

Apple's new iPhones simultaneously aim high, low

September 11 2013, by Barbara Ortutay



Phil Schiller, Apple's senior vice president of worldwide product marketing, speaks on stage during the introduction of the new iPhone 5c in Cupertino, Calif., Tuesday, Sept. 10, 2013. (AP Photo/Marcio Jose Sanchez)

For the first time since introducing the device that has reshaped technology and culture, Apple will offer two distinct versions of its latest iPhones—a cheaper model made of colorful plastic and another one that

aims to be "the gold standard of smartphones" with a faster processor, fancier camera and fingerprint scanner for better security.

Apple hatched the next iPhone generation, set to go on sale Sept. 20, during a Tuesday spectacle that was capped by a three-song performance by Elvis Costello at the company's Cupertino, California, headquarters.

The company also announced it will release a previously announced overhaul of its operating system for iPhones and iPads on Sept. 18.

The iOS 7 adds an iTunes radio station, new photo management tools and more ways to access apps. It will be available for free and compatible with Apple devices dating back to the iPhone 4 released in 2010 and the iPad 2 that debuted in 2011. The operating system will already be installed on Apple's new line-up of phones.

In a mild surprise, Apple said it will also begin giving away its iPhoto, iMovie, Numbers, Pages and Keynote apps as part of iOS 7. The company has been charging 99 cents to \$4.99 for each of those apps. Analysts interpreted the free distribution of the Numbers, Pages and Keynote apps—part of Apple's "iWork" suite of software—as a challenge to Microsoft Corp.'s package of widely used Office programs for word processing, spreadsheets and presentations.

The annual unveiling of Apple's new iPhones came as the world's most valuable company tries to regain some of the market share that it has lost during the past two years to Samsung Electronics and other smartphone makers who rely on Google Inc.'s free Android operating system. Many of those devices cost less than the iPhone and boast features, such as larger screens, missing from Apple's best-selling product. That has made Android phones an attractive alternative to budget-conscious consumers who still want to impress their friends.

Those ingredients have helped catapult Samsung to the top of the smartphone heap with a 32 percent share of the market in the most recent quarter, compared to 14 percent for Apple, according to the research firm Gartner Inc. By some estimates, more than three-fourths of all smartphones now being sold run on Android.

The intensifying competition has slowed Apple's financial growth and undermined the company's stock, which has fallen by nearly 30 percent, or more than \$200 per share, since peaking at \$705.07 when the last iPhone came out.

As a counterattack against Android, Apple designed a less expensive iPhone called the 5C in an effort to boost sales in China and other areas where people don't have as much money to spend on new gadgets as they do in the U.S. and Europe.

In an effort to broaden the iPhone's reach, Apple is expected to announce at a Wednesday event scheduled in Beijing that China Mobile will sell the device. With more than 700 million subscribers, China Mobile is by far the largest wireless service in the world's most populous country.



Craig Federighi, senior vice president of Software Engineering at Apple, speaks during the new product release in Cupertino, Calif., Tuesday, Sept. 10, 2013. (AP Photo/Marcio Jose Sanchez)

The prices for the 5C will start at \$99 for a 16-gigabyte model with a two-year wireless contract. Without a contract, the 5C prices start as \$549, not as low as analysts thought Apple might go to make a bigger splash as it wades into the lower end of the market.

Jefferies analyst Peter Misek described the 5C as "lovely" in a note to investors, but said that the \$99 starting price "still leaves Apple with a product gap in the low-end."

The pricing signals Apple still believes there are still plenty of sales to be made to people willing to pay for elegantly designed devices that sell for slightly more than the competition, said Ovum analyst Tony Cripps.

"Anyone expecting Apple to come truly down market with the iPhone 5C was fooling themselves," Cripps said. "The day that happens is the day the company signals that it has run out of headroom for expansion."

Investors were unimpressed with Tuesday's fanfare. Apple's stock shed \$11.53, or 2 percent, to close at \$494.64.

Although the 5C is Apple's least expensive new iPhone ever, the company is trying to ensure it's not viewed as a sub-standard product. The lower-end phone is pretty much the same as the iPhone 5 except it's housed in plastic casing instead of aluminum.

The company took "fanatical care" to ensure the "beautifully, unapologetically plastic" 5C feels great to hold, gushed Jonathan Ive, Apple's chief designer. Ive made his comments during a Tuesday video testimonial about the 5C.

The 5C will be available in five colors—green, blue, yellow, pink and white. Apple is also selling rubber covers for the 5C in six different colors at \$29 apiece. The 5C features a 4-inch (10.16-centimeter) Retina display screen like the iPhone 5 and is powered by Apple's A6 chip. It also has an 8 megapixel camera, live photo filters and a rear cover that lights up.

Apple is hoping loyal customers who have consistently upgrading since the first iPhone came out in 2007 will once again rush out to buy the top-of-the-line model. It's called the iPhone 5S, which Apple marketing chief Phil Schiller hailed "as the gold standard of smartphones" during his turn on stage Tuesday.

As if to hammer the point home, Apple is even selling the 5S in a gold color. It will also be available in silver and "space gray."

The luxury phone contains a 64-bit chip instead of the 32-bit chip used in most smartphones. That will enable it to run applications and play games at speeds twice as fast as the iPhone 5.

In hopes of appealing the hordes of consumers who use their smartphone as their primary cameras, Apple loaded the iPhone 5S with technology designed to automatically produce sharper photos.

The 5S camera is equipped with larger pixels and a larger aperture, which helps capture more light. The phone also has a "true-tone" flash feature that is designed not to clash with the colors in the room or a person's skin color.

The camera, called iSight, has "auto image stabilization," which helps avoid blurry pictures, and a slow-motion option for video. A "burst mode" can take 10 frames per second as long as you hold your finger on the shutter, then find the best one in your camera roll.

The 5S's biggest innovation, though, may be in how it's unlocked. Instead of relying on a four-digit code to gain access to the device, 5S users will have the option of allowing the smartphone to memorize their fingerprints instead. The 5S contains a thin scanner, called "Touch ID," inside the home button on the phone that automatically recognizes a user's selected fingerprint. The [fingerprint scanner](#) also can be tied to Apple's iTunes and apps store to remove the need to type in passwords to access those services, too.

In a nod to privacy concerns, Apple said the copies of the fingerprints won't be stored in its own data centers.

Analysts believe the fingerprint scanner eventually could open up a new source of revenue for Apple if the company is able to work out deals to use the technology to automatically process payments made when people

are shopping on their iPhones and iPads.

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