

Hope for the Wireless PDA?

The first smart phones — cell phones that include PDA functionality — are about to hit the U.S. market. The lure of these devices is that they provide the broad functionality of a PDA with wireless voice and data connectivity. So PDA vendors, who have only experimented with wireless to date, could soon see hefty new competition enter their market segment. And so the question is: Can they survive it?

MO SAYS: I seriously doubt it. To date I've been a real believer in PDA form factors as a viable platform for wireless data. After all, the iPaq, the Visor, the Jornada, not to mention the Palm, have had very clear wireless potential for about two years now — a nice big window to assert themselves as high-function wireless devices before smart phones begin hitting the scene. But their window of opportunity's about to close, and they seem to have done next to nothing with their lead time:

- With the lone exception of Handspring, PDA vendors haven't provided any easy way to get wireless voice and data services to their devices. Okay, Palm did make a good-faith effort with its Palm VII model, but since realizing Palm.net's closed-garden approach isn't effective, the company has made no further play at a wireless-ready device. Now Sony looks like it may make the same mistake with a new service to be offered on its Clie devices.

- And easy access isn't the only thing their wireless options lack; they're also missing any kind of viable price point (if my calculations are correct, a wireless iPaq costs around \$1,100 — around \$500 for the device, \$150 for the expansion pack with the PC Card slot, and \$400 for the modem — and that's not even including phone capabilities). Handspring's made the most commendable effort on this front, now selling its phone add-on for close to \$50, for PDAs that can cost as little as \$150, if the user signs up for service. But its push is coming too late.

- None of the PDA vendors has managed to penetrate the retail sales channel. Even if I wanted to buy the expansion pack and modem for my iPaq, I'd have to buy them online. Ditto for Handspring's wireless service. But the smart phones are going to be selling right there beside the other phones in the consumer electronics stores and telco retail outlets.

- Finally, again with the exception of Handspring and, for a short-lived stint, Palm, none of these vendors has put much effort into marketing these devices as wireless platforms.

So, assuming smart phones actually do hit the U.S. market by early 2002, PDA vendors will fast lose whatever small wireless market they've mustered to date. And this will leave them dangerously marginalized to a synch-only market.

GALEN SAYS: You're absolutely right that the PDA vendors have blown what should have been an easy opportunity to marry voice and data wireless services with their handhelds. And Handspring is the only one now that seems to have a clue about how to do this.

I do fear that the PDA makers will continue on with awkward solutions like Palm's mobile Internet kit or overpriced options like Compaq's. A \$500 Stinger phone could eviscerate the iPaq market — after all, why upgrade your iPaq to wireless for \$500 when you can get a complete Stinger for the same amount? Palm is in a similar boat with its less-pricey but still too-expensive options.

But I disagree that the window is closed. Smart phones have their own set of problems that will give the PDA makers most of 2002 to fix their flawed wireless strategies. That fabled Nokia Communicator, which won't hit the U.S. until the first half of 2002 and then only for GSM carriers, weighs more than a half a pound and is bigger than my Visor. That, plus its predicted \$500

price, will keep adoption low. Microsoft's equally fabled Stinger phones will likely have the same heft and price barriers, just as will the current Kyocera Palm OS smart phone and, though it's relatively light, the new Samsung Palm OS smart phone that should ship in August.

Meanwhile, lots of Palm and Pocket PC users would go wireless if they could get an affordable add-on and use

existing cell service rather than sign up for a wholly separate account. It seems a lot to ask the majority of PDA users to shell out \$500 for a smart phone that may or may not let them migrate their meticulous contact lists and calendars. Even if they move to a compatible smart phone, that's an expensive way to go wireless.

The PDA installed base should be a natural way to quickly push wireless adoption, but only Handspring seems to get that. Its example should light a fire under its competitors, and if not, then Handspring may become the next Research in Motion: a company that defines single-handedly a strong market. After all, the smart phone folks have their own problems. ▮

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