Smart phones will overtake handhelds this year in EMEA

- Overall mobile device market expected to double in 2003

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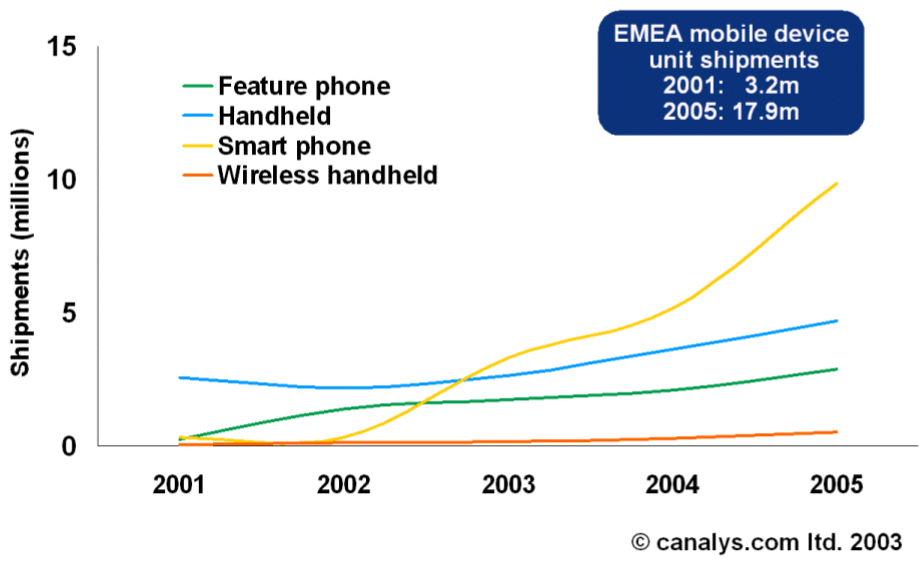
Leading European analyst firm Canalys expects shipments of smart phones to exceed those of handhelds in the Europe, Middle East & Africa (EMEA) region for the first time in 2003, according to its new report - EMEA Mobile Device Trends 2003.

Senior analyst Andy Buss said that the smart phone segment of the mobile device market (which includes devices such as the Orange SPV and Sony Ericsson P800) is expected to be around 3.3 million units in 2003, compared with around 2.8 million handhelds and wireless handhelds (such as the Palm Tungsten T, the HP iPAQ series, the RIM Blackberry, O2 xda and T-Mobile MDA).

"We anticipate that smart phone shipments alone will be an order of magnitude greater in 2003 than in 2002," Buss added. "2002 was the tip of the iceberg for this category of device, but we expect the handheld segment to grow in 2003 too, after performing poorly last year."



Canalys suggests that handheld vendors don't try to counter the smart phone boom by launching wireless handhelds (those with integrated GSM/GPRS/3G capability), which have sold in only tiny quantities and will continue to do so according to Buss: "Vendors should only launch wireless handhelds if they can differentiate themselves substantially from the devices that are already out there. If they are happy to dominate a niche part of the market then fine, but they need to offer a device capable of doing that. If they want to go after a bigger slice then they should focus on integrated Bluetooth and take advantage of the ever-increasing base of Bluetooth mobile phones and a handheld user base willing to upgrade to get the benefits of coupling the devices."

Chris Jones, Canalys director and senior analyst pointed out some of the convergence-related problems vendors from the voice and data worlds are having. "For a start, the channels don't know how to sell a wireless handheld: the mobile phone retailers struggle demonstrating the benefits to potential customers, while the IT/data-centric channels don't really want to get into the tariff debate that becomes essential with a SIM-dependent device. Similar problems apply to smart phones, but mobile phone retailers will generally find it easier to sell something perceived as a mobile phone with added features than a less familiar type of device."

Canalys points out that today's wireless handhelds make poor phones and are mostly bulky, expensive and feature-poor compared to the leading non-wireless handheld models. "Most people will want a separate mobile phone anyway, so they are better off going for one of the smaller, lighter handhelds to use with it via Bluetooth," Jones added. "Unless you have a very specific application that needs the unique characteristics of a wireless handheld it is hard to see why you would choose it over any of the other form-factor combinations."

So if the wireless handheld is a poor phone, how do the new generation of phones rate as personal organisers? "They are getting better," says Buss. "In 2002 the Nokia 7650 feature phone was the device that took the market by storm, but it was bought as a camera phone rather than as some kind of handheld replacement. While it can do many of the things traditionally associated with a handheld, that isn't where it excels. But if you look at devices like the Sony Ericsson P800 you can see that improvements are being made and gradually a lot of people will realise that the benefits of having just one device outweigh the usability compromises they may have to make. There will be users that prefer the larger screen and other characteristics of a handheld, and that's why we expect handheld shipments to continue growing for the next few years. As more phones come with Bluetooth integrated, and GPRS pricing becomes less prohibitive, the handheld vendors can turn this environment to their advantage."

Despite the positive projections for smart phones, Canalys points out that less expensive phones offering little more than colour, MMS and an integrated camera in a compact format are likely to appeal to many more consumers and will limit sales of true smart phones until users and retailers develop their understanding of what additional benefits the more sophisticated devices bring.

Country-level forecasts for each category of device, along with SWOT analysis of the main vendors (including FSC, HP, Handspring, Motorola, Nokia, O2, Orange, Palm, Sony, Sony Ericsson and Toshiba), and a detailed overview of market trends and vendor performance are presented in the 2003 Canalys mobile device trends report, which can be ordered directly from the Canalys web site.