Many people stood in long lines to get Apple Inc.'s iPhone -- and paid a lot for it. In the end, Steve Jobs concluded that such loyalty counted for something.

Responding to a flood of emails complaining about a surprise iPhone price cut, Mr. Jobs apologized publicly and said Apple will offer a $100 credit at Apple stores to all iPhone users who paid the original price. "Our early customers trusted us, and we must live up to that trust with our actions in moments like these," Mr. Jobs wrote in a letter posted yesterday on Apple's Web site.

The unusual move followed Apple's announcement Wednesday that it was cutting $200 off the price of its $599 iPhone. In online discussion forums throughout Wednesday and yesterday morning, early buyers had vented their frustration with how quickly Apple had cut the price of the iPhone, which went on sale June 29. Mr. Jobs said in the letter that he had received hundreds of emails from iPhone customers who were upset.

Apple and AT&T also said yesterday that customers who had purchased the $599 iPhone, with eight gigabytes of storage capacity, at one of their stores within 14 days of Wednesday's price cut can choose a $200 cash refund instead of the $100 store credit. People who bought a low-end $499 iPhone model within the 14 days can return it for a full refund instead of taking the credit. Apple on Wednesday said it was discontinuing the low-end iPhone, with four gigabytes of storage, as most of its customers preferred the eight-gigabyte model.

"I think this is absolutely the right move," said Christopher Kercher, an attorney in New York who paid full price for an iPhone shortly after it went on sale and was among those who were upset by the timing of the price cut. "They needed to reach out and make a peace offering."

In the letter, Mr. Jobs insisted the price cut was necessary to broaden the market for the product, but he acknowledged that Apple needed to assuage disappointed early purchasers. Mr. Jobs said further details will be posted on Apple's Web site next week.
The controversy over the iPhone price cut threatened to overshadow Apple's efforts to boost sales of the product during the holidays through a lower price. While technology companies often drop prices on their gadgets over time, Apple has historically introduced replacement models with different industrial designs and improved features rather than discounting existing models. Apple usually makes such changes about a year after a product's introduction, not two months later.

Before the announcement of the $100 store-credit offer, some iPhone shoppers said the timing of the price cut would discourage them from buying Apple products early in the future. "This is like a slap in the face to early adopters," said John Keck, an executive at an advertising agency in Detroit.

Few companies rely on early adopters quite as much as Apple, which has a built a loyal customer base with such ground-breaking products as the Macintosh computer and the iPod music player.

In his letter, Mr. Jobs said that from his 30-plus years in technology he knew that the "technology road is bumpy," and there is "always someone who bought a product before a particular cutoff date and misses the new price or the new operating system or the new whatever." Still, Mr. Jobs wrote, Apple needs to "do a better job of taking care of our early iPhone customers as we aggressively go after new ones with a lower price."

Some Apple customers said Apple's offer, in addition to being good public relations, was a shrewd effort to encourage more business at Apple's online and physical stores because consumers must go there to redeem their $100 store credits. Sanford Bernstein analyst Toni Sacconaghi predicted the financial impact of the credits on Apple would be "very modest" given Apple's overall revenue and the number of iPhone users, currently less than a million. Apple shares fell $1.75 to $135.01 in Nasdaq trading yesterday.

Paul Brennan, an institutional investor in Pasadena, Calif., who bought an iPhone when it first went on sale, said he would have preferred "cold hard cash" from Apple, but he added that he felt less angry after Apple's decision to grant a credit. "Something is better than nothing," Mr. Brennan said.

-- Amol Sharma contributed to this article.

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