

Apple Watch rules growing smartwatch market: research

July 22 2015, by Glenn Chapman



The Apple Watch Sport is displayed in Washington, DC on April 10, 2015

Apple shares took a bruising Wednesday following a disappointing quarterly report, while an analyst report showed the US tech giant's freshly launched smartwatch rules the growing market.

Apple Watch was the "star performer" in a global smartwatch market

that more than quadrupled to 5.3 million units in the second quarter of this year when compared to the same period in 2014, according to the research firm Strategy Analytics.

"Predictions of (Apple CEO) Tim Cook's first product flopping have been greatly exaggerated," Strategy Analytics director Cliff Raskind said in a blog post.

"While existing smartwatch vendors held their own and even grew modestly in some cases, the story in the second quarter was really all about Apple raising the tide for all."

While Apple has not disclosed its smartwatch sales figures, Raskind estimated that some four million units were shipping during the second quarter of this year giving it about 75 percent of an overall market that grew 457 percent in a quarter-over-quarter comparison.

Other analysts, however, have offered lower estimates of Apple Watch sales while Apple has remained mum about those numbers.

A total of 4.6 million smartwatches were shipped globally last year, according to Strategy Analytics.

"Apple Watch has clearly raised the bar for the global smartwatch industry," Strategy Analytics executive director Neil Mawston said in a release.

"The ball is now in the court of rivals, like Samsung, to respond."

The market tracker estimated that South Korean consumer electronics giant Samsung was the second-place smartphone seller in the second quarter, shipping 400,000 units.



A South Korean employee shows the Apple Watch at an Apple shop in Seoul on June 26, 2015

Billion-dollar business

In a quarterly earnings report released late Tuesday, Apple folded smartwatch revenues into an "other" category that included money made from sales of accessories such as Beats headphones.

Revenue posted for "other" doubled to \$2.6 billion from the same quarter last year.

Apple chief executive Tim Cook said during an earnings call that it would not be unreasonable to attribute most of the increase in "other" revenue to the smartwatch, which would mean sales accounted for a

meaningful chunk of the \$1.3 billion increase.

Apple shares, however, sagged on Wednesday under the weight of heavy expectations by investors accustomed to the California-based company delivering dizzying earnings results.

Apple shares were down more than four percent to \$125 in late-day trades.

Apple's latest quarterly profit leapt as consumers around the world snapped up big-screen iPhones but its shares slipped as analysts had expected even more stunning sales along with clear signs Apple Watch would be a big money maker.

The tech giant reported that its profit jumped 38 percent to \$10.7 billion on surging iPhone sales, compared to \$7.7 billion in the same period last year.

Nevertheless, Apple shares fell sharply in after hours trading, at one point down around eight percent as traders noticed lower than expected sales forecasts.

"We had an amazing quarter," Cook insisted, noting that iPhone revenue in the quarter that ended on June 27 was up 59 percent from the same period a year earlier.

Apple sold 47.5 million iPhones in the quarter, with sales up 85 percent in Greater China where the company's overall revenue more that doubled to \$13 billion, accord to chief financial officer Luca Maestri.

'Lots of legs'

Cook brushed aside any worry about iPhone sales growth, expressing

confidence it has "lots of legs" that it will be running with for many years to come given market factors such customer satisfaction rates and the booming overall global smartphone market.

Cook said during an earnings call that sales of iPhone, iPad, Apple Watch and Macintosh computers "topped internal expectations."

Nearly three months after the launch of Apple's fashionably smart wrist wear, some analysts say it's not a mainstream hit.

But others see promise in its popularity with Internet-savvy younger people.

Cantor Fitzgerald experts believe Apple Watch will be a "go-to gift" during the year-end holiday season and become the best selling new product in Apple's history.

Apple Watch was the first new product line introduced by the culture-changing company behind iPhone, iPad, iPod, and Macintosh computers since 2010.

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