



Launching iPhone

Apple's Entry into the Mobile Phone Market

Case study
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Launching iPhone: Apple's Entry into the Mobile Phone Market

*"The iPod changed everything in 2001. We're going to do it again with the iPhone in 2007."*¹

– Steve Jobs, CEO, Apple Inc., in January 2007.

*"Apple Inc.'s campaign to build excitement about its iPhone may be the most successful marketing effort ever, surpassing the drive to promote Ford Motor Co.'s 1964 Mustang and Microsoft Corp.'s Windows 95."*²

– *The Economic Times*³, in June 28, 2007.

*"I've never seen the kind of feeding frenzy we've seen in the media, We expect it [iPhone] to be a very successful product – but I don't know how it can possibly live up to the hype."*⁴

– Ed Colligan, President & CEO, Palm Inc⁵, in June, 2007.

THE LAUNCH OF THE 'JESUS PHONE'

On June 29, 2007, Apple Inc. (Apple) launched its mobile phone, branded as the 'iPhone,' in the US, marking its entry into the highly competitive mobile phone market. The telecom industry had been agog about this new mobile phone, ever since Apple made an announcement in this regard in January 2007. Some of Apple's fans who had been waiting for 'iDay,' as the launch date of the iPhone was called, formed queues outside the Apple's stores to buy it immediately after the launch. Estimates of the sales of iPhones ranged from 500,000 to 1 million units in the first two days of its launch.⁶ Though the actual sales figures were a lot less than that, it was still a very successful launch. The company announced that the phone would be launched in Europe in the later part of 2007 and in Asia in 2008. Apple had set a sales target of 10 million iPhones by the end of 2008, which would translate to 1 percent of the total market share for mobile phones.

Some analysts felt that the launch of the iPhone was probably the best ever launch of any product. Between June 29, 2007, and September 29, 2007, the company sold 1,389,000 units.⁷ The buzz that surrounded the launch of the phone, which was referred to as the 'Jesus phone' by bloggers, was unprecedented as far as electronic products were concerned. One customer who bought the iPhone soon after it was launched remarked "I'm going to run home and ring people just to say 'Guess what, I've got, an iPhone, bye!'"⁸ Such was the frenzy that surrounded the launch of this new mobile phone. The premium price of the product (US\$499 for the 4GB version and US\$599 for the 8GB version) did not deter Apple's eager fans from buying the product.

Analysts felt that branding and promotion of the product were as much responsible for the successful launch of the product as the product itself. Marketing experts were surprised that

¹ "Apple's 'Magical' iPhone Unveiled," www.news.bbc.co.uk, January 9, 2007.

² "Apple Marketing Buzz the Loudest," www.economictimes.indiatimes.com, June 28, 2007.

³ *The Economic Times* is one of the leading business newspapers in India.

⁴ "Smartphone Makers Brace for iPhone," www.economictimes.indiatimes.com, June 29, 2007.

⁵ Palm Inc., headquartered in Sunnyvale, California, USA, is a manufacturer of personal digital assistants and smart phones. For the fiscal year 2007, its revenue was US\$1,560.51 million. (Source: www.finance.google.com).

⁶ "Where would Jesus Queue?" www.economist.com, July 5, 2007.

⁷ www.media.corporate-ir.net/media_files/irol/10/107357/AAPL_10K_FY07.pdf

⁸ Laura Smith-Spark, "Fans Turn Out for 'Rock Star' iPhone," www.news.bbc.co.uk, June 30, 2007.

Apple had not gone overboard in its promotion of the new brand though it was entering a new market with a new product. They appreciated the way the company had created a buzz around the product through its low key but highly effective marketing effort. They also felt that the product had lived up to the expectations created. Kelly O'Keefe, Executive Education Director of the Virginia Commonwealth University's Adcenter,⁹ said, "One of the intelligent things they've done with their advertising on this is they understood they didn't need to let the advertising get in the way of the product... The product itself is innovative enough that demo-ing it on the ads is enough to generate excitement."¹⁰ Analysts felt that with the back to back successes of the iMac,¹¹ iPod¹² and the iPhone, Apple had showed that it was not only good at developing innovative products but was also equally good at marketing them (Refer to Exhibit I for total net sales of Apple and its key products by unit).

However, some analysts felt that the iPhone had been over-hyped and could fall flat on its face after the initial euphoria died down. They were of the view that it was never good to hype a product so much as it could become difficult to match the hype with performance. Moreover, Apple was foraying into unknown terrain dominated by a number of competitors that had decades of experience in this sector behind them. Analysts felt that Apple had a long way to go to realize its target of conquering a 1 percent market share in the mobile phone market. Some analysts also viewed its foray into this market as a defensive strategy necessitated by the introduction of music phones by some well-known mobile phone companies.

BACKGROUND NOTE

Apple was founded on April 1, 1976, by Steve Jobs (Jobs), Steve Wozniak, and Ronald Wayne, and was incorporated on January 3, 1977. It was initially called Apple Computers Inc. and was headquartered in Cupertino, California, USA. The idea for the company originated in the dream of one of the founders Steve Wozniak who wanted to build his own computer. When his employer, Hewlett-Packard Company,¹³ refused to accept his design, he resigned and, along with his school-mate Jobs, moved the production to Jobs's family garage. Apple's first product was the Apple I, which was a working circuit board. Later in 1977, the Apple II was introduced. This was a major turning point for the company as Apple II had many revolutionary features like colour display and a floppy disk drive for storing data.

By 1980, the company had netted over US\$100 million and had 1000 employees. The company went public in December 1980. However, after its initial success, it faced some stiff competition from the market leader International Business Machine Corporation¹⁴ (IBM), when IBM introduced its own personal computers powered by MS-DOS (Microsoft disk operating system) along with the revolutionary spreadsheet application Lotus 1-2-3. As a result of this, Apple lost the business users who formed the most lucrative market segment for computers at that time. But in 1984, Apple bounced back with the introduction of the Macintosh computers, which used the Graphical User Interface (GUI). Apple used the GUI in the Lisa computers released in 1983 and the Macintosh computers released in 1984. But, the Macintosh computers did not do too well

⁹ Virginia Commonwealth University's Adcenter is considered one of the top graduate programs on advertising in the US.

¹⁰ Paul Thomasch, "Apple Builds Hype for iPhone," www.features.us.reuters.com, June 20, 2007.

¹¹ The iMac is a desktop Macintosh computer designed and built by Apple. It was launched in 1998.

¹² The iPod is a popular brand of portable digital music players manufactured and marketed by Apple. Since its launch in October 2001, it has attained an iconic brand status.

