

How Apple Is Expanding Its Media Business

Article

Apple is expanding its digital media presence at a time when **iPhone sales have slowed**. Earlier this week, Apple **unveiled several new media products**, including a subscription news app, gaming platform and video streaming service.

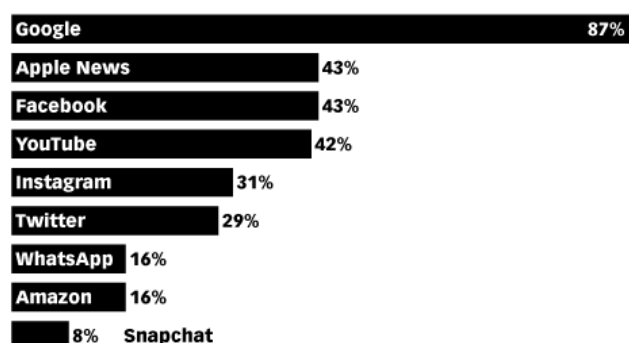
“With the upper end of the smartphone market basically saturated, Apple had the choice to either lower iPhone prices to try to increase market share, or build a stream of service revenues on top of its iPhone installed base,” said Frost Prioleau, CEO of demand-side platform (DSP) Simpli.fi. “The installed base gives it a huge advantage in rolling out services like Apple TV+ and Apple News+, but doesn’t make success a slam dunk.”

Digital publishers have long **welcomed Apple News referral traffic**, but have **complained that the revenues** they get from Apple News are minuscule. With Apple News+, users will be charged \$9.99 per month to access multiple magazines online. The product is similar to the digital magazine subscription service Texture that Apple **purchased in 2018**.

According to a January survey of 200 news publishers by the Reuters Institute for the Study of Journalism at the University of Oxford, 43% of respondents said Apple News was important to their organization.

What Platforms Do News Publishers Worldwide Consider Important for Their News Organization in 2019?

% of respondents



Note: n=200; responses of "very" and "extremely important"
Source: Reuters Institute for the Study of Journalism at the University of Oxford, "Journalism, Media, and Technology Trends and Predictions 2019," Jan 9, 2019

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The platform became more appealing to publishers after Facebook **deprioritized publishers in its News Feed** last year, according to Elgin Thompson, managing director at Digital Capital Advisors, an investment bank that specializes in digital media.

Apple said that its ad-free subscription gaming service, Apple Arcade, will feature 100 new and exclusive games. The product will add further competition to a gaming market that includes new and upcoming products from other tech giants like Sony, Microsoft and Google.

