

MOBILE

## iPhone, not Apple Watch, is Apple's biggest success in latest quarter

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*Apple's iPhone 6*

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By CHANTAL TODE

With iPhone sales showing renewed strength, it is the eight-year-old device, and not the newer Apple Watch, that is driving excitement for the brand, positioning it to create a virtuous circle of mobile experiences across content, utility and commerce.

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Apple said yesterday that it sold 47.5 million iPhones in the its fiscal third quarter, representing 35 percent year-over-year growth, with its highest switch rate from Android ever. iPad sales continued to slow and no sales figures were provided for the Apple Watch.

“In terms of what is going on with iPhone, the 35 percent growth is almost three times the market,” said Tim Cook, CEO of [Apple](#), in a conference call with analysts to discuss the results. “If you look at a narrower, regional level, Western Europe grew 30 percent versus a market of seven, so four times market. Japan grew over five times market.

“We doubled in Korea versus a market that is shrinking, and in India we grew at 93 percent,” he said. “This is on top of the greater China numbers that grew 87 percent during the quarter against a market of 5 percent.

“So, we did exceptionally well in anyway that you look at it.”

Apple held a conference call for its third quarter results on June 21.

### **New sales pattern**

Apple reported yesterday that revenue totaled \$49.6 billion for its fiscal third quarter ended June 27, 2015, up from \$37.4 billion a year ago. Net profit totaled \$10.7 billion for the quarter, or \$1.85 per diluted share, up from \$7.7 billion, or \$1.28 per diluted share, a year ago.

Key results include that iPhone revenue was up 59 percent over last year and that revenue from services reached an all-time record, driven by the App Store.

Over the past couple of years, Apple has been plagued with reports that it had lost its innovative streak and that sales were slowing.

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*There has been no shortage of branded Apple Watch apps*

However, the company now appears to have turned the tables, recapturing some its luster from the early years of the iPhone.

According to new research from Counterpoint Technology Market Research, the iPhone 6 has been the best-selling smartphone for 10 months in a row, with sales rebounding since May after a slowdown in March and April. At the same time, the Samsung Galaxy S6 is losing steam quickly.

These numbers break a pattern from previous years, when Galaxy S has topped sales in the second and third quarters while the iPhone has lead in the first and quarter quarters of the year.

### **Financial sector disappointed**

While Apple Watch sales have not heated up as much as some expected, it could still be that its launch earlier this year is bringing new consumers into the iOS fold with expectations of having a unified wrist-to-phone experience at some point.

With Apple expected to introduce a new phone in the fall, as it has done in recent years, as well as potentially other new devices, this is likely to give sales another boost.

Apple has also retained its top spot on the second annual Brand Keys Inc. survey of consumer perceptions of innovative tech brands, which was released yesterday.

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However, yesterday's strong results – while slightly beating analysts expectations – still disappointed the financial sector, with Apple's stock value down in late trading.

Apple faces several challenges ahead in keeping the momentum going.

Sales for the Apple Watch have not taken off like some expected. While numerous

marketers have come out with applications for Watch OS, these may have been premature, with multiple reports suggesting many provide little real value.

“The sheer fact that Apple was able to get about 1M pre-orders for the device alone is a huge achievement however sales post launch seems to have plummeted fast,” said Lara Mehanna, general manager for the U.S. and vice president of sales and business development at [Sonata Local](#). “I think that people are still trying to figure out the real necessity of the device vs a nice to have, I am innovative/cool device.

“Plus - I hear a lot that people claim that this is only the first generation of this - look how much the iPhone has improved over 6 generations... it would be better for me to wait for the next gen watch,” she said.

## **IPad sales slow**

Sales growth for the iPad also continues to slow.

The iPad sold 10.9 million units compared to 13.2 million in the year-ago quarter.

However, a recent report from Forrester Research suggests that the overall tablet market in general - and the iPad market more specifically - continues to grow, as many purchases are by first-time owners, with existing owners holding onto their devices longer than they would a smartphone ([see story](#)).

While Apple has been an early leader in beacons since its introduction of iBeacon nearly two years ago, it could potentially lose that role to Google, which recently came out with its own beacon strategy that is open source and includes more support for developers compared to Apple ([see story](#)).

Apple Pay, which was introduced last fall, is adding to the perception of being able to have a seamless experience across multiple activities from within the iOS ecosystem.

“On the mobile side, the continued integration with Apple Pay and easy payments is changing the industry on the phone and on the watch,” Ms. Mehanna said. “The integrated ease that now you only need your phone and your watch when you step out of the house is changing the dynamic of purchasing in ways we have yet to explore.”

Still another example of how Apple is building a comprehensive mobile user experience is the launch of its music streaming service Apple Music.

“I don’t think that the full experience and usability of the watch and what settings around notifications should be present have been really developed yet - but to me that is the opportunity for the next half of the year,” Ms. Mehanna said. “The majority of apps available are not really that useful. But watch and learn is a good strategy.

“We saw the same thing with the development of the app market,” she said. “It created a brand new marketplace.”

Final Take

*Chantal Tode is senior editor on Mobile Marketer, New York*

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