

Apple's sales of new iPhones off to fast start

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Gadget lovers still can't resist the iPhone's seductive call, even amid a bevy of enticing lower-priced alternatives that offer similar features.

In a Monday announcement, Apple Inc. said it sold 9 million units of its top-of-the-line iPhone 5S and less-expensive iPhone 5C during their first three days on sale. That trounced the performance of last year's model, the iPhone 5, which sold 5 million units in its opening weekend.

The initial sales figures for Apple's latest iPhone models provided the latest testament to the product's enduring appeal more than six years after the debut of the first iPhone triggered a mobile computing revolution.

The iPhone 5S and 5C's quick start also surpassed analyst forecasts that predicted Apple would sell somewhere from 6 million to 8 million models during the first weekend.

"The demand for the new iPhones has been incredible," Apple CEO Tim Cook crowed in a statement. As part of the company's effort to drum up interest in its most profitable product, Cook made an early-morning appearance at an Apple store in Palo Alto, Calif. on Friday when the new iPhones first went on sale.

Monday's positive news helped generate more interest in Apple's stock. The shares gained \$23.23, or 5 percent, to close at \$490.64.

Despite that rally, Apple's stock price remains slightly below where it stood before the Cupertino, Calif. company's Sept. 10 unveiling of its latest iPhones.

The downturn reflects concerns that the new phones won't be enough to reverse a slowdown in Apple's revenue growth that has been brought on by tougher competition from Samsung Electronics and others. Apple's rivals have been gaining market share by selling less expensive phones running on Google Inc.'s free Android software. Those nagging worries are the main reason that Apple's market value has sagged by about 30 percent, or \$200 billion, since last year's release of the iPhone 5.

Part of this weekend's higher iPhone sales volume stemmed from Apple's decision to make the latest models available on a broader scale than in past years. For instance, this marked the first time that a new iPhone has gone on sale in China at the same time that the product also launched in the U.S.

But the opening sales numbers also served as "a powerful reminder of the strength of (Apple's) iPhone franchise," ISI Group analyst Brian Marshall wrote in a Monday research note.

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In another sign of the intense interest in anything new from Apple, the company also said more than 200 million devices have already switched to its latest mobile operating system. The software, called iOS 7, is the most radical makeover of Apple's mobile operating system since the iPhone came out in 2007. Apple released iOS 7 as a free update last Wednesday for iPhone models dating back to 2010, iPads dating back to 2011 and the last iPod Touch that came out last year.

The downloads of iOS 7 during the first five days of the software's release roughly doubled the amount of installations after Apple release iOS 6 last year.

Apple could have sold even more iPhones during the opening weekend if the company had been able to deliver more of the 5S model, which sells for \$199 with a two-year wireless contract. A new gold-colored model introduced with the 5S line was in extremely short supply, much to the frustration of many shoppers who waited in long lines Friday to buy one.

"We appreciate everyone's patience and are working hard to build enough new iPhones for everyone," Cook assured consumers in his Monday statement.

Apple didn't provide individual sales figures for the 5C and 5S, but figures released by a mobile research and marketing firm indicated the more expensive model has been far more popular. Within the first two days of sales, Localytics found three times more 5S models were being activated than the 5C.

The new features in the 5S include a sensor that allows people to use fingerprints instead of a numeric code to secure their iPhone and a quicker processor. The iPhone 5C is nearly identical to last year's iPhone 5 except the new model comes in a variety of bright colors with a plastic casing instead of aluminum. The 5C sells for \$99 with a two-year wireless contract, Apple's lowest price yet for a new iPhone.

An update to Apple's financial projections for its current quarter suggested that the higher-priced iPhone is accounting for most of the early sales. The company said it expects its revenue for the quarter ending this month to be about \$37 billion. Management had previously predicted its revenue could be as low as \$34 billion. Apple anticipates its profit margins be at the top end of earlier forecasts.

Apple rarely provides more insight about its quarter this late into the three-month reporting period, according to Barclays analyst Ben Reitzes. He interpreted the departure from company protocol as a sign that Apple is confident it will prove its skeptics wrong.

"It implies a message from management that the company is back on track," Reitzes wrote in a Monday research note.

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