



# Technology Brief...

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## Is IT keeping the iPhone out of the Enterprise?

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Many enterprise users are getting push back from IT departments that are restricting and in some cases preventing the use of iPhones. Despite growing end user enchantment with iPhones, IT is often saying No! And it's not always about security or manageability or cost. Why IT does this raises a fundamental question about IT in general and about adoption of the iPhone specifically. Is IT as an organization Proactive or Reactive?

While it's true that some organizations do look for IT to be proactive, the majority of companies have an IT group that is almost purely Reactive. In most companies, IT will not react until some "critical mass" is achieved. What that critical mass is regarding the iPhone varies by company. It could be a department that is willing to fund a project for the device. It could be high ranking management demanding its use. It could be a partner and/or customer. But few IT groups will offer to support a new device (iPhone in this case, but any new device like Android or netbooks), without a significant amount of pressure being exerted from its end user community. And, as was the case with BlackBerry in the early days of its adoption, if the end users can find a way around the restrictions limiting the use of the technology, they will (desktop redirection is how BB primarily started). So one of the key issues for broader iPhone adoption is; will the end users find a way to circumvent the IT infrastructure and use the device anyway? Unfortunately, Apple doesn't make this very easy. Users need iTunes installed on a PC and many companies prevent this. Users need to connect to Exchange 2007 and must go through IT to do this to meet Exchange and Active Directory requirements. And there are relatively few true enterprise-class apps for the iPhone yet, but even those will need to go through IT to gain access to back office solutions like ERP, CRM, etc.

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But none of the above issues will stop the end users from trying to do an end-around IT with the iPhone (many already have). And ultimately they will find enough ways of infiltrating the organizations that IT will have to react. Our estimation is we are 12 months away from fully sanctioned deployments in most enterprises, although a few will move sooner. But going from a few dozen "rogue" units currently deployed to hundreds in a pilot within an organization could have a major impact on iPhone installations. We expect that the impetus for broad iPhone adoption in big companies will be business apps and not email. BlackBerry is more than adequate for most companies for email (and increasingly apps) and the lack of a hard keyboard on the iPhone is an inhibitor for many users. But apps, with iPhone's user friendly navigation and interactivity is a

highly desirable capability that users could quickly adopt. How quickly we see true enterprise-class extensions for key mission critical apps running on the iPhone is a fundamental question affecting iPhone adoption. We expect it will take some time to see any major uptake, as apps take time to build, test and ultimately deploy.

Most companies and IT departments see the handwriting on the wall. Today its the iPhone, tomorrow its Android, next year its (?). So in making any transition, companies should focus not only on opening the door for iPhone but for subsequent device OSes as well. This should aid the adoption of new devices, and make it easier and quicker for new devices to make their way into the enterprise in the future. That likely means less of a constituency forced to stay on one device due to the investment, and more of an open policy of supporting many device types. It also means a significant time compression from the duration of adoption of previous generation devices (from years to months).

What does this mean for the battle between iPhone and Blackberry for the enterprise? It will be a slow decline for BlackBerry's market share and a slow rise for iPhone's as its gain will likely come at Blackberry's expense (although as the market for smartphones continues to expand, actual numbers of BlackBerry devices will continue to grow). Enterprises are generally slow to make big changes. And given that many companies are not currently AT&T focused, the exclusivity of iPhone doesn't help the uptake. We don't expect many companies to make a wholesale change in carriers simply to get the iPhone (they may make exceptions for specific users). This situation should change soon as iPhone becomes available on competing carriers.

**Bottom Line:** Major fans of the iPhone want to see a more short term upside for enterprise deployments, but we don't expect a rapid change in the enterprise market. We believe it will be a long, slow burn rather than a tsunami for iPhone adoption.

## Is Windows Mobile 6.5 an Exercise in Futility?

The recent release of Windows Mobile 6.5 was seen by Microsoft as a move to stem the considerable loses in its rapidly diminishing market share. However, Windows Mobile 6.5 was merely a facelift, not the complete re-build required to get it to parity with more modern mobile OSes. Windows Mobile needs more than cosmetic surgery to regain market share. Microsoft promises that Windows Mobile 7 will bring the OS to a new level and be more than competitive with iPhone, Android, Blackberry, etc. But it may already be too late to reverse the tide (see *J. Gold Associates Technology Currents, July 28, 2009, Survival of the Fittest: Will Windows Mobile Become Extinct?*).

If Windows Mobile 7 is to be relevant, there are 6 things Microsoft must to do:

- It needs to achieve parity with Android and soon Symbian as both are open sourced. Microsoft should view the OS as a loss-leader and give it away to the OEMs. Money to be made in mobile for Microsoft is in back end services and add-ons, not in OS licensing.
- Microsoft needs to enhance and enforce the minimum requirements in performance for any/all devices sold. The device doesn't get to wear a windows label if it doesn't meet minimum performance levels.

