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Could the Droid Be the Device That Finally Dethrones the iPhone?

Experts: Verizon Won't Take Bite Out of Apple, Despite Glowing Reviews

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Published: October 26, 2009

SAN FRANCISCO (AdAge.com) -- With Apple posting record profits last week, thanks in large part to brisk sales of its iPhone, it may seem downright crazy to mount a smartphone challenge at all, let alone one that takes direct aim at the iPhone. But that's just what Verizon, Google and Motorola are doing.



AP

Lowell McAdam, president-CEO of Verizon Wireless, holds up the Droid at a joint announcement with Google earlier this month.

With a teaser ad from Verizon zeroing in on the device's perceived shortcomings, such as its lack of a physical keyboard, the triumvirate is beginning a big push for Droid, the flagship device of the Google-backed Android operating system. So far, industry observers are unmoved by the buzz and give the Droid long odds in its bid to become the next ubiquitous handset.

So far, Verizon and its partners have kept a tight lid on Droid, but the few early reviews have been effusive, with the influential gadget blog Boy Genius Report calling Droid "the most impressive phone we've used since the iPhone. It's positively amazing." TechCrunch's Michael Arrington, who famously chucked the iPhone because of AT&T's spotty network service, also gushed: "According to people who've handled the device, the Droid is the most sophisticated mobile device to hit the market to date from a hardware standpoint."

The praise notwithstanding, analysts say it's doubtful that Droid can dethrone the iPhone -- even if the handset will live on what is widely perceived as the best wireless network in the country. The Blackberry Storm, and most recently the Palm Pre, both of which have been held up as credible iPhone challengers, came and went without incident to Apple, which just reported its most profitable quarter after selling the most iPhones in that time.

"There is a graveyard littered with iPhone wannabees, so the bar is pretty high for any new phone, no matter how good it might be," said wireless analyst Chetan Sharma.

Beating the network

For Verizon, a lot is at stake. The No. 1 U.S. wireless carrier needs something of a super-marquee phone to counter Apple's iPhone, which has put millions of consumers on the network of its exclusive carrier, AT&T, many of whom are left to regularly carp about dropped calls. Thanks largely to the iPhone, AT&T last quarter added more contract customers than Verizon for the first time in recent history.

Others say Droid will post solid sales, but don't expect a blockbuster.

"It's going to be successful within the Verizon network, but it's not going to come at the expense of the iPhone," said Matt Thornton, an analyst at Avian Securities. "This device will slow subscriber attrition, but it's difficult to woo subscribers to another network just for the phone. The iPhone has been the only one that's able to do that."

And once those customers settle on the Apple handset, it'll be tough to tempt them to switch: The iPhone was the top-ranked brand on measures of user loyalty, according to a survey by Brand Keys that looked at 63 product categories. Moreover, for the first time in 12 years since the survey's inception, three cellphone brands made the top 10 list of brands garnering the most loyalty -- Samsung came in after the iPhone, and BlackBerry was ranked fourth.

"This says that cellphone brands are able to meet consumer expectations more than ever before," said Brand Keys President Robert Passikoff, who also noted that consumer expectations towards smartphones are also higher than ever. This means it's all the more critical for Droid to live up to the hype, which is partly being manufactured by Verizon. The carrier recently launched a teaser ad attacking the iPhone for all the things it can't do, but Droid can, leading some to call the strategy risky.

Not about features

"If Droid is anything less than stellar, then it looks like you'll have failed at what you've set out to do," said Michael Gartenberg, VP-strategy and analysis at tech research firm Interpret. "It's not a great idea to take a strong competitor head on."

As the Droid teaser ad ticks off a list of features that the phone supports, it may also be missing what consumers are really after, which is the overall user experience, and Apple has cornered the market on that. "You are not going to beat Apple on features, because iPhone buyers aren't sitting there with a features checklist," said Avi Greengart, analyst at Current Analysis. "It's not what features the iPhone has, but how they are implemented."

What Droid could do, with Verizon's backing, however, is be an incremental force to stem the iPhone tide by accelerating Android's momentum. So far, Android phones have only been available at T-Mobile, the smallest of the top four U.S. carriers, though about half a dozen Android devices are expected to be unveiled stateside by year-end. By 2012, Android is expected to have a 15% worldwide share, just eclipsing the iPhone's 14%, putting it behind top smartphone operating system Symbian, according to Gartner. With a slew of phone makers hanging their smartphone offerings on Android, analysts also expect more developers to write for the operating system, whose paltry 10,000 apps today are dwarfed by the iPhone's more than 85,000.

"Verizon's backing ... will bring Android to the forefront and give it more attention," said Tim Bajarin, principal analyst with Creative Strategies. However, don't expect Apple to take the heated competition lying down. "I fully expect Apple to raise the bar with a new iPhone and new features," Mr. Bajarin said.