

MTS Slams Apple Over High Prices

By [The Moscow Times](#)

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Mobile TeleSystems, the iPhone's biggest wireless carrier in the country, criticized Apple for not cutting the device's \$1,000-plus price in the country and being too strict about how it's sold.

The phone's cost makes it a hard sell in a market where rival models go for as little as \$120, executives from the Moscow-based company said at an event in New York. Apple also requires that the carrier's retail locations meet its standards, imposing additional burdens, MTS said.

"They're more in a dictatorship mode where they say, 'This is what you have to do or you don't get the iPhone,'" Vasyl Latsanych, MTS' vice president of marketing, said at the event. "Being arrogant with your partners in big markets doesn't pay off."

The remarks exposed a rift for Apple in one of the largest emerging mobile-phone markets and added to concern that the iPhone-maker is charging too much in developing economies. Chief executive Tim Cook faced questions after last week's earnings report over whether the iPhone's pricing was going to limit growth overseas. He responded that Apple's focus

on product quality trumped other considerations.

"I firmly believe that people in the emerging markets want great products like they do in developed markets," Cook said during the call on July 24. The goal "is to make the very best product, and that's more important and overshadows all other things."

Natalie Harrison, a spokeswoman for Cupertino, California-based Apple, didn't immediately respond to requests for comment.

Apple would get a larger share of the market by cutting the iPhone's price or helping subsidize it, Michael Hecker, MTS' vice president for strategy and corporate development, said at the New York event.

Unlike in the U.S., Russian consumers typically don't sign up for long-term mobile-phone contracts. So it's less practical for carriers to subsidize the phone's cost themselves the way AT&T Inc. and Verizon Wireless do. The iPhone 4S, Apple's latest model, costs \$199.99 in the U.S. with a two-year commitment.

"If Apple showed more flexibility, then they would have a higher penetration in our markets," Hecker said.

Russians have a growing appetite for smartphones, he said. MTS expects smartphones to have 60 percent penetration at the end of 2014, compared with 15.4 percent in the first quarter of 2012.

After making the remarks about Apple, MTS softened its criticism later in the day.

"While we have differences with Apple, we have a constructive relationship," Joshua Tulgan, an MTS spokesman, said in a statement. "Smartphones like the iPhone are important to our customers and our economy and we want to get them into the hands of as many people as possible."

In total, Apple sold 26 million iPhones last quarter, shy of the 28.4 million predicted by analysts. The shortfall caused Apple sales and profit to miss Wall Street estimates for only the second time since 2003.

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