

Smartphones Rising: 10 Things You Should Know About This Segment

Executive Summary

Smartphones are on the rise. This year, manufacturers will ship just under 19 million units worldwide. In the next few years, that figure will rise to more than 40 million.

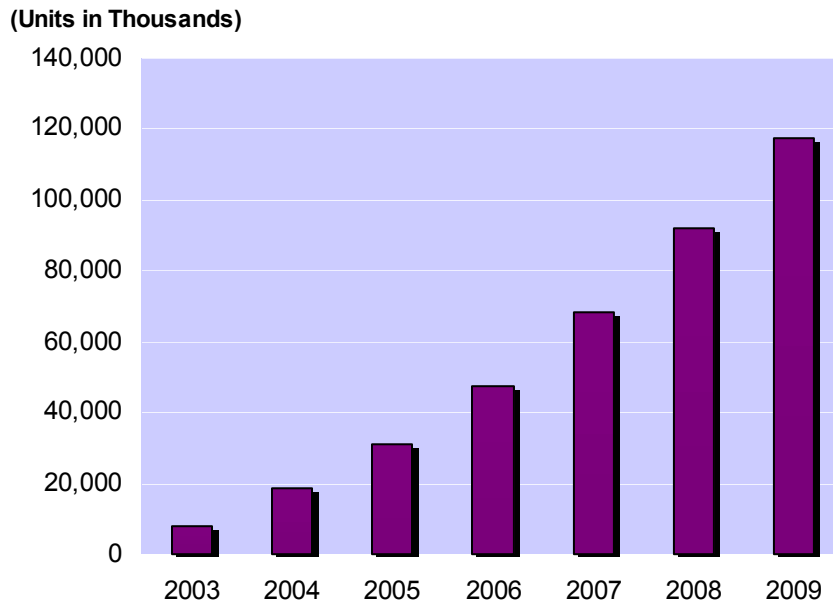
However, while this is not the breakout year for these advanced devices, it is an important one nonetheless. As this segment builds – expected Compound Annual Growth Rate (CAGR) of 44.4% over the next five years – there are many things worth knowing in order to take advantage of these business opportunities.

Some of the reasons why smartphones are taking off include:

- Smaller form factors, including clamshells
- Prices starting to fall to the mid-tier on some models
- Better integration of voice, e-mail and Personal Information Manager (PIM) functionality on devices like the Treo 600 and RIM BlackBerry models
- A growing variety of devices, especially those based on the Symbian OS
- Increasing demand from business users looking for integrated voice and data devices

(NOTE: A smartphone is defined as a cellular phone that includes an operating system, such as PalmSource, Symbian, Microsoft's Windows Mobile, Linux, or the ones used in RIM's BlackBerry phone devices or Danger devices; or it can be a Personal Digital Assistant (PDA)-style device that also has cellular phone functionality, such as HP's new iPAQ device.)

Figure 1. Worldwide Smartphone Shipment Forecast, 2004-2009 (Units in Thousands)



Source: In-Stat/MDR, 8/04

However, this segment does face some hurdles:

- Prices still too high on many devices, which will impede mass adoption, near-term
- Size and form factors that, for the most part, are not as “pocketable” as many would like
- Lack of convenient e-mail setup for most end-users
- Faster 3G data networks are not yet fully deployed
- Battery-life issues as heavier data usage comes into play
- Security concerns about mobile worms and potential hackers

Most of these hurdles can, and will, be solved, and the smartphone’s best days are just around the corner, with a breakout period coming in about 12 to 18 months.

Methodology

Technology Adoption Panel (TAP) Methodology

- Data for the Technology Adoption Panel (TAP) was collected via a brief Internet survey of respondents. Participants were e-mailed an invitation to take part in the Web-based survey.
- A total of 1,190 surveys were completed in April 2004.
- Respondents were all wireless subscribers over the age of 18.
- In-Stat/MDR's Technology Adoption Panel (TAP) is a dynamic online group of thousands of technology users and decision-makers interested in contributing opinions and insights about technology usage and issues in the workplace.
- The panel is recruited from many different sources and is comprised of a diverse group, representing a wide range of company sizes, industries, and expertise.
- If you are interested in joining the Technology Adoption Panel and/or learning more about it, please go to <http://www.instat.com/panels>.

Other sources for this report included telephone briefings, e-mail conversations, and face-to-face meetings with service providers, mobile phone manufacturers, and other individuals directly involved in the cellular phone industry, and the smartphone business. Additional sources were company quarterly reports, news releases, Web sites and media reports.