¹³ Hewlett-Packard Company, headquartered in Palo Alto, California, USA, is one of the leading manufacturers of PCs, printers, network management software, servers, etc. For the fiscal year 2007, its revenue was US\$104,286 million. (Source: www.finance.google.com).

¹⁴ International Business Machine Corporations, headquartered in Armonk, New York, USA, is one of the leading information technology companies. For the fiscal year 2006, its revenue was US\$91,423 million.

commercially. In 1985, the last remaining founder in Apple, Jobs, was expelled from the company by the then CEO John Sculley (Sculley) after a boardroom debate.

After being expelled from the board and being relieved of his managerial responsibilities, Jobs resigned from the organization and founded another company NeXT Computer Inc. (NeXT). NeXT was a company which focused on certain niche segments like the creation of powerful workstation computers for the education market. Meanwhile at Apple, the sales of the Macintosh computers picked up under Sculley's leadership. The introduction of the laser printer, laser writer, and page maker further helped in improving sales. Another notable milestone was the introduction in 1991 of the PowerBook 100, said to be the predecessor of the modern laptop. From then onward, the company started laying a lot of emphasis on quality and design. It also forayed into the consumer electronics market with products such as Newton (a PDA¹⁵) with limited success.

But in 1996, Apple was still a marginal player in the computer industry and was losing a lot of money. Many analysts believed that the company would be wound up or sold off. Gil Amelio (Amelio), CEO of Apple then, acquired NeXT. This marked the return of Jobs at Apple and after the ouster of Amelio the following year, he was named the interim CEO of Apple.

The first step that Jobs took after re-joining Apple was to launch the new operating system Mac OS x based on the NeXT operating system. The next groundbreaking step was Apple's foray into the retail business with the establishment of Apple Retail Stores.¹⁶ As of December 2007, there were more than 200 Apple Retail Stores around the world. Jobs cut many loss-making projects, which were in the implementation phase, and started efforts to make Apple profitable again. The company's emphasis on design received a further boost under Jobs. In 1998, Apple introduced one of its important products, the revolutionary iMac. This, the analysts felt, marked the beginning of the company's obsession with design. Since the commercial success of the iMac, Apple focused on establishing itself as the maker of consumer durables rather than a pure maker of computers and the software required for running them. Stunning designs, which had been the preserve of European manufacturers until then, and powerful branding became the hallmarks of Apple.

According to analysts, the defining moment in the company's transition came with the introduction of the portable digital music player, the iPod, in 2001. The second coming of Apple as a maker of consumer electronics goods was attributed to the charismatic leadership of Jobs. iPod went on to become a hugely successful product. The killer application in iPod was the design coupled with the central click wheel. As was the case with the mouse in the case of personal computers, the click wheel made it very easy to use these music players. And with the help of an unprecedented branding exercise, iPod was positioned as an aspirational music player in the market. On January 9, 2007, in a symbolic gesture, the company dropped the word 'Computer' from its name and became Apple Inc. On the same day, Jobs announced the introduction of another revolutionary product. This was the first mobile phone from the company, the 'iPhone'. This, coupled with the earlier launch of a set-top box called Apple TV (also called iTV) in September 2006, completed the company's transformation from being a computer manufacturer to a full-fledged manufacturer of consumer electronics goods.

In addition to this, the company had also made a name for itself as a highly innovative company as well as a shrewd marketer. It consistently topped the list of innovative companies,¹⁷ and marketing experts also appreciated the way in which it was able to create a buzz around its products.

¹⁵ PDA (acronym for personal digital assistant) is an electronic device to store and retrieve small files. Modern PDAs have many of the features of digital cameras, portable music players, and web browsers.

¹⁶ "The Third Act," www.economictimes.indiatimes.com, June 7, 2007.

¹⁷ "Lessons from Apple," www.economist.com, June 7, 2007.

THE AGE OF CONVERGENCE

The global sales of mobile phone handsets were estimated to be just below 1 billion in 2006. According to the International Telecommunication Union,¹⁸ there were an estimated 2.2 billion mobile phone users in the world. Europe accounted for an estimated 620 million mobile phones while the number of mobile phones in the US was 213 million.¹⁹ There was a trend in favor of converged-function handsets in the mobile phone market.

Communication systems experienced a rapid transition after the advent of the mobile phones in the latter part of the twentieth century. Worldwide, the entire communications industry started to move the wireless way after the advent of modern communication systems. The first generation of mobile phones used analog technologies. The later advancements, mostly spearheaded by European companies such as Telefonaktiebolaget L.M. Ericsson²⁰ (Ericsson), Alcatel-Lucent²¹ (Alcatel), and Nokia Corporation²² (Nokia) led to the development of the digital mobile technology. The two rival forms of mobile technologies TDMA (Time Division Multiple Access) and CDMA (Code Division Multiple Access)²³ that were developed were landmarks in the evolution of mobile communication technology. TDMA became the most widely used technology for mobile services all over the world. Later a more standardised form of mobile technology called GSM²⁴ (Global Standard for Mobile) was created to provide the roaming facility to customers when they travelled from one country to another.

The later phase in the development of mobile phones saw standardization of the mobile technologies, which facilitated seamless roaming of mobile phones all over the world. Apart from being a communication device, mobile phones became the ultimate device of aspiration for consumers all over the world at the turn of the century. As cellular phone technology improved, new digital technologies capable of sending and receiving data in the digital form were developed. Later Internet technologies were also embedded in the mobile phones. Many other modern technological advancements like digital cameras (both still and video), music players, web browsers, PDAs, FM radios, and even the GPS²⁵ (Global positioning system) receiver were embedded in the phones, even as they were miniaturised. As mobile handset manufacturers like Nokia mastered the usage of these other forms of technology, people started buying high-end handsets with the most advanced features.

In addition to embedding the many utilities of other personal electronic devices, the latest mobile phones offered features that were comparable to the latest digital cameras and music player brands. For instance, the N-Series range of mobile phones from Nokia launched in 2007 came with high resolution cameras with Carl Zeiss²⁶ lens (Nearly 5 mega pixels in case of N95²⁷) and

¹⁸ The International Telecommunication Union, headquartered in Geneva, Switzerland, is one of the specialized agencies of the United Nations. It is responsible for standardization, allocation of the radio spectrum, and organizing interconnection arrangements between different countries to allow international phone calls. (Source: www.en.wikipedia.org)

¹⁹ Aaron Huslage, "Apple's iPhone Marketing Machine. Is it enough?" www.oreillynet.com, June 25, 2007.

