

# Eyes on Apple for new iPhones

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Apple's shares climbed and rumors sizzled ahead of an expected move on Tuesday to expand the iPhone domain with a pair of new models, including one aimed at China.

Analysts believe a special event at Apple's headquarters in Silicon Valley will spotlight a more economical iPhone priced to compete in [emerging markets](#) where money is tight, along with a beefed-up top-end model.

"The key challenge for Apple this week is to demonstrate that it can maintain momentum in overall iPhone sales, and to do so in a way which won't drive down margins significantly," said Ovum chief telecoms analyst Jan Dawson.

"It's key for Apple to be able to find ways to drive growth at a higher rate again, and getting China's biggest carrier on board and launching a cheaper version of the iPhone are both key to doing that."

Apple became a Wall Street darling by pairing blistering sales of culture-changing gadgets such as iPods, iPhones, and iPads with enviable "margins," the difference between cost and price.

Forrester analyst Charles Golvin told AFP the consensus is for Apple to unveil a new high-end phone, "most likely called the 5S, with the same look and feel physically but with a speed boost; new processor, and new [graphics capabilities](#)."

A lower-cost iPhone has been dubbed the 5C, "because it would come in

multiple colors analogous to today's iPod touch," Golvin said.

Speculation about the iPhone 5S included the debut of a gold color and fingerprint recognition for enhanced security.

"For the most part, we view the iPhone5S as an evolution of the iPhone5 and as such do not view it as especially innovative," Citi Research said in a note to investors on Monday.

"However, with the inclusion of a fingerprint reader, Apple opens itself up to new opportunities, most notably [mobile payments](#)."

It remained unknown how low a price Apple would be able to hit with the 5C.

Gartner estimates that mobile phones priced \$300 or more accounted for only 13.7 percent of overall phone sales last year, according to Citi.

Analysts were keenly focused on the promise of a 5C to win over buyers in China and other developing markets, where there is fierce competition from low-priced smartphones powered by Google's Android operating system.

FBN Securities on Monday predicted that launching two new iPhones would reverse gains made by Android-powered rivals in the market.

Apple shares were up nearly two percent to \$506.17 at the close of the trading day on the Nasdaq exchange.

Apple has also invited press to a Wednesday event in Beijing that analysts believe signals a deal to add iPhones to China Mobile's massive telecom network in that country.

"The only real potential to surprise investors seems to be in the scope and velocity of a new China strategy and any new features within iOS 7 and fingerprint scanner technology," Barclays Equity Research said in a note focused on what is expected from Apple.

Apple's iPhone franchise has historically focused on premium products at premium prices, essentially leaving the company "unable to address" approximately 60 percent of the opportunity in the smartphone market, the investment bank Cantor Fitzgerald said in an analyst note.

"We expect this to change with the introduction of the plastic-encased iPhone 5C," Cantor Fitzgerald said.

Analysts did not foresee any talk of Apple watches or TV at the Tuesday event.

The smartphone market is now dominated by Android devices, with roughly three-fourths of all handsets, but a forecast by research firm IDC suggested Apple will increase its share this year to 17.9 percent from 16.9 percent.

At the heart of any iPhone announcements on Tuesday would be a dramatic overhaul to the iOS software powering Apple handsets.

New iOS 7 software will debut with a free iTunes Radio Service featuring more than 200 stations "and an incredible catalog of music from the iTunes Store," Apple announced earlier this year.

The streaming radio service is part of what Apple chief Tim Cook branded the biggest change to iOS—Apple's mobile operating system—since the introduction of the iPhone in 2007.

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