



Apple Finally Gets iPhone Pricing Right in a Crucial Market

Description

The smartphone market in India has stood tall amid the global sales slowdown. Smartphone shipments there jumped 9.9% year over year in the second quarter of 2019, versus the 2.3% decline in global smartphone shipments per IDC. But **Apple** ([NASDAQ: AAPL](#)) has struggled to make a dent in that region due to the [exorbitant pricing of its iPhones](#).

Apple's fortunes could change in India with the launch of the iPhone 11 since it has been priced competitively against rival flagships. More importantly, India's smartphone market could make Apple a nice [long-term stock pick](#) if Cupertino can corner substantial market share in this fast-growing economy.

Apple gets its act together with the iPhone 11

Apple's entry-level iPhone 11 starts at 64,900 Indian rupees (approximately \$920). That's 12,000 rupees (\$170) cheaper than the price at which last year's entry-level iPhone XR was launched in that market. Customers can pre-order the device for as low as 59,900 rupees (roughly \$850) after including bank offers.

Early signs indicate the iPhone 11's lower starting price point was the right move for Apple in India as the device went out of stock soon after pre-orders began. Reports also indicate that demand has been well beyond what Apple was anticipating. In all, it seems that it has finally hit the sweet spot on pricing and is reaping the rewards.

That's not surprising as demand for premium smartphones in India is riding high. According to IDC, sales of premium devices in India priced between \$400 and \$600 showed impressive year-over-year growth of 16.2% in the second quarter. The good news is that Apple enjoyed a market share of 41.2% in the \$500-plus smartphone category once it reduced the price of the iPhone XR.

In fact, Apple had given the iPhone XR's price a massive haircut of 17,900 rupees (or \$259) in April this year to boost sales. This brought the price to 59,000 rupees, which is close to the price at which the new iPhone 11 has been launched in the country.

More importantly, the iPhone 11's price is quite competitive. The **Samsung** Galaxy S10 starts at 61,900 rupees, while the OnePlus 7 Pro is on the cheaper side at 48,999 rupees.

Making the right moves to boost iPhone sales in India

Apple is reportedly going to invest \$1 billion to expand its operations in India. An unnamed government official cited by the [Times of India](#) recently said that the company and its manufacturing partners will invest the money to ramp up the production capacity of iPhones. The source said the company will invest \$1 billion in India through its partners, with the production being used to meet demand across global markets.

Contract manufacturer **Foxconn** is reportedly going to be Apple's partner in this venture, using its factory in the southern India city of Chennai to churn out iPhones. Apple has already been manufacturing iPhones in India through Wistron's factory in another southern city, Bengaluru.

The *Times of India* report adds that a strong local manufacturing footprint will allow Apple to skip the 20% duty that it has to pay on iPhones that it imports for sale in the country. As such, don't be surprised if Apple further reduces the price of its devices in the Indian market, making them even more competitive.

Why is India important for Apple?

As we saw earlier, India is a bright spot in the otherwise gloomy smartphone industry. A third-party research report projects that smartphone shipments in India will increase at a compound annual growth rate of over 14.5% through 2023.

Annual smartphone shipments are projected to hit 277 million at the end of that forecast period. India could give Apple's slowing iPhone sales a nice shot in the arm, considering the pace at which the country's premium smartphone market is growing. It's expected to become the third-largest economy in the world by 2025 after overtaking Japan, according to **IHS Markit**.

So with disposable income trending upward, that bodes well for Apple as the number of people in this large market buying premium smartphones also increases — and boosts Cupertino's addressable opportunity in India.

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