

Lines Outside Apple Store Worth \$700 Million

The gadget-hungry masses lining up to buy the new iPad today pay Apple twice, experts say: First \$499 and up for the new tablet, and then by forking over hundreds of millions of dollars in free publicity.

Apple began selling its third iPad Friday as lines snaked their way around Apple stores from New York to Hong Kong. The lines for the "new iPad" were longer than expected, Piper Jaffray analyst Gene Munster said in a [research note Friday](#). He personally counted 750 people standing outside Apple's Fifth Avenue Store, which he says will help Apple sell 60 million iPads this year.



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The hooplah and media coverage surrounding the endless queues for each of Apple's newest offerings does quite a bit of extra marketing for the brand. In fact, analysts estimate it to be worth more than the company's worldwide marketing budget – nearly \$700 million in 2010. And it creates a level of commercial desire once reserved for pop stars. "The Apple lines have become a cultural phenomenon," says social psychologist Matt Wallaert. "You couldn't advertize your way into the images of adoring fans that led to Beatlemania. Apple has achieved exactly that."

Those who buy the iPad online will have to wait two to three weeks for their gadget, according to Apple's website. The company did not respond to requests for comment.

Experts say all the smiling consumers are the best advertisers — a phenomenon not unnoticed by competitors. A case in point: [Samsung poked fun at Apple lines](#) in a recent video. Peter Wahlstrom, senior analyst at Morningstar, says retailers like Ralph Lauren or J.C. Penney could only dream of that kind of free publicity. VF Corp pays [real-life climbers](#) to advertize their North Face jackets, he says. Not so Apple. "It doesn't have to tell these stories," Wahlstrom says. "In terms of advertising dollars, they're getting a lot more than they're putting in."

Customers who stand in line for products are also more likely to pay more for a product, studies show. In 2010, "[A Silver Lining of Standing in Line: Queuing Increases Value of Products](#)," an academic study published in the Journal of Marketing Research, said consumers believe products are more valuable when there are people behind them and, as a result, contributes to "increased expenditures by queuing consumers." After all the hype, Wallaert says some people may be left wondering why they stood for hours in line. "It's called cognitive dissonance," he says. "When we do something extreme to buy something, our brain tricks us into feeling more valuable."

Others wonder how long the lines can last. Anthony Scarsella, chief gadget officer of resale site Gazelle.com, says they are getting [smaller with each new product](#). This is mostly due to more network carriers and retail outlets carrying the tablet, plus increased online ordering, he says. For instance, [Wal-Mart opened its doors for iPad customers](#) at 12:01 a.m. Friday, hours before the Apple stores opens at 8 a.m.

Apple increased its marketing budget by \$190 million to \$691 million in 2010, but Rick Singer, CEO of [GreatApps.com](#), says this pales in comparison to Apple's earnings. The company expects revenue of about [\\$32.5 billion in the second quarter](#) alone. "I checked out the lines in New York today," says Scott Sutherland, senior analyst at Wedbush Securities, "and while they are hard to quantify it seems like the magic is still there."