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## The Guessing Game Has Begun on the Next iPhone

By [JOHN MARKOFF](#)

SAN FRANCISCO — Can [Steven P. Jobs](#) top the [iPhone](#) ... with another iPhone?

Last June, Mr. Jobs began selling what has become one of the most talked-about consumer products in history. Now he faces a new challenge as [Apple](#) prepares to introduce an updated version of the phone next month.

After almost a year of strong sales that have made it one of the dominant smartphones in the United States, the iPhone has settled down to a less-than-spectacular pace: roughly 600,000 units a month, according to the company.

Apple, based in Cupertino, Calif., had shipped about 5.5 million phones by the end of March, the most recent figures it has released. It sold just 1.7 million phones in the first three months of this year, meaning it must sell more than 8 million phones to reach Mr. Jobs's publicly stated goal of selling 10 million iPhones in 2008.

"They're going to have a difficult time" hitting that number, said Edward Snyder, an analyst at Charter Equity Research. He said that [Nokia](#), the world's largest maker of cellphones, sells more phones every week than Apple has sold since the iPhone's introduction.

So what could Apple's impresario have up his sleeve to pick up the pace — and to keep the second-generation iPhone from being a letdown?

Although the company will not publicly confirm the arrival of a second iPhone, Apple watchers have concluded that a new version will be introduced June 9, the opening day of Apple's Worldwide Developers Conference.

Apparently in preparation for the event, stocks of the existing iPhone have been dwindling in the last month.

Although [AT&T](#) stores still have phones in stock, according to a company spokesman, the supply has largely dried up in Apple's retail outlets, and the phones are no longer available through the company's online store.

Apple may be trying to avoid the anger it faced last September when it cut the iPhone's price by \$200 just two months after it went on sale, making early buyers feel cheated. Mr. Jobs offered those customers a \$100 store credit.

Cutting down on supply means fewer angry buyers when their new phone is suddenly obsolete.

"You can say what you want about Steve Jobs, but he's learning from his mistakes," said Roger Entner, a

senior vice president at IAG Nielsen, a market research firm. “They are cleaning out the supply channel.”

Even as supplies shrink, Apple has been signing a series of deals with cellphone network providers around the world. On Tuesday the cellular operator [TeliaSonera](#) said it would offer the iPhone in seven countries, including Sweden, Norway and Denmark.

The only major countries without an iPhone distribution agreement are Japan, Russia and China.

Meanwhile the Apple rumor mill has wound up to a fever pitch in recent weeks with speculation about the new phone’s features.

One Web site that tracks imports even decided that shipping manifests indicated that the company had already [brought millions of iPhones](#) into the country in dozens of seaborne shipping containers. Industry executives, however, said this would be an odd move for Apple, which in the past has introduced products by air — shipping the first batch at the last moment.

Both Mr. Jobs and Randall L. Stephenson, the chief executive of Apple’s partner AT&T, have promised a new iPhone model this year that would run on a high-speed wireless data network. AT&T is building such a network, which uses technology known as 3G and is intended to support a range of new applications, including mobile digital video. The company said last week that the network would be largely finished by the end of June.

But analysts say faster downloads may not be enough to touch off a new wave of consumer interest in the iPhone.

“Subscribers don’t care what the radio interface of their cellular phone is,” Mr. Snyder said.

If he is to rekindle the excitement that greeted the iPhone’s introduction, Mr. Jobs is likely to need something else. So far, he has been successful in hiding any surprise features from the dozens of Web sites and bloggers that track the company’s new products.

There has been speculation about a higher-resolution camera, possible support for digital video recording, a slightly bulkier and more curved case, and the addition of a global positioning system receiver that would allow new Web services tied to a person’s location.

Mr. Jobs is certain to make much of the availability of many new iPhone programs that Apple will begin selling through its iTunes store in the coming months. He could also accelerate sales by cutting the phone’s price or letting operators offer subsidies, as they do with many other phones. In the United States the phone now costs \$399 or \$499 depending on the amount of memory.

Bells and whistles aside, the new phone may have a few new shortcomings as well. Company executives have acknowledged that the new 3G networks will be a challenge for its engineers, because using them burns up more battery power compared with the slower Edge networks used by current iPhones.

iPhone users have turned out to be prodigious consumers of wireless data. For example, the iPhone customers of T-Mobile, the German cellular operator, consume 30 times more data than its other wireless

customers, according to Chetan Sharma, an independent wireless industry analyst.

Mr. Sharma estimates that iPhone users in the United States consume two and a half to three times more data than users of other cellphones. Faster networks could widen that gap and further extend the iPhone's influence in the telecommunications world.

“iPhone is not only having an impact on data revenues,” he said, “but also on device design, mobile advertising road maps, and applications and services that are being contemplated for the future.”

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