

49. ARE APPLE PRODUCTS ACTUALLY OVERPRICED?

Yanutsevich D.V.

*Belarusian State University of Informatics and Radioelectronics
Minsk, Republic of Belarus*

Bulavskaya T.V. – Senior Lecturer

The focus of the paper is made on the reasons for Apple products to be overpriced. This paper contains the comparison of Apple products with competitors, description of their competitive advantages and the results of user survey and student survey.

Apple is the largest market cap company in the world. It has been on top of multiple tech markets for a long time and continues to succeed. However, it has been made clear that there are many people that dislike Apple as a company. Smartphones, for instance, are the main source of revenue for most tech companies. People have grown so accustomed to phones that if someone says something bad about their device, they tend to take it personally. That is why there is an everlasting war between two historically formed teams – Android and iOS users – both of which are sure that they use the best, asserting the supremacy of their preference. But one of the main reasons people dislike Apple is the affordability of their products. There are lots of people who are certain that Apple is just a luxury brand, and customers buy the company's products only because these products have an Apple logo on them. After all, partially people actually do pay for the brand. It has been established that Apple, in fact, makes so-called premium products. But that does not mean that Apple products are just overpriced tech. That is why it is necessary to figure out why Apple is able to get away with their prices being so high, while other companies would not be able to do so.

The main idea of why Apple products are more expensive is that their business costs more to run. Apple is known for introducing new and innovative features to the market first, and other companies follow the steps and implement these features into their devices. That is why Apple has its own Research and Development team (R&D). Between 2018 and 2022, almost \$100 billion was spent on Apple's R&D [1]. Sales act as the main investment source in the R&D.

It should be mentioned that the quality of the products is also a factor that affects their cost. The materials that Apple uses in the production are premium, and as a consequence the lifespan of the products grows as well as their resale value. Apple devices are known for having high resale value.

Many people highlight the marketing strategy of Apple. The company is aware that marketing is crucial to its success. Apple has managed to find its target audience and provide them with the focus on the value of the product, not the price. The company has made the marketing process so simple that each potential customer understands that their devices will provide the experience that will satisfy all the needs. That is why there is a marketplace willing to pay for the features Apple provides [2].

Although Apple is one of the leading manufacturers in the sphere of technology, smartphones in particular, it has plenty of competitors on the market. As of February 2023, Apple's smartphone market share is 27.1 %, while Samsung's market share, a large South Korean tech company, is 26.7 %. Back in 2022, Samsung was the leader mostly, but anyway the competition is close. A Chinese manufacturer Xiaomi can also be considered as one of the «giants», having 12.3 % of market share [3].

Since the products are premium their price is considerably higher, but they have all the state-of-the-art features you could only ask for: advanced cameras with mind-blowing detail, extremely fast CPUs, stable systems and, certainly, great build quality and assembly. There are usually 4 main iPhone models Apple introduces each year: iPhone, iPhone Pro with an additional camera lens, slightly better performance and display (usually with higher refresh rate) and other features, iPhone Pro Max, which is basically iPhone Pro with a bigger display, and iPhone Mini, which is iPhone with a smaller display.

The main competitor of Apple on the smartphone market is Samsung. Samsung Galaxy S23 can be considered as a «basic» flagman device in a Samsung lineup – as well as iPhone 14. Both devices have a similar price, but different specs (Table 1). The comparison of Samsung Galaxy S23 Ultra and iPhone 14 Pro will have similar results.

Table 1 – Comparison of Samsung Galaxy S23 and iPhone 14

| № | Criteria | Samsung Galaxy S23 | Apple iPhone 14 |
|---|------------------------|---|---|
| 1 | Lifespan | 3 years | 5 years |
| 2 | Competitive advantages | Camera with 3x optical zoom Better display Greater performance Higher RAM capacity | Higher picture quality Longer battery life Longer support by the manufacturer |
| 3 | Operating system | Android OS | iOS |
| 4 | Advantages of OS | Open-source | Simpler to use, faster and more stable |

| | | | |
|---|---------------------|--------------------------|----------------------|
| 5 | Disadvantages of OS | Has more bugs and errors | Offers less features |
|---|---------------------|--------------------------|----------------------|

It is also important to understand that Apple, unlike most other companies, prioritizes privacy. Apple does not collect user data to profit and it does not come with pre-installed software that tracks user's activity to collect that kind of data. Therefore, the company does not rely on user data as a source of income, as some companies do. Of course, some data is collected, but with the purpose of making the user experience more enjoyable.

