ENTERPRISE STUDY

Enterprise Adoption of Handhelds and Smartphones

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Key Findings

At the beginning and end of 2003, independent research firms measured the use and adoption of mobile data—handheld computers and smartphones—by enterprises. This document describes findings from the surveys.

Palm OS is the enterprise leader in the US, with an average of 58% of the units purchased directly by businesses in 2003. This figure represents the number of units bought by IT or departmental managers, rather than by end users.

Palm OS is on most standards lists. About 75% of companies have mobile data OS standards lists. Palm OS is on 88% of those lists, making it the most widely accepted mobile data OS.

Most devices are purchased by small businesses. The majority of mobile data sales to business are to small and medium-sized firms: 60% of the units are purchased by companies with fewer than 500 employees. 81% of the units are purchased by companies with fewer than 5,000. The reason is based on the fact that there are far more small businesses than large ones.

Mobile data adoption is the highest priority among early adopter companies. Similar to consumers, companies can be classified as early adopters, cautious adopters, and slow adopters. The companies that identify themselves as early adopters (26%) are aggressively planning to deploy mobile data solutions, stating that buying more handhelds and smartphones is their top IT priority in the coming year. Later adopters are replacing or upgrading existing hardware.

Early adopter companies also appear to be deploying handhelds more broadly than other companies. They are more likely to be providing handhelds to departments such as marketing and engineering.

IT and department managers share control over handheld and smartphone purchases. In most companies, authority over the decision is shared between the two groups. Neither group dominates.

Methodology

In February and November of 2003, the independent research firms Mindwave Research and Customer Insights surveyed a random sample of IT managers and business decision-makers in the US to determine their attitudes toward and centralized purchases of mobile data devices—in particular handheld computers and smartphones (laptops were not included). Companies with 100 or more employees were included as the survey showed that most companies under this threshold did not have a centralized IT department that could be surveyed. PalmSource worked with the research firms to develop the questionnaire but did not control the surveying process or the results.

Companies were first screened for centralized purchasing policies of handhelds or smartphones. The companies engaging in central purchases were questioned in detail about those purchases. The focus was strictly on centrally purchased devices. Purchases made by employees were excluded, even if the company reimbursed the employees for the purchase. Respondents had some control over centralized mobile data purchases within their company.

Sampling. Respondents were sourced from two panels of business decision-makers: Mindwave's Technology Decision Forum and Common Knowledge's Your 2 Cents Business Panel. Roughly 300 people were surveyed in each round of the survey, and were recruited via e-mail and then surveyed via the web. The margin of error at the 95% confidence level is approximately 5.5 points in the December survey and 5.8 points in the February survey.

Findings

Introduction. The industry has a lot of information on retail purchases of mobile devices as retail sales are measured directly by market tracking firms such as NPD and GfK. However, there is limited concrete data on corporate purchases as most of these purchases do not occur through the retail channel. The corporate surveys that are available, although helpful, are usually only estimates, or are based on attendees at conferences, or subscribers to particular information services rather than on a random sample of all business managers.

This survey attempted to compile a more rigorous view of handheld and smartphone purchasing and usage by businesses.

The findings are divided into three sections:

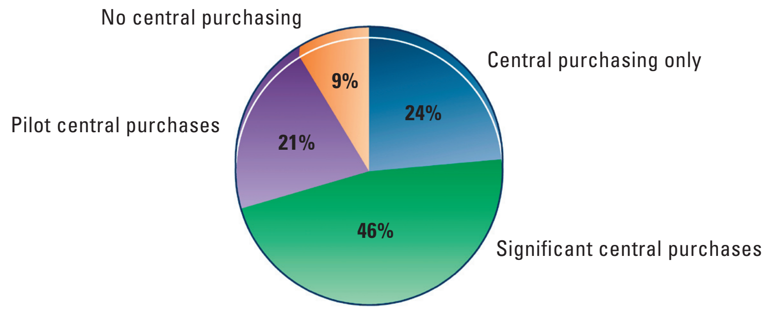
Section 1. The Enterprise Market for Mobile Data
Section 2. Adoption Patterns
Section 3. OS Preference

Section 1. The Enterprise Market for Mobile Data

Most companies buy at least some devices centrally

More than two-thirds of the companies surveyed are making at least some "significant" central purchases of handhelds and smartphones. Central purchases are purchases initiated and paid for by corporate management. No purchases made by users were included, even if the company reimbursed employees for those purchases.

