

Between the Lines

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How vulnerable are the iPhone and BlackBerry juggernauts? Very.

Posted by Larry Dignan @ 2:30 am

This week brings the CTIA wireless powwow and a bevy of new (mostly smart) phones. Palm's Pre is on the runway. HTC is launching new Google Android phones (and ads to go with them). Nokia is paying attention to the U.S. again with a thin smartphone. And even Motorola has a phone that looks pretty good.



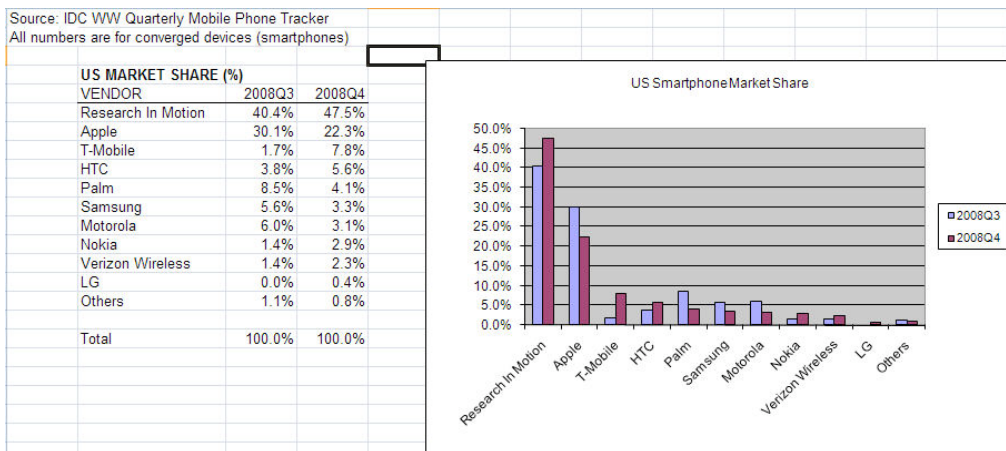
Simply put, there is no better time to be a wireless subscriber off a contract. In fact, the barrage of phones may make consumers pine for hassle free wireless contracts. If I didn't have a two-year contract I'd be a smartphone two-timer hopping from phone to phone every few months.



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These smartphones battles are often portrayed as phone vs. phone wars. Apple's iPhone vs. Pre. Apple 3.0 vs. HTC Android. iPhone vs. the BlackBerry Storm. The larger question we all should be asking is this: Just how vulnerable are Apple and Research in Motion? There will be plenty of color on the latter as RIM reports earnings Thursday and worries about profit margin pressure abound. Meanwhile, there's a reason that iPhone 3.0 is so important—beyond the long-awaited cut and paste capability—Apple is vulnerable too.

Consider the following market share stats from IDC for the fourth quarter by vendor (click to enlarge):



RIM and Apple had a collective 70 percent of the smartphone market in the fourth quarter and the



two companies are running out of headroom in the U.S. I'd wager that both will take their lumps as new smartphones hit the market. Why?

- **Android is on the move.** Notice T-Mobile's share and how it surged in the fourth quarter. That was mostly due to the G1 phone. Android is just as hip as the iPhone in geek circles and more phones are on the way.
- **Nokia may be getting serious about the U.S. again.** Nokia this week rolled out the world's thinnest smartphone with AT&T. Overseas, Nokia is extremely popular but for some idiotic reason it punted on the U.S. If Nokia is serious about the U.S. again it will surely poach some share.



- **The Pre is coming.** Palm is getting iPhone-ish type buzz. And while it may not take a huge chunk of Apple's share it can surely take some. Ditto for RIM.
- **And lesser vendors can poach share too.** Even Motorola is dressing up its phones.

Bottom line: Everything is an iPhone. Apple invented a category and now every carrier will have a copycat. These copycats only have to take a smidge of share from both Apple and RIM to raise a ruckus.

Ultimately, this scrum can be defined with two words: Commodity market. And commodity markets are won and lost based on distribution and pricing. This smartphone game will be decided on pricing—so long profit margins—and distribution. The vendor that gets the most shelf space wins.

Fortunately for Apple it has its own stores to sell the iPhone because the shelf space will get crowded at carriers.

Will price win the day when every phone has a touch screen, a good browser and decent apps? Probably. Look for the two top smartphone dogs to lose at least a little share as an army of competitors surround the gates. Apple and RIM would never admit to being vulnerable, but it's clear these two are going to have to play a little defense.



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