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# 4-Inch iPhone With Apple Pay May Be Coming Soon

By John P. Mello Jr.

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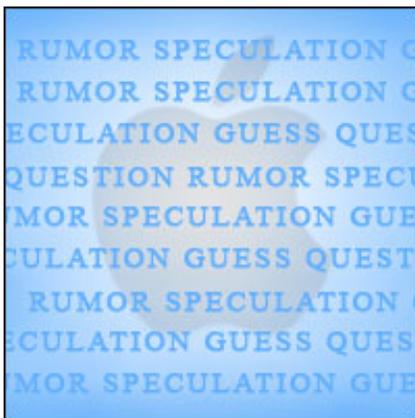
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Apple will launch an iPhone with a 4-inch display and support for Apple Pay in early 2016, according to a research note from an analyst with a good track record of predicting Apple products.



The new iPhone model will have an A9 processor -- the same processor found in the latest iPhone models -- and a metal casing offered in several colors, analyst Ming-Chi Kuo of KGI Securities said, MacRumors reported last week.

The unit also will have 2.5D cover glass with curved edges -- like the iPhone 6s -- and 8 megapixel rear-facing and 1.2 megapixel front-facing cameras -- like the iPhone 5s.

Kuo expects production of the phone to begin in the first quarter of 2016 and sell for \$400 to \$500, MacRumors said. That would be \$150 to \$250 below the price of a 16-GB iPhone 6s.

Full-year shipments for the phone will reach 20 million units.

## **Incentives Important**

Apple's previous adventure with a lower-priced iPhone, the 5c, didn't fare well in the market and has not been refreshed since its introduction in 2013.

However, that need not be the case with this lower-priced model, noted Charles King, principal analyst at [Pund-IT](#).

"It's all going to hinge on the incentives that back this thing," he told TechNewsWorld.

"If they can get Starbucks and other companies to pony up significant product discounts as part of the promotion for the phone, then this product could be more popular than the 5c was," King said.

Those incentives would not only make the phone more attractive but could provide a boost to Apple's mobile payment offering.

"Apple hopes that after the incentive deals are gone that the consumer will become so habituated to the new phone and Apple Pay that they'll keep using them," King said.

## **Juicing Apple Pay**

From Kuo's description of the new iPhone, Apple seems to have learned some lessons from the 5c. It's scrapping the plastic casing and using its latest processor, not one from a previous iPhone generation, as was done with the 5c.

"Some consumers don't want or need a larger display phone, and a 4-inch phone would enable Apple to play in that space and even hit a lower price point," said Patrick Moorhead, founder and principal analyst at [Moor Insights and Strategy](#).

"If Apple does bring out a lower-priced phone, it will sell very well," he told TechNewsWorld. "They need to do it in a way, though, that reinforces their premium brand, not denigrates it. Otherwise, it's not a real win for Apple."

A lower-priced iPhone also would give Apple an opportunity to get Apple Pay into more hands and put pressure on retailers to enter the Apple fold.

"I really think Apple is trying to attract a bit of a different audience with this new phone," Moorhead said. "By broadening their installed base of active phones with Apple Pay, this will correspondingly increase the use of Apple Pay."

## **Aggressive Gamble**

"The uptake of retailers since Apple Pay launched appears to have slowed down

because not that many people are using it," added King.

"If you can show retailers that the new phone has helped to push up the number of Apple Pay transactions, that makes Apple Pay more attractive to more retailers," he said. "The more retailers that come aboard, the more places there are where people can use the phone, and a virtuous circle is formed."

The introduction of a lower-priced iPhone to entice consumers to use Apple Pay would be an aggressive move.

"When a company resorts to something like that, it's a sign that the initial promotional and sales efforts have not worked as well as they hoped they would," King said.

## Walk, Can't Run

Apple Pay isn't alone in finding consumers to use it. "The uptake of electronic payment services like Apple Pay has been slower than a lot people expected it would be," he said.

Slow retail adoption of point-of-sale terminals that support a key Apple Pay technology -- near field communication -- has been a big barrier to broad consumer use of the mobile payment system. To date, only 700,000 terminals support NFC out of a universe of 10 million, according to David Robertson, publisher of [The Nilson Report](#).

"Until consumers have the confidence to leave their credit cards at home, they won't rely on it, and if consumers can't rely on it, then there will be slow growth," Moor Insights and Strategy's Moorhead said.

The process is evolutionary, not revolutionary, Robertson noted.

"We want this thing to gallop, rather than walk, but evolution occurs at a walking pace," he told TechNewsWorld.

"There's no flipping of a switch," Robertson added. "No matter how much money Apple has on its balance sheet, it can't move consumer behavior that quickly." 

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