²⁰ Telefonaktiebolaget L.M. Ericsson headquartered in Stockholm, Sweden, is one of the leading providers of telecommunication and data communication systems. Its revenues for the fiscal year 2006 were US\$ 25.4 billion.

²¹ Alcatel-Lucent, headquartered in Paris, France, is a leading provider of hardware, software, and services to telecommunications service providers and enterprises. Its revenues for the fiscal year 2006 were €18.3 billion.

²² Nokia Corporation, headquartered in Espoo, Finland, is the world's leading mobile phone company. Its revenues for the fiscal year 2006 were € 4.306 billion.

²³ TDMA and CDMA stand for Time Division Multiple Access and Code Division Multiple Access. These were the two rival digital mobile telecom technologies. Each of these technologies had their own merits and demerits.

²⁴ GSM is a popular mobile communications standard. It is a variant of TDMA.

²⁵ GPS is a satellite-based navigation system. It is based on the 24 satellites revolving the Earth.

²⁶ Carl Zeiss, headquartered in Germany, is an optical manufacturing company and a major supplier of camera lenses to several camera makers.

higher memory capacities (8GB in case of N91). The makers of these other electronic devices were affected by the advancements in the mobile technology. For instance, the watch making companies around the world were among the first to be affected due to the emergence of mobile phones as the time keeping devices.

One of the other major benefits of embedding of these devices in mobile phones was that mobile phones could download and share multimedia content. With the help of the latest mobile phone, one could buy music online by making payments and download the music directly on to the mobile phone. Some of the established players in the mobile handset market like Ericsson and Motorola Inc.²⁸ (Motorola) started offering high end music phones like the 'Walkman' and 'Rokr' series which put pressure on the sales of Apple's iPod. The downloaded music could be played with nearly as much clarity as with the latest music player in the market. Similarly, pictures taken with the cameras embedded in the mobile phones could be uploaded on to the Internet directly or shared with others with the help of the latest mobile wireless technologies like Bluetooth.²⁹ Some of these features were unimaginable with the older single use electronic devices. Such seamless convergence of technologies in the mobile phones made these devices very popular as the consumers could carry what amounted to a number of devices in their pocket, wherever they went, in their pockets. These factors raised a question about the utility value of other single purpose electronic devices like music players and digital devices.

The makers of electronic devices such as music players came up with the idea of horizontal integration to save themselves from extinction. Apple was quick to realize the power of convergence of electronic devices and the effect it would have on the sales of its music players. Though the initial iPods were just hard drives with the capacity to play music, the later versions came with some of the most advanced features like high resolution colour screens, video playback capabilities, podcasting, photograph viewing, and even the capability to play games. But one thing which made the iPod vulnerable to competition from the latest cell phones was its inability to communicate with other similar devices or anything external. Mobile phones filled this gap as they started to become the ultimate communication tools. The speed with which data could be downloaded increased with the arrival of the third generation (3G) networks³⁰ which enabled mobile phones to download news, weather updates, and even with video conferencing capabilities. Analysts felt that the threat to single use devices would increase further with the advent of still more powerful technologies like Wimax³¹ and HSOPA³² (High Speed OFDM Packet Access). It was in these circumstances that the iPhone made its debut.

Some technology analysts predicted that the convergence of the electronic technologies would lead to the evolution of two kinds of super electronic devices. The good old PC would turn into an ultimate home entertainment tool by converging several home entertainment devices such as the TV, the music player, etc. The IPTV (Internet Protocol TV) and the Internet radio channels were precursors to this transition, they said. On the other hand, the mobile phone would converge most of the features of laptops, music players, digital cameras, and GPS receivers. Apple's strategy was viewed by analysts as an attempt to complete its product line keeping in mind the

²⁷ It is a part of the N-series range of smart phones manufactured by Nokia which also includes the N70, the N72, the N73, the N80, etc.

²⁸ Motorola Inc., headquartered in Schaumburg, Illionis, USA, was the world's second largest mobile phone company as of July 2007. Its revenues for the fiscal year 2006 were US\$ 41.2 billion.

²⁹ Bluetooth is a modern wireless technology through which the data can be shared within a range of short distances (around 30 feet).

³⁰ 3G refers to the third generation mobile technologies which deliver high speeds of data connectivity through the better and more efficient use of the spectrum.

³¹ Wimax stands for World interoperable microwave access and refers to the telecommunications technology that is aimed at providing high-speed Internet access over longer distances.

³² HSOPA refers to the fourth generation mobile technology which was still undergoing testing as of 2007. It was projected as the logical progression of the UMTS (Universal Mobile Telecommunication Systems) or 3G.

future. It had the iMac PCs and with the introduction of iPhone, it would be in a very good position in a future that belonged to convergence, analysts felt.

ENTRY INTO THE MOBILE PHONE MARKET

The foundations for the development of the iPhone were laid in 2003 when Jobs declared at an executive conference, “D: All Things Digital,” that the future of mobile communication and information exchange lay with mobile phones. He turned down requests by some Apple fans for the development of another PDA on the lines of the Newton MessagePad,³³ which it had developed in collaboration with Sony. Jobs felt that the market for PDAs was not big enough to justify investment in a new PDA. Instead the company started elaborate preparations to enter the mobile phone market. This market was a lucrative one but also very competitive. Nokia, Motorola, Samsung Electronics³⁴ (Samsung), Sony Ericsson Mobile Communications AB³⁵ (Sony Ericsson), and LG Electronics (LG)³⁶ were the top five players in the market which was estimated to be 816.5 million units in 2005.

Apple first stepped into the business of mobile phones in partnership with Motorola with the launch of Motorola Rokr E1 (Rokr E1) in September 2005. Rokr E1 was the first mobile phone to use the iTunes³⁷ software. But the product wasn't very successful in the market. According to Jobs, the failure of the Rokr E1 was due to poor design over which Apple didn't have much control. In the following year, Apple discontinued its support for the Rokr E1.

Apple fell back on its experience of developing the iPod and iTunes software to develop a new generation mobile phone. It knew that to survive in the highly competitive mobile handset market that was dominated by companies such as Nokia and Motorola, it had to come out with an innovative product that had a number of features. Apple's engineers were already working on the future generation of touch screens which Apple wanted to use in its new mobile phone. The mobile phone, named iPhone, was designed by the Apple's head of design, Jonathan Ive. Like the earlier killer innovations such as the mouse in the case of the PC and the click wheel in the case of its iPod, Apple developed the multi touch screen for easy user interface in its iPhone. Other innovations included the Safari browser from Apple which provided complete Internet access on the iPhone (Refer to Exhibit II for an image of the iPhone; Exhibit III for the key features of the iPhone; and, Exhibit IV for a note on the iPhone). Apple is said to have filed more than 200 patents relating to the technologies developed for the iPhone.

