



IDC Insight: Meitu and Xiaomi Partnership Points to Consolidation in China's Smartphone Market

BEIJING, November 22nd, 2018 -- Meitu Inc., a company best known for its selfie app, and Xiaomi Inc., a leading smartphone maker, announced on November 19 a strategic partnership to jointly launch Meitu-branded phones and other smart devices in a move that IDC believes will have a far-reaching impact on the brand development of Meitu and Xiaomi as well as the smartphone market as a whole.

The Meitu-Xiaomi partnership should help both parties expand their customer base and signals a further consolidation in the highly competitive Chinese smartphone market, IDC believes.

IDC expects the tie-up to impact the two companies and the smartphone market in the following ways:

1. Over the last year, Xiaomi has stepped up its efforts to improve the camera capabilities of its products and has done a lot in AI-powered photography R&D. Leveraging Meitu's image processing technologies and selfie algorithms will help Xiaomi further boost its AI-powered photography and photo quality and reduce its gap with leading vendors such as Huawei.
2. Introducing the Meitu brand which is popular among female users will bring more female customers to Xiaomi whose users are overrepresented by male users, thus covering wider demographics.
3. Introducing the Meitu brand enables Xiaomi to offer greater diversity of smartphone products under multiple brands and series, including Redmi, Xiaomi, Black Shark, Pocophone, and Meitu. Xiaomi is gradually forming a multi-brand portfolio targeting different user groups, thereby laying the foundation for it to compete in the market in the long term.
4. Through Xiaomi's sales network, Meitu's software products will reach a larger group of customers via smartphones. Moreover, licensing its hardware business to Xiaomi allows Meitu to focus on software development and the upgrade of its image processing technologies.
5. With the top five vendors in China's smartphone market taking up a nearly 83% market share, the growth potential will increasingly diminish for small vendors in areas such as marketing and supply chain resource integration. Going forward, more small vendors are expected to seek

strategic cooperation with large vendors and drive consolidation in the China's smartphone market.

Figure 1



China Smartphone Market Share and Ranking Q1-Q3 2018				
Vendor	Q1 2018 Market Share	Q2 2018 Market Share	Q3 2018 Market Share	Q1-Q3 2018 Average Market Share
1. Huawei	24.2%	27.4%	24.6%	25.5%
2. OPPO	18.9%	20.3%	20.5%	19.9%
3. vivo	16.2%	19.1%	21.8%	19.2%
4. Xiaomi	15.1%	13.9%	13.6%	14.1%
5. Apple	11.2%	6.7%	7.5%	8.3%
15.Meitu	0.5%	0.5%	0.5%	0.5%
Others	13.9%	12.1%	11.5%	12.5%

Source: IDC China Quarterly Mobile Phone Tracker, Q3 2018

Meitu Inc. was founded in Xiamen in 2008 as a developer of selfie apps such as MeituPic and BeautyCam, and has been focused on selfie algorithm development. In 2013, the company ventured into the smartphone market and launched smartphones targeting female users and the selfie market. Despite a higher profit per phone sold and a higher brand premium, the company has become increasingly marginalized in China's dog-eat-dog smartphone market due to its meager shipments. According to IDC's Worldwide Quarterly Mobile Phone Tracker, Meitu only had a 0.5% market share in China with shipments of approximately 1.5 million units as of the third quarter of 2018.

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Figure 2



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