Apple Under Cook Takes Shape With Watch, Bigger iPhones

By Adam Satariano and Tim Higgins Sep 10, 2014 3:21 AM GMT+0200

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Apple Inc. Chief Executive Officer Tim Cook, after three years of incremental changes to products created under Steve Jobs, delivered on his promise to take the world’s most valuable company into entirely new categories including wearables and payments.

Apple yesterday revealed a smartwatch loaded with health and fitness capabilities, and smartphone-like features such as maps and messaging. The company also introduced new bigger-screen iPhones, along with ways to use Apple’s latest gadgets to make payments at retail outlets like Macy’s Inc. and McDonald’s Corp.

The moves showed how Cook is leading Apple -- which is already an entryway into digital entertainment and communications through its iPhones, iPads and App Store -- further into how people pay for goods and how they care for themselves and exercise. He called the new products the “next chapter in Apple’s story.”

The strategy builds upon Apple’s key product, the iPhone, which remains the backbone of the company’s $171 billion business and has given it financial flexibility and a vast customer base to pursue new initiatives. Cook’s strategy is an extension of the one started under Jobs: to make Apple the digital hub of people’s lives for music, pictures, apps and more -- because once they are tied in, they are likely to remain a loyal customer.

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Tim Cook, Chief Executive Officer of Apple Inc., talks about the new iPhone 6 and Apple... Read More

“This was his biggest event,” Richard Doherty, an analyst with Envisioneering Group, said of Cook’s product unveilings at an event in Cupertino, California. “To have them synchronized, nobody else could have come close to this.”

Apple’s stock fell less than 1 percent to $97.99 at the close in New York.

**Integrated Technology**

The products attempt to cement how the iPhone’s 2007 debut helped usher in an era in which technology is ingrained into everyday life and popular culture. The average smartphone owner now looks at their device about 150 times a day, according to a report last year from venture capital firm Kleiner Perkins Caufield & Byers, with people sending messages, making calls, checking the time, browsing the Internet, playing games and more.

Apple held the event at the Flint Center for Performing Arts to a standing room crowd of more than 2,000, including celebrities, Silicon Valley executives and hordes of media from around the world. It was the same venue where Apple unveiled the Macintosh in 1984 and iMac in 1998.

“We think at the end of the day that you will agree that this too is a very key day for Apple,” Cook said.

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The Apple Watch is displayed after a product announcement at Flint Center in Cupertino,...
Apple Watch

Apple Watch, which was met with a standing ovation by the crowd at the event, has a rectangular watch face and a dial on the side that can be turned to zoom in or out, or scroll up and down. The touch-screen device comes in two sizes, as well as in classic, sports and gold edition models. Six strap designs are available, including leather and steel.

Cook said health features in the watch were a priority for him personally. The device can be used to detect a pulse rate and has other fitness-tracking capabilities, such as letting a user monitor calories burned during a workout.

The watch also includes applications that have long been associated with smartphones, including maps, photos, music and messaging capabilities. It works with the voice-command software Siri, so if somebody wants to see what movies are playing nearby they can speak into the watch to get the latest show times.

Questions Linger

The device will be available next year -- later than what Cook had originally telegraphed on timing, when he said new products would be introduced “throughout 2014.” The watch will only be sold in the U.S. and it will have to be paired with an iPhone to work. It is priced at $349.
Yet many questions remain about the watch. Companies such as Samsung Electronics Co. haven’t been successful with smartwatches. And other than a few details, the company didn’t provide much information about how the new business will play out. The price wasn’t disclosed for versions costing more than the $349 basic model, or how much it would cost to buy the various bands that also will be available.

Apple also didn’t share the watch’s battery life, which will be a key details for a product the company said people can wear all the time.

“They are deliberately not mentioning battery life,” said Benedict Evans, a partner at venture-capital firm Andreessen Horowitz and a former technology-industry analyst. Bloomberg LP is an investor in Andreessen Horowitz.

Fashion, Style

For some users, the watch may be more about appearances. Apple has been adding employees from the fashion industry and Cook emphasized the watch’s style as much as its technological features.

“We thought not only of the function but the way it looked,” he said.

Apple Pay, the mobile payments system, works by placing an iPhone next to a terminal at a retail outlet equipped with so-called near-field communication technology. A customer confirms a purchase by using finger-print reading technology in the new iPhone 6 models. It will work with the Apple Watch when it’s released, the company said.

Payment Partners

The service will be available starting next month. Apple is partnering with credit-card companies including American Express Co., MasterCard Inc. and Visa Inc. It will work with the latest iPhones and the Apple Watch when it’s released. Retailers that will support Apple Pay include Staples Inc. and Whole Foods Market Inc., the company said.

Apple Pay will work with services including mobile car-booking application Uber Technologies Inc., restaurant reservation system OpenTable and daily deals company Groupon Inc., the company said.

In starting a mobile-transaction service, Apple said its design and partnerships will help it succeed where other companies such as Google Inc. and EBay Inc. are working to gain more traction.

“Our vision is to replace this,” Cook said as a picture of an old wallet was flashed on screen at the event.

The service is a new revenue stream for Apple. The company will collect a fee from banks on each purchase, people familiar with the service said.
iPhone Crux

Even with the hubbub over the new smartwatch and payments products, the iPhone remains the most important piece of Apple’s business. The handset accounted for about half of Apple’s $171 billion in revenue last year, and with sales of the iPad slowing, the company needs to keep the iPhone a blockbuster in order to maintain growth.

The new iPhones, called iPhone 6 and 6 Plus, will have rounded edges and a thinner frame than earlier models, as well as higher-resolution displays. They will come with 4.7-inch and 5.5-inch screens.

The iPhone 6 costs $199 to $399 with a two-year contract, while the 6 Plus is priced at $299 to $499. The devices will come in silver, gold and space gray.

The handsets will initially be available in a limited set of countries -- including the U.S., Australia, Canada, France, Germany, Hong Kong, Japan, Puerto Rico, Singapore and the U.K. -- for pre-order on Sept. 12 and shipping on Sept. 19, the company said. China, one of Apple’s biggest markets, won’t get the new devices at first, though the company said it plans to have the devices in 150 countries by the end of the year.

The new iPhones come with a custom A8 64-bit processor, which Apple said is 25 percent faster than the chips in previous models. A new motion processor works with fitness and health-related applications.

No Guarantees

Apple is betting the success of the iPhone will aid the other products introduced yesterday. While the new handsets are widely anticipated to be huge hits, the watch, payments system and health software are no sure thing.

According to Parks Associates, 2.8 million so-called smartwatches were sold last year, along with another 13.6 million fitness tracking devices. By comparison, 1 billion smartphones were shipped last year, according to IDC.

“The question is can you get people to buy a new iPad, a new iPhone and now the new watch every two years,” said Evans. “At some point, something is going to give.”

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