In order to discover other competitive advantages of Apple products, it is necessary to analyse other tech markets. The tablet market is similar to the smartphone one. It is pretty common for users to buy the tablet of the same company as their phone, as the ecosystem is the leading factor here. In case of Apple, their ecosystem is more user-friendly than other companies': it allows the devices of their brand to connect faster to each other and offers additional opportunities (for example, accessing voice assistant in gesture-controlled headphones).

Speaking of headphones, the first thing you need to consider is the price. Apple AirPods Pro are much more expensive than the headphones of other brands with the same frequency response, but at the same time they offer convenient experience, high quality microphone, simple set up and great synergy within the Apple ecosystem.

In case of smart watch market, Apple, as well as Samsung, sells pricey, but utterly smart watch. Their battery life lasts for 2-3 days, as there are plenty of sensors on the device and it offers many activities. It might seem that the battery life could have been longer, but it is important to understand that it is pretty difficult to put a bigger battery into such a small device with such a large amount of functions.

But what do actual users think of Apple products? Two surveys were conducted among 90 students of Faculty of Computer Systems and Networks and 105 regular users. The results of the surveys have shown that digital native users value performance, support of devices, an open-source system more than regular users, while those ground their choice of not purchasing an iPhone on the need to adapt to the new system (Figure 1). The results of both surveys showed that users that had owned an Apple product would change their iPhone to a newer version, while users that had not owned an Apple product mostly said that Apple products were just too expensive. It was also found that among regular users that have not owned any Apple product the amount of people that do not want to adapt is greater than the amount of digital native users with the same qualities.

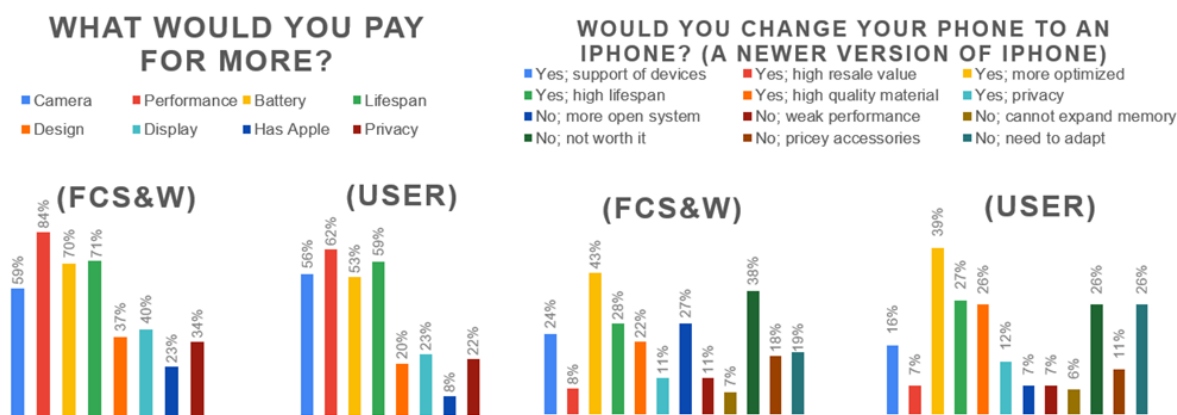


Figure 2 – Results of surveys

Considering Apple's regular updates and support of the devices it can be concluded that purchasing Apple products is an advantageous investment. The main idea that applies to other brands is that if you pay more for the device, it will faithfully serve for a longer period of time, rather than the devices from the cheaper segment. In case customers want to use a device for a long time without any complaints, it is absolutely worth overpaying for the device's safety and convenience.

References:

1. Apple spent nearly \$100 bn on product in 5 last years: Report [Electronic resource]. – Mode of access: https://www.business-standard.com/article/technology/apple-spent-nearly-100-bn-on-product-innovation-in-last-5-years-report-122120900684_1.html. – Date of access: 15.03.2023.
2. Apple Marketing Strategy: The Secret Behind its Simple Yet Effective Marketing Strategy [Electronic resource]. – Mode of access: <https://gs.statcounter.com/vendor-market-share/mobile>. – Date of access: 13.03.2023.
3. Mobile Vendor Market Share Worldwide [Electronic resource]. – Mode of access: <https://gs.statcounter.com/vendor-market-share/mobile>. – Date of access: 15.03.2023.
4. Why Is Apple So Expensive? (Top 10 Reasons) [Electronic resource]. – Mode of access: <https://www.thecoldwire.com/why-is-apple-so-expensive/>. – Date of access: 06.03.2023.