

COMMERCE

What maturing smartphone market? Apple sells 48M iPhones

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Apple's iPhone 6

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With Apple selling 22 percent more iPhones during its most recent quarter, driving a 36 percent increase in iPhone revenues, the company's glory days appear to be far from over.

Some analysts have expressed concern that Apple cannot maintain the level of growth it has shown up until now as the smartphone market matures. That time may not have arrived just yet, with Apple reporting iPhone unit sales and revenue results that beat analysts' expectations and sent the company's already stellar stock value even higher.

"Momentum for iPhone 6 and iPhone 6 Plus remain very strong across the quarter and we've established a new launch record for iPhone 6S and iPhone 6S Plus near the end of the quarter," said Tim Cook, CEO of [Apple](#), during a conference call with analysts to discuss the company's financial results.

"We've seen strong interest around the world and we've been getting great feedback from customers who love the iPhone's new features, including 3D Touch, Live Photos, the new iSight camera and the powerful new A9 processor in the iPhone 6S and 6S Plus," he said.

"We exited the quarter with demand for the new iPhones exceeding supply, but we've made good progress with our manufacturing ramp in the initial weeks of October."

Future concerns

Apple sold 22 percent more iPhones during the quarter compared with the same period a year ago for a total of 48 million devices. The iPhone showed a 1 percent increase in unit sales compared with the previous quarter.

The iPhone's impact on Apple's bottom line also continues to grow, with iPhone-attributed revenue up 36 percent compared with the year-ago quarter and 3 percent from the previous quarter for a total of \$32 million.

Despite these results, there may still reason for concern going forward.

Numerous reports have underscored the maturation of the smartphone market, which is likely to catch up with Apple at some point.

Apple also cautioned that revenue for the current quarter will come in at a level that is below analysts' expectations.

Hardware woes

Apple is facing a rougher time with its other mobile devices.

The Apple Watch has not been the runaway success that some had hoped for. Still, Apple reported that sales of Apple Watch were up sequentially during the quarter and were ahead of expectations.

Apple launched Watch OS 2 in September, giving developers more capabilities to take advantage of native apps. Apple reported there are more than 13,000 Watch apps in the App Store, including over 1,300 native apps, such as Facebook Messenger, MLB At Bat and Runkeeper.

Also, the iPad continues to lose steam, with units and revenues both dropping 20 percent compared with a year ago.

Software support

On the software side, IOS 9 continues to gain steam.

Apple reported that IOS 9 is on track to be downloaded by more users than any software in Apple's history, with 61 percent of active iOS devices already running it at less than six weeks after its release in mid-September.

The company's new Apple Music service now boasts 15 million active accounts, including 6.5 million paying customers.

Apple will bring Apple Music to China beginning this quarter and to Apple TV beginning this week.

Apple Pay is seeing double-digit growth in transactions month over month. Starbucks will roll out Apple Pay support to all of its stores in 2016 while a number of retailers are expected to announce partnerships now that Apple Pay supports their loyalty programs.

Boding well for further growth in the payments space, Apple announced yesterday that it has partnered American Express to bring Apple Pay to key global markets. It will be available to American Express customers in Australia and Canada this year and is expected to expand to other countries next year.

International markets

Overall, Apple reported that revenue grew 22 percent during its fiscal fourth quarter ended Sept. 26 driven by iPhone, Apple Watch and App Store sales for a total of \$51.5 billion.

Apple's quarterly net profit totaled \$11.1 billion, or \$1.96 per diluted share, compared with a net profit of \$8.5 billion, or \$1.42 per diluted share, in the year-ago quarter.

The results reflect the growing importance of international sales for Apple, accounting for 62 percent of the quarter's revenue. In China, Apple's revenue grew 99 percent compared with the year-ago quarter but fell 5 percent compared with the previous quarter.

"With an iron grip on the U.S. market and increasingly secure position in China, India will likely be Apple's next target market," said Peter Richardson, research director at [Counterpoint](#). "But India is a very different market to China and will consequently require a separate and distinct strategic approach."

Final Take

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