While the cheaper of Apple Inc. (AAPL)’s new iPhones has disappointed critics who say it’s not priced low enough, in Europe it may still help carriers achieve what’s become rare in a region where wireless devices outnumber people: finding new customers.

The iPhones introduced this week are also finally compatible with more of Europe’s high-speed, fourth-generation networks, addressing one of the big let-downs of the last model, whose 4G capability was only supported by a few carriers.

Making iPhones -- the second most-popular smartphone in Europe after Samsung Electronics Co. (005930)’s devices -- more accessible may attract customers so far deterred by the sticker shock. Many European carriers don’t subsidize the price of devices, so customers aren’t used to getting prices slashed in exchange for signing onto service contracts.

“In some of the countries where there are no subsidies, we’ve seen less penetration because it is high-end,” said Roberta Cozza, an analyst at Gartner Inc., said in an interview. “Definitely a lower cost model should do better.”

The iPhone 5C will sell for as little as 599 euros ($800) in Germany, Apple said this week. That’s 80 euros less than the previous iteration, according to data compiled by Bloomberg, and 100 euros less than the low-end of the fancier iPhone 5S, which also debuted this week. And it brings Apple even with Samsung’s Galaxy S4, which is priced at about 600 euros in Germany.

The trend toward cheaper handsets will help smartphone shipments grow 40 percent from last year to hit 1 billion units this year, researcher IDC said in a report this month.

Still Pricey

The iPhone 5C -- which drops to as low as $99 in the U.S. where carriers commonly subsidize the handset in exchange for signing up for a new service contract -- is still pricey for a smartphone in Europe. Telefonica SA (TEF) sells the ZTE Open through its Movistar brand for just 69 euros.

The iPhone 5C may not be cheap enough to attract lower-income customers in Europe, who will provide an important source of growth, according to Francis Sideco, director for consumer electronics at researcher IHS.

“If Apple had hit a $350 to $400 unsubsidized price range for the iPhone 5C, as some had speculated, the company might have had a chance to expand its smartphone shipments,” he said in a note. “The 5C appears to be a mid-range product that cannot significantly expand the available market for the iPhone line to lower-income buyers.”

Second Place

The iPhone has been in second place in Europe since at least 2009, two years after its debut. Nokia Oyj (NOK1V) dominated that year, accounting for almost half of smartphones in western Europe, according to data from Gartner. As the Espoo, Finland-based phone-maker lost market share, Samsung’s Android-based devices gained dominance.

Nokia, which sold its mobile-phone business to Microsoft Corp. last week for $7.2 billion, slipped from 48 percent of the western European market to 7.1 percent in 2012 as Samsung jumped from 5 percent in 2009 to 40 percent last year. Apple has gone from 17 percent four years ago to 23 percent in 2012, according to the data.

The new iPhone will also support the frequencies that most European carriers use to deliver 4G service. The iPhone 5, which was 4G compatible, worked on the 1,800 MHz band that’s popular in the U.S. It was another story in Europe, where EE in the U.K. and Deutsche Telekom AG (DTE)’s German network were among the only carriers that could sell the device with the high-speed service.
Expanding the frequency range to include 4G bands in the 800 MHz wavelength means Vodafone Group Plc (VOD), France’s Orange SA (ORA), Telefonica and others that are deploying 4G networks this year will be compatible.

EE, co-owned by Orange and Deutsche Telekom, is the industry’s test case for 4G, the French parent said. It was the first to roll out 4G in the U.K. and -- because it held the rights to use spectrum on the same band as the U.S. carriers -- the only one who could offer 4G on older version of the iPhone.

“We’re already selling 4G-enabled Nokia, Samsung and HTC phones -- it’s obvious who’s absent from that list,” Orange Chief Executive Officer Stephane Richard said at a conference in Paris this week. “We saw 4G really take off at EE, and we’re seeing really great appetite for 4G in France.”

European carriers want to use the higher speeds and capacity of 4G, which he compared the speed of 4G to “a really good Wi-Fi connection,” to charge more after revenue has been battered industry-wide by price wars in countries like Germany, France and Spain. Richard is betting it will help boost phone bills, as average revenue per subscriber is 10 percent more among 4G users compared with 3G customers.

Orange predicts it will have 1 million 4G subscribers in France by year-end. It had 18.5 million mobile customers at the end of the first half, excluding prepaid users, and said it had about 36 percent of the French mobile market.

“4G is a way to recreate value in this industry. The U.K. is proof,” Richard said. “We’ve never deployed any network in France as fast as we are deploying 4G. We want to have that advantage to win over clients.”

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