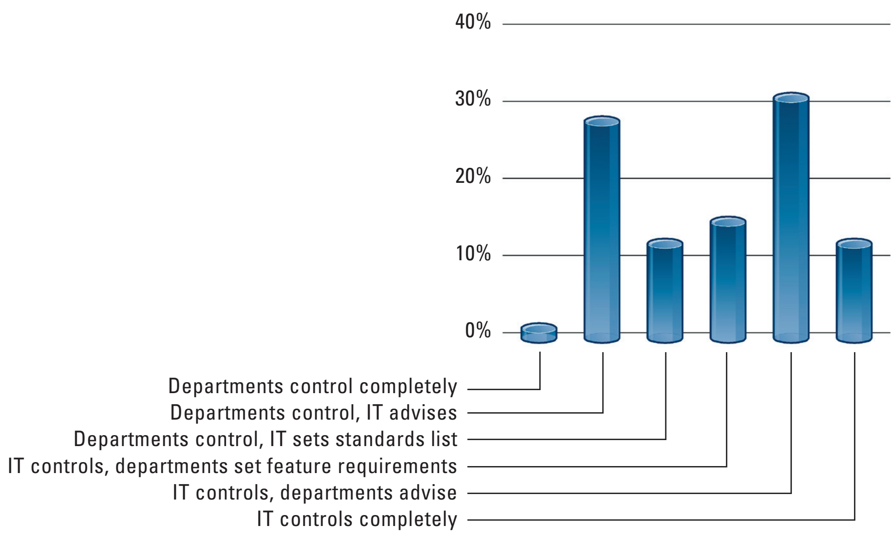
Percent of companies in each category:



The mobile data purchase decision is shared between IT and departmental managers

A mobile device purchase requires balancing the needs of departments that will be using them and IT organizations that will be supporting them. In most companies, authority over the decision is shared between the two groups.

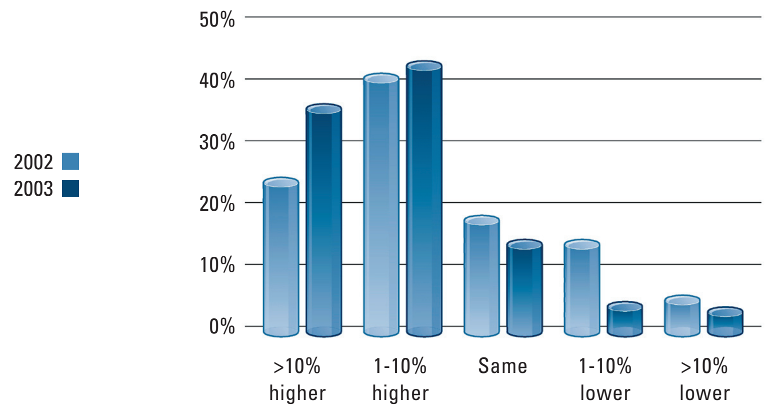
Percent of companies using each decision process:



IT budgets are increasing

Seventy-nine percent of the companies predicted that their IT budgets would be higher in the coming year. Perhaps most significantly, the percentage predicting more than 10% higher IT spending increased more than ten points between February and December.

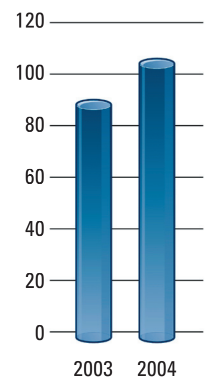
Expected change in IT budget, previous year vs. coming year:



Mobile data purchases will increase

The companies predicted that their mobile data unit purchases will increase by 18% in 2004, compared to 2003.

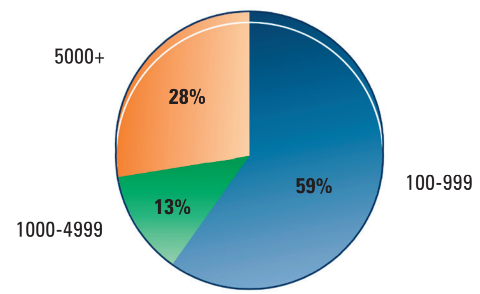
Mean units of handhelds/smartphones purchased by company:



Small companies buy most of the devices

Although large enterprise deployments get most of the media attention, small- and medium-sized companies actually account for the lion's share of corporate handheld and smartphone purchases. The reason is simple mathematics—for each company exceeding 5,000 employees, there are 50 companies with 100-999 employees. (Note: The chart below was calculated by combining data from this survey with US government data on the number of companies in each size range.)

