Windows and Palm Walk Hand in Hand: Good News or Bad?
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10/10/05

Palm’s support for the Windows Mobile 5.0 operating system is bad news for the software market. It is certainly very bad for PalmOS and its developers, PalmSource. While PDAs have been functioning independently of PCs, employed as a mere personal information management tool for the user, PalmOS has been the trusted operating system. Now that corporate demand is pushing for complete connectivity - implying the synchronization of PCs, PDAs and mobile telephones-, it seems that PalmOS will cease to be the protagonist.

Once more, the market will pay for failing to identify consumers’ needs in time. And, yet again, the only one with sufficient stamina to put it right is Redmond’s giant. In allying itself with Palm, Microsoft sees a stronger possibility for imposing its operating system on the PDA-mobile market, which up to now has managed to resist due to a series of agreements between its competitors, such as that held by telephony companies Ericsson, Nokia and Motorola, linking them through a syndicate for the joint development of the so-called “intelligent” telephones (smartphones). Their strong point is the combination of attractive mobile phone devices and an operating system based on open standards that support a wide range of businesses. The agreement between Palm and Microsoft represents a clear threat for Symbian’s bid, because the alliance offers a very attractive combination: Palm offers Treo, a leading terminal widely accepted throughout the market, and Microsoft contributes the familiar Windows environment employed by millions of users worldwide, not only within a recreational context but also, and very particularly, on a corporate level.

But in the era of PDA-mobile connectivity, this alliance note only comes up against competition presented by smartphone, but also has to face that of RIM’s (Research in Motion) BlackBerry, a hybrid device which for some time now has been offering an integrated solution consisting of hardware, software and services. Both Palm and Microsoft have individually accused the BlackBerry advance of failing to identify the opportunity for launching an integrated voice and data option through a single device. From this perspective, the agreement can be viewed as a reaction in an attempt to recuperate lost

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### Highlights

1. Windows controls 95% of corporate environments. However, Microsoft Mobile’s share in the smartphone market only reached 15% last May.

2. Although several studies noted a fall in PDA sales, the majority did not take into account wireless devices such as BlackBerry. Gartner, which did include them, estimates that sales in the PDA market saw a 32% rise in the second quarter of 2005 compared with the same period last year.

3. The makers of BlackBerry, Research in Motion, lead sales with 23.2% of the world market. Palm, which a year ago had a 33.2% of market shares now has to content itself with a mere 17.8%. But Gartner does not include hybrid devices such as Treo.

4. Palm OS is still Windows’ major rival (between them they account for almost 80% of the market) and, to a lesser extent, Linux and Symbian.
time and clients.

The strategic alliance of Microsoft and Palm is good news for the corporate market - at least in the short term, given that the Treo model, along with Windows Mobile 5.0 allows for the easier development of integrated solutions. Although the synchronization of telephones or PDAs with the Exchange Server was already possible - through Outlook, the leading server for e-mail management - thanks to ActiveSync protocol, the truth is that this system presented many problems for solutions not based on the Windows operating system.

However, this agreement goes far beyond the automatic synchronization of e-mail. It has great possibilities, above all in the field of integrated solutions of the most sophisticated kind, along with others such as ERP or CRM. Until now, the development of mobile applications has been limited due to the absence of a dominant platform; this means that we may also expect the agreement to stimulate higher activity in this field. In fact, it is very likely that companies such as Siebel or SAP will react quickly, developing mobile applications for Windows Mobile. At any rate, the agreement will definitely favour connectivity between employees and their companies and an all-round increase in solution options can be foreseen over the next few months, with consequent pressure on prices for both Treo and BlackBerry alike.

What is not so clear is the long term benefit of the alliance for companies, considering that at the end of the day, Microsoft’s position will be strengthened as provider of its own operating system which allows solution integration in different hardware (PCs, PDAs, or mobile telephones), but always within a Windows environment. This is not a bad thing as long as there is competition, such as Linux in the server market, or Symbian in the market for mobile connectivity. But it could mean one more step toward a new absolute monopoly in which the costs implied for converting to a new solution may increase notably. And a monopolistic position always means more out of user’s pocket, be it a Palm user or any other.

Finally, a certain parallelism can be noted with the evolution of the PC market in recent decades. At first, manufacturers enjoyed generous margins. But in the long term, the imposition of Windows as the dominant operating system resulted in a kind of conformity in this type of hardware. The repetition of the same situation means that the links that now narrow the gap between Palm and Windows Mobile in the mobile environment could become a halter and present a sizeable invoice in the future.