Market Analysis and Business Model for Apple Watch SE: A Strategic Overview

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1. Introduction

The Apple Watch is a brand of smartwatch developed and sold by Apple. First introduced in 2015, it quickly became a best-seller and in 2022 was estimated to be worn by over 115 million people.

As a smartwatch it features, include fitness tracking and wireless communication and is intended to be used in conjunction with other apple products, primarily the iPhone and it runs on Apple's own watchOS.

In this document, we will perform a product analysis, explore the market and customers as well as the competition, industry and lastly detail a business model canvas of one specific member of the Apple Watch models, the Apple Watch SE[1].

2. Product

The 1st generation Apple Watch SE was announced in September 2020 alongside the, then new, *series 6*, marking the first entry of an additional model, positioned at a more affordable entry level, alongside the more expensive, main *series* models.

This 1st generation SE included a set of features that debuted in the then-current *series 5* [1] such as emergency SOS which enables users to call emergency services and share their location with them, an alway-on altimeter that debuted in the *series 6* model, but also removed some features available to previous *series* models, such as always-on display capabilities that enable the screen to be on permanently with minimal additional battery consumption ensuring that users can always see whatever is display on the display without having to interact with it.

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[1] https://www.apple.com/apple-watch-se/

The SE, like all Apple watch models, is deeply integrated into Apple's ecosystem of devices and is not compatible with any other smartphone device but the iPhone.

Like in the *series* models the SE was offered in 2 different sizes, 40mm and 44mm, referring to the display height.

The differences between these are, a bigger battery on the larger model, as well as a higher screen resolution meaning the 2 will have largely comparable battery life.

They were also offered in models offering Wi-Fi only connectivity or Wi-Fi and cellular with the , more expensive, cellular being able to connect to 3G and 4G networks when away from the user's iPhone, which ensured continued use of capabilities that require an internet connection. Any mix of size and connectivity was possible.

Physically, both models included an Apple designed S5 System in Package processor, which was largely based on the previous S4 with the addition of magnetic field sensing capabilities, a 245mAh or 296mAh battery, the same parts that were used in the outgoing *series 5*.

They were also advertised as being waterproof enough to be used in freshwater swimming.

They included the 2nd generation optical heart sensor as opposed to the *series 6* new 3rd generation sensor that included a new companion *vitals app* that enabled a more accurate and detailed vision of heart rate, respiratory rate, blood oxygen and sleep duration and cycles.

It also included an ambient light sensor, speaker, microphone, altimeter, compass and gyroscope and a physical rotating dial and button.

3. Market and customer

The smartwatch market is growing significantly over the years, with Apple having the largest market share with 19% in the second quarter of 2024. In 2023, the global average for smartwatch ownership was 22.5%, and in Portugal it was 25.7% [2]. According to [3], between 2024 and 2029, there are expected to be a total of 740.53 million users (+62.86% from 2024) and a compound annual growth rate (CAGR) of 7.15%, reaching a global revenue of 40.57 billion USD (+41.43% from 2024) in 2029. However, the growth rate is forecast to slow, decreasing 13% from 2024 and reaching a minimum of 3.7% in 2029.

In Portugal, the revenue is forecast to grow from 89.59 million USD in 2024 to 123.60 million USD in 2029 (CAGR of 6.65%). User penetration is also estimated to grow from 8.34% in 2024 to 14.45% in 2029, while globally, it is projected to rise from 5.87% in 2024 to 9.19% in 2029.

3.1. Target Market

The Apple Watch SE includes the essential features from Apple's flagship watches but at a more affordable price, allowing it to capture a larger portion of the market segment. It is particularly aimed at first-time smartwatch buyers and those looking for a competent and reliable smartwatch at a considerably lower cost than the other Apple models. Notably, before the SE, Apple had no previous budget smartwatch option, which left budget-conscious customers with limited choices within the Apple ecosystem. Apple Watch SE also attracts individuals focused on tracking their fitness and health metrics, such as heart rate, calories burned, and daily activity goals. Additionally, this smartwatch may strengthen brand loyalty among existing iPhone owners who want Apple ecosystem integration and may be hesitant to invest in a flagship smartwatch, encouraging them to try other Apple products and services. It is important to note that the Apple Watch SE only works with iPhones. Android users are not

part of the direct target market, as the watch is designed exclusively for integration within the Apple ecosystem.

3.2. Customer Need and Motivation

This product is targeted at two distinct types of customers: budget-conscious customers seeking an affordable product, in this case a smartwatch, that satisfies their needs, and value-oriented customers who will buy the most costly model if they consider the additional features and benefits as worthwhile.