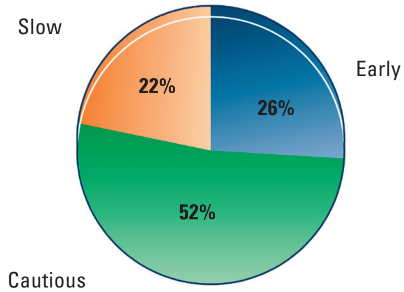
Percent of total corporate mobile device purchases, by company size in employees:



Section 2. Adoption Patterns

The enterprise market is segmented

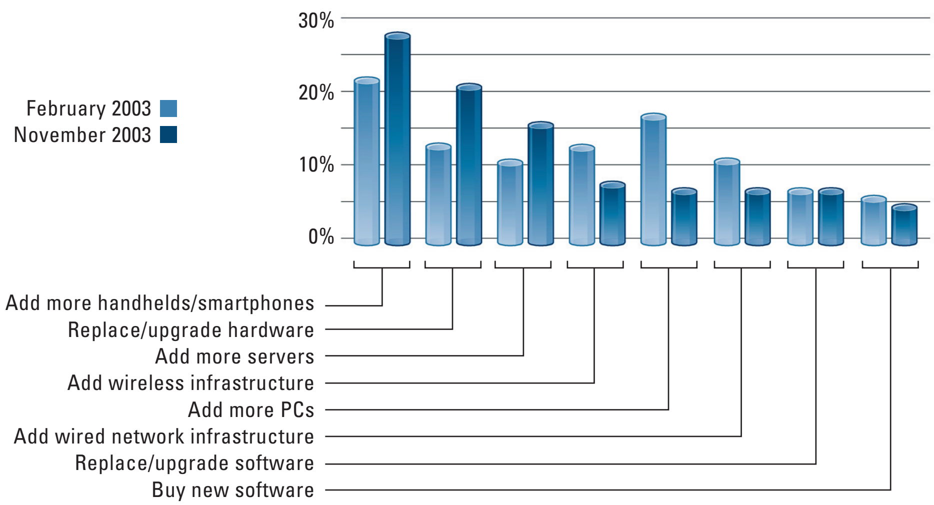
Just as individual consumers, companies can be classified by the technology adoption preferences: early, cautious, or slow. Twenty-six percent of the companies are early adopters, having strikingly different technology buying plans than other companies.



Early adopters make mobile data devices their #1 priority

There are striking differences in technology priorities between early adopters and other companies. Buying more handhelds and smartphones is the top priority of early adopter companies, and the desire to add more devices increased in 2003 (see chart below). For other companies, the top priorities are replacing or upgrading existing computer hardware, and adding more servers.

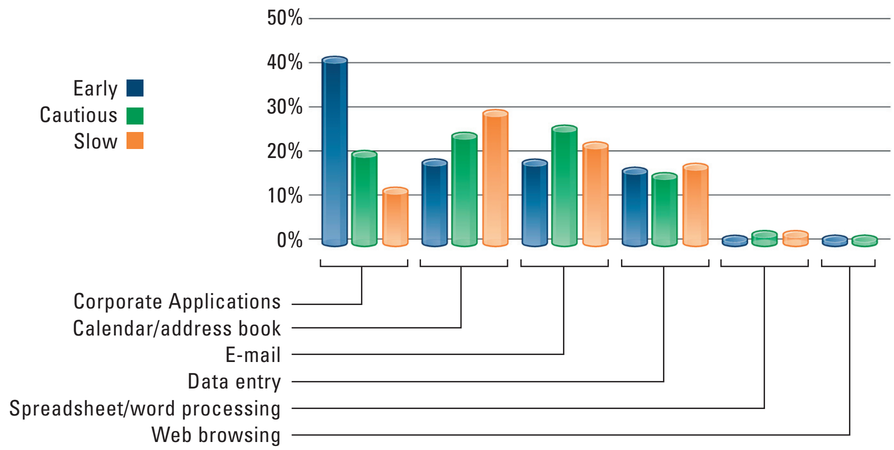
Percentage of early adopter companies rating an IT spending priority #1, beginning and end of 2003:



Early adopters use mobile data devices differently

The early adopters indicate mobilizing corporate applications is their most important usage of mobile data. Later adopters focus more on mobile e-mail and calendar/address book applications.

