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Samsung issued guidance for a 10% decline in sales for Q2, and an even sharper fall in operating profit of nearly 25% in what amounted to a profit warning this week.

The consensus on Wall Street was for profits of around $8bn, which meant the guideline figure of KRW7.2 trillion ($7.1bn) falls well short of expectations that were already low, following CFO Lee Sang Hoon's earlier warning that the quarter would be "not that good".

The company stated that the shortfall is due to a combination of a strong Korean currency, lower than expected device shipments thanks to competition in Europe and China, and increased marketing costs as the company worked to reduce inventory buildup ahead of the Q3 peak season and new model launches.

The last of these will be interpreted by many in the channel as a classic fire sale, which is typically painful as each player desperately discounts to move stock.

However the most significant point may be the increased competition, especially in the largest phone market, China. The rise of relatively unknown Chinese brands of Android-based handsets was evident at Mobile World Congress in February, and these hit the market in a big way in Q2. Many of them have overtly reflected the look of a Galaxy smartphone, and Samsung appears to be suffering.

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