Android is currently the absolute leader in Smartphone Operative System and also iOS main competitor. The forecasts announce that Android, which actually is the OS that most devices use, will keep on increasing its presence in the market, a fact that represents a terrible threat for iOS and Apple.

3. CONCLUSIONS

3.1 Conclusions about the industry

If there is a conclusion we can draw from this industry, especially given that we are speaking about a limited market like the Spanish, it is that the market is very saturated.

In a market where four companies own more than 80% of the market share, it is ridiculous the huge amount of companies that are sharing the other 20%.

The theory tells us the amount of companies should not increase, but there are a lot of companies that see the growth this market has had and want to take part of it, thinking that they will be able to compete.

3.2 Conclusions about the competitive forces

The conclusions we can draw from the study of the competitive forces are:

- **Barriers to entry:** As it has been seen in the analysis, the barriers to entry are high. A company that wants to join these markets will have to overcome many drawbacks and the threat of new entrants is low. That is what theory tells to us because these situation was already this way some years ago and there have been a lot of entrants, especially from China that have joined the industry, and the market, even the Spanish one, after that.
- **Threat of Substitutes:** Through the study of the different potential substitutes that are nowadays in the market we can conclude that there is no possible substitute of the market already released. The only possible substitute will be the tablets, but as

²⁸ Source: Forbes

they aren't able to perform as an ordinary phone and have the problem of portability we shouldn't consider it a complete substitute.

- Bargaining power of buyers: We have studied the power that buyers have on the Smartphone companies and, although the switching costs are low and is quite easy to change from one brand to another, we have concluded that the amount of potential buyers is so big that companies will find new buyers for their products if some of their usual buyers leave. We concluded considering the Bargaining power of buyer low to medium.
- Bargaining power of Suppliers: It is true that for the common parts that compose a Smartphone there are lots of suppliers, but if we think about the specific parts needed the amount of suppliers is really small, that's why the companies are forced to buy to this suppliers that sometimes are competitors that have vertically integrated their supply chain (Samsung). The conclusion about the suppliers was that their bargain power was high.
- Rivalry: This industry has become an oligopoly in which 4 brands control more than 80% of the market share. With a clear market leader, as Samsung is, we can consider that rivalry in this industry, at least in the Spanish market, is not very big, but it is if we consider every range of products. Each brand competes in some specific range of products and only some of them compete in all of them. The rivalry in every range is much higher than if we consider the market in absolute terms, so we consider the level of rivalry as high.

3.3 Conclusions about the market

About the market of Smartphones, I think the conclusion will be that it will keep growing for some more years. There are still many people without Smartphones that will finally be in the need of using the great amount of features these devices have to offer in order to make easier the life of the users.

The worldwide market is expected to increase as there are many countries where these devices have low to none presence. We are talking about the developing countries and areas from Asia and especially Africa, where there is a great potential market due to the big amount of people living there.

In the specific case of Europe an especially Spain, the growth can't be so huge. The smartphones are very standardized here and a great percentage of the population owns a Smartphone. Although the growth will be slower, the forecast indicates that the market will still grow for some more years before achieving the maturity stage.

3.4 Conclusions about the companies

About the companies that are now leading the market in our country we can draw some conclusions related with their performance in the market until now.

Samsung will be leading the market for some more years. The amount of market share they have today is unbeatable. The company must find a way to increase their profit margin or otherwise it won't be able to stand a price war with the new Chinese "low cost" brands that

are coming into the market. By now their brand name will be a guarantee that people will keep on trusting Samsung, but it won't last forever and Samsung must find a solution.

In the case of Sony, the company has been working well since they created the Xperia brand for their Smartphones. The brand has had a great growth, especially in the Spanish market where they reached the second place in the market share ranking in 2013. They are expected to keep on working in the same line, trying to compete in every product range.

The case of LG is quite similar to Sony. The Korean brand has made a lot of progress in recent years in order to position itself third in the ranking in 2013 but only competing in the average range of products. LG is expected to enter the high and premium range of products soon and start competing with Sony and Samsung to get closer to their market share.

Apple will probably maintain their strategy of products; few products, all of them derivatives from the iPhone and all of them at a high price. The American company will maintain its aggressive marketing campaign to convince people that it is worth paying the price their products have. It is true that Apple hasn't got the market share it has years ago, but they still have a lot for the reduced variety of products they sell.

We should say something about Nokia. The Finish Company has reinvented itself after its purchase by Microsoft, and it is expected that Nokia and its Operative System, Windows Phone, increase their market share in the following years.

About the Chinese companies (Xiaomi, Jiayu...) that have recently entered the market, they have the advantage of price over its competitors and if people start seeing them as trustful brands they can be a real threat for the companies currently leading the market. We should pay attention to their future movements in the industry.

3.5 Conclusions about the future

Talking about the future of Smartphones means talking about technological uncertainty. Nobody could even imagine, years ago that Smartphones will become such an important part in our lives, but they did and nobody knows what will happen in some years. The questions we have to wonder now are; have we found the definitive way of communicating? Will the Smartphone be the ultimate device or will this be just a trend that will be replaced for a better device in some years? Can any of the potential substitutes, actually substitute the Smartphone? The Tablets maybe? Can the Smartphones improve more in useful terms or will they just amass an enormous amount of features that nobody will use?

We will need to wait a few years to give an answer to all these questions. From my personal point of view, it is really difficult to find a device that could replace the Smartphones as they have a perfect size for carrying them and use their features. It may happen that through years, a bigger Smartphone size with a screen that allows working with it will

become the trend as it is becoming more and more necessary to work with these devices every day.

Only the technological companies know what we should expect from the future; by now we can only wait and see how the technological change make our ways of communicating evolve again.

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