

# How ‘services’ became Apple’s fastest-growing revenue category

Article

**The news:** Apple reported strong Q2 earnings last week, with revenues increasing 9% year over year to **\$97.3 billion**. The strongest sector for the company was the iPhone category, which brought in \$50.57 billion in revenues.

But the second most lucrative sector, “**services**,” brought in **\$19.82 billion** (more than any other product category) and grew **1772%** year over year—a sign that the company once

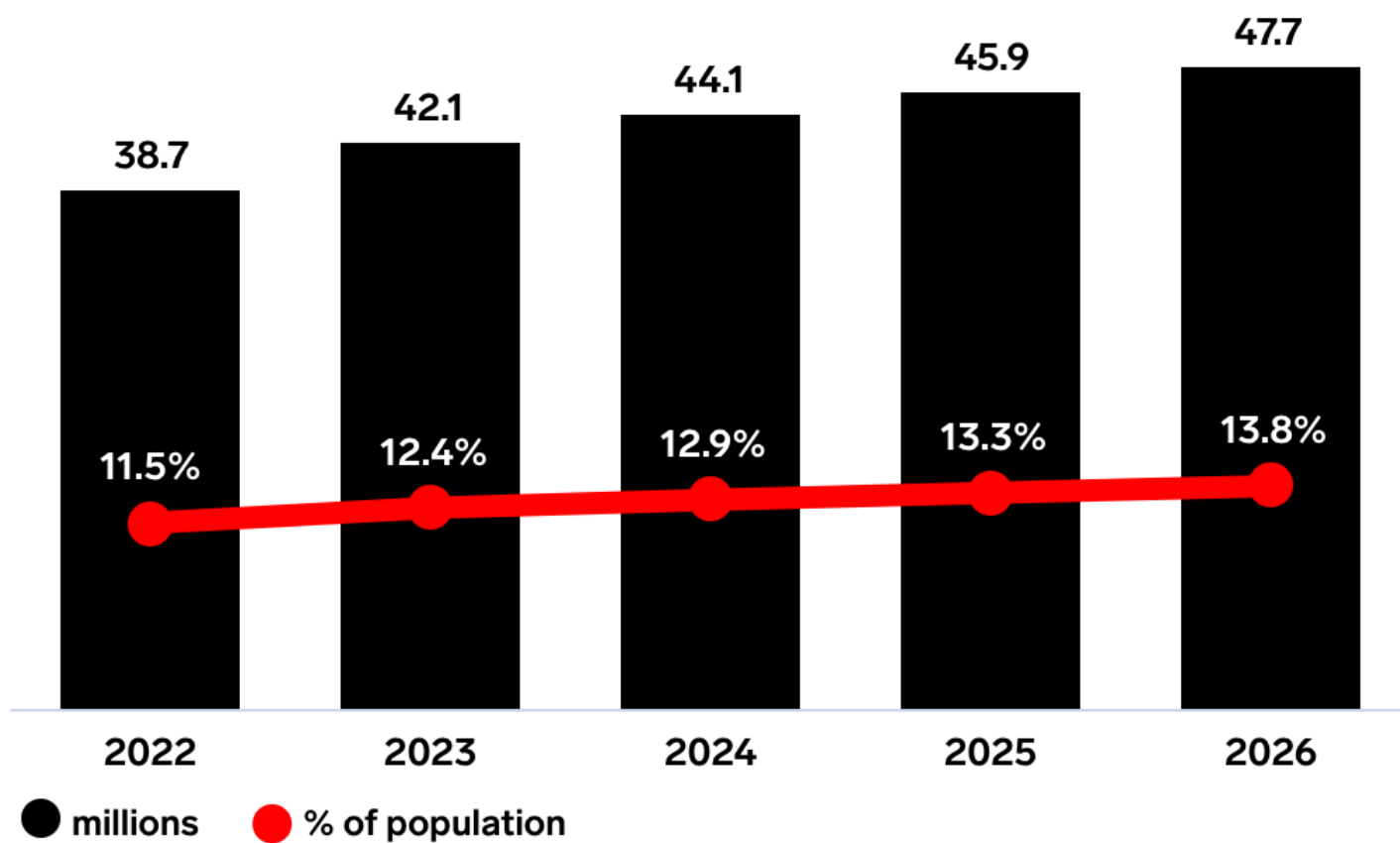
known primarily for its products and branding has undergone a shift to focus on subscriptions and services.

**How we got here:** When did Apple's pivot to media begin? A recent [excerpt](#) from New York Times reporter **Tripp Mickle's** upcoming book about Apple's transformation ties the shift away from hardware to several executive departures following the death of **Steve Jobs**—particularly of Jobs' long-time partner and product designer **Jony Ive**.

- CEO **Tim Cook** also slowly replaced brand-conscious executives with more financially minded ones. “Mr. Cook began reshaping the company in his image,” Mickle writes. “He replaced the outgoing company director **Mickey Drexler**, the gifted marketer who built **Gap** and **J. Crew**, with **James Bell**, the former finance chief at **Boeing**.”
- The signs of Apple's shift from luxury tech product brand to media company are many. For one, the company no longer reports unit sales for products in earnings reports. Instead, products like the iPhone, iPad, and others are listed as “categories” alongside “services.” That newer addition outpaces the growth of Apple's iconic hardware and includes **Apple TV+**, **Apple Music**, and more.
- News stories about Apple used to focus on product releases, but the company's biggest headlines in recent memory have been about [podcasts](#) and streaming originals.

## Apple TV+ Viewers

US, 2022-2026



Source: eMarketer, February 2022

eMarketer | InsiderIntelligence.com

**The benefits:** Apple may have shifted its focus away from the products that built its legacy, but the focus on content has also helped it escape some of the pain from supply chain issues and inflation that have plagued other tech hardware companies.

- And while something certainly has been lost in the shift away from hardware, careful curation has helped Apple's deliberate brand image carry over into much of its content. **Apple TV+** has developed an **HBO**-like reputation for so-called "prestige" television shows and films.

- Critics and audiences alike have praised “**Ted Lasso**” and the current hit “**Severance**,” which have made an imprint on popular media. Earlier this year, the Apple TV+ film “**CODA**” became the first streaming original to win Best Picture at the Academy Awards.

**Looking forward:** Apple’s choice to make subscriptions and services a larger part of its business doesn’t mean it has to lose the deliberate branding which helped it become the biggest company in the world.

- Through careful curation and managing of customer relationships, Apple can maintain the prestige that’s defined it for years.