The announcement about the iPhone was finally made at the Macworld Conference & Expo³⁸ on January 9, 2007. This marked Apple's entry into the competitive mobile handset market that was estimated to be just below one billion units in 2006. But consumers had to wait close to six months before the iPhone actually hit the US market on June 29, 2007. In the meantime, the company sorted out issues related to the use of the 'iPhone' brand name with Cisco Systems

³³ Newton MessagePad was the one of the first generation PDAs developed and introduced by Apple in 1993 and later withdrawn in 1998.

³⁴ Samsung Electronics, headquartered in Suwon, South Korea, was the world's third largest mobile phone company as of July 2007. Its revenues for the fiscal year 2005 were US\$ 78992.70 million.

³⁵ Sony Ericsson Mobile Communications AB, headquartered in Acton, London, UK, is a mobile phone company formed in 2001 as a joint venture between one of the leading consumer electronics companies Sony Corporation (Sony) of Japan and a leading mobile phone company Ericsson AB (Ericsson) of Sweden. It was the world's fourth largest mobile phone company as of July 2007. Its revenues for the fiscal year 2006 were €10,959 million.

³⁶ LG Electronics, headquartered in Seoul, South Korea, is the fifth largest mobile phone company. Its revenues for the fiscal year 2006 were US\$68.8 billion.

³⁷ iTunes is a digital media player application introduced by Apple in 2001. It can also be used to purchase music, videos, games etc. from the online iTunes store.

³⁸ Macworld Conference & Expo is an annual trade show held in USA dedicated to the Apple Macintosh platform.

Inc.³⁹ (Cisco). The two companies had a legal tussle over the use of the brand name iPhone. Cisco owned the brand name 'iPhone' since it had purchased another company InfoGear Technology Corporation in 2000.⁴⁰ The phones made by Cisco were also branded as iPhones and were used for making calls on the Internet. The litigation arose as under the federal law, two products could have the same brand name only if they were not used for the same purpose. Ultimately, the issue was resolved out of court in February 2007. Analysts felt that the brand name was very important for Apple as the prefix 'i' had become a brand identity for Apple products.

While Apple was gearing up for the launch of the iPhone, skeptics contended that the company had made a big mistake in entering an unknown territory that had so many strong competitors. Tom Husson, mobile analyst at Jupiter Research⁴¹ (Jupiter), said, "Convergence without compromise is something very difficult to reach... There is no question that the iPhone has set a new standard for handset manufacturers and it definitely addresses the key issue of user experience which is something that Apple is good at but, in order to succeed, it needs to be compelling as a phone."⁴² Moreover, some industry watchers felt that the iPhone was over-priced at US\$599 for the 8GB version and US\$499 for the 4GB version. They felt that the phone would find favour with only the affluent section of the consumers or with those who were crazy about the latest gadgets.⁴³ Still others felt that the phone was over-hyped and predicted that it would fall flat on its face.

MARKETING THE iPhone

In May 2007, Apple announced its marketing strategy for iPhone through Bear Stearns⁴⁴ analyst Andy Neff (Neff). Neff said that Apple would sell the iPhone through 2,000 retail outlets focusing on markets such as the US, the UK, and Japan, where the company had a strong customer base.⁴⁵ In addition, it would be sold through select retailers such as Best Buy Co., Inc. Apple employees would be present at the point of sale to ensure that the customers were served well. The company aimed to sell 10 million units of the iPhone by the end of 2008. According to Jupiter Research analyst, Michael Gartenberg, Apple was estimated to spend about US\$100 million on the launch of the iPhone.⁴⁶

However, between January 2007 and June 29, 2007, when the iPhone was launched in the US, Apple did not roll out any high decibel promotional campaign as was expected of a company entering a new market with a new product. Instead, it ran a teaser ad campaign that did not even mention the brand name. This ad campaign called 'Hello' was started during the Academy Awards⁴⁷ ceremony in February 2007 and featured many famous actors answering their phones in scenes from classic TV shows, movies, and cartoons. The ad ended with a brief glimpse of the iPhone, followed by the word 'Hello' and 'Coming in June.'⁴⁸ (Refer to Box I for details of the

³⁹ Cisco Systems Inc., headquartered in San Jose, California, USA, is a leading networking and communications company.

⁴⁰ "iPhone Court Battle Put on Hold," www.news.bbc.co.uk, February 2, 2007.

⁴¹ Jupiter Research is a provider of research, analysis, and advice on the Internet and emerging consumer technologies to businesses.

⁴² Jane Wakefield, "Beneath the Bonnet of iPhone," www.news.bbc.co.uk, January 10, 2007.

⁴³ "Twiddling Fingers," www.economist.com, June 7, 2007.

⁴⁴ Bear Stearns, headquartered in New York, USA, is an investment bank, securities trading and brokerage firm.

⁴⁵ Glen D, "Analyst Reveals iPhone Marketing Gameplan," www.apple.qj.net, May 19, 2007.

⁴⁶ "Apple Marketing Buzz the Loudest," www.economictimes.com, June 28, 2007.

⁴⁷ The Academy Awards (also known as the Oscars) are the annual awards presented in the US in recognition of excellence of professionals in the film industry.

⁴⁸ Paul Thomasch, "Apple Builds Hype for iPhone with Less," www.reuters.com, June 20, 2007.

iPhone teaser ad). The ad was created by TBWA/Chiat/Day, an Omnicom Group agency⁴⁹. It was the same agency that had conducted the marketing campaigns for its earlier products including that for the iconic iPod.

Box I

The iPhone Teaser AD

Length: 30 seconds

The TV ad opens with the visual of an old-fashioned black phone ringing until it is answered by Lucille Ball. The ad goes on to show clips of various actors answering the phone. The actors include Will Ferrell, Audrey Tatou, Dustin Hoffman, Harrison Ford, Billy Crystal, Cameron Diaz, Sarah Jessica Parker, and Michael Douglas. There is also a clip featuring the popular animated character Mr Incredible from Pixar Inc.'s⁵⁰ movie, 'The Incredibles' (2004).

Then the visual of the iPhone is shown with the name and photograph of a John Appleseed showing in the caller ID. The ad ends with the words, 'Coming in June'.

Adapted from Zaharov-Reutt, "Apple iPhone Ad Says Hello to Oscars Women," www.itwire.com.au, February 26, 2007, and other sources.

