

For bruised Apple, a need to go beyond the iPhone

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Apple's quarterly update comes amid concerns about slowing iPhone sales, especially in China

Apple is aiming to show it can do more than just make iPhones in a quarterly update Tuesday for investors who are skeptical over whether

the culture-changing company can regain the momentum from its glory days.

In recent weeks, Apple shares have been hammered on concerns that its best days are over, with smartphone sales slipping and no new "big thing" on the horizon.

Amid turbulence in the [tech sector](#), Apple has lost its trillion-dollar status and slid behind rivals Microsoft and Amazon on the list of most valuable corporations.

The California tech giant has been trying to shift focus to growth in the side of its business devoted to selling music, movies, apps, and services to the vast "install base" of Apple gadget owners as well as via other internet-linked devices.

Apple delivered a stunning admission earlier this month that iPhone sales and overall revenues would be below most forecasts, citing economic weakness in China and trade frictions between Washington and Beijing.

Some analysts believe iPhone sales over the quarter to December will show an unprecedented decline, although the exact figures won't be visible because Apple has decided to leave off unit sales.

Resilience?

Gene Munster and Will Thompson of the investment firm Loup Ventures said that despite lower iPhone sales, Apple can make up for lost revenues from its growing services segment.



Amid slowing smartphone sales, Apple is seeking to get more revenue from services such as music and its digital payment application, Apple Pay

"This is unprecedented and representative of a resilient business," Munster and Thompson write in a blog post.

The saturated global smartphone market is forcing Apple to seek another reinvention.

"This is not 'the fall of Apple'—it's just the shift of smartphones to boring maturity, as we look for what's next," Benedict Evans of the investment firm Andreessen Horowitz said in a recent blog post.

Rumors buzzing about the company include its plans to produce its own shows, potentially challenging streaming television giants Netflix and Amazon Prime, which have invested heavily in original content.

"There are other ways to make money but it's not clear how Apple is going to do that," noted analyst Jack Gold of J. Gold Associates.

Apple has consistently touted the success of its eponymous smartwatch, engineering the wristwear with health and fitness features.



Chinese exchange students pay tribute to the late Apple co-founder Steve Jobs eight years after his death, amid concerns the iPhone maker's momentum has stalled

Apple Pay has been steadily adding to the roster of businesses that let people tap handsets to consummate transactions.

Another important source of income is the surging market for app downloads, where Apple gets 30 percent of the action.

Meanwhile, Apple remains under pressure as fans and analysts wonder whether the company lost its ability to wow the world when co-founder and chief Steve Jobs died in late 2011.

The China factor

Apple had been growing in China until recently, but the combination of trade frictions and a slowing Chinese economy are cutting into its sales there.

Former Apple executive Jean-Louis Gasse said the surprise on Chinese sales was a massive mistake for CEO Tim Cook.



Apple CEO Tim Cook is likely to face questions during the company's earnings call on its strategy to deal with weaker smartphone sales and a lower demand from China

"I distinctly recall Cook telling analysts during a quarterly earnings call that, having studied the country for 30 years, he knew China," Gasse said in a blog.

"How could Apple, which is more embedded than most Western companies, not see a Chinese economy slowdown that started well before the 2018 holiday quarter?"

Apple is likely to face questions on whether it boosted prices too far, lifting its newest handsets to \$1,000 or more, in a market that is seeing

tougher competition.

Consumer Intelligence Research Partners said its survey showed 65 percent of iPhone buyers chose the newer models over the less expensive ones, and that the average selling price of the devices rose to "well over \$800."

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