

Palm's New Treo an Improvement, but Competition Is Fierce

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Palm's new smartphone, the Treo 500v, will initially sell to Vodafone customers in Europe and South Africa. The design tops previous Treo releases, but Palm should quickly add operators to maximize sales opportunities.

NEWS ANALYSIS

Event

On 12 September 2007, Palm Europe introduced the Palm Treo 500v, a smartphone that runs on a Windows Mobile 6 standard platform and features:

- A full-qwerty keyboard
- Third-generation/Universal Mobile Telecommunications System (3G/UMTS) connectivity
- A 2.0 megapixel camera with video capture support

Set for release in October 2007, the Treo 500v will be initially available to Vodafone customers in Germany, Ireland, Italy, the Netherlands, Portugal, Spain, the U.K. and South Africa. Treo 500v will be priced at 399 euros or 199 euros with a contract.

Analysis

Palm has produced a good Windows Mobile device that incorporates improved design and an adequate feature set, making up for a lack of Treo design innovation dating back to the Handspring acquisition in 2003. Overall, the 500v specifications are more attractive than the recently announced HP 600 smartphone. The Treo 500v features a thinner form factor that will score well against competition in the full-qwerty device space. Above all, the new design and consumer-oriented applications (such as Google Maps, eBay, Vodafone live and Windows Live) combined with the price will make the device appealing beyond enterprises to a larger audience of high-end consumers and "prosumers" (professional consumers) who want mobile e-mail and messaging functionalities.

In Europe, however, competing qwerty devices are often equipped with High-Speed Downlink Packet Access (HSDPA). The Treo 500v lacks HSDPA as well as GPS and Wi-Fi. The navigation control is not innovative, nor is it geared for browsing. While the feature set is acceptable, upcoming announcements may age the product quickly.

Treo smartphone shipments increased below market average throughout 2006. Palm's share of the global smartphone market was flat to 3.6% from 1H06 and down from 2005. In the cellular device market, competition is growing at a faster pace than Palm. The company needs to focus on the Treo brand and introduce more competitive products to survive. The Treo 500v is a step in the right direction, but Palm must quickly extend sales to the full breadth of its mobile operator partners. This will take time, leaving competitors to continue to exceed Treo's specifications. Too slow a rollout could be harmful, and Palm's intent to continue to support its own Linux-based Palm environment could be a distraction for a small company. Overall, Palm must continue to execute efficiently and without mistakes during 2008.

RECOMMENDATIONS

- Consider the Palm Treo 500v to be a good offering for organizations that want to employ the Microsoft Windows Mobile platform for wireless e-mail and applications. With Windows Mobile 6 Standard Edition, the device has basic security, fixing many of the weaknesses of Windows Mobile 5. Windows Mobile 6 Standard Edition is good enough for the target audience of this device.

- Do not let Palm's financial difficulties impact your purchase decisions, because mobile operators bear ultimate product support responsibility and mobile devices have a short life span. However, buyers are well-advised to seek or develop applications that are portable to alternative Windows Mobile devices.

RECOMMENDED READING

- "Quarterly Statistics: PDA and Smartphone Shipment Forecast" — Sales of smartphones and cellular PDAs will continue to increase in 2007. **By Roberta Cozza**
- "New iPAQs Fail to Show Needed Focus on E-Mail Applications" — HP's iPAQ 600 and 900 are not the breakthrough products that HP needs to compete in the cellular device market. **By Roberta Cozza and Ken Dulaney**

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