The company mostly relied on word-of-mouth advocacy. The time gap of nearly six months between the announcement of the launch and the release date coupled with the usual enigma surrounding Apple's new products created wide speculation among the people. In addition to this, Apple fans created a tremendous amount of buzz regarding the iPhone. The Internet was the platform where the iPhone received a lot of attention. There was a lot of discussion and speculations on the iPhone in blogs, chat rooms, etc. The limited amount of information released by the company from time to time further fuelled the speculations.

For the US market, the Apple had entered into a two-year network contract with AT&T Wireless Services Inc.⁵¹ (AT&T) whereby the iPhones could be used only with the AT&T network. Before the launch of the iPhone, Apple announced some service plans for people who opted for the iPhone (Refer to Table I for AT&T monthly plans for iPhone). Jobs said, "We want to make choosing a service plan simple and easy, so every plan includes unlimited data with direct Internet access, along with Visual Voicemail and a host of other goodies. We think these three plans give customers the flexibility to experience all of iPhone's revolutionary features at affordable and competitive prices."⁵²

Table I

AT&T Monthly Plans for iPhone

Plans	Minutes	Night & Weekend Minutes
US\$59.99	450	5000
US\$79.99	900	Unlimited
US\$99.99	1350	Unlimited

* All these plans have additional features and services such as 200 SMS test messages, rollover minutes, unlimited data, unlimited mobile-to-mobile, and visual voicemail.

⁴⁹ Omnicom is the world's biggest holding company of advertising agencies. The companies which form part of the group are BBDO, TBWA Worldwide, and DDB Worldwide. It is the biggest ad agency in terms of revenue in the world.

⁵⁰ Pixar Inc. is a well-known maker of animated movies. It was acquired by Jobs in 1986. In 2006, it was acquired by the leading entertainment company, The Walt Disney Company.

⁵¹ AT&T Wireless Services Inc., headquartered in Redmond, Washington, USA, is one of the leading wireless carriers in the US. Its revenues for the fiscal year 2006 were US\$63.055 million.

⁵² "AT&T and Apple Announce Simple, Affordable Service Plans for iPhone," www.apple.com, June 26, 2007.

*** In addition to these three monthly plans, customers could choose from any of AT&T's standard service plans.*

Adapted from "AT&T and Apple Announce Simple, Affordable Service Plans for iPhone," www.apple.com, June 26, 2007.

On June 3, 2007, Apple announced that the phone would be released in the US on June 29, 2007. The company also announced that all the permanent employees and temporary employees (who had been working with the company for the past one year) would get the iPhone free of cost. Around this time, the company launched four more ads for the iPhone, which provided the consumers with information on its features and functions.

Subsequently, Apple started selling the phone through its 164 Apple Retail Stores and some AT&T retail stores. The company sold a maximum of two iPhones to each customer. In addition, the customers were also trained on how to use the new phone. Apple's Vice President (Retail) said, "Apple retail stores were created for this moment – to let customers touch and experience a revolutionary new product. With our legendary Genius Bar support, free workshops and our One to One personal training, we're here to help customers get the most from their new iPhone."^{53,54}

THE MOST SUCCESSFUL LAUNCH EVER?

The iPhone opened to a roaring welcome from customers. As the launch date approached, the hype around the iPhone reached its peak. Apple's fans started to queue up out before Apple stores all over the US, days in advance (Refer to Exhibit V for a photograph of people waiting in a queue to buy the iPhone). The urge to look cool drove the Apple's fans to heat up the excitement before the launch. Estimates of the sales of iPhones ranged from 500,000 to 1 million units in the first two days of its launch.⁵⁵ However, some sources put it at 270,000 units.⁵⁶ The sales figures achieved by iPhone in the first week of the launch stunned industry observers though they were much lower than the initial hyped up figure of 1 million units. Some analysts felt that it was probably the best launch of a product ever. Anthropologists too were surprised at the cultural impact that the launch of a product could create on society.

According to marketing expert Al Ries of Ries & Ries,⁵⁷ the iPhone had generated more publicity before its launch than any other product. Analysts credited this to Apple's marketing prowess. They felt that even with the comparatively low spending on promotional activities, it was able to create a huge buzz among the consumers. Matt Williams, Partner, Martin Agency⁵⁸, said, "Apple is one of those rare brands that can create mystique around a product, they created a buzz that has taken on a life of its own."⁵⁹ Analysts felt that the company had utilized the nearly 6 month's time gap between the announcement of the product and the actual launch very smartly to garner a lot of free publicity for the iPhone. Nearly 11,000 print articles were written in the interim and a search for the iPhone on Google Inc.'s search engine resulted in 69 million hits.⁶⁰ A survey conducted by M:Metrics⁶¹ in the US in April 2007 found that 64 percent of the 11,060 mobile users surveyed were aware of the iPhone and some 19 million mobile phone users showed a strong desire to buy the product. M:Metrics also revealed that 30 percent of the mobile users in the

⁵³ The Genius Bar is a station located inside Apple Retail Stores to offer help and support to customers regarding Apple products.

⁵⁴ "iPhone Premieres this Friday Night at Apple Retail Stores," www.apple.com, June 28, 2007.

⁵⁵ "Where Would Jesus Queue?" www.economist.com, July 5, 2007.

⁵⁶ "iPhone Sales Said to Hit Half-million," www.cnnmoney.com, July 2, 2007.

⁵⁷ Ries & Ries, based in Atlanta, USA, is a marketing consulting company chaired by Al Ries.

⁵⁸ Martin Agency, based in Virginia, USA, is an advertising firm.

⁵⁹ "Apple Marketing Buzz the Loudest," www.economicstimes.com, June 28, 2007.

⁶⁰ David Pogue, "The iPhone Matches Most of its Hype," www.nytimes.com, June 27, 2007.

⁶¹ M:Metrics Inc. is a leading provider of information data analysis services to the mobile industry.

UK expressed strong interest in buying the phone.⁶² Analysts felt that the naming of the product was also another factor for the success of the iPhone. In that respect, the legal tussle with Cisco was necessary, they said.

