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Apple's 4Q12 Results Show A Much Bigger Challenge For The iPhone

By [Francisco Jeronimo](#), in [Mobile](#) JANUARY 24, 2013



Apple has

released its quarterly results. The company shipped 47.8 million iPhones in the quarter, the biggest volume ever in one quarter, representing 29% year on year growth and an increase of 78% sequentially. This result is without doubt excellent. Apart from Samsung, no other phone maker was able to deliver an average year on year growth of 27% for 22 consecutive quarters.

Nevertheless, the smartphone segment is expected to have grown by 39% year on year in the quarter ending in December, and by this measurement Apple underperformed the market. And here lies the biggest challenge for Apple. How to keep growing and keep market share when the market is moving in a new direction? Devices at lower price points are invading the smartphone segment. Handsets manufactured by the likes of Huawei, ZTE, Alcatel, or even by Samsung, LG, HTC and Nokia are growing faster. When the first cheap smartphones were introduced, typically running on Android OS, the experience was poor and the quality of the handsets very low. But that has changed.

Apple has based all its strategy on providing a high-end device, with the best in class user experience, a strong ecosystem, etc., but at a price — a very high price indeed. Now it is time for Apple to rethink its strategy, risking continued loss of share to Samsung and other players. This is not an easy task though. The challenge for Apple is how to balance high quality handsets, affordable prices and high profits. This is a much tougher job then developing a premium device at a higher price. On the other hand, new trends emerged. The bigger screen is one of them. Samsung has been extremely popular with its larger screens and Apple has done close to nothing in this space.

Despite the excellent results last quarter, it's clear Apple won't be able to continue posting remarkable iPhone results in the long term without a portfolio strategy change. It is now time for Apple to increase the number of devices and to address different market segments. It is time for Apple to understand that with the same form factor, the same user interface, and the same price, only Samsung will benefit.

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Francisco Jeronimo

Francisco Jeronimo joined [IDC](#) in June 2008 as research manager for European Mobile Devices. Based in London, he is primarily responsible for research that covers mobile handset trends across Europe. He is also responsible for the European Quarterly Mobile Phone Tracker program. Francisco has been working in the telecom industry for 10 years in countries such as Japan, Finland, and Portugal. Before joining IDC, Jeronimo was responsible for the mobile devices business of LG in Portugal, in particular developing the open market channel and the business with Vodafone. In Portugal, he worked with all the mobile operators and managed the distribution channel of the second-biggest wholesaler. He launched a mobile software development company and did project management and consultancy in mobility for several companies in different industries. Before that, in 1998, he started working for Nokia R&D Center in Japan and then in Finland. He has a master's degree in management from Oporto University in Portugal and is a postgraduate in sales management from Lisbon University with a major in telecoms. He is fluent in English, Spanish, and Portuguese.



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