Much Riding on the Success – or Failure – of PalmPre

David Twiddy, AP Business Writer

NEW YORK (AP) - - When Palm Inc.'s and Sprint Nextel Corp.'s latest bundle of smart phone joy, the Pre, arrives on Saturday, June 6th, it will be entering an increasingly crowded market backed by parents that have a lot riding on its success.

The Pre — which costs $200 with a two-year service plan and rebate — might be most important to Sunnyvale, Calif.-based Palm, the very company that helped usher in the handheld computing era with the original Palm Pilot in 1996. These days Palm needs a resurgence in a market largely dominated by Apple Inc.'s iPhone and Research In Motion Ltd.'s BlackBerry devices.

For Overland Park, Kan.-based Sprint, which has been bleeding subscribers to other wireless carriers, the Pre represents a chance to snare new customers while getting current ones to "trade up" from a regular cell phone to the Pre and its pricier service packages, which start at $70 per month.

The Palm Pre has a touch screen like the iPhone, but also has a slide-out keyboard and runs on Palm's new webOS software, which can run several applications at once, unlike an iPhone.

The original Palm Pilot was all about organizing the user's personal information, and the Pre will take that idea further by synchronizing contacts from Facebook, Gmail and Outlook into a single list — something else the iPhone can't do. The Pre will connect with Apple's iTunes software and download music and photos as an iPhone or iPod can, which may be a first for a device not made by Apple.

But even with its innovations, the Pre will face rough competition. The iPhone continues to be a big draw at AT&T Inc. the exclusive U.S. carrier. And Apple might unveil a new version Monday at its annual conference for software developers. Meanwhile, Sprint's competitors are adding new smart phones to their lineups from RIM, Samsung Electronics Co., Nokia Corp. and others.

Verizon Wireless has even attempted to undercut Sprint, announcing that it will be selling the Pre when Sprint's exclusive rights expire. Sprint has said that its exclusivity extends to the end of the year, and it may end soon after.

By necessity, Palm is betting the company on the Pre, Gartner analyst Ken Dulaney said, because if the handset isn't popular, the company won't have enough momentum to approach the smart phone market "with any kind of clout

whatsoever."

BlackBerrys commanded 55.3 percent of the smart phone market in the first quarter, while the iPhone accounted for 19.5 percent, according to research firm IDC. Palm, meanwhile, had just 3.9 percent.

But Palm executives are quick to point out that feature-packed "smart" phones are still just a slice of the overall U.S. wireless market — 21.5 percent, according to IDC. As a result, Palm and Sprint think many potential Pre buyers are people who would be switching from a traditional cell phone with fewer functions.

"We're not looking to somehow defeat Apple or RIM in order to be successful. There's a huge market opportunity there," said Brodie Keast, Palm's senior vice president of marketing.

Source URL (retrieved on *03/09/2014 - 10:37pm*):
http://www.wirelessdesignmag.com/product-releases/2009/06/much-riding-success-%E2%80%93-or-failure-%E2%80%93-palmpre