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- Microsoft must give users a reason to adopt Windows Mobile. Compatibility with the PC is not enough - everyone does that and many users don't care about windows compatibility on their smartphone. Microsoft can't play the I'm a Mac, I'm a PC game - they'll lose
- It must create some real buzz- where are the compelling apps? Where is the fast browsing? If the browser is so good (as Microsoft claims it is), benchmark it against Safari and Chrome/Android/WebKit.
- Microsoft should require any new devices to be upgradeable to Windows Mobile 7 when it comes out, and provide a free upgrade for all users of 6.5. It will retain a lot more customers with this approach than any loses it will sustain from eliminating new device revenues for Windows Mobile 7 device sales.
- Build in more standards by interacting seamlessly with other devices. Play nicely in a big field. ActiveSync is becoming a defacto standard - make the most of this.

**Bottom Line:** Without implementing the above considerations, Windows Mobile will become a trivial player in the mobile ecosystem. While this may be OK, as Microsoft makes most of its money in back end services anyway (e.g., Exchange, Office), Microsoft should decide whether or not it is serious about being a player in the mobile OS and act accordingly.

## Worldwide Smart Phone Market Share Predictions

Over the next 3-4 years, we expect to see a significant realignment in the smart phone market, as Android assumes an increasingly important role, Symbian reduces its overall market share, and iPhone and BlackBerry fight it out for mindshare and dominance with business users. Further, the effects of the move to open source (Android, Symbian) will affect the way manufacturers produce and differentiate their devices, and the way applications are written and distributed to users. We expect Microsoft to become a minor player in the mobile OS, and Palm will have difficulty expanding from its limited market share with its WebOS. We further expect that there will be very significant differences in market shares for mobile OSes in various geographical regions when compared to their overall worldwide market shares.

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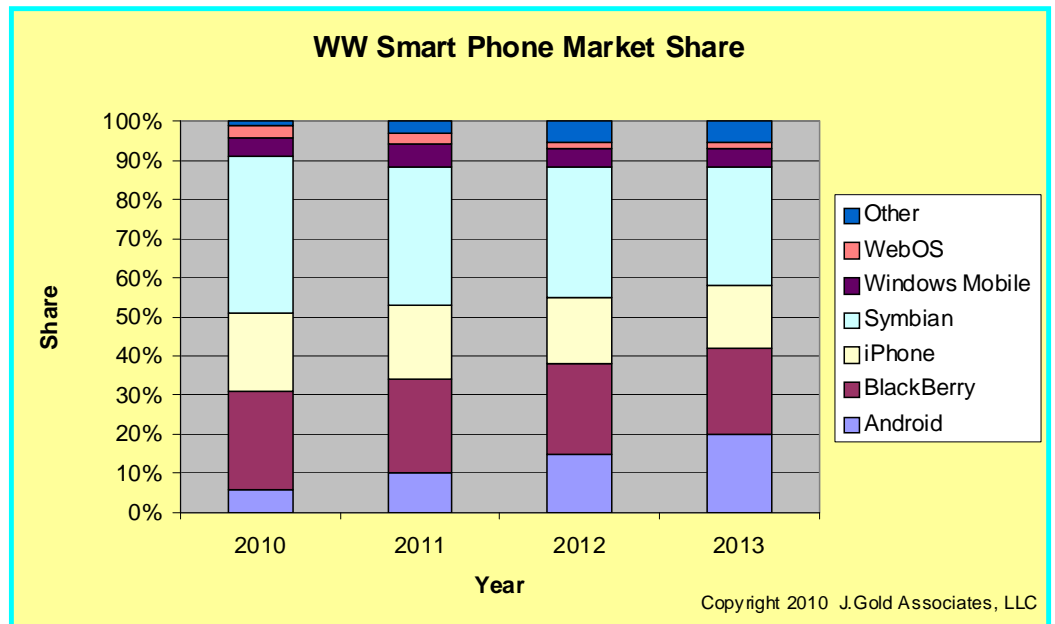
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Figure 1 shows our expected market shares for the various major mobile OSes in the Worldwide Smart Phone Market from 2010-2013. It is important to note that the market in North America will be substantially different, due to a massively reduced Symbian presence and much greater BlackBerry and iPhone exposure (contact us for our predictions for North America). Emerging markets will also be significantly different as cost factors and localized producers have a major effect. Further, the smart phone device as a primary gateway to the Internet will have an overall effect on adoption in some geographies, as will access to compelling applications and cost of connectivity.

**Bottom Line:** We expect to see a significant increase in market share for Android, becoming 3rd (behind Symbian and BlackBerry) by 2013, with iPhone in 4th place. While the actual shares of Symbian, BlackBerry and iPhone may shrink, the market itself will expand dramatically, and each will sell many more devices

than they currently do. Android is starting from near zero market share, but because of the number of OEMs committed to producing devices and the market hype around the OS and the Google name, it will grow very dramatically over the next 3-4 years.

Figure 1: Worldwide Smart Phone Market Share 2010-2013



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## Recent Research Reports

*Contact us if you would like to obtain any of the following research:*

### Major Market Studies

- Enterprise Mobile Applications: A Study of Strategies and Adoption Trends (Complete Report)
- Mobile Business Applications: A Study of Strategies and Adoption Trends (Executive Summary)

### Technology Reports

- Solid State Drives in Notebooks: Cost Advantage or Cost Liability?
- Keeping Notebooks Past Their Prime: A Study of Failures and Costs
- Survival of the Fittest: Will Windows Mobile Go Extinct?