Apple Inc. is working on a lower-end iPhone, according to people briefed on the matter, a big shift in corporate strategy as its supremacy in smartphones has slipped.

While Apple has explored such a device for years, the plan is progressing and a less expensive version of its flagship device could launch later this year, one of the people said.

The cheaper phone could resemble the standard iPhone, with a different, less-expensive body, one of the people said.

One possibility under consideration is lowering the cost of the device by using a different shell made of polycarbonate plastic; in contrast, the iPhone 5 currently has an aluminum housing.

Many other parts could remain the same or be recycled from older iPhone models.

Apple could still decide to scrap the plan. A spokeswoman for the Cupertino, Calif., company declined to comment.

Apple now faces greater pressure to make the iPhone more affordable. An onslaught of lower cost rivals powered by Google Inc.’s Android operating system are gaining market share.

In the 2012 third quarter, Apple held only 14.6% of worldwide smartphone shipments, down from a peak of 23% in the fourth quarter of 2011 and the first quarter of 2012, according to IDC.

Samsung Electronics Co.’s share, meanwhile, rose from 8.8% to 31.3% from the third quarter of 2010 to the third quarter of 2012.

The Korean electronics maker on Tuesday said it capped its best year ever with another record quarterly profit, adding that it expects operating profit of $8.1
billion to $8.5 billion for the three months that ended in December.

Selling multiple new iPhone models would be something new for Apple. Under former Chief Executive Steve Jobs, Apple prided itself on prioritizing profits over scale and offered a relatively small number of products mostly targeted at the high end.

In more recent years—and especially since Tim Cook took the reins as CEO in August 2011—that has started to change. In October, Apple unveiled a smaller iPad, dubbed the iPad Mini, to go alongside its bigger iPad tablets.

Still, the company has sold only one main new iPhone model, with different storage capacities, at a time since launching the smartphone in 2007.

Today the iPhone is Apple's chief revenue driver, with sales of iPhones and related products and services accounting for 48% of revenue in the quarter ended in September.

Apple has been considering a less-expensive iPhone since at least 2009, viewing it as a way to grab market share and introduce people to the brand, said people familiar with the efforts.

Before the launch of the iPhone 4 in mid-2010, the company developed designs for cheaper phones that were very similar to the iPhone at the time but had a less expensive back and sides, one of the people said.

Apple tabled the idea as some executives worried a second iPhone would complicate its manufacturing processes. The company decided to keep older iPhone models on sale for less, a strategy that didn't require designing new products.

While the iPhone remains the top-selling smartphone in the U.S., Apple's share of the high-end cellphone market has taken a hit in China and remains low in other emerging markets.

The iPhone 5 without a wireless contract starts at $649 in the U.S. on Apple.com, and can cost even more overseas. That's out of reach for many customers in countries where carriers don't help cover the cost of the phone and where Android phones with similar capabilities can cost less.

In the U.S., the iPhone 5 starts at $199 with a two-year wireless contract, while older models are available for $99 or for free with a two-year contract.

Apple's stock has fallen 25% since it reached an all-time closing high of $702.10 in September as investors worry competitors are gaining ground. On Tuesday, Apple's shares closed 4 p.m. trading slightly up at $525.31.

A less-expensive iPhone risks crimping the company's profit margins, which executives have been loath to sacrifice. Even small changes in margins often sway investors.

Gene Munster, an analyst with Piper Jaffray, said that a less expensive iPhone won't necessarily hurt Apple's overall profit margin if it attracts buyers who haven't bought iPhones before and not those who would have been willing to purchase the higher-end device.

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