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## WebOS – Is It Too Late To Matter?

*HP is working on getting Palm's WebOS-based products to market, recently releasing a new version of the Pre and promising new Web-OS based products soon. But is it too late for WebOS?*

HP, working from its recent acquisition of Palm, has released its first new Smartphone device to the market. The new Pre looks substantial and runs the latest version of WebOS, a modern OS that could have been a real contender if it was out 1-2 years earlier. But, is WebOS a credible smartphone differentiator in a very crowded market? Is WebOS under HP's stewardship enough to ignite the rebuilding of the Palm/Pre brand, or is it just too late? The answer: Yes and maybe not.

The smartphone market of today is very different from the market Palm helped build. There are huge momentum plays going on (Android, iPhone) that any new device/OS will have to overcome. In my opinion, it's too late for HP to release a meaningful WebOS smartphone and have it get any real market share. Palm aficionados have largely moved on – mostly to Android. Consumers are largely unaware of Palm and its new technology (ask most consumers about Palm, and they'll probably wonder if the company still exists). Carrier relationships are weak at best. And even though the Palm brand is largely gone from the new Pre and WebOS, HP has less than a stellar record in smartphones itself, having been in the business for years with little to show for it (remember the iPaq phone?). So it's unlikely an HP branded phone will demand much attention, either from consumers, or ultimately from the carriers through which HP must channel the devices.

Nor will HP likely be able to convince many app creators to support yet another OS, especially one with miniscule market share. The only real opportunity for HP might be in emerging markets where the battle is not yet lost. But here, they face the onslaught of local (e.g., Chinese, Indian) competition, many of whom are adopting Android. And Nokia still has incredibly strong brand recognition. HP does too, but not in phones, and its last effort at selling phones in China largely fizzled. So the prospects for HP having any long term success in smartphones either in mature or emerging markets is bleak.

But all may not be lost for WebOS. HP still has an opportunity with WebOS in the tablet market, if it acts soon and forcefully. This market is still forming and there is no dominant player yet (although Apple is certainly strong and Android will be a major contender). Despite HP's recent

release of its Windows 7 based tablet for the enterprise user, there is still plenty of room to do what HP does best – design and market devices to consumers. Tablets are different than smartphones, and the channels are largely different as well. The majority of tablets will ultimately be sold through retail (not directly by the carriers) and HP has incredibly strong relationships here with all of the major retailers worldwide. So an inexpensive but highly capable WebOS tablet could be very successful, and a real challenger to iPad and Android tablets.

App availability should be easier here as well since so many of the apps users access will run in the cloud through the browser (e.g., HTML5). It is unlikely HP will be able to compete with Android and iOS (or even Windows) for the minds and hearts of app developers for a large assortment of WebOS targeted apps. But Web connectivity will make that less of an issue. And if HP is smart about it, their WebOS tablet can be nicely coupled with the panoply of other computing and consumer devices they already market. This is their golden opportunity for the remnants of Palm and it's WebOS – not the smartphone market.

But I wonder if management is up to the task, given much of the management team running the show, both newly acquired with Palm and the existing HP PSG veterans like Bradley and his team, are ex-Palm. Is this giving them a slanted view of the market? There have been a number of ex-Palm folks leaving of late, so this could signal a new direction. If I were Todd Bradley, I would immediately deemphasize plans for future Windows tablets and put all HP's energies into an attractive and cost competitive WebOS tablet, and get it to market before the end of the year. Not doing so will put it at a competitive disadvantage it may not be able to recover from. HP invested a lot in acquiring Palm. So far it has little to show for it. The longer HP waits, the less likely it will get any return on its investment.

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***For more in-depth comments or analysis on this or other subjects, feel free to contact us.***

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