



- 1) The new iPhone models, the iPhone 7 and the iPhone 7 Plus, and the new Apple Watch Series 2 are finally here. Apple unveiled the products at its iPhone 7 event on Wednesday, September 7.
- 2) On the surface, the new iPhone models and the new Apple Watch appear to be sustaining innovations to their predecessors. However, subtle changes in the functionalities of both products suggest that Apple is moving in line with some larger trends in consumer behavior.
- 3) Brands and retailers that internalize these changes will have a head start in designing products and services that appeal to the new consumer.

On September 7, Apple announced the launch of its new iPhone models, the iPhone 7 and the iPhone 7 Plus, as well as the new Apple Watch Series 2. As with the release of prior versions of Apple’s flagship smartphone and that of its first smartwatch, the announcement was preceded by rumors and hype. But this time, the products left observers with divided opinions regarding their potential.

On the one hand, both the iPhone 7 and the Apple Watch Series 2 offer improved speed, superior display capabilities and water resistance, which is a new feature for Apple products. On the other hand, they seem to offer little in terms of design innovation, aside from the elimination of the headphone jack in the iPhone. This has led some analysts to question whether the new products offer enough incremental value to turn around the decline in iPhone sales that the company has seen recently.

Without entering the debate on whether Apple’s new products will be successful among smartphone and wearables users, here, we highlight how the performance and functional innovations introduced by Apple align with the broader set of recent changes in consumer behavior and how the introduction of these innovations presents an opportunity for brands and retailers.

The iPhone 7

Somewhat controversially, the iPhone 7 offers little in terms of new design. Naturally, the phone is faster, brighter, holds a charge longer and has more memory than its predecessor, but its physical dimensions are almost identical to those of the iPhone 6s. The innovative design additions in the new versions of the phone are their wireless headphones and, on the iPhone 7 Plus, the dual-lens camera—features that have already been introduced by other smartphone brands in China.

The iPhone 7 will retail at \$649 in the US, which is \$100 less than the initial price of the iPhone 6s, reflecting the changing rate of phone upgrades in the US and changes in subsidy policies by US mobile carriers. The pricing strategy, the added functionalities and the targeted speed for launching the product globally (this will be the fastest global rollout of any iPhone model to date) point to a product that was designed to appeal to a broad audience across geographies.

Yet the most interesting feature of the product, as far as we are concerned, is the improved integration with Siri, Apple’s voice-controlled assistant. Apple is pushing to make Siri more user friendly by integrating it with its wireless AirPods headphones, which work with the new iPhone, and by improving how it works with apps. If successful, Apple will make users look at their screens less in exchange for interacting more with their devices via voice commands. This will make the smartphone more like other voice-controlled products that are seeking adoption in the market, such as Amazon’s Alexa. It will also signal a shift in how consumers interact with surrounding technology—via voice rather than manual typing. Needless to say, this is a nascent opportunity for retail companies. The ones that foresee the shift can introduce digital strategies that take into account this change in how consumers engage with technology.

Apple Watch Series 2.0

By far the more exciting product is Apple’s new smartwatch. It offers significant performance improvements over its predecessor, but this version’s added water resistance and GPS functionality turn it into a well-rounded fitness and health-tracking device. Users can now wear and use the watch while swimming and without having to carry their smartphone, which makes the device more independent than the first Apple Watch, considered too tethered to the iPhone.





FLASH REPORT

Nike seems to have realized the potential this represents. The company has teamed up with Apple to release a Nike+ edition of the watch, marrying its powerful Nike+ app with a wearable product that has usability beyond a fitness device. Indeed, the combination will likely draw serious attention from the ever-growing community of consumers who strive to live a healthy and active lifestyle and who have been responsible for growth in other active-lifestyle-related product categories such as athleisure apparel.

The makers of the popular *Pokémon Go* game are also looking to benefit from wearables fans' obsession with fitness. The *Pokémon Go* smartwatch app will track distance traveled and estimate calories burned during game play. In addition, as we highlighted in our note [The Pokémon Go Innovation Is Unstoppable](#), the app is a powerful platform for retailers and brands to draw traffic to brick-and-mortar locations and to engage in creative digital marketing that boosts engagement and revenue. The takeaway for retailers is that they need to act quickly on opportunities created by apps such as *Pokémon Go*, because they will likely find more fans among Apple Watch users.

Takeaways

On the surface, the new iPhone models and the new Apple Watch appear to be sustaining innovations to their predecessors. However, subtle changes in the functionalities of both products suggest that Apple is moving in line with some larger trends in consumer behavior, including the increasing adoption of healthy lifestyles and voice-controlled interaction with technology. Brands and retailers that internalize these changes will have a head start in designing products and services that appeal to the new consumer.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Kiril Popov

Senior Analyst

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com