

MOBILE

Apple's move downstream means lower app spends

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Apple's new iPhone SE

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In a move that could impact marketers' mobile revenue streams, Apple introduced the 4-inch iPhone SE March 21, which comes with Touch ID and Apple Pay.

Most of the news out of yesterday's event was expected, including the new iPhone, a smaller iPad Pro and a lower starting price for the Apple Watch. One surprising moment came when Apple CEO Tim Cook addressed the company's ongoing entanglement with the government over accessing encrypted data on a phone involved in the San Bernardino shooting, with Mr. Cook saying the company will fight the feds on the issue.

"We forecast a 4-inch model to account for around 1 in 10 of Apple's iPhone shipments worldwide in 2016," said Neil Mawston, executive director of global wireless practice at [Strategy Analytics](#).

"Marketers need to be aware that Apple is now moving downstream," he said. "Apple is pushing the iPhone into the hands of less-affluent consumers with smaller displays who are likely to spend less money on apps than existing premium iPhone owners."

A maturing market

With the smartphone market showing signs of maturing and sales growth leveling off, Apple and others are looking to the devices into as many hands as possible.

For the past couple of years, the focus has been on bigger phones, as this has been one of the fastest growing areas, reflecting how consumers are using their devices to consume video and other content.

However, according to Apple, many consumers have voiced their desire for the company to continue making 4-inch phones.

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Looking to meet the needs of these consumers, Apple unveiled the new iPhone SE yesterday, a 4-inch phone with similar performance as the iPhone 6S.

However, with Strategy Analytics forecasting the iPhone SE will account for just 10 percent of Apple's smartphone sales this year, it appears that smaller screens are likely to be a niche market while larger phones continue to gain

ground.

Apple is the number two smartphone brand, with a 19 percent share of worldwide shipments in the fourth quarter of 2015.

Trying to reignite excitement

The iPhone SE will come equipped with Apple Pay capabilities and will start at \$399. It will be available on March 31.

The company also introduced a smaller 9.7-inch iPad Pro. Apple captured 23 percent market share of all tablets shipped worldwide in the fourth quarter of 2015, making it the leading manufacturer in this segment, according to Strategy Analytics.

The Apple Watch was also part of the event, with new bands introduced a lower starting price of \$299.

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The Apple Watch is the leader in the smart watch category, with 63 percent of shipments in the fourth quarter of 2015, according to Strategy Analytics.

None of yesterday's news was groundbreaking, pointing to Apple's ongoing struggles to regain some of the excitement around the brand that it had in previous years.

According to new data from Adobe, social sentiment for the Apple brand fell in February. Across North America, EMEA, and APAC, consumer sentiment has been trending toward disappointment, with the iPhone SE driving the most conversations on social, per Adobe.

"The new iPhone segment will increase eyeballs for Apple, but decrease average iPhone prices and apps spend," Mr. Mawston said.

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