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Verizon iPhone Sales: The Untold Story



By Erika Morphy
MacNewsWorld
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Much has been made of figures -- supposedly leaked from Apple -- indicating weak sales for the Verizon iPhone, but there are plenty of reasons to resist drawing conclusions, even if the numbers are accurate. The true story of its success won't be told until the iPhone 5 comes out and the iPhone 3

contracts start expiring, suggests tech analyst Rob Enderle. "Then we'll see which carrier can get the most customers on the annual iPhone refresh bounce."

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Verizon iPhone sales [are](#) slightly underperforming expectations, based on figures tech site BGR claimed were leaked to it by an [Apple](#) (Nasdaq: AAPL) source. Only 14 percent of people buying the Verizon iPhone were [AT&T](#) (NYSE: T) iPhone owners, the site also reported, in contrast to earlier expectations that legions of disgruntled AT&T customers would defect to Verizon once it had the iPhone.

These numbers are supported anecdotally by reports of small lines for the iPhone the first day Verizon began marketing it.

Are the Figures Accurate?

Still, it is fair to wonder if the figures are accurate. Verizon did not respond to MacNewsWorld's request for comment on the question, but observers have their doubts.

"I don't think we should put too much emphasis on these rumored numbers, Azita Arvani of the [Arvani Group](#) told MacNewsWorld. "Verizon had stated they had a great pre-order sales.

In just the first two hours, Verizon had reportedly already sold more iPhones than any first day launch in its history."

Others also believe the numbers are suspect. "Boy Genius gets its wrong a lot," Rob Walch, host of [Today in iOS](#), told MacNewsWorld.

Even assuming they are correct, he continued, light sales would be understandable. The iPhone 4.0 has been out for nine months, which can be an eon from the peak marketing and demand creation for the device.

A bigger problem is the impending launch of the iPhone 5, said Rob Enderle of the [Enderle Group](#). People do not want to get a new iPhone 4 only to have it become obsolete with nearly two years left on their contracts.

"This limits the market near term for Verizon to folks who can't take AT&T a moment more or who haven't figured out that the iPhone 5 is coming shortly," he said.

AT&T Steps Up

At the same time, AT&T has done its best to keep customers from defecting with some very compelling offers, Walch added.

Indeed, it may be this latter point that is most telling of all about consumers and their smartphone buying patterns, said Gerry Patnode, assistant professor of management and marketing at [York College of Pennsylvania](#).

After all the griping about AT&T's service, it appears that money can talk louder. There was speculation that the service problems of AT&T tarnished the brand to the point that brand loyalty was in jeopardy, Patnode told MacNewsWorld. "The simple answer is that there is no longer a such thing as never ending brand loyalty. Consumers will drop many, if not most, of their brand preferences for a perceived better deal."

If AT&T wants to maintain its iPhone customer base it needs to continue to offer incentives to stay, so that parting is perceived to be too painful, he said.

In fact, it is debatable whether AT&T really has much to worry about at all from Verizon's iPhone, Charles Lindsey, assistant professor of marketing at the [University at Buffalo School of Management](#) told MacNewsWorld.

"Both AT&T and Verizon excel in different areas and attract different types of users, depending on the focus," he explained. "This is corroborated by early Verizon iPhone sales data that shows that the cannibalization rate or switching rate across networks -- subscribers going from AT&T to Verizon for the iPhone -- is relatively low and much less than the cannibalization rate or switching rate of subscribers going from the Droid to the iPhone."

The Hype Game

The bottom line for Verizon, Arvani concluded, is that more than likely its iPhone sales are doing quite well, and the current talk of underperformance has much to do with the extended hype that surrounds anything Apple.

"People expected a bit more of iPhone on Verizon in terms of functions and features, including possible support for LTE," she said. "But again, I am confident that the numbers are still enviable by other phone vendors and mobile operators. Verizon currently is firing on all cylinders. They have the iconic iPhone, they have a good collection of [Android](#) devices, they have started their 4G [LTE](#) network."

Verizon may well start to make significant progress when the iPhone 5 comes out and the iPhone 3 contracts start expiring, Enderle said. "Then we'll see which carrier can get the most customers on the annual iPhone refresh bounce. I doubt AT&T can relax, because once the LTE version of the iPhone ships, it should be faster than the HSPA+ version, and Verizon does have better coverage." **ECT**

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February 12, 2011



AT&T haters have been waiting years for a Verizon iPhone, so where were the 'round-the-block lines on Thursday? Chalk up the relatively muted atmosphere to strong direct-ship preorders, the lack of a truly new version, and the fact that waiting in line outside in February is much different from doing so in June. Meanwhile, HP pushed webOS, Obama backed broadband and Anonymous roughed up a security firm.

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