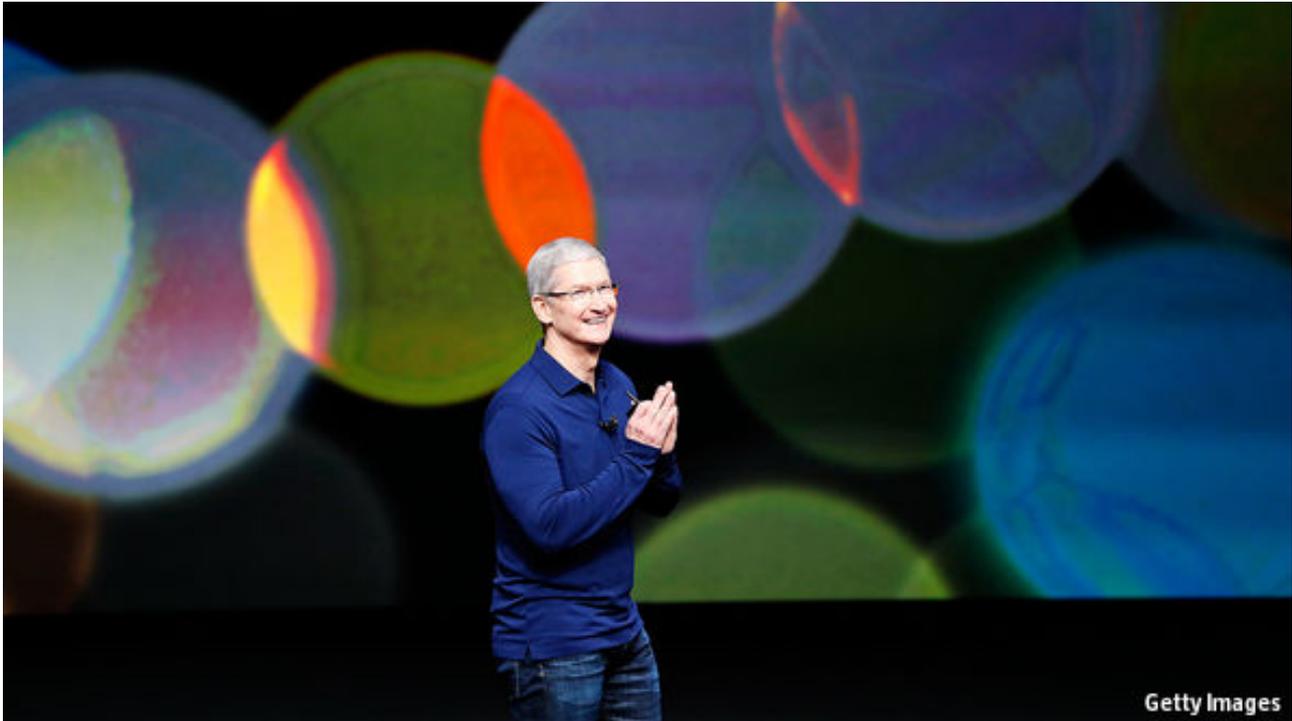


Smartphones**Still ringing bells***Slowing growth and less innovation do not spell the end of an era*

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APPLE'S events have often been compared to religious worship. Evangelical fans watch as the company's darkly-clad boss—first Steve Jobs, now Tim Cook—presents shiny new iSomethings in front of a screen showing colourful slides reminiscent of stained glass. Yet Apple's latest event, on September 7th, was a less rapturous affair. The iPhone 7, the firm's new smartphone, will come with a better camera, a faster chip and a brighter display, but will otherwise not be much of an improvement. The main novelty is that it no longer has a conventional jack for headphones, which have to plug into the charging port or be wireless (conveniently, Apple also introduced new untethered "AirPods", which will cost \$160 a pair).

This lack of sparkle will disappoint devotees, but the new iPhone neatly encapsulates the mood in the smartphone market. After almost ten heady years,

dating from the release of the first iPhone in mid-2007, both growth and the pace of innovation have slowed markedly in recent months. Prices have fallen, too. Some people are starting to talk of an end to the smartphone era, much as when the reign of personal computers came to an end a few years ago.

Worldwide sales of smartphones are now barely growing. The devices are now good enough for most users' needs, and smartphone penetration rates in rich countries have reached 90%. But the absolute numbers are still mightily impressive. Some 1.46 billion units will be shipped this year, reckons IDC, and perhaps 1.76 billion in 2020.

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Such numbers make the smartphone by far the world's most popular electronic device. It is true that sales of "wearables", such as smartwatches and fitness bands, have taken off: they should reach \$14 billion in 2016, according to CCS Insight, another research outfit. But that is dwarfed by smartphone sales of \$347 billion. So-called "smart speakers", such as Amazon's Echo, which allows users to play music, turn on the lights and, of course, order stuff from

the e-commerce giant by using voice commands, will be popular. But they seem unlikely to become a must-have. Virtual- and augmented-reality gear is not yet ready for the mainstream consumer; and it may never be as convenient as a device that users can slip into their pockets.

If smartphones remain at the top of consumers' want-lists, how will the market evolve? Hardware innovation will be more incremental, says Ben Wood of CCS Insight. New phones will have better screens, faster processors and new materials. But another area promises rapid progress: artificial intelligence. Mr Wood expects firms to invest a lot in order to improve their digital assistants, such as Apple's Siri or Google Now, so that handsets can become truly smart, combining data from the devices to make it easy to, say, book a restaurant with just a few words.

The need to invest will fuel consolidation, reckons Francisco Jeronimo of IDC. The likely candidates to rule the industry are Apple, China's Huawei and South Korea's Samsung. (The recall by Samsung of 2.5m phones after battery fires shouldn't linger

long in customers' minds.) Most other brands will disappear or serve small niches. It would be unwise to predict, as some do, that the leading smartphone makers are on their way to becoming has-beens. Apple may even be planning something miraculous for next year's iPhone anniversary. Keep the faith.