

# How is the corona virus pandemic affecting the smartphone industry?

Supply chain disruptions, event cancellations, product launches, higher product prices and other consequences are what is happening in the smartphone industry when the corona virus arrives.

Not simply a common disease, the outbreak of corona virus has had a terrible impact on the world.

In addition to infecting more than 135,000 people globally, causing more than 5,000 deaths so far, this pandemic has a major impact on the global economy, as production has to stop, and the epidemic Tourism, hotel and aviation services all over the world struggled when the number of passengers decreased dramatically, leading to other serious consequences.

Not outside this tragedy, the global smartphone industry is also severely affected by the outbreak of this pandemic. The following are the consequences that the high-tech industry is suffering from the outbreak of this corona virus.



Supply chain disruptions, pushing up product prices, delaying the launch of new products, canceling events, cutting marketing events and layoffs in the industry are what are seen as post-production. the result of this pandemic.

## Supply chain disruption

Much of the early impact of this pandemic occurred in China, which produces the majority of electronics worldwide. However, disruptions in China have also made supply chains in countries chaotic. For smartphones, an industry dependent on a network of supply chains that are deeply interconnected, this effect is more severe than ever.

Foxconn, a world-renowned smartphone assembler, has shut down its factories in China since February 2020, and even though it has started production again, it is unknown how long it will take to get back to capacity as before. Shortly thereafter, the effects of the corona virus quickly spread outside of China.



Possible scenarios for the global smartphone market: shipments drop by 4.3% in the best-case scenario, and down to 12.6% in the worst-case scenario.

Some factories of Samsung, LG Display in South Korea were temporarily closed for a few days when workers were found infected with viruses. Besides, the factories of these companies in Brazil also had to close because of lack of components. This scenario is happening in many other industries as well.

Canalis predicts that in the best scenario, smartphone shipments will drop by 4.3% to a total of 1.3 billion devices in 2020. In the worst case, the drop in production will reach 12.6% in this year. Moreover, the number of smartphones shipped will only begin to return to normal from the third quarter of this year.

### **Rising costs and new products being launched**

According to India Today, the price of the Xiaomi Redmi Note 8 has been adjusted to increase as the company says the corona virus has affected its supply chain in China. In the coming days, the same thing can happen to many other devices when the disease situation is still complicated.



Also many tech events have been postponed or canceled. In mid-February, the MWC mobile fair was canceled due to concerns about the spread of corona virus. In addition, a series of other major fairs in March had to be canceled, including Game Developers Conference, Geneva Auto Show. Developer conferences such as Google I / O, Microsoft Build and even WWDC of Apple have to cancel and switch to the online platform.

Comes with that is the delay of launching new products. After the MWC mobile fair was canceled, Motorola's rumored Edge flagship was no longer mentioned by the company. Xiaomi's Mi 10 Pro, which is scheduled to debut at this year's MWC event, has also been postponed to March 27.

Not only the device launch, even software updates for mobile devices are delayed. Xiaomi said that the Android 10 update in mid-February for its Mi A3 will be delayed due to the corona virus outbreak. HMD also said that delaying the release of Android 10 updates for Nokia devices will also be delayed for the same reason. Many other smartphone companies also said that software development is slowing down because many employees have to work at home.



Galaxy S20, a rare flagship device launched earlier this year in a real event, rather than being organized online like many other competitors.

In the long term, when the world enters the post-corona era, it is certain that smartphone companies will make major changes in the way their products are marketed and PR. They may choose to organize online instead of epic press events to reduce costs. Many brands like Xiaomi, Huawei, Oppo and Sony have chosen this way, so maybe it will be more popular in the future.

### **More and more companies are moving production away from China**

After the effects of rising labor costs and the U.S.-China trade war, the corona virus outbreak is giving electronics companies more reasons to reduce their reliance on manufacturing capabilities. of China.