The result that the company generated through a low-key promotional campaign was appreciated by the analysts. Some said much of the success of the phone should be attributed to the product itself, which was a major innovation. Analysts felt that to succeed in the highly competitive mobile phone market, Apple had had to come out with something that was truly category-defying, and the company had managed to do just that. In addition to this, some analysts felt that a lot of credit regarding the success of the iPhone should go to Jobs, who, they believed, had mastered the art of generating tons of free publicity, thereby creating a buzz around Apple's product launches. Rob Enderle, principal analyst with Enderle Group,⁶³ said, "What Jobs does is he focuses like a laser on what makes the thing cool, they [Apple] keep the fervor up. They are very good at managing demand and keeping people excited."⁶⁴

THE OTHER VIEW

Critics said that the enormous amount of hype surrounding the iPhone had led to the initial success of the brand. The main question, however, was whether Apple would be able to match the initial hype with performance. Some analysts opined that the iPhone might not live up to expectations. The CEO of Palm Inc (Palm), Ed Colligan (Colligan), remarked, "I have great respect for Apple, but it won't be easy to create a good smartphone that functions on networks worldwide. Nokia, Motorola, and Samsung have worked on this for 25 years and have only partially succeeded till today."⁶⁵ Industry watchers pointed out that even the most dominant players in the market, Nokia and Motorola, could not conquer all the major markets of the world. For instance, the market leader Nokia could not compete in some markets like Japan which was dominated by strong local players.

Another contentious issue was whether the hype surrounding the launch would transform into good sales in the future or not. Some marketing experts felt that too much hype was not good for a brand as it would build expectations and customers would be disappointed if the product did not live up to them. Robert Passikoff, President, Brand Keys Inc.⁶⁶, said, "These days you don't overpromise if you are going to underdeliver because consumers are just going to be totally unforgiving. There's a saying in the business: 'Nothing killed a bad product worse than good advertising.'"⁶⁷

Critics also took exception to Apple's decision to partner with AT&T to market the iPhone. Some industry watchers felt that by entering into this partnership, Apple was limiting its market. It was reported that 67 percent of the people who wanted to own an iPhone in the US were subscribers of other mobile network service providers.⁶⁸ A consumer research report in the US also revealed that in 19 out of the 20 big cities AT&T ranked in the bottom two positions in comparison to other mobile service providers.⁶⁹ Some also pointed out that the high price of the phone coupled with the two years' network contract with AT&T made it the one of the most expensive mobile phone in the world in real terms.

⁶² Humphery Cheung, "Survey: 19 Million Mobile Phone Users badly Want an iPhone," www.tgdaily.com, June 18, 2007.

⁶³ Enderle Group is a provider of technology advisory services and consulting for technology companies.

⁶⁴ Paul Thomasch, "Apple Builds Hype for iPhone," www.features.us.reuters.com, June 20, 2007.

⁶⁵ Christopher Meinck, "Palm CEO Remains Skeptical of Apple iPhone," www.everythingiphone.com, February 20, 2007.

⁶⁶ Brand Keys Inc. is a provider of marketing and brand consultancy firm based in the US.

⁶⁷ Paul Thomasch, "Apple Builds Hype for iPhone," www.features.us.reuters.com, June 20, 2007.

⁶⁸ Evan Roberts, "iPhone: Great Product or Great Marketing?" www.marketingshift.com, July 19, 2007.

⁶⁹ David Pogue, "The iPhone Matches Most of its Hype," www.nytimes.com, June 27, 2007.

They also felt that the high price was not justified. According to iSuppli, a research firm, the US\$499 iPhone and the US\$599 models cost Apple about US\$246 and US\$281 to manufacture respectively.⁷⁰ The mobile phone market was so fragmented that there were hundreds of models catering to different types of users depending upon their affordability, needs, and the features offered. At this price, Apple would find it very difficult to penetrate the market, some analysts felt. Moreover, there were hidden costs as, just like in the iPod, customers would not be able to change the battery of the iPhone themselves. The durability of the iPhone was also questioned by many critics as the front side of the phone was made of glass. The phone had to be sent back to Apple for replacement for a fee (US\$79, plus US\$6.95 shipping). This was expected to pose a big challenge for Apple as some customers would not be willing to pay so much and also remain without a phone during the replacement period.

The focus on a single brand name for the entire range of mobile phones too generated a lot of debate as some experts argued that the mobile phone was not just a music player like the iPod for which a single brand name might suffice. This was more so as there was a trend among mobile phone makers toward divergence of the mobile phone. This was based on the simple fact that the utility value of the mobile phone for a suave business executive was very different from that for a rebellious teenager. This underscored the need to have different models to cater to different customers, and different brands to promote those models, they said. On the other hand, analysts were concerned over whether the iPhone would cannibalize the sales of iPods.

Some analysts viewed Apple's foray into the mobile phone market as a defensive strategy and not as an aggressive bid to expand its market in the consumer electronics market. They felt that the launch of music phones by companies such as Nokia, Sony Ericsson, etc., and the way these models were eating into the market shares of music players, had prompted Apple to enter the mobile phone market.

Apple contended that it was the innovative design and features of the iPhone and not hype that was the reason for its success. Reacting to some of the criticisms against the iPhone such as slow data speeds, etc., Jobs said that the iPhone was Wi-Fi enabled and that Wi-Fi offered better data speeds than the 3G networks. He also replied that it would take a little while for users to get accustomed to the multi touch screen used in the iPhone. The company also said that it would launch new and better models in the future. But, it did not divulge the details regarding the future models. Some of Apple's executives said that criticism of new product launches was natural and that any pitfalls in the product would be rectified later. Some analysts too came out in support of Apple. According to them, though Apple had been forced to enter the mobile phone market as a defensive strategy, it had reinvented the category with the iPhone. UBS AG⁷¹ analyst Ben Reitzes dismissed most of the criticisms against iPhone saying that even in the case of the iPod, there had been many skeptics but Apple had proved them wrong.⁷² Some industry experts felt that the iPhone would not cannibalize the sales of iPods as the iPod had achieved an iconic status and continued to be an aspirational brand.

RESPONSE FROM THE COMPETITORS

The launch of the iPhone led to the emergence of yet another aggressive player in the highly competitive field of mobile handset makers (Refer to Exhibit VI for global market share in mobile handsets by units: Quarter 3, 2007). The music and email capabilities of the iPhone was expected to affect the market shares of the companies like Sony Ericsson which marketed its Walkman series music phones, and Research In Motion Limited⁷³ (RIM) which marketed mobile email solutions through its BlackBerry series of phones.

⁷⁰ Shawn Collins, "Marketing the iPhone," www.blog.affiliatetip.com, June 25, 2007.

⁷¹ UBS AG, headquartered in Basel and Zurich, Switzerland, is a leading global financial services company.

⁷² "The Third Act," www.economist.com, June 7, 2007.

⁷³ Research In Motion Limited, headquartered in Waterloo, Ontario, Canada, is a wireless device company. Its revenues for the fiscal year 2006 were US\$ 3.04 billion.

