Hardware, software, and mobile phone companies fight it out for digital diary assistant business

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The spectacular growth that sales of PDA will undergo in the coming years has made big companies like Microsoft, HP, Compaq, Nokia, Siemens, and Motorola set out to capture this business

2001 was marked by crisis amongst the manufactures of electronic diaries (PDAs). No sooner had they sold twelve million units around the world than the main players in the market found themselves on the brink of bankruptcy. In 2002 things are changing. Gartner Group predicts that sales of these appliances will increase by 24 percent in 2002. But it will take full economic recovery and the opening of the GPRS and UMTS telephony to make the electronic diary market really take off again. PDAs were created as devices limited to the functions of personal diaries. However, the latest developments (office appliances, cordless access to the Internet and intranets and, above all, the possibility of making telephone calls) are converting them into very useful tools, as they combine the capacity of mobiles with the applications of pocket computers. As usual at the beginning of all hybrid technology, there is a process of standardisation and perfection underway at the moment. In spite of this, eTForecasts estimates that the nine hundred thousand units that were sold across the world at the end of 2001 will rise to 49 millions in 2007. This is equivalent to 21 percent of the market in pocket computers. Europe is playing with an advantage thanks to the opening up of the 2.5 generation telephone networks (GPRS) and those of the third generation (UMTS). These broadband technologies should allow permanent connections for the transmission and reception of data via this type of equipment. Of course there is no lack of players in this incipient but promising business. This is especially so in the field of software.

Systems
Until a year ago, Palm OS was the indisputable leader in operative systems, although over the last twelve months Microsoft's PocketPC has begun to show strongly and has managed to secure a twenty-one percent share of the market. The fight between Palm and Microsoft will become even bitterer when new versions of Palm OS and PocketPC come out next summer. The Microsoft system emphasises the integration of desktop office computerisation applications. Palm OS prefers to opt for the ease of use and an appropriate price-performance relationship. Even so, other open operative systems which have entered strongly into the market will have to be taken into account. Such is the case of Symbian's EPOC software which is backed by Nokia, Ericsson, Motorola and various manufacturers of electronics, or the distinct systems based on Linux, that are trying to apply the advantages of free code to the mobile platform. There are also the manufacturers of hardware who furnish their designs in order to attract users. Every day
new models appear with more and more functions added in order to differentiate themselves from models already available from manufacturers like Compaq and HP. A recent sure fire candidate is Clié, a PDA by Sony with wireless telephone functions, including a digital camera, MP3 CD player and even an infrared remote control function, designed to control the television set and other domestic appliances. Given that not all companies have sufficient technological muscle available to compete by themselves in this bitter market, alliances between software, hardware and telecommunications companies are taking place. For example, the recent alliance between Siemens and Motorola. Both companies will cooperate on the development of digital diaries prepared for the UMTS telephony. Microsoft is doing something similar with the manufacturers of Intel chips, Texas Instruments and the Deutsche Telekom operator. Their objective is that the operative system for Smartphone mobiles secures 25 percent market share in this sector by 2005. The principal unknown factor is which device will finally be used on the mobile Internet. If software dictates its law to the world of telecommunications the winner could be Microsoft. If it happens the other way it could be Nokia. Or it could be that both forces meet half-way between the mobile and the pocket computer.

The Question

"Which operative system will be used in advanced appliances in mobiles?"

The winner will emerge from the world of the PC

Brian Subirana, IESE Teacher

In the nineties, Palm OS represented a huge advance, as it was the first operative system that allowed a wide range of capabilities: low consumption, integrated search, immediate start up, the possibility of developing applications. However, it lacked certain functions like integration with mobile platforms, unlimited integration with desktop applications and connectivity with other operative systems. None of the current operative systems has the aforementioned characteristics nor is there yet a dominant design for the universal appliance of the future. There are many interrelations between the PC, television, mobile and PDA that are being introduced into the world of diaries with applications like short messages, instantaneous messaging, electronic mail and the mobile. If a common operative system appears, the winner will possibly emerge from the world of PCs, and might be Microsoft or Unix, as they have more interactivity and more applications and designers available.

Towards a market of few players

Juan Miguel López, Director of PwC

Until now, each mobile appliance has come with its own specific software, which has brought about a fragmented market in operative systems, in some cases, with a very short lifecycle. The forecasts for strong growth and convergence of advanced mobile appliances, like personal assistants (PDAs) or the latest generation telephones (smart phones), will produce a movement towards the standardisation of a reduced number of operative systems that will function on multiple appliances. The systems that are actually appearing as protagonists are Palm OS, Windows CE by Microsoft and EPOC by Symbian. The first mentioned, Palm OS, is shaping up as the leader in PDAs, in spite of increasing competition from Windows CE, which has advantages in the appliances used as an extension of business information systems, while EPOC could be the most
used system in new mobile phones.