

Palm's Foleo Fails to Adequately Address Mobile User Needs

Todd Kort

Palm's Foleo is a 2.5-pound smartphone companion with a full keyboard and 10-inch display. We believe the Foleo offers too little functionality to justify the burden of carrying around another device.

Event

On 30 May 2007, Palm announced the Palm Foleo, a smartphone companion product. Foleo provides a 10.2-inch, 1,024 x 600 display and full-size keyboard, enabling users to more easily work on e-mail and documents residing on a smartphone. Changes made on Foleo automatically are reflected on the connected smartphone, and vice versa. The two devices remain synchronized as long as they are within Bluetooth range of one another. Other features of the Foleo include:

- Battery life of up to five hours
- Dimensions of 10.55 x 0.94 x 6.67 inches and a weight of 2.5 pounds
- E-mail and full-screen Opera browser
- Creation and editing of Word, Excel and PowerPoint files with DataViz Documents To Go PDF viewing
- Built-in Wi-Fi
- Linux-based operating system (OS) with instant on/off switch
- USB port, video-out port, headphone jack, and slots for SD and compact flash cards for memory expansion

The Foleo works with Palm's Treo smartphones (Palm OS and Windows Mobile versions). Palm claims that "most smartphones based on Windows Mobile should work with little or no modification," and that smartphones based on OSs from Research In Motion, Apple and Symbian "likely can be supported with a modest software effort." The Foleo's synchronization architecture is open. The Foleo does not include a hard drive, but instead offers 128MB of ROM and 256MB of flash memory. Palm has not disclosed the processor used.

Foleo will be priced at \$499 after an introductory \$100 rebate, and will be available in the U.S. late in 2Q07.

Analysis

In an era in which increasing functionality is converging into ever-smaller devices, Palm has decided to buck the trend. The Foleo is too large for many smartphone users to consider carrying around as a limited-function accessory that requires a separate carrying case. Gartner believes that this unwieldiness will severely limit Foleo adoption by smartphone users, who place a premium on "pocketability" and attractive design.

Palm said that the Foleo is not intended to serve as a notebook replacement; rather, the Foleo is being marketed as a companion product which enables a smartphone to function more like a PC. Palm believes that smartphone users will prefer to carry a lightweight, "instant-on" device for e-mail, office document viewing/creation and Web access when they don't need the full functionality of a laptop. Regardless, the Foleo will compete with notebooks because of its size. Most smartphone users already own a notebook PC and are very unlikely to carry all three devices. The limited functionality offered by the Foleo pales in comparison with far more capable, heavier and not much more expensive notebooks.

We believe there is a small but growing segment of the market that would welcome a low-cost device with a full keyboard and good display that is capable of roughly 75% of what most notebook computers are used for. But the Foleo's functionality falls short of this. We believe the Foleo could be more successful if it were modified and re-positioned to serve as a low-end Linux notebook PC, able to replace Windows or Apple notebooks in some usage scenarios. The Linux community might rally behind a more capable device with a faster processor, more memory and a larger battery. Few software developers are likely to write for this device until there is a sizable installed base, but the installed base is unlikely to become sizable unless the Foleo provides more functionality out of the box (such as a personal information manager suite, VoIP, instant messaging and cellular communications via a Bluetooth headset).

The Foleo is likely to be available only online and through Palm's 29 stores, which will likely hinder sales.

RECOMMENDATIONS

- If you envision using a smartphone or cellular PDA as a PC replacement for e-mail, Web access and light office work, evaluate the Foleo. Be aware that, except in light usage scenarios, the Foleo will not enable your smartphone to substitute full-time for a notebook computer.
- We do not recommend that enterprises offer support for the Foleo, but if you choose to do so, we recommend that it be placed into a "concierge" level of support (that is, custom hands-on support) and that the cost for support be passed on to the user or department that requested it.
- Also evaluate a folding Bluetooth keyboard that weighs about 300 grams, can be found for about \$80 and meets much of the same user needs as the Foleo. In addition, assess products with wider functionality, such as the Nokia E90, i-mate Ultimate 7150 and HTC Advantage (T-Mobile Ameo in Europe). Watch for developments by Intel, Microsoft and their partners regarding devices that would fill the space between PDAs and subnotebooks.

RECOMMENDED READING

- "Dataquest Insight: Apple and Nokia Drive Change in Consumer Applications Delivery" — Apple and Nokia are implementing parallel strategies that will alter the competitive dynamics of the mobile industry. **By Andrew Chetham, Jason Chapman, Mike McGuire and Carolina Milanesi**
- "Intel Embraces Linux for Its Mobile Internet Devices" — Intel's embrace of Linux for its Internet-centric consumer ultra mobile devices could signal a shift in the battle over Web content and delivery. **By Leslie Fiering, Nick Jones and Van Baker**

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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