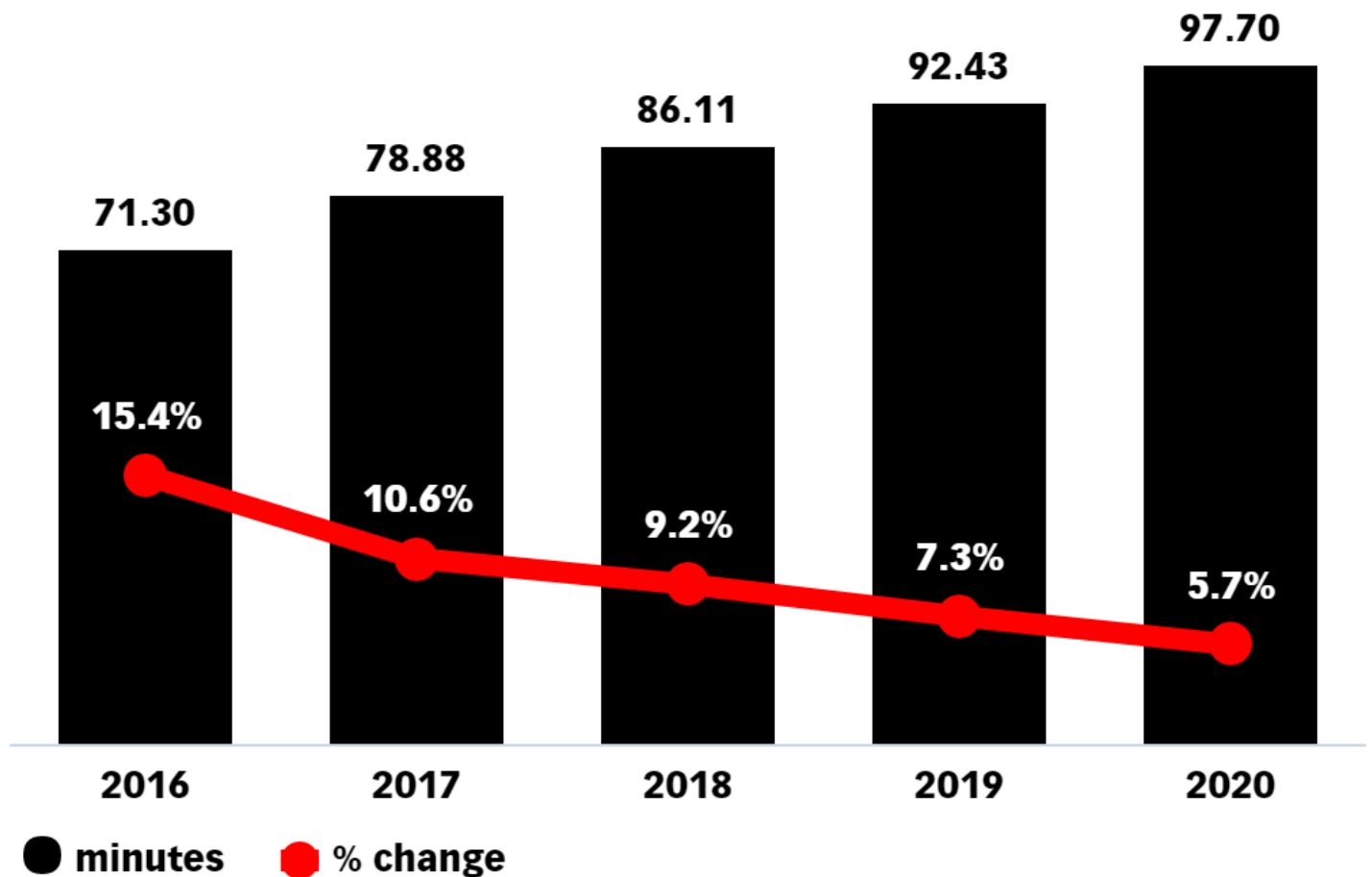
Apple's new video service, Apple TV+, will also be free of ads and include original programming. While Apple services generally force users to operate within Apple-manufactured hardware, one notable thing about Apple TV+ is that it will be **accessible through external streaming devices** like Roku and the Amazon Fire TV Stick. Apple also announced plans to update its TV app, so users will be able to subscribe to other video services like Showtime and Starz (which is already a feature of Amazon and Roku).

“The smartest move [Apple] announced was that it struck deals with Roku and Amazon, as those two companies control the vast majority of the connected-device market,” said Alan Wolk, co-founder and lead analyst at video consulting group TV[R]EV. “But that move could also indicate that Apple has given up on the Apple TV hardware.”

With Apple making a bigger push into video, the marketplace is becoming even more crowded. Apple’s video product—and new streaming services from AT&T, Comcast and Disney—will have to compete with existing platforms like Netflix, Hulu, YouTube and Amazon Prime Video. We forecast that US adults will spend, on average, 92.43 minutes per day with digital video this year, an increase of 7.3% year over year.

Average Time Spent per Day with Digital Video

US, 2016-2020



Source: eMarketer, September 2018

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“Apple is a publicly traded company and looking for new revenue sources,” said Brad Adgate, an independent media consultant. “They have been eyeing the video market for the better part of a decade.”