The first group is primarily motivated by affordability. They are actively searching for a smartwatch that meets their functional needs at a lower price than flagship models. The Apple Watch SE is a budget-friendly option that still delivers quality and key features, such as fitness and health tracking, notifications that make it easier to answer calls and view messages without having to check their phone, emergency SOS and fall detection that can be useful for elderly users, and so on.

The second group includes customers who are willing to invest in flagship products if the value justifies the price difference. If the Apple Watch SE did not exist, they would possibly have discarded the expensive Apple models immediately and looked at other brands' models. However, with the Apple Watch SE, customers will see the characteristics of each smartwatch in greater detail and may even buy expensive models that they initially discarded. Therefore, the Apple Watch SE acts as a gateway product, encouraging customers to explore more expensive Apple models (upselling).

4. Competition and industry

The technology industry has always been historically competitive, with companies constantly competing for innovation, market share, and leadership - an intensity that extends to the smartwatch industry, where rivals push the boundaries of design and functionality.

4.1. Who are the competitors?

We can divide the competitors in three groups:

- Major smartphone producers - companies like Samsung, Google, Huawei and others produce smartwatches that leverage their ecosystem integration and technology to offer feature-rich smartwatches that rival Apple offerings.

- Fitness and health tracking - companies like Garmin,Fitbit, Whoop and Oura produce smart wearables that offer advanced features tailored to athletes and wellness enthusiasts.

- Traditional watchmakers - companies like Seiko produce watches that focus on craftsmanship, luxury and fashion.

The threat of new entrants is moderate for the Apple Watch SE, since it needs companies with high financial capacity to enter the market and compete with Apple since it is costly to develop a strong brand image and to develop this kind of product.

4.2. Strengths and weaknesses of current and future competitors

Each of the previous group of competitors has strengths and weaknesses when competing with Apple Watch SE.

Smartwatches from other smartphone producers offer more flexibility in terms of phone compatibility, better battery life, more advanced fitness features at a better price point. Their weaknesses are that they can't offer the same level of ecosystem integration that Apple offers, the vast app ecosystem and worse visual performance.

Smart wearables offer advanced fitness and health tracking features, longer battery life, and greater versatility. Their pricing strategy can be both a

strength and a weakness: for example, products like the Whoop smart band use a subscription model, making them more accessible to new customers, but this can result in higher long-term costs to them. However, these devices lack many smart features, such as messaging and notifications, and the materials used in their construction tend to offer a less premium feel compared to more high-end smartwatches.

Traditional watchmakers emphasize craftsmanship, luxury, and timeless design, providing a level of prestige and aesthetic appeal that the Apple Watch SE cannot replicate. Their durability is also a notable strength. However, their primary weakness lies in the absence of smart features, such as notifications and fitness tracking, that modern smartwatches offer.

4.3. Obstacles to business success

The Apple Watch SE faces obstacles to business success at the customer level. This includes price sensitivity because despite being the more affordable option within the Apple Watch lineup, it is still priced higher than many competing smartwatches. The limited compatibility with non-Apple devices and the low battery life are also obstacles to business success. These obstacles make it more difficult for Apple Watch SE to capture a broader market especially outside the Apple ecosystem.

It also faces obstacles at the supplier level, including reliance on third-party manufacturers for components, which makes it challenging to maintain the strict quality control Apple demands. Additionally, intense competition for cutting-edge components can affect Apple's ability to secure favorable terms with suppliers.

At the legal level, the Apple Watch SE faces challenges such as intellectual property disputes, requiring Apple to defend its patents and designs against competitors who may replicate its technology. Additionally, increasing legislation around the protection of health data and the introduction of new

health features poses compliance risks. Moreover, European regulations aimed at preventing Apple from restricting features to competitors may impact its closed ecosystem and business practices.

4.4. Distribution channels

The Apple Watch SE is distributed through a variety of channels, including Apple's own online and physical stores, as well as third-party retailers and authorized resellers, both in-store and online. Additionally, it is available on various e-commerce platforms, ensuring a broad global reach. This multi-channel strategy guarantees that the Apple Watch SE is widely accessible to consumers, whether through physical locations or online retail, maximizing convenience and customer satisfaction.

