

Tempting fruit

A growing hunger to profit from the global market for smart phones.



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The hordes of Apple worshippers flocking to the firm's annual developer conference, which began on Monday June 8th in San Francisco, were hoping for a sign all was well with their hero. Steve Jobs, Apple's boss, took sick leave in January and is not expected back at work until the end of June. But speculation was rife that he would put in a cameo appearance to wow the faithful during the opening presentation. In the end Mr Jobs did not appear, but Apple still found ways to excite the crowd.

One of them was to announce new models of its popular iPhone, which will operate at faster speeds than the old model. The phones will boast new features, such as the ability to record and edit videos. Apple also slashed the price of its existing, bottom-of-the-range iPhone from \$199 to \$99 to attract more customers. And it unveiled a new operating system for its phones that, among other things, lets users encrypt data and delete data remotely if a device is lost. These last two changes are supposed to increase the appeal of iPhones to business users, who are typically fonder of the BlackBerry, which is made by Research in Motion.

Many other companies also want to carve out a bigger slice of the market for "smart" phones and services. On Saturday, for instance, Palm launched the Pre, a smart phone that boasts a slick, touch-screen interface akin to that on the iPhone. Google, which has developed its own operating system for smart phones, called Android, and Finland's Nokia also have big ambitions in the smart-phone field. That is hardly surprising: Gartner, a research firm, expects global sales of mobile phones to shrink by about 4% this year, to 1.2 billion handsets, but forecasts that sales of smart phones will grow by 27%, to 177m units.

In addition to allowing people to make calls and check their e-mail, smart phones are platforms that run programs, or apps, designed by other developers. And this is where Apple has a big advantage over its rivals. There are already over 50,000 apps available for the iPhone, compared with just over 1,000 for the BlackBerry and around 20 or so for the newly minted Pre. Since Apple launched its online "App Store" last July there have been over a billion downloads from it.

This week's announcements were designed to cement the company's lead. By cutting prices to boost the number of iPhones in use, Apple is hoping developers will put even more energy into creating new apps. It also unveiled a new feature that will make it easier for programmers to collect money from follow-on purchases after a customer has paid to download an app, giving them an added incentive to come up with new ideas. The firm is betting that the more apps that are available for the iPhone, the more attractive it will become to prospective purchasers.

Competitors are doing their best to break this virtuous cycle. Palm, for example, has spent two years developing a new operating system for the Pre that has won plaudits from reviewers. The company has also worked hard to produce a device that is faster than the present generation of iPhones, although it may not be a match for the souped-up versions that have just been unveiled.

Rivals will struggle to take a bite out of Apple's market share, so long as the company keeps producing tempting ideas. Some Apple-watchers had wondered whether the prolonged absence of Mr Jobs, who has been behind many of the firm's greatest hits, would leave the company adrift. Judging by this week's news, Apple seems to be managing well without him.

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