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## Technology

### Apple Abroad: What if the World Doesn't Want iPhones?

By [Joshua Brustein](#) on June 26, 2013

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The same iPhones that fly off American shelves are losing ground in key markets abroad—an example, in case one was needed, that what works in the U.S. doesn't automatically succeed overseas. This is no temporary stumble, according to new data, but an illustration that we've reached the end of the beginning for smartphones and a sign that Apple's ([AAPL](#)) ways of appealing to customers could prove less effective in the future.

IDC released first-quarter numbers on [smartphone shipments in Western Europe](#), and Apple's share dropped to 20 percent. A year ago, by contrast, iPhone shipments had 25 percent of the market. Much of Apple's lost business went to Samsung ([005930](#)), which accounted for 45 percent of shipments (up from 39 percent). But companies like Sony ([SNE](#)) and LG ([066570](#)), seen as also-rans in the United States, also experienced big gains.

People who want high-end smartphones have probably already bought them, says Francisco Jeronimo, IDC's director of European mobile device research. New buyers have less disposable income and are buying smartphones only because they have become cheap. "We are now entering the second wave of smartphone adoption, which will be driven by those users with no need for a smartphone," he says.

These customers have less money to spend and less reason to splurge when cheaper products are available. In addition, European phone carriers are much less generous when it comes to subsidizing customers' phones. iPhones don't seem much more expensive than other smartphones in the U.S., but the difference can be significant for those who are paying for them out of pocket.

The horizon for high-end smartphone makers seems even bleaker when you look beyond the world's richest markets. Asian and Pacific markets, excluding the wealthy Japanese, accounted for half of total demand for smartphones in the first quarter. Chinese smartphone makers have been serving these customers just fine, gathering expertise that could potentially help them sell to budget-minded Europeans in the future.

The prospects, Jeronimo argues, aren't so bright for upscale companies such as Apple in the cheaper markets. IDC recently reported that Apple is no longer one of [India's top five smartphone sellers](#). The cheapest Asian markets might as well be off-limits because customers demand products at prices far below anything Apple or Samsung are willing to sell. "Those are products that they cannot provide, or are not eager to provide because they don't want to damage their brands," says Jeronimo.

This dynamic is not only playing out in the developing world, as IDC's European market-share numbers show. This explains why smartphone companies have been working to release pared-down versions of premium products. New smartphone sales are going to be increasingly cheap smartphone sales. Despite rumors that inexpensive iPhones impend, Apple's main strategy for reaching down-market to date has been to sell older versions of its products at lower prices.

When it comes to making cheaper phones, Apple may have more to lose than its competitors do. It has always been a luxury brand. Samsung and HTC ([2498](#)) have histories of selling relatively inexpensive phones; Apple sells products that indicate membership in an exclusive club. This has played really well in the United States. Things are different abroad.

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