

Apple iPhone Shows Phone Makers the Value of User Interfaces

Carolina Milanesi, Hugues J. De La Vergne

The iPhone's cellular capabilities will look conservative by the time it goes on sale in mid-2007. But the device's real strengths are its user interface, design and branding. Other phone makers should take note.

NEWS ANALYSIS

Event

On 9 January 2007, Apple revealed the iPhone. The device combines iPod, cellular phone and PDA functions and runs a version of Apple's OS X. Under an exclusive multiyear deal, the iPhone will be available on Cingular's network in the United States from June 2007. With a two-year contract, the 4GB version will cost \$499 and the 8GB version \$599. The device will launch in Europe later in 2007 and in Asia in 2008.

Analysis

The iPhone's cellular capabilities are conservative for a mid-2007 smartphone: it is a quad-band GSM device with Enhanced Data Rates for Global Evolution (EDGE) and Wi-Fi, but no third-generation (3G) technology. It has a two-megapixel camera, while some rivals sport five megapixels. It has no integrated GPS functions, which we forecast will be present in more than 60% of phones sold in North America in 2007.

But to focus on technical details is to overlook the iPhone's greatest features — its user interface, design and branding. Apple claims the iPhone's touch-driven interface is revolutionary. Although HTC and Sony Ericsson have also released touch-screen phones, the iPhone has unique features, such as a motion sensor and a lack of hardware buttons (apart from a single "home" key). The device's slim, minimalist design and association with the iPod and iTunes brands will appeal to consumers, and we think Apple's target of 10 million sales in 2008 is aggressive but achievable.

Like previous touch-screen devices, the iPhone may have small appeal as a mass-market phone for calls and text messaging. And its lack of established business software support and high price make it unsuitable for general enterprise use. For now, it remains a niche product, albeit one that should make other phone makers reconsider their approach, especially to user interfaces.

Apple's exclusive deal with Cingular is likely to boost the carrier's subscriber numbers as people switch to its network to obtain an iPhone. Given the current limited market for high-end phones in North America (fewer than 15 million units were sold in 2006), sales outside this market will be critical to the iPhone's success. Europeans are used to highly subsidized phones, and operators will only recoup subsidies if iPhone buyers spend heavily on data access for their new phones. Apple may find it hard to strike deals for an EDGE-based iPhone with European operators, most of which have invested in 3G networks for data services and are already struggling with the cost of subsidies.

RECOMMENDATIONS

- **Mobile phone manufacturers:** Consider the iPhone a wake-up call. When creating mobile devices, remember that the user interface is as important as technical details.
- **IT organizations:** The iPhone isn't a viable option for corporate IT. For example, its push e-mail, security and management functions are not equivalent to those of a BlackBerry, though IT managers should expect iPhone users to clamor for IT support.
- **U.S. network operators:** Plan for increased sales of smartphones as the iPhone makes consumers more aware of this category of device. If the iPhone is as successful as Apple hopes, operators should also expect U.S. consumers to become more receptive to high-priced mobile devices.

RECOMMENDED READING

- "Forecast: Music-, TV- and DRM-Enabled Mobile Phones, Worldwide, 2004-2010" — We expect 42% of all mobile phones sold in 2010 to support FM radio, with three-quarters supporting digital music and 9% supporting TV broadcasts. **By Carolina Milanese and others**
- "How to Support PDAs and Smartphones in Business, 2006" — A three-tier approach to the use of privately owned handheld devices within business can help organizations better manage the allocation and use of mobile devices. **By Federica Troni and Ken Dulaney**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509