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Smartphone Data Makes Verizon Look Smart

APRIL 22, 2010 | Sarah Reedy | [Post a comment](#)

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An underlying theme in everything [Verizon Wireless](#) does today is [Long Term Evolution \(LTE\)](#). Even as its first-quarter earnings show a marked slowdown in subscriber growth, the wireless operator is confident smartphones with data plans will drive continued revenue growth, and LTE will ensure this data influx isn't a problem.

"This is really a foundation as we look at it for our LTE launch later this year," said Verizon CFO John Killian on today's call with analysts, referring to the quarter's growth in smartphones and data use. "We are more excited than ever about the prospects and the capability of LTE. As we get more customers with smartphone-based devices, it will be a nice transition to the LTE launch."

Verizon's LTE launch is planned for the fourth quarter of this year and, in the meantime, Whitey Bluestein, president of strategic consultancy [Bluestein & Associates](#), says the carrier has been busy "loading up its network as much as it can and going for the data revenues." (See [LTE Watch: Verizon Goes Live in Q4.](#))

It's a strategy that's clearly paid off, Bluestein added. Smartphones made up 36 percent of Verizon's direct device sales in the fourth quarter. As a result, the carrier's retail service ARPU [average revenue per user] was flat at \$50.95 and its retail data ARPU increased 19.6 percent year-over-year to \$17.06.

That is an astounding number, but not a surprising one, Bluestein says. Verizon has hit the promotions trail hard, offering buy-one-get-one-free BlackBerrys and upgrade promos for consumers switching from feature to smartphones.

Verizon carries a diverse line of smartphones from [Microsoft Corp.](#) (Nasdaq: [MSFT](#)), [Research In Motion Ltd. \(RIM\)](#) (Nasdaq: [RIMM](#); Toronto: [RIM](#)), and others, but Killian made it clear that Android is the name of the game. The first quarter didn't see a follow-up to the popular [Motorola Inc. \(NYSE: MOT\)](#) Droid, which Killian said attributed to the decline in contract customers, but it plans to make up for it with the launch of the [High Tech Computer Corp. \(HTC\)](#) (Taiwan: [2498](#)) Incredible at the end of the month. (See [Verizon Confirms HTC Incredible.](#))

M2M Makes A Dent

A new class of machine-to-machine devices also influenced Verizon's data growth rates in the first

quarter. For the first time, it reported numbers for this category of connected devices, noting that 7.3 million, or 7.3 percent, of its total of 101.1 million wireless connections are now M2M. This is one metric where it beat out [AT&T Inc.](#) (NYSE: T), which reported approximately 5.8 million M2M devices, or 6.7 percent of its total. (See [AT&T Stays Mum on Tiered Mobile Data Pricing.](#)) Verizon expects its LTE network launch to cause this number to grow even quicker too.

The iPhone Question Mark

All of these data drivers are nice, Bluestein says, but one huge question mark remains: Will Verizon will get the iPhone? Android and other smartphones on Verizon don't get the same usage as the iPhone on AT&T, he says. Android Marketplace lacks the ease of use and structure that iTunes offers, and until it improves, consumers won't dedicate the time to app using, mobile TV watching and other data-intensive activities as they do on the iPhone.

"I think the common assumption is that when Verizon offers the iPhone, the four million people who left Verizon to buy an iPhone on AT&T will all come back," says Bluestein. "Were that to happen, they would have a similar experience to what AT&T had early on."

Overall, Verizon's retail postpaid subscriber base slowed to 4.7 percent in the first quarter as the operator added only 429,000 new post-paid subscribers. Verizon's Killian said the carrier has seen its subscriber base move to unlimited plans and its reseller prepaid options as the economy influenced decision making. On the prepaid side, Verizon lost 141,000 subscribers from its own brand, but gained 1.3 million through resellers.

— Sarah Reedy, Senior Reporter, *Light Reading Mobile*

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