Samsung Passes Apple In Phone Sales

Barbara Ortutay, AP Technology Writer

NEW YORK (AP) — For the first time, Samsung Electronics Co. shipped more smartphones in the latest quarter than tech industry darling Apple Inc. On the surface, this may look like a big upset in a world that gives the iPhone maker adulation and outsized expectations. The real reason, however, has more to do with timing and Samsung's variety of offerings and prices.

Apple sold 17.1 million iPhones in the third quarter, 3 million fewer than expected. The South Korea-based Samsung, meanwhile, shipped more than 27 million, according to analyst estimates.

So what happened? For one, Apple's latest iPhone, the 4S, didn't come out until the quarter ended, so its sales are not included in the figure. People held back on buying older models in anticipation of the new iPhone, which came out Oct. 14. Apple said it sold more than 4 million units in its first weekend on sale, and that should be reflected in the count for the current, holiday quarter.

"People were waiting," said Francis Sideco, analyst with the research firm IHS. "We don't see this as a signal that Apple is all of a sudden losing its edge. It's their normal thing. But while they are doing this normal thing, Samsung is (going strong) and they happen to have a really good quarter."

Samsung's quarter was helped by strong sales of its Galaxy phones, though Sideco said the numbers shouldn't lead to the conclusion that the Samsung Galaxy beat the Apple iPhone.

"What beat it is Samsung's lines," Sideco said.

Besides the Galaxy line, Samsung's phones include Conquer, Replenish, Focus and Indulge. IHS estimates that Samsung sold about 40 different models during the third quarter. By comparison, Apple had just two — the 4 and the 3GS.

Samsung does not disclose the number of phones it ships. IHS, formerly known as iSuppli, estimates that Samsung shipped 27.3 million smartphones in the latest quarter. Jae Lee from Daiwa Securities puts the figure at about 28 million.

Analysts cautioned against reading too much into the numbers, but such comparisons are tempting given that the rivalry between the two companies has heated up and extended into the courtroom. Apple says the product design, user interface and packaging of Samsung's Galaxy devices "slavishly copy" the iPhone and Apple's iPad tablet computer. Samsung fought back with lawsuits of its own, accusing Apple of patent infringement of its wireless telecommunications technology.

Even as Samsung sold more phones, Apple seems to be making more money on each. That's one of the reasons Apple is now the most valuable tech company in the world, with a market value about three times that of Samsung.

Apple competes on — and dominates — the high-end smartphone market. By contrast, Samsung has both cheap and expensive phones available. That means Samsung can appeal to a broader range of customers, but the company has to settle for a lower profit margin on lower-end smartphones.

Sideco called both strategies good. Good, but different.

Apple, which is based in California, limits the market it addresses because it is safeguarding its profit margin on the iPhone, said Gartner analyst Carolina Milanesi. More expensive phones mean higher margins for the company, which so far hasn't focused on the market for lower-end phones.

"It's part of their plan," Milanesi said. "If they wanted to capture a wider segment of the market, they would go with a lower-end device."

That could come soon. The price cut earlier this month for the iPhone 4 to $99 (down from $199) and the decision to offer now-ancient 3GS for free — with a two-year service contract — could mean that Apple is testing the waters in the cheaper market.

"The sales of the $99 iPhone 4 will definitely help widen the addressable market," Milanesi said.

When it comes to the overall mobile phone market, though neither Apple nor Samsung are on top. That honor goes to Nokia Corp. The Finnish company is still the world's No. 1 cellphone maker even though it has fallen behind rivals in the smartphone market. Nokia shipped 16.8 million smartphones during the third quarter, a close third to Apple, according to IHS.

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