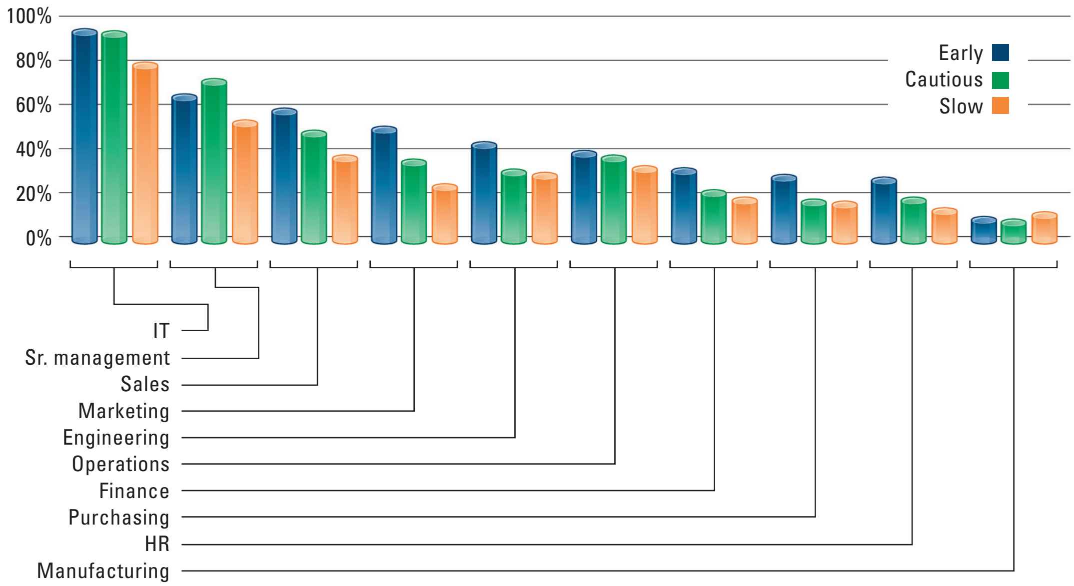
The company's most important usage of handhelds:



Who will get devices?

In most companies, handhelds and smartphones will be bought for IT staff and senior management. Early adopters are much more likely to also deploy handhelds to other departments. (Employee-purchased devices are not included.)

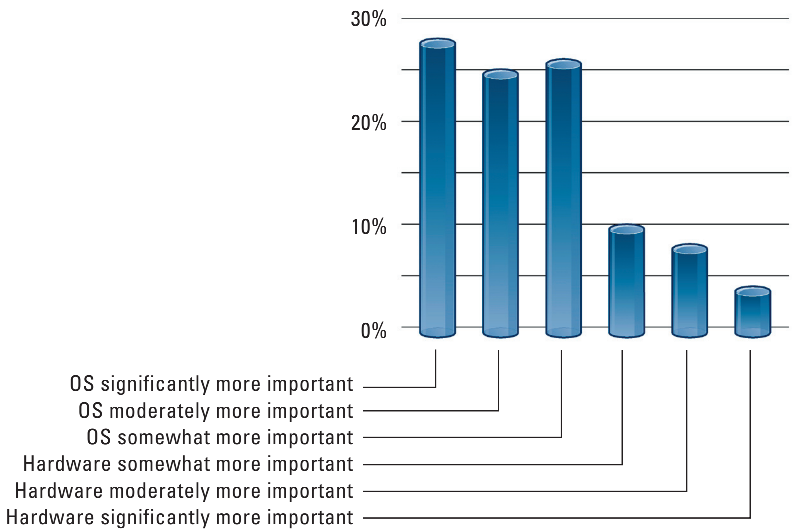
Percent of companies saying they will buy handhelds centrally for:



Section 3. OS Preference

OS is more important than hardware

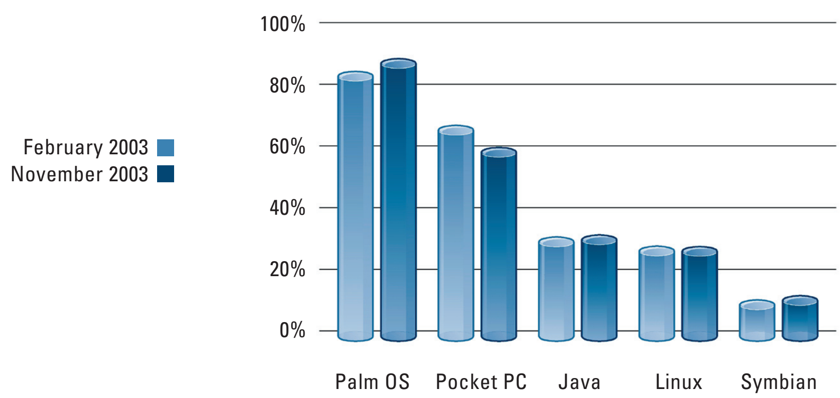
Almost 80% of respondents said the brand of OS is more important than the hardware brand when making a handheld/smartphone purchase decision.



Most companies have a mobile data standards list that includes Palm OS

Seventy-five percent of companies have mandatory or recommended standards lists defining which mobile operating systems can be used within the company. Palm OS is on 88% of those lists, with no statistically significant change in its presence in 2003.

Percent of corporate standards lists containing the listed operating systems:



Palm Powered devices are purchased most often by businesses

The IT and departmental managers said Palm OS powered an average of 58% of the handhelds and smartphones purchased centrally by their companies in 2003, and 55% in 2002. The two years' results are within the margin of error, which indicates stable purchase share.

Average share of companies' unit purchases in 2002 and 2003: