

## Too Much Demand for iPhone 4®

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On Wednesday, June 16, 2010, AT&T® (<http://www.att.com>), the only current distributor and service provider in the U.S. for the recently introduced iPhone 4® by Apple® (<http://www.apple.com>), suspended all sales due to an excessively high demand level. The product is also sold by Apple in the U.S. On June 16, 2010, the demand level reached more than 600,000 units for the day, the highest level ever and more than predicted by the producer. Even though the product comes in multiple colours, Apple was only accepting online orders for the black model and only for delivery into the next month. Apple indicated that it wanted to satisfy the level of demand as soon as possible. The official launch date for the new product is June 24, 2010, at which time the product is also expected to be available at places, like Best Buy and Radio Shack in the U.S. The iPhone 4 is an upgrade to the iPhone 3GS, providing additional and better features than the previous version. Apple and AT&T are not alone in the 4G phone market; Sprint® (<http://www.sprint.com>), a competitor of AT&T is selling a competing 4G phone, the EVO, developed by Google® (<http://www.google.com>).

**Focus:** New product development, generic demand, selective demand, degrees of innovation (continuous, dynamically continuous, discontinuous), demand states (no, negative, faltering, full, overfull, unwholesome, latent, irregular), demarketing (general, selective), product life cycle, dual distribution, economic environments (oligopoly, duopoly, monopoly, monopolistic, pure competition), sales forecasting, intensity of distribution (exclusive, selective, intensive), inter-type and intra-type competition (conflict), vertical conflict.

### Questions:

1. What are the different stages of the new product development process? Based on the time frame identified in the problem situation, at what stage is iPhone 4? Explain.
2. What is the difference between generic and selective demand? Explain how these concepts apply to iPhone 4.
3. Define each of the degrees of innovation. Which level applies to iPhone 4? Explain.
4. Define each of the eight demand states. Which one applies to the identified situation? Explain.

5. Define demarketing, general demarketing, and selective demarketing. Which type of demarketing applies to the identified marketing situation? Explain. Are AT&T and Apple using the better approach? Explain.
6. What are the different stages of the product life cycle? What is the nature of sales in each stage? What stage would best fit iPhone 4 at the time of the described situation? Explain.
7. What is meant by dual distribution? Explain how the concept applies to the current situation.
8. What is meant by the intensity of distribution? Identify and explain the three levels of intensity of distribution? Which level(s) apply to the current and future distribution of iPhone 4? Which level of intensity of distribution is best for the iPhone? Explain.
9. Define each of the identified economic environments? Which one(s) applies (apply) to this situation.
10. Why does Apple have a difficult time forecasting sales for a number of new products it brings to the market; or does it? Do you think the company intentionally limits the number of available units when a product is first introduced to the market? Explain. From the perspective of the company, is it a good or bad thing to always underestimate the expected demand for a new product? Explain. From the point-of-view of the consumer, do you think it is a good or bad thing to face purchase situations for which it is difficult to acquire a desired product at the time desired? Explain.
11. What are the different ways to forecast sales of a new product? Which approach do you think is the best approach to use for products that are new in a generic and in a selective sense? Explain. Which approach is best for iPhone 4? Explain.
12. Define inter-type and intra-type competition (conflict). How do these concepts apply to this case.
13. Define vertical conflict. Explain how vertical conflict applies to this case.
14. What is the marketing problem facing Apple and ATT&T? Explain. What are the symptoms of this problem? Explain.

**Note.** The facts presented in this case are primarily drawn from [1] Graham, M. (2010, June 16). AT&T quits taking iPhone 4 orders due to high demand. *USA Today*, [http://www.usatoday.com/tech/news/2010-06-16-iphone16\\_ST\\_N.htm](http://www.usatoday.com/tech/news/2010-06-16-iphone16_ST_N.htm); [2] Graham, M. (2010, June 17). Apple iPhone frenzy swamps sellers. *USA Today*, [http://www.usatoday.com/tech/news/2010-06-17-apple17\\_CV\\_N.htm](http://www.usatoday.com/tech/news/2010-06-17-apple17_CV_N.htm), and [3] the identified web sites.