

## Wireless Panel

January 2003 Results: PDA Brands and Channels Study

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### **Will a Flock of New Competitors and New Functionality Help Spark the PDA Market?**

2002 was a lackluster year for the Personal Digital Assistant (PDA) market, and if the first quarter is indicative of the rest of this year, 2003 may also disappoint. In 2003, PDA market trends reflect lower unit prices, improved operating systems, and a wave of multimedia and wireless functionality being integrated into these products. Both low-end commodity products and high-end upscale devices populate the market, in addition to the mid-range.

Wireless and communications functionalities will increase this year on PDAs, especially on high-end devices. Users will have a choice of 802.11, Bluetooth and wireless WAN-enabled products for a variety of usage models, and a number of new devices will offer communications capability to help users reduce the number of devices that they need to carry. As an example, Palm recently announced its Tungsten C, which is a color model for business users with impressive processing capability and storage, and built-in 802.11 wireless LAN technology.

The invention of the first, successful PDA in 1996 by Palm Computing was met with excitement and fast-paced sales as primarily business people in the US rapidly purchased these devices to manage their calendars, contacts and to-do lists. But, over the past few years, the market's growth slowed as the business market rapidly became saturated. In response, PDA vendors began to turn their attention to the consumer market, providing more basic products at much lower prices. Although this market shift to consumers triggered increased shipments, vendors' financials suffered in response to these lower-priced products. Additionally, users found that they didn't need to upgrade very frequently. For PDA providers, finding "new" markets to tap into is difficult, at best. Vendors are further challenged by the fact that more and more manufacturers now compete in this market. One must question whether all of them will be able to survive now that PDAs have become a commodity.

While, historically, PDAs were brought in through the back door by end-users, it was anticipated that businesses would start purchasing these devices for their employees. But, corporate purchasing does not seem to have happened to any significant degree and, in fact, according to this research, what little inventory was shipping through businesses seems to have abruptly decelerated. IT spending overall has been declining, primarily due to the current war with Iraq and the weak global economy, and is not predicted to pick up markedly any time soon. In-Stat/MDR believes that corporate purchases of PDAs will not improve until IT spending does, since corporations do not view these products as "must-have" devices.

Although PDA sales are not increasing in the corporate market to any significant degree, many end-users on the panel still plan to purchase new devices within the next six months for themselves. Users plan to purchase these devices primarily through consumer channels – computer/ electronics stores and the Internet.

Primarily, business users are looking for feature-filled devices at reasonable prices. They are willing to spend an average of \$200 to \$400 to get products that are compact in size, but have

large hard drives and add-on capability through expansion slots. USB and GPS functionality is increasingly sought after, as well. More and more users are looking for color devices that have integrated wireless LAN, WAN or Bluetooth capability which will allow them to access text messaging or e-mail applications.

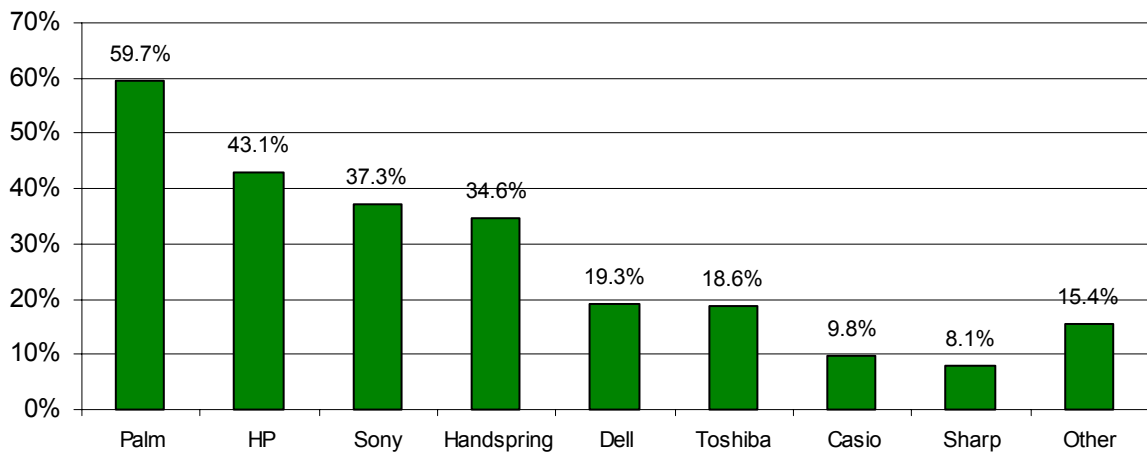
Currently, Palm has the greatest market share, and panelists view the company as the best provider of PDA products based on many attributes, but HP is seen as providing the best feature-filled devices. This means that Palm has its work cut out for it, as features are currently the number one driver of PDA purchases in the business environment, according to this panel survey. Another company to keep a serious eye out for is Dell. While its handheld has only been available for a few short months, users are clearly welcoming this company's products. When corporate purchases do pick up (and they eventually will), In-Stat/MDR expects Dell to make some serious headway into the market. This panel data shows HP already making inroads, in this regard.

### About the Panel

In-Stat/MDR's Technology Adoption Panel 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. Data for this report was collected via a brief Internet survey. Participants — members of In-Stat/MDR's Technology Adoption Panel — were e-mailed an invitation to participate in a Web-based survey conducted from January 20<sup>th</sup>-24<sup>th</sup>, 2003. Responses from 987 people are included in this research. This number contains 881 people who currently own and use a PDA and 116 people who do not currently own a PDA, but plan to acquire one in the next six months.

If you are interested in joining the Technology Adoption Panel and/or learning more about it, please go to <http://www.instat.com/panels>.

### What brand(s) are you considering purchasing?



Source: In-Stat/MDR's Wireless Panel, 5/03

n=295 people considering purchase in the next 6 mos.