

iPhone hype, sales figures apparently not in sync

by Jonathan Siderer

Like many people who follow technology, I waited for Apple's recent earnings report for the first glimpse of how the shiny new iPhone has been selling.

The hype and long lines outside stores led to a cash-register frenzy, but neither Apple nor AT&T, the iPhone's exclusive carrier, would say how big of a frenzy.

There were, of course, educated guesstimates from analysts who sometimes have the inside track and who generally have a vested interest.

Piper Jaffray analyst Gene Munster - the most widely quoted iPhone expert - said in the days after the June 29 launch that Apple may have sold as many as 500,000 of the nearly buttonless multipurpose gadgets in the first weekend.

Goldman Sachs said consumers snatched up as many as 700,000 that weekend, double the brokerage's earlier projections.

I'm not sure what these guys were smoking, but there were indications that demand was nowhere near that high.

All you had to do was look at the prices on eBay. The iPhones were selling for about \$700 throughout the first weekend and over the following weeks. Take a \$600 phone, add tax and eBay fees, and that's pretty much face value.

The analysts probably have MBAs and accounting degrees and custom computer models, but I had eBay and Alan Dominguez, a 19-year-old semiprofessional "line waiter." When a hot product goes on sale, Dominguez camps out, buys one and sells it on eBay.

While waiting to buy an iPhone, Dominguez told me he sold his \$600 PlayStation 3 for \$2,000. Dominguez said he didn't sense as much buzz for the iPhone, so he planned to sell his place at the front of the line and make a quick, small profit.

Normally, quarterly SEC filings have about as much appeal as day-old coffee. But these reports from AT&T and Apple would give a hint whether eBay numbers - backed by Dominguez's gut feeling - could beat Wall Street numbers.

Unlike analysts, eBay has no obvious interest in Apple or AT&T stock. The company tracks its auctions and provides the information to the media because it's free publicity.

The PlayStation 3 and iPhone both come in \$500 and \$600 models, with the more expensive versions more popular, so they make a tidy comparison. According to eBay, my unscientific numbers were pretty much on target.

In the first three days of sales, 8,771 PlayStation 3 consoles moved on eBay for an average price of \$1,550.42.

In the first weekend of iPhone sales, 3,773 Apple iPhones sold for an average price of \$701.98.

The eBay numbers suggest that despite all the hoopla, the iPhone frenzy lacked luster.

The first word in the eBay-Wall Street smack down came from AT&T, which said it had activated just 146,000 iPhones in the two days between the gadget's release and the quarter's end.

That's a far cry from the analyst estimates. Nervous shareholders sent Apple's stock down 6 percent.

I felt pretty good about my eBay theory - for about 24 hours. The next day, Apple said it actually had sold 270,000 iPhones in that period. The higher number apparently reassured investors, who more than erased the 6 percent drop.

Munster was quoted saying the iPhone sales met his expectations. The guy was only off by 230,000 if you use Apple's numbers and 354,000 if you use those from AT&T.

It still wasn't clear whether eBay or Wall Street had prevailed.

As a journalist, any math makes my head hurt, but fuzzy math is worse. Neither Apple nor AT&T made any effort to reconcile the discrepancy. In a recent phone call, an Apple spokeswoman declined to elaborate on the company's earlier statements.

Apple sold 270,000 iPhones in the last two days of June, but AT&T only activated 146,000, so we're missing 124,000 phones. How do you lose track of 124,000 iPhones?

One explanation that's floating around is that many iPhone buyers met with delays when they tried to activate the phone. That might explain the phones that were sold but not activated.

AT&T says that no more than 10,000 people experienced delays and that the problems were quickly resolved. So at best, that could account for 10,000 of the mystery phones.

That means we still have 114,000 phones that Apple says it sold but AT&T says it didn't activate.

Another explanation for the seemingly contradictory numbers is eBay. Some people bought phones to resell on eBay. Those phones wouldn't get activated until they arrived at their new homes days later. Maybe all those phones ended up on eBay.

eBay willingly pulled those numbers, too. Through July 30, 9,537 iPhones had sold at the online auction site. An additional 528 were up for auction at the time, eBay said.

So there's roughly an additional 10,000 accounted for. eBay isn't the only place to resell something like an iPhone, but it's the biggest. To make the numbers nice and even, let's estimate that 4,000 of the gadgets sold in places such as newspaper ads and other online sites.

We still have 100,000 phones that Apple sold but AT&T didn't activate.

Going back and listening to Apple's conference call with analysts, Apple said the 270,000 sales included retail sales through its stores and online site, and wholesale sales to AT&T.

If my fuzzy math has correctly accounted for all the iPhone retail sales - from Apple and AT&T stores -

we're left with 100,000 iPhones sitting on AT&T shelves two days after the phone's launch.

An iPhone apologist might point out that we only have two days' worth of data. The unactivated phones probably ended up in consumers' hands within the next few days. Apple plans to be in the phone business for the long haul, the defender might say. The company says it's on track to sell 1 million iPhones by the end of September.

The devil's advocate might respond that if the launch was softer than expected, that doesn't bode well for the iPhone's long-term potential. Based on eBay numbers, the iPhone doesn't fare well in comparison to the PlayStation 3 - and the PlayStation 3 has been something of a retail flop so far.

The iPhone has the same kind of techno-wow as the Nintendo Wii, the devil's advocate might point out. But it can't match the Wii's frenzy. Eight months after the launch of the gaming system, Nintendo doesn't need to count how much product is still sitting on store shelves - there isn't any.

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