

iPhone sales dropped 10%, Apple relied on the service industry

Apple's revenue for the first 3 months of the year shows an ineffective business quarter, in contrast to the achievements of other large technology companies such as Amazon, Microsoft...



Apple just announced its first quarter 2024 business results on the morning of May 3, right before the new iPad launch event. These numbers paint a rather gloomy picture of Apple, according to *The Verge*.

iPhone, iPad, and Apple Watch revenue all decreased

Specifically, the first quarter 2024 earnings report showed that the company's sales decreased by 4%, to 90.8 billion USD in the first 3 months of 2024. Revenue from iPhone, iPad and wearable devices like Apple Watch decreased year over year, while software and services sales increased. Profits fell 2% to \$23.64 billion, marking Apple's first quarterly decline in a year.

In particular, iPad revenue has decreased significantly (17% compared to the same period last year). At the same time, iPhone sales also declined (down 10%), while the company's services business remained a prominent name with a 14% increase compared to the previous quarter.

Apple released the Vision Pro glasses this quarter, but CEO Tim Cook did not give any specific information about the product line during the earnings call. 'During the quarter, we were excited to launch Vision Pro and show the world the potential spatial computing can unlock,' he said in the press release.

This is also the last business report before Apple's WWDC conference takes place in June. At the event, Apple is expected to announce synthetic AI software features integrated into iOS, macOS, iPadOS and other platforms.

'We believe in the transformative and promising power of AI. At the same time, we also believe we have enough advantages to differentiate ourselves in this new era,' Cook said in the earnings call.

According to *the New York Times*, Apple's most worrying challenge lies in China, the world's second largest smartphone market. This is where the company's sales recorded an 8% decline.

The popularity of the iPhone in the country of billions of people has waned since Huawei - a company restricted by the Trump administration from cooperating with US technology companies - launched a new 5G smartphone last year. According to analyst firm Counterpoint, last quarter, Apple's market share of smartphones sold in China decreased by 4%.

Apple's revenue showed a quarter of performance that contrasted with the strong performance of other major technology companies, *the New York Times* said. Recently, Amazon reported a tripling of quarterly profits, while Microsoft also increased its quarterly revenue from the cloud computing segment by 1/3 and Alphabet, Google's parent company, announced it would pay dividends to shareholders for the first time in history.

Sales of these corporations are growing rapidly thanks in part to investments in artificial intelligence - a technology Apple has yet to integrate into its products. Investors expect this to change in June when Apple hosts WWDC and announces its latest software.

What makes Apple remain confident?

'The technology industry's leading stocks are going through a volatile period. Apple needs a victory to turn the situation around, by integrating AI on devices. So the question is: What's their plan going forward?', said Scott Aceychek, managing director at REX Shares.

But the good news for Apple was that the stock rose 3.5% as results beat Wall Street's forecasts for quarterly revenue and profit. During the earnings report, Apple also said it would buy back \$110 billion in shares, and confirmed that sales are on the rise in the current quarter.

Apple's business continues to grow by selling apps and services to customers. With 2.2 billion devices in use worldwide, the giant has sold more than 1 billion subscriptions to everything from dating apps like Tinder to its own services like Apple Music. Software and services sales rose 14% to \$23.9 billion last quarter.

Thomas Husson, Vice President of analyst firm Forrester, said: 'In the long run, Apple's move to a service business model is an effective way to compensate for its dependence on iPhone sales.'

Previously, Apple defeated Samsung late last year to become the world's largest smartphone supplier, accounting for about 20% of the global market share. However, sales of Apple phones fell in the first quarter of the year as Chinese competitors such as Huawei gained ground. Samsung also regained the lead in the first months of 2024.

During the Q&A portion of the meeting, Cook and Chief Financial Officer Luca Maestri received many questions about the company's performance in China. Buying demand is down, but earnings reports suggest the situation is less dire than many investors feared.

Cook also said Apple will 'invest significantly' in AI in the coming quarter, echoing similar announcements from Amazon, Alphabet, Microsoft and Meta in recent weeks. He repeatedly mentioned artificial intelligence, claiming that the MacBook Air is 'the best consumer laptop for AI'.

'We still feel very optimistic about our opportunities in the field of generative AI. We are investing heavily and look forward to sharing very interesting things with customers soon," the CEO affirmed.

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