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Apple lifts wraps on iPhone 5S, 5C

CEO Tim Cook says two new smartphones replace iPhone 5

By Dan Gallagher and Rex Crum, MarketWatch



Getty Images

Apple's Phil Schiller speaks about the new iPhone 5C on Tuesday.

CUPERTINO (MarketWatch) — [Apple Inc.](#) lifted the wraps on two new iPhones on Tuesday, adding the iPhone 5S to its high-end lineup and introducing a new, less-expensive design called the iPhone 5C.

Apple (NASDAQ:AAPL) made the announcements at an event at its headquarters in Cupertino, Calif. The company is hosting other events in Europe and China to tout the expansion of the iPhone — the lineup of which now includes the company's first attempt to design a device specifically for lower-cost segments. [Read here for recap of MarketWatch's live blog of Apple's event.](#)

But the company's stock slid following the event, as the price of the iPhone 5C came in higher than many analysts had projected —causing some to wonder if the device will actually help Apple expand its share in these new markets.

Apple's China site currently has the iPhone 5C starting at the equivalent of \$733, though additional details on pricing in that country may emerge during an event in Beijing that Apple is hosting, beginning at 10 a.m. local time.

"Makes no sense. They are doubling down on the high end when they should be attacking lower," Peter Misek of Jefferies & Co. told MarketWatch.

Apple iPhones aim high and low

MarketWatch's Dan Gallagher reports from Apple headquarters in Cupertino, Calif., where Apple announced two new iPhones today. He breaks down the details.

In another unusual move, Apple essentially killed the iPhone 5 that was introduced last year. To replace the device, it is targeting the iPhone 5C for lower-end customers and the iPhone 5S — which comes with fingerprint scanning technology and a 64-bit processors — for the higher end.

"In the past, when we've announced a new iPhone, we've lowered the price of older iPhones. We're not going to do that. This year, we are going to replace the iPhone 5," Apple Chief Executive Tim Cook told the crowd at the Apple event.

Following the event, Apple's stock fell 2.3%, to close at \$494.64. The company's shares had jumped nearly 20% in the last two months, but is down 7% for the year-to-date.

• [Apple news stream: Track all the latest on iPhone and iOS launches](#) »

Gene Munster of Piper Jaffray wrote to clients that — based on its price — the iPhone 5C "is only a replacement for the 5 instead of downgrading the old device, and still plays in the higher end of the market."

Brian Marshall of ISI Group says the iPhone 5C "has the potential" to return the company to earnings growth. "Apple needs to attack the mass-market segment of the industry where the majority of the unit opportunities now exist, in our view," he wrote in a brief note.

The iPhone 5C is aimed primarily at emerging countries and markets like China, where Apple has lacked an entry-level smartphone that can compete

with similar offerings from rivals like Samsung. Apple had less than 7% share of smartphone sales in China during the first half of 2013, according to data from IDC.

The iPhones will go on sale on Sept. 20, and preorders for the iPhone 5C will be taken starting on Sept. 13. The 5C will cost \$99 for a 16-gigabyte model, and a 32GB device will cost \$199. Taking a cue from the iMac of more than a decade ago, the 5C will come in multiple color options: blue, white, pink, yellow, and green.

AAPL 464.90, -7.79, -1.65%



Apple shares before and after the iPhone event.

Apple marketing chief Phil Schiller called the iPhone 5S “the gold standard” for smartphones, noting that in addition to coming in gold color, it will also be available in silver and black.

“[It’s] The most forward thinking phone we’ve ever created,” Schiller said.

The 5S will come in three models, a 16GB version for \$199, a 32GB model for \$299 and a 64GB device that will cost \$399. All the prices for both the 5C and 5S include a two-year wireless carrier contract.

One of the features that stood out for the iPhone 5S is Touch ID, a fingerprint-reading sensor embedded into the device’s home button. The technology will let the phone’s user unlock the phone and make purchases in the iTunes store.

The company also said it would launch its new iOS 7 operating system on Sept. 18. The update will be available for the iPhone 4, 4S, and iPhone 5, and the iPad 2, iPad with retina display and the iPad Mini. IOS 7 will also work with the 5th generation iPod Touch.

Francisco Jeronimo, a mobile-device analyst with IDC, said in a research note that in addition to retaining its current base of customers, Apple needs the new products to succeed in order to “attract the second wave of smartphone adopters in developed markets, who are reluctant to adopt a smartphone,” as well as address the opportunity that emerging markets represent.

“They will become the biggest smartphone markets in the world, but [are markets] where price is a major barrier to smartphone adoption,” Jeronimo said.

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