

Apple's iPhone problem: It just needs lower pricing, analysts say

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iPhone 8 and iPhone 8 Plus. Credit: Apple

To hear Apple tell it, the reasons for the slowdown in iPhone sales can be attributed to changing economic conditions in China, the fluctuating change of the dollar in other countries and a shift in how people buy the iconic device.

To listen to analysts describe it, the issues could be solved with a simple fix: lower prices.

The shortfall in sales, first forecast in early January, was stark. Apple sold \$51.9 billion worth of iPhones this quarter. That's a \$10.1-billion drop from the year-ago quarter, which saw \$61.1 billion worth of sales.

That's drastic, and suggests that perhaps [new features](#) that were added this year to the iPhone XS, XS Max and XR, like more powerful processors and snazzier screens just didn't resonate with consumers. The XS Max is the most expensive iPhone ever, starting at \$1,100.

"What's clear is that a four-digit iPhone will not get people to upgrade," says Daniel Ives, an analyst with Wedbush Securities.

In laying out various reasons for the shortfall in an earnings call with analysts Tuesday, Apple CEO Tim Cook looked to China and the dollar as well as the way people now buy phones—at full price.

Many would-be customers looked to upgrade, yet remembered how they used to pay \$199 down for the phone and then paid off the balance over two years in a subsidized contract.

"The subsidy is the bigger of the issues in the developing markets," Cook said. "We have a number of actions to address that."

At the Apple retail Store, Cook said the company is looking to a renewed push on offering trade-ins on older phones for new models.

"Their existing phone is a subsidy for their new phone," he said. Additionally, it will "help us grow our active install base."

There are now 1.4 billion users of iPhones worldwide, up from 1.3 billion the last time Apple updated its number, which leads analyst Gene Munster from Loup Ventures to say Apple's iPhones woes will eventually blow over.

"People's phones will eventually die out, and they will have to upgrade, whether they like it or not."

Meanwhile, Apple actually sold more iPads, Macintosh computers, Apple Watches and subscriptions to services like Apple Music, iCloud and AppleCare than in the year ago quarter. The only problem was the iPhone.

Ives says Apple is stuck in the doldrums with the iPhone for the next six months, until it announces new models in September. His recommendation: Lower prices on current models by 15 percent now and have the new iPhones have lower price tags.

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