5. Business Model Canvas

Business Model Canvas

Designed via AltexSoft BMC Tool

Key Partnerships
- Suppliers and Manufacturers: Component suppliers (e.g. processors, sensors, displays), contract manufacturers (e.g. Foxconn).
- Retailers: Apple Stores, authorized resellers, and e-commerce platforms.
- Developers: Third-party app developers creating apps for watchOS.
- Health Organizations: Partnerships for health and fitness data integration (e.g. fitness programs, healthcare providers).

Key Activities
- Product design and development.
- Marketing and branding campaigns.
- Manufacturing and quality control.
- Distribution and retail operations.
- Software updates and ecosystem enhancements.
- Customer support and warranty services.

Key Resources
- Design and engineering teams.
- Proprietary technologies (e.g., watchOS, Apple silicon).
- Brand equity and customer loyalty.
- Apple Stores and online retail infrastructure.
- Data analytics for health and fitness trends.

Value Propositions
- Affordable entry point into the Apple Watch lineup.
- High-quality design and features at a lower price compared to premium models.
- Health and fitness tracking (heart rate monitoring, activity tracking, workout detection).
- Integration with the Apple ecosystem (seamless sync with iPhone, AirPods, etc.).
- Family Setup: Manage multiple Apple Watches from one iPhone (ideal for children and seniors).
- Safety features: Fall detection, Emergency SOS, and irregular heart rhythm notifications.

Customer Relationships
- Personalized support through Apple Stores and online.
- Strong community engagement via health and fitness challenges.
- Continuous interaction via updates to watchOS and new features.
- Trust in the brand's reputation for quality, privacy, and innovation.

Channels
- Direct: Apple Stores, Apple Online Store.
- Indirect: Authorized resellers, e-commerce platforms, carriers.
- Marketing: Social media, digital ads, product launch events, and collaborations.

Customer Segments
- Budget-conscious consumers seeking an affordable smartwatch.
- Fitness enthusiasts and casual users.
- Families (parents buying for children or elderly relatives via Family Setup).
- Existing Apple ecosystem users who want seamless integration.
- First-time smartwatch buyers exploring wearable tech.

Cost Structure
- Research and development for hardware and software.
- Manufacturing and supply chain operations.
- Marketing and promotional expenses.
- Retail and distribution costs.
- Customer support and warranty services.

Revenue Streams
- Device sales: Direct revenue from Apple Watch SE sales.
- Subscription services: Fitness+ subscriptions, iCloud storage, and Apple Music.
- Ecosystem sales: Indirect revenue through sales of other Apple devices and accessories.

6. Conclusion

The Apple Watch SE presents a compelling business opportunity by being able to create a balance between affordability and innovation.

The product has various strengths such as its differentiation to other products on the market, its target market potential, brand and ecosystem and its distribution channels. By being able to deliver premium features such as fitness and health tracking and having an intriguing design at a lower price than other Apple Watch models, while retaining seamless integration in Apple's ecosystem, this makes it so the Apple Watch SE is able to appeal to a larger audience. Customer retention is higher by leveraging Apple's strong brand reputation and ecosystem while also having a wide variety of

distribution channels such as their own online and physical stores, as well as third-party retailers and authorized resellers, both in-store and online.

This product still shows weaknesses such as market competition, price sensitivity, dependency on Apple's ecosystem and other potential obstacles. All the while, Apple still faces intense competition from other brands like Samsung, Huawei, FitBit and Garmin, where these brands cater to specific hobbies and niches such as outdoor sports or budget-conscious consumers. Even though Apple Watch SE is marketed as an entry-level product, there will still be clients that still think that this product is expensive compared to other low-cost smartwatches and because it is a product that is part of Apple's ecosystem, that caters only to iPhone users, the addressable market may be potentially reduced.

To conclude, the Apple Watch SE was created using Apple's innovation and brand strength to capture a growing market for wearable technology. Its strong value proposition and market appeal create a promising business opportunity with a significant growth potential while still having present challenges such as other competitors and ecosystem dependency.

7. Elevator Pitch

1. **For** value-oriented and budget-conscious customers
2. **Who are dissatisfied with** the price of more expensive Apple watches or models from similar brands
3. **Our product is a** entry level smartwatch that keeps a balance between affordability and ingenuity
4. **That provides** quality features, such as fitness and health tracking, notifications and emergency SoS in a device that is intuitive, stylish and customizable.
5. **Unlike** other budget alternatives that don't offer the same features
6. **Our product** delivers advanced features like fitness tracking, heart rate monitoring, notifications, loss detection and, most importantly, a seamless integration into the ecosystem of Apple products. With a more accessible price point compared to other Apple Watch models.

Bibliography

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