

Apple shifts strategy to subscription video, news, gaming services and new credit card

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Tim Cook, Apple's chief executive, announces new streaming services at the Steve Jobs Theater on the Apple Park campus in Cupertino, Calif., on March 25, 2019.

JIM WILSON/NYT

Apple Inc., a company that became a trillion-dollar behemoth on the popularity of its sleek and high-priced devices, is banking its future on subscription services.

In a two-hour event at the 1,000-seat Steve Jobs Theatre in Cupertino, Calif., on Monday, the tech giant announced a slate of new paid subscription video, news and gaming services, along with a cashback credit card available in the United States.

"Today is going to be a very different kind of event," Apple chief executive Tim Cook said as he laid out his plans for Apple's most significant strategic shift since it debuted the iPhone more than a decade ago. By expanding its paid subscription services, Apple is hoping to offset slowing iPhone sales by drawing more revenue from the more than 1.4 billion customers now using an Apple device.

While much of the new subscription products will be available exclusively on

Apple devices, the company said it would make its new original television streaming service, Apple TV+, available through smart TVs designed by rivals such as Samsung and on digital media players from Roku and Amazon's Fire TV, starting in the fall. The Canadian version of Apple TV will include the ability to purchase subscriptions to Bell Media's streaming service, Crave, which will continue to hold the rights to paid subscription channels such as HBO and Starz. Radio-Canada and CBC's French language video-on-demand service ICI TOU will also be included.

The move into subscription video and news marks a major change in strategy for the technology giant, which has long focused on selling premium smartphones, laptops, tablets and music players to its legions of devoted followers.

Global iPhone sales have started to show signs of slowing. Apple slashed its revenue forecast for the first time in more than 15 years in January, citing slowing iPhone sales in China, where the company increasingly competes with lower-cost domestic device-makers such as Huawei.

Services, meanwhile, have continued to be a bright spot for Apple, growing by an annualized 19 per cent in the quarter that ended Dec. 29 to US\$10.9-billion, though services still make up roughly 15 per cent of the company's total revenue.

Hollywood personalities including Oprah Winfrey, Steven Spielberg, Reese Witherspoon, Jennifer Aniston and producer J.J. Abrams all announced plans for new television shows for Apple's subscription video service.

But Apple offered few details on plans for Canadian-specific original content, though the science fiction show *See*, starring Jason Momoa and Alfre Woodard, is being filmed in Vancouver. The Canadian version will not include the option to buy subscriptions to some services, such as Hulu. Apple offered no details on pricing for its TV subscription or any plans for expanding the service to Android devices. The video service will launch only on Apple devices.

The newly announced Apple News+ service will consolidate content from 300 popular magazines and newspapers for US\$10 a month or \$12.99 in Canada. Canadian titles include *Chatelaine*, *Maclean's* and the *Hockey News*. The *Toronto Star*, which introduced a paywall in the fall, has also signed on to the subscription news service, along with *La Presse* and *Le Devoir* in Quebec. The *Wall Street Journal* and *Los Angeles Times* also plan to offer some paywall-free news through the service.

Publishers have to provide full access to all their content to be part of the subscription service. The company did not offer details on revenue sharing



with publishers, but it will be based on how deeply users engage with the content. Newspapers and magazines will be able to keep all of the revenue from ads they sell themselves and can keep 70 per cent of revenue from ads that Apple serves up within the app.

Publishers will have access to aggregated data on subscribers, such as general demographic information and details on what articles are read and when, but won't have access to personal information on readers. Readers will be able to see back issues of many magazines, but will only be able to read the most recent three days of newspaper content.

U.S. publishers have reported sizable increases in readership through Apple's free mobile news app, which has been available south of the border since 2015, but making money from those audiences has proven difficult. Apple keeps 50 per cent of the revenue generated through the app, according to reports.

The Globe and Mail will offer "select pieces" of content in Apple News to ensure Canadian users of the app can access some Globe content, said Phillip Crawley, the organization's publisher and CEO. "While Apple's subscription model will be valuable to other publishers, we are committed to maintaining a direct relationship with our loyal and growing subscriber base," he said.

Apple purchased the magazine-subscription service Texture last year from a partnership that included Rogers Media, and redesigned it to be optimized on mobile devices.

The company highlighted that subscription services will focus on curated content and privacy. Advertisers and app developers will have limited access to user data. Apple said it would not store details of users' viewing or reading habits on its servers.

Apple also announced plans for a new gaming subscription service called Apple Arcade that will include video games exclusive to the company's devices. Gaming companies Gameloft out of Montreal and Snowman of Toronto are both developing original games for Apple's services. Apple offered no details on revenue sharing for its TV or gaming services and did not say what subscriptions would cost or when they would debut in Canada, beyond plans to launch in the fall.

Apple also revealed a further push into financial services in the United States. The company said it would allow users to pay for public transit in three U.S. cities using its Apple Pay service starting later this year. It also announced a no-fee, cashback credit in the United States in partnership with Goldman Sachs that comes with an Apple-branded titanium card. Mr. Cook called the move "the most significant change in the credit card experience in 50 years."

D.A. Davidson analyst Tom Forte said that Apple's TV+ announcement was "not fully baked," with no details on pricing and limited proprietary content.

But the move into paid video-on-demand and news offerings marked an important moment in Apple's broader shift to services, Mr. Forte said: "It's one thing to say, 'We want to do more in services,' and it's another thing to show you, 'This is how we're going to get there.'"

With reports from Josh O'Kane and Susan Krashinsky Robertson in Toronto

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