

What's next for the smartphone market?

Article

The trend: Three years into the [adoption of 5G](#), we're seeing some seismic shifts in the smartphone market. [Apple's iPhones surpassed](#) OEMs making up **Google's Android** ecosystem in the US, and service ecosystems like streaming music, fitness, and gaming subscriptions expanded around handsets.

Premium handsets continue to be in high demand, evidenced by [shortages of the iPhone 14 Pro](#) heading into the holiday season.

North American smartphone market could see continued decline: High inflation and a shrinking number of smartphone players could result in less consumer choice and a downward trend in smartphone adoption.

People are holding on to aging smartphones longer and are less inclined to buy upgraded models with higher price tags.

Yes, but: A couple of variables could entice upgrades: Various networks [shuttering older 3G networks](#), as well as the proliferation of more-affordable mobile virtual network operators (MVNOs), could propel the wider adoption of 5G handsets.

Smartphone innovation has plateaued: Today's smartphones are all very similar in terms of features and capabilities. Processors are increasingly more powerful and battery life is consistent, leaving manufacturers to innovate in camera performance and display technology.

- **Apple is leaning heavily on health, safety, and innovation such as satellite connectivity and crash detection features.**
- **Samsung** continues to push foldables in the high end while saturating the midrange of the market with discounts to push adoption.
- Consumers seem satisfied with the current candybar form factors, even as companies like **Microsoft** and Samsung push fringe dual-display foldables, which will continue to make up a dwindling percentage of smartphones sold.

Regulating the smartphone duopoly: A decade ago, Apple's iOS and Google's Android were already dominant, but the market had other options, including **Nokia, BlackBerry, Windows Phone, and Palm OS**. Similarly, phone makers like **LG, HTC, and Huawei** were in the picture.

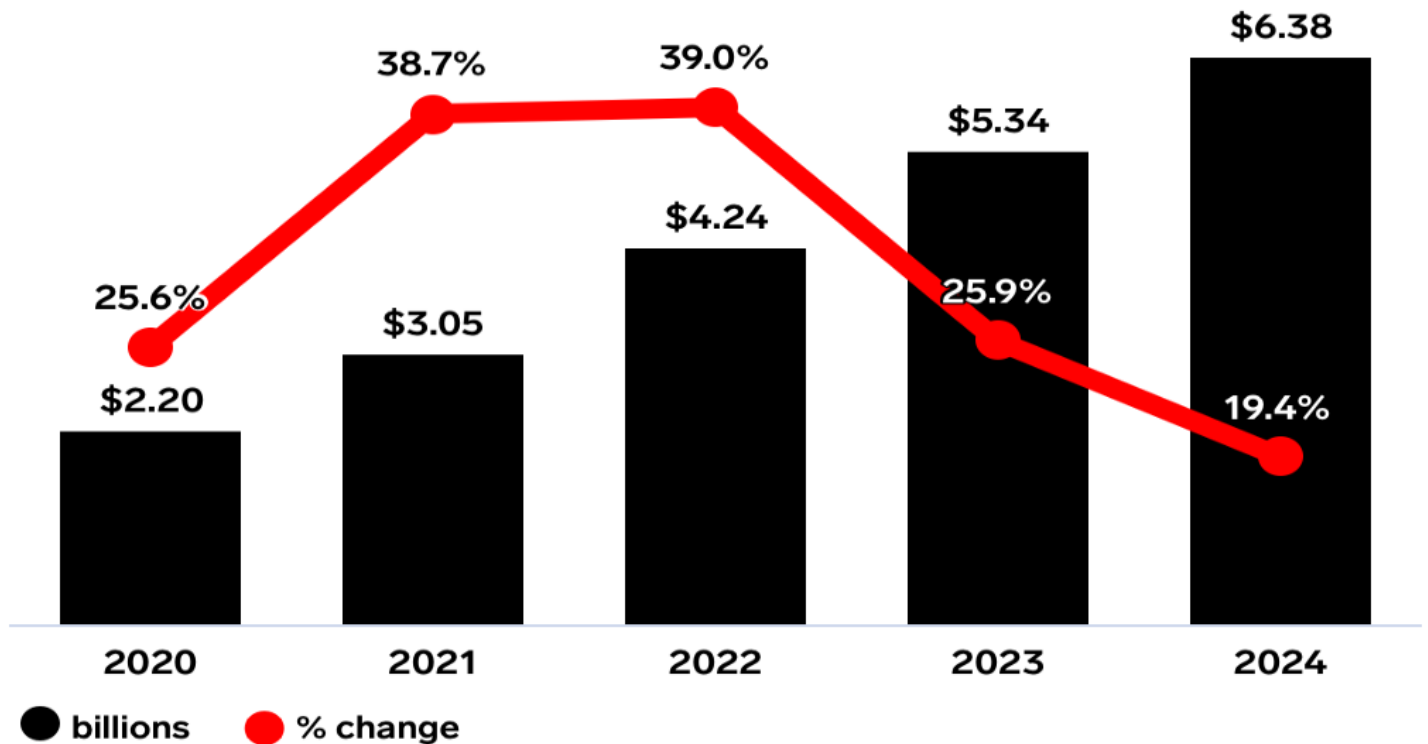
- Wave after wave of consolidation and the dominance of app stores resulted in the duopoly we have today.
- The UK's **Competition and Markets Authority (CMA)** said the "effective duopoly" of Apple's iPhone iOS and Google's Android ecosystems presents a "vice-like grip," resulting in a lack of customer choice and [higher prices](#) than a more competitive market could offer.

The key takeaway: The smartphone market is becoming less about handsets and more about their services ecosystems. For example, Apple took a hit this year by not raising iPhone 14 prices and planned to make up costs through its long-term [subscriptions](#) play.

Services like fitness, music streaming, video streaming, game subscriptions, and iCloud don't just increase customer lock-in, they can provide recurring revenue as bundled solutions consumers are dependent on.

Apple Ad Revenues

US, 2020-2024



Note: includes advertising that appears on desktop, and laptop computers as well as mobile phones tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: eMarketer, October 2022

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