

# Why does Apple occupy a small market share and still have big profits?

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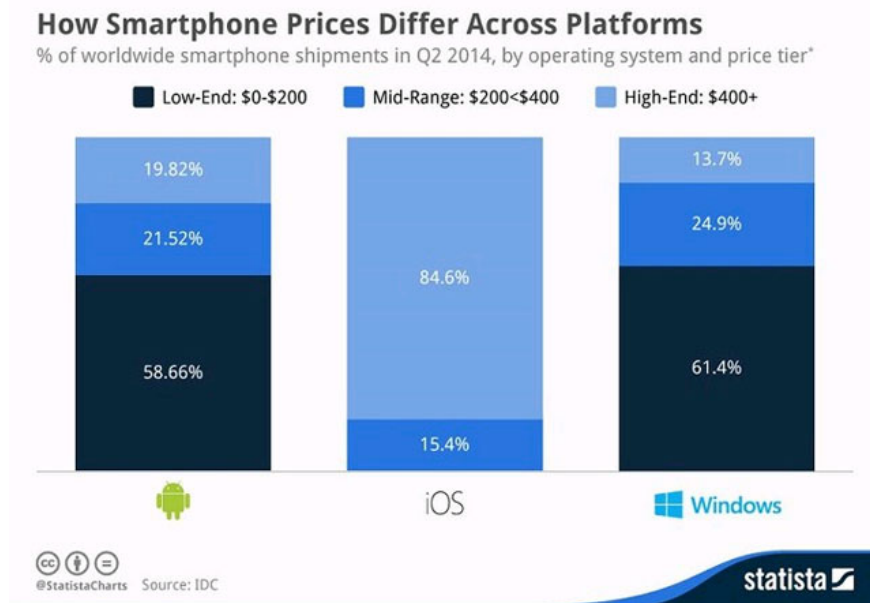


Chart of the number of smartphones shipped from each operating system in the second quarter of 2014. Black blue is a low-end segment, blue is intermediate and light blue is high-end.

According to data from *Strategy Analytic* recently, the total number of Android devices shipped in the second quarter was 249.6 million units and only 19.82% of them were high-end Android devices, equivalent to 49.7 million units.

Meanwhile, Apple shipped 35.2 million units with 84.6% ( *about 29.8 million units* ) as high-end devices. The rest, 15.4% are older iPhone devices, which are discounted to under \$ 400.

Looking at the chart above can see although Android gathered a lot of big manufacturers like Samsung, LG, HTC, Sony . but the total number of high-end devices is only about 20 million more than Apple alone.

But as we have analyzed many times, the goals of Apple and Google are very different: Apple wants to profit, and Google wants market share. Therefore, Android can account for 85% market share of smartphones but Apple is extremely competitive in the high-end segment.

Obviously, high-end products always bring " huge " profits. For example, the 16GB iPhone 5 has a total component cost of only \$ 167.5 ( *according to UBM Tech Insights* ). When marketed, Apple sold the phone for \$ 649 for the unlocked version. The difference between the cost and the price of 16GB iPhone 5 is about \$ 481.5. Except for advertising and warranty surcharges, Apple still earns huge profits.

However, although the high-end market has a large profit, it is gradually becoming saturated. Evidence is the strong growth of the cheap segment. Microsoft has doubled the number of Windows Phone devices thanks to this increase. Google will also not sit still in the cheap segment with new projects. In the future, competition in the low-end segment will be fierce no less than the high-end segment.

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