

PALM TODAY, GONE TOMORROW

Palm is about to make the biggest decision of its corporate life: Switch to Windows, or face oblivion

↘ Palm lovers, get out your hankies. This story is a real tearjerker.

The company that single-handedly created the personal digital assistant with the Pilot 1000 in 1996 is at a crossroads. Down one path lies Windows. Down the other path: stagnation, decay, and perhaps death.

If you buy a Treo next year, there's a good chance that it will be based on the Windows Mobile operating system, not the venerable Palm OS that has powered all prior Treos and PDAs. At press time, Palm had made no announcement about a Windows-powered Treo, and Palm refused to comment for this story. But all signs point to an imminent platform switch.

FOCUSED ON PHONES

Let's get one thing cleared up right away: Palm's days as a leading vendor of PDAs are over. In fact, the company's share of the worldwide PDA market has been steadily shrinking from its high of 68 percent in May 1999; it currently stands at

about 18 percent, according to Gartner.

What's more, the PDA market is increasingly irrelevant. Today's phones are more capable and can hold more data than 20th-century phones could. Why carry two devices when one will do?

Palm has seen the writing on the wall. "There's no question that the traditional PDA business has declined," Palm CEO Ed Colligan said in a June teleconference. Accordingly, the company is putting its most intense efforts into the smart-phone business.

"Ever since Palm acquired Handspring, it has really focused its resources on becoming a stronger player in the smart-phone market," says Todd Kort, a principal analyst for Gartner.

PALM PDAS: GOING, GOING, GONE?

With a steadily declining PDA market, Palm has no choice but to bet the farm on smart phones.

Sales of Palm OS-based PDAs by Palm and Handspring (millions)	
2000	7
2001	6.7
2002	5.1
2003	4.2
2004	3.7
2005	2.8 (est.)

Source: Gartner

A TALE OF TWO COMPANIES

Over the years, the companies currently known as Palm and PalmSource have gone through a confusing series of mergers, spin-offs, and name changes. Here's a quick timeline.



Confused? We don't blame you!



CHOOSE YOUR OWN PALM VENTURE!

Think you can do better than Palm's executives? Try to follow the bouncing PDA!

It's 2005. Your PDA business is tanking, but Treos are selling like hotcakes. Unfortunately, you're tied to an obsolete operating system.

DO YOU:

- A Milk the PDA business for all it's worth. (Turn to page 25.)
- B Milk the smart-phone business for all it's worth. (Turn to page 83.)
- C Make a risky jump to Windows Mobile. (Turn to page 28.)

PALM TUCKERED OUT

While its PDA market founders, Palm's smart-phone business has taken off. The Treo has been a tremendous success, driving Palm to a whopping 50 percent of the U.S. smart-phone market (though it holds only 5 percent of the market worldwide) and helping propel the company through two solid years of unbroken revenue growth. In retrospect, it's lucky that Palm bought Handspring, the developer of the Treo, in 2003.

Unfortunately, the underlying operating system isn't doing so well. Palm OS 5.4 is a dead-end street. It has poor support for multimedia features and lacks multitasking capabilities.

Windows Mobile, by contrast, has been multitasking for years. It's also got a built-in web browser, extensive support for audio and video, and corporate-friendly security features.

Palm OS developer PalmSource (which was acquired by Japanese software developer Access in September) attempted to bridge the features gap last year with a brand-new operating system, Cobalt, which was multimedia- and multitasking-friendly. But the OS was a flop, requiring too much memory and processing power to be practical, and no companies ever released a Cobalt-based device.

Implicitly acknowledging the failure of Cobalt, PalmSource has stated its plans to switch to a Linux-based architecture. But a commercial version of the new Linux OS won't be available until late 2006, with devices based on it unlikely to be ready for sale before 2007. Palm can't afford to wait that long.

END GAME

M:Metrics senior analyst Seamus McAteer predicts that Palm will announce a Windows-based Treo by January 2006. Over the long run, that will spell the end of Palm OS-based Treos. "Who wants a Palm-based Treo when the company has announced that it's migrating?" says McAteer.

Without a major upgrade to Windows, the company may well be dead in the water, increasingly unable to compete with smart phones that offer more whizbang features.

But it's a risky move. Many of Palm's customers have stuck with the company simply because it's not Microsoft. "Going over to a Microsoft operating system will not win the company any friends among its current customers," says Gartner's Kort.

And with Palm accounting for 60 percent of PalmSource's revenue, losing even a fraction of that business would be a serious blow for PalmSource.

Still, Palm's executives aren't likely to spend a lot of time worrying about the fate of their sister company. Palm has to walk a delicate line between a dying operating system and a pack of anti-Microsoft zealots. Whatever decision they make, they're likely to piss off somebody. —Dylan Tweney



THEM'S A BARGAIN!

What happens when 5,500 Virginians show up to get their hands on 1,000 used Apple iBooks, each being sold for \$50? Beatings, attempted vehicular manslaughter, and one poor woman urinating on herself, that's what.



↗ AND SHE'S STILL WIRELESS
Now you can look good while you're recycling — and pay good money for the privilege as well. Elsewares.com turns old gadgets into wearable art, from necklaces made from used capacitors (\$25) to bracelets made from Ethernet cable (\$14). It's instant geek cred for your nontechie girlfriend. ↘



GET MOBILE

Having to pick just one winner every month makes *Mobile* cry! This month we've got 20 prizes: Custom *Mobile* skins for your iPod or iPod Mini, courtesy of Gamer Graffiti (www.gamergraffix.com)! To win, just send us a name and address, and let us know whether you require a regular or a Mini skin. **IPOD NOT INCLUDED!** We'll award the prizes to all who request them, until we run out of skins! E-mail entries to giveaway@mobilemagazine.com, or snail mail to November Giveaway, Mobile Magazine, 150 North Hill Drive, Suite 40, Brisbane, CA 94005. Entries must be received by November 18.