The existing competitors responded cautiously to Apple. Some of them had already launched new models to meet the competition from iPhone (Refer to Exhibit VII for some of the competing phones to iPhone). For instance, the market leader Nokia too announced the release of new models of phones that would have touch screens and offer easier navigation than the iPhone. Moreover, some of the newly launched phones from Nokia such as the Nokia N81 and N95-8GB would be able to utilize the benefits of the new Nokia Music Store.⁷⁴ Tammi Mastonen, head of Nokia's music service, said, "The Nokia Music Store brings together a powerful combination of great music and great devices in an easy to use way. You can select from a huge range of music, including local music from your country, and download it directly to your Nokia device."⁷⁵ Some analysts felt that Nokia's music portal offered more features and capabilities than Apple's iTunes portal. The Nokia Music Store would allow the users to directly download the music onto the phones whereas in the case of iTunes, the user had to first download the music on to the PC and then copy it on to the iPod. Nokia was to provide some services like music downloads, games, and other online services under the brand name Ovi.^{76, 77} It was expected to unveil its touch screen phones in early 2008. One of the main reasons why Nokia continued to dominate the mobile phone market was the lack of competing alternatives. This could change if Apple started to provide innovative and viable handsets to the customers.

LG introduced its new smart phone LG Prada, with features similar to that of the iPhone. Some other companies also began quickly introducing new models in the market. For instance, RIM launched the BlackBerry 8820, which had advanced features like GPS. Another dominant competitor in the market, Motorola, too said it would release some good products in the future to counter the competition from iPhone.

However, some of the competitors downplayed the threat from Apple saying that there was enough room for everyone. In fact, some of the companies such as RIM said that the entry of the iPhone was helpful to them as it had helped change the notion of the consumers that high-end mobile devices which converged services of other devices were only meant for business use. Jim Balsillie, CEO of RIM, remarked, "I've said before they (Apple) did us a great favor because they drove attention to the converged appliance space. The attention to it has quite frankly been overwhelmingly positive for our business."⁷⁸ Palm's Colligan too contended that penetrating the mobile phone market wouldn't be an easy task for Apple. "The iPhone could be interesting for people who like music and films with occasional phone use, but for businesspeople the touch-sensitive screen without a physical button keyboard will be a challenge,"⁷⁹ he said.

OUTLOOK

Industry watchers felt that over-hyped or not, Apple deserved kudos for coming up with a product idea like the iPhone and also implementing it successfully. The company had made an aggressive entry into the mobile phone market and had managed to attract the attention of the existing competitors. Some analysts predicted that the introduction of the iPhone would prompt its competitors to come out with better phones in the future, thus offering wider choice and better products to customers.

Shortly after the launch of the iPhone, Apple announced that it would soon launch a next generation of iPhone that would make the first generation iPhones look obsolete. The company

⁷⁴ Nokia Music Store is an online music store which allows the users to download music onto their mobile phones and computers. It was launched in 2007.

⁷⁵ "The Nokia Music Store —Your Music, Your Way," www.cnnmoney.com, August 29, 2007.

⁷⁶ Ovi is the brand name for Nokia's Internet services. Its launch was announced on August 29, 2007.

⁷⁷ Eric Pfanner, "Nokia Takes on The iPhone," www.iht.com, August 29, 2007.

⁷⁸ "BlackBerry CEO says Steve Jobs & Apple Screwing over AT&T," www.ceosmack.com.

⁷⁹ Christopher Meinck, "Palm CEO Remains Skeptical of Apple iPhone," www.everythingiphone.com, February 20, 2007.

was, however, tight-lipped about the future products. It was speculated that Apple might provide some of the necessary features which were absent in the first generation iPhone. A high power camera, GPS navigation system, better email solutions, and, most importantly, 3G support were some of the features expected to be provided in the later generation iPhone. Analysts felt that a significant challenge for Apple would be to bring in more models of mobile phones to cater to the needs of all the segments of the users.

In September 2007, Jobs said that the company was well on its way to achieving its target of cornering 1 percent of the global handset market. In the same month, the company announced that it would discontinue the 4GB version of the phone. It also announced a US\$200 price cut on the 8GB version. While the price cut helped its iPhone sales to go up three-fold,⁸⁰ it left many of the early adopters of the brand unhappy. To mollify them, the company offered US\$100 credit to the early adopters for the purchase of Apple products.

The company was also gearing up to launch the iPhone in Europe and later (in early 2008) in Asia. Analysts expected the company to face major hurdles in the European market, which they felt was much more mature and much more competitive than the US mobile phone market. They felt that a good show in the European and Asian markets was a must if Apple had to realize its ambition of becoming a strong player in the mobile phone market.

According to Analysys Limited,⁸¹ the mobile handset market would increase to 1.5 billion units by 2011.⁸² Of this, 30 percent of the market in developed markets was expected to be for converged function handsets. Analysts felt that the true challenge for Apple lay in meeting the competition from existing competitors. The mobile handset market was a relatively unknown one for Apple while the dominant competitors in that market had decades of experience behind them. In any case, analysts did not expect Apple to make a huge dent in the mobile handset market, at least not in the near term.

⁸⁰ Mark Hutton, "iPhone Sales Increase Three-fold after US\$200 Cut," www.pcretailmag.com, September 13, 2007.

⁸¹ Analysys Limited is a global adviser on telecom, IT and media.

⁸² "Annual Global Mobile Handset Shipments to Reach 1.5 billion in 2011, Says Analysys," www.analysys.com, July 24, 2006.

Exhibit I**Total Net Sales of Apple and its Key Products by Unit**

	Year ending September 29, 2007	Year ending September 30, 2006	Year ending September 24, 2005
Total Net Sales (US\$ million)	24,006	19,315	13,931
Mac (units, '000)	7,051	5,303	4,534
Desktops (units, '000)	2,714	2,434	2,520
Portables (units, '000)	4,337	2,869	2,014
iPod (units, '000)	51,360	39,409	22,497
iPhone (units, '000)	1,389	—	—

Adapted from www.media.corporate-ir.net/media_files/irol/10/107357/AAPL_10K_FY07.pdf

Exhibit II**Image of the iPhone**

Source; www.apple.com.

Exhibit III**The Key Features of iPhone**

- Screen size - 3.5 inch (8.9 centimeter)
- Resolution - 320x480 pixels
- Memory - 4GB/8GB
- Wireless - Quad-band GSM-EDGE/Wi-Fi/Bluetooth
- Camera - 2 megapixels
- Battery life - 5 hours talk/16 hours playback
- Size - 115 x 61 x 11.6 millimeter
- Weight – 135 grams
- Operating System – MAC OS X

Source: Jane Wakefield, "Beneath the Bonnet of iPhone," www.bbcnews.com, January 10, 2007.