The report shows that some companies have planned to reduce their reliance on factories in China. For example, Google has turned to factories in Vietnam to produce the upcoming Pixel 4a and will do the same for the high-end Pixel 5 series. In addition, Google also looks to factories in Thailand to produce its smart home devices. LG also shifted its smartphone production from China to Vietnam.

However, moving the entire supply chain out of China is considered a difficult task. Each component is " a single bottleneck when they are necessary components for assembling modules and complete products. It is difficult to move, when it needs the whole ecosystem. " Kearney market research said.

### **Who will benefit from this corona virus outbreak?**

Currently, a series of large technology companies such as Facebook, Microsoft, Google, Apple and many others have asked employees to work from home. Outside of technology, other industries are following this trend.



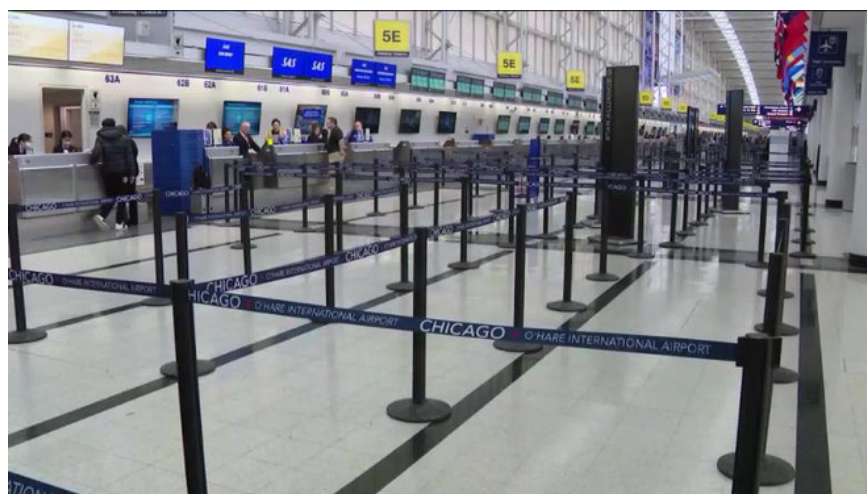
In such a context, it is easy to see that the companies that provide online tools will be the beneficiaries first. But more important is the way they attract their customers. Microsoft and Google are both offering paid features to customers for free, in the hope that after the crisis is over, these customers will continue to use and pay for them.

In addition, the increase in the number of people at home has also made other online activities such as online shopping and online delivery services used more frequently. Instead of firing, Amazon even has to hire more employees for its warehouses to meet the purchase and delivery needs of users.

Likewise, online entertainment services such as streaming and online TV as well as mobile game buying services, PCs and consoles. Ironically, this is exactly the time when cloud gaming services like Google Stadia, Microsoft xCloud and Nivida Geforce Now are launched. After doubts about the possibility of success, the corona virus outbreak is bringing great opportunities for these new game services.

### **What is the worst case: the global economic downturn**

The above are just the direct effects of the corona virus pandemic on the smartphone industry. But it is clear that this virus is showing its devastating power as its impact is spreading to many different industries across the globe.



The global tourism industry has become the first to be affected by the virus, with up to 20% of flights being cut due to measures to prevent the spread of the virus. The International Air Transport Association estimates that the aviation industry could lose as much as US \$ 113 billion in revenue in 2020, depending on the virus's spread. The same goes for hotels, accommodations, entertainment and other services.

Currently, while China is showing that it has taken control of the disease, Europe, the US and many other countries seem to be in the beginning. France, Italy, Spain and several states in the United States have to put in place a blockade to control the spread of the virus. That has led to greater impacts on the regional and global economy when a series of businesses, schools, and entertainment have to close.

This will undoubtedly drag down the demand for new smartphones and push many small smartphone brands or inefficient businesses to dissolve or merge into large companies. The situation could be even worse when a global economic recession takes place. Although finding a vaccine or effective treatment for Covid-19 may prevent this, it may take at least years to do so. Until then, it is likely that the world economy will slip into recession with the current smartphone industry.

*Refer to Android Authority*

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