

## The apps battle heats up

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*Research in Motion will soon launch an online store to rival Apple's, with Nokia and Microsoft to follow.*



Gary Neill

On Apr. 1, Mike Lazaridis, co-CEO of Research in Motion (RIMM), is expected to take the stage at the wireless industry's annual trade show in Las Vegas and open the virtual doors to a much anticipated new online store. BlackBerry App World will be chock-full of software programs created by outside developers that visitors will be able to download to their RIM phones.

It's the first of several major assaults by rivals on Apple (AAPL)'s fast-growing iPhone business. Apple has stoked demand for the device by offering thousands of software applications from independent developers through its App Store. Now, Nokia (NOK), Microsoft (MSFT), and Palm (PALM) plan to follow RIM with virtual software stores of their own this year. "There's going to be a significant counter-challenge to Apple," says Mike McGuire, analyst with researcher Gartner (IT).

Nokia, RIM, and others sell more phones than Apple. But Apple has leapt out to an early lead in transforming the mobile phone into a sophisticated computing device onto which people load their favorite software. The number of mobile phones that can browse the Web and handle other advanced tasks is expected to surge from 139 million last year to 295 million in 2010, according to Gartner. These so-called smartphones are on track to eclipse the 300 million-unit personal computer market. "This could make the PC wars of the 1980s look like small potatoes," says Trip Hawkins, chief executive of mobile game maker Digital Chocolate.

RIM may seem an unlikely contender in this fight. Its BlackBerry is often dismissed as the utilitarian, slightly boring alternative to the stylish iPhone. But RIM is taking aim at the one clear weakness in Apple's approach—the paltry profits for developers who create software for the iPhone. RIM plans to make the business more lucrative for developers, to lure them away from the House that Jobs Built. "RIM's strategy is defensive," notes Anil Doradla, an analyst with William Blair. "But based on RIM's track record, I'd give them high marks."

RIM starts with a more established base in the corporate world. BlackBerry users tend to be well-off, and some will be able to charge App World software to their employers. RIM also plans to take just 20% of BlackBerry software sales, compared with Apple's 30% cut. And RIM's starting price for apps (not including freebies) is \$2.99, vs. Apple's 99¢. "Obviously,

more is better for us," says Robert Kao, a New Jersey software developer who plans to sell his \$9.99 e-mail application on App World.

RIM is no newbie in software. The company has been working with developers since 2002 to create applications for the BlackBerry. During that time, developers downloaded more than 100,000 kits to write code for such products as Intuit (INTU)'s QuickBooks budgeting software and Tarascon Primary Care Pocketbook, a clinical reference guide for physicians. Until the app store's opening, however, the BlackBerry programs have been scattered across the Web, rather than collected in one central site. "This is not new for us," says Lazaridis.

#### Voracious consumers

Still, it will be difficult for any company to match Apple's momentum in mobile software. The company's App Store has grown into a sprawling bazaar of software, with 25,000 apps for everything from calculating tips at restaurants to monitoring your blood pressure. Developers have flocked to Apple in part because its customers are far and away the most voracious consumers of mobile software. The average iPhone owner has downloaded more than 20 applications, several times that of competing phones.

Apple is trying to build on its lead with a software upgrade called iPhone OS 3.0. On Mar. 17, Apple revealed new capabilities that developers can build into their programs. For the first time, iPhone owners will be able to cut and paste text and pictures, as they do on PCs. The company added peer-to-peer networking that makes it dead simple for people within a few feet of each other to trade contacts or music wirelessly. And while business people are used to the "push" technology that allows e-mail to pop up on a BlackBerry in real time, Apple has extended the technology so any application can deliver relevant information in minutes. One iPhone app from Oracle (ORCL) delivers an alert to salespeople if inventories run low, so they can push alternatives on their rounds.

Apple also unveiled new ways for developers to make money, including subscription pricing. Many developers say Apple's real edge is in providing the tools to help them build cool, innovative programs. Oracle offers its software for both the iPhone and the BlackBerry. But Mark Woolen, an Oracle vice-president, says the Apple approach provides a smoother experience for users. "It's just very, very elegant," he says.

The competition among Apple, RIM, and other rivals is likely to fuel innovation on all mobile phones. Microsoft plans to offer Windows Mobile phones that work more easily with Windows PCs. Nokia, the world's largest mobile-phone maker, is taking a creative approach with its Ovi Store, scheduled to open in May. Rather than just listing available apps, each consumer will be offered content based on personal tastes, location, and friends' recommendations. "No two users will get the same lineup of content," says George Linardos, a Nokia vice-president.

Still, some developers say the sheer number of competitors gunning for Apple may actually work to the company's advantage. Without a clear No. 2, many developers say they'll focus on the proven Apple market. "The distance between Apple and the others is huge," says Satoshi Nakajima, president of a photo-editing startup called Big Canvas. "We don't have time to look at other platforms seriously."

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