Exhibit IV

A Note on iPhone

According to analysts, the innovative features of the iPhone were the main reasons for the enormous hype generated by the product in the market. Some of the important features of the iPhone were the multi touch screen, complete operating system MAC OS X (which was unlike the other mobile phones in the market), and the Safari web browser (which offered complete Internet access on the phone), camera, music player, huge memory capacity, Wi-Fi and slim design. The MAC OS X was based on the original Macintosh O of Apple, so it was expected to be easier for Apple fans to use it. The features of the iPhone and its benefits are discussed below:

- The mechanical buttons were replaced by a touch screen. The multi touch screen allowed the users to operate the phone using their bare fingers without the need of any stylus. Users could use multiple fingers at the same time making navigation of the system very easy.
- The Safari browser in the phone allowed the complete access of Internet. The user could view the complete web pages on the large 3.5 inches screen of the iPhone. iPhone also used the Mac OS X other mobile phones used smaller operating systems.
- iPhone had the latest digital wireless technologies such as WiFi⁸³ that facilitated high speeds of data transfer.
- iPhone boasted memory capacities up to 4GB to 8GB, depending upon the model. This facilitated the storage of large amounts of data and multimedia content on the phone.
- The iPhone also had some features which automated. The sensors turned the display from portrait to landscape automatically as required.
- The phone had a sleek and stylish design with aluminium exteriors.
- The power saving features of the phone turned off the display as soon as the user picked up the phone and placed it near the ear.
- The phone had a 2 mega pixel camera with which good quality pictures could be taken.
- The phone had a built in music player which gave good audio quality that iPhone was even referred as the wide-screened iPod. Most of the software support to the was based on the iPod. In fact, the phone had to be activated through the iTunes software.

Critics argued that several drawbacks Some of the main drawbacks : Lack of physical keyboard, low resolution camera, non-removable battery, lack of 3G support, and the iPhone not being open to third party software. The main drawbacks are discussed:

- The perceived advantages of its multi touch screen could also be its biggest disadvantage as some users of smart phones like Blackberry could feel irritated at using phone without a physical keypad.
- Some of the most advanced features that were available in modern smart phones like 3G and GPS were not available iPhone. In developed markets like the US and Europe, where 3G networks were widely used, this could pose a big challenge for the users of iPhone.
- The battery of the iPhone was non-removable and could not be replaced by the customer himself. The phone had to be sent back to Apple for replacement of the battery for a fee.
- The resolution of the camera in iPhone was low when compared to latest models of mobile phones manufactured by its competitors.
- The non-availability of removable memory card was perceived to be another defect of the iPhone as it would become difficult to exchange data with other devices easily.
- As Apple was tying up with specific operators for its iPhone (for instance, AT&T in the US), the non-availability of the iPhone to all the operators was expected to pose big problems the growth of the iPhone.

Adapted from, "Twiddling Fingers," www.economist.com, June 7, 2007, and some other sources.

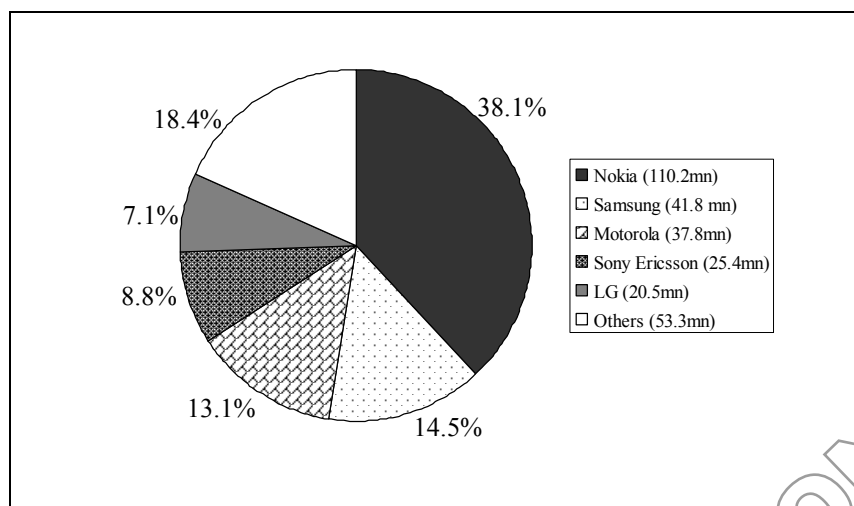
⁸³ Wi-Fi is a wireless technology that provides wireless connection for computers with in a limited area. It is also called as Wireless Local Area Network (WLAN).

Exhibit V
People Waiting in a Queue to Buy the iPhone



Source: www.apple.com.

Exhibit VI
Global Market Share in Mobile Handsets
 (Units)



* Data only for the quarter ended September 2007.

Adapted from Juho Erkheikki, "Nokia Lifts Handset Share, Samsung Overtakes Motorola (Update1)," www.bloomberg.com, November 27, 2007.

Exhibit VII
Some Competitor Brands of iPhone

Company	Model No.	Price	Key Features
Nokia	E90	US\$ 1000	3G-HSDPA, 3.2 Mega pixel camera, GPS and Wi-Fi.
Nokia	N95	US\$600	3G-HSDPA, 5 Mega pixel camera, GPS and Wi-Fi.
Nokia	N95 (8GB)	US\$750	3G-HSDPA, 5 Mega pixel camera, GPS, internal memory of 8GB and Wi-Fi.
HTC	Touch	US\$600	Wi-Fi, Email support through MS-Outlook, 2 Mega pixel camera.
Motorola	Moto RIZR Z8	£385	Built in Tvstreaming, Linux, 2 Mega pixel camera, supports upto 4GB card.
LG	Prada	US\$750	Large 3 inches screen, Complete touch screen.
Palm	Treo 680	US\$ 450-500	Quadband, mobile email support, hi-res screen.
RIM	BlackBerry 8800	US\$300	GPS, track ball, Quadband, full key board.
Sony Ericsson	P1i	US\$ 500	Built in Tvstreaming, Opera web browser, 3.2 Mega pixel camera, 3G, handwriting recognition, BlackBerry connect, business card scanner and Wi-Fi.
Sony Ericsson	K810i	US\$350	3.2 Mega pixels camera, 3G support, longer battery life.
Helio	Ocean	US\$265	Dual-sliding keypad design, QWERTY keyboard to text, IM, email, and surf the Web, 2-megapixel camera, Bluetooth, 200MB of internal memory, and a microSD slot. 15 hours of music
Samsung	Upstage M620	US\$80-150	Four-way capacitive touchpad, Bluetooth, a 1.3-megapixel camera, Music

* The list is not exhaustive.

** Prices are subject to change.

Compiled from various sources.