

Apple, RIM, Google: Smartphone shakeout

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The mobile Internet gold rush has begun, and some companies will strike it rich while others will get dusted in the stampede.

Brass-ring holder Apple ([AAPL-Q](#)261.42-2.53-0.96%), the ascendant Androids of Google ([GOOG-Q](#)504.3010.932.22%), the plump BlackBerry from Research In Motion ([RIM-T](#)63.99-0.25-0.39%), the slumbering giant Nokia ([NOK-N](#)10.12-0.03-0.30%) and the valiant Palm ([PALM-Q](#)5.69-0.02-0.35%) are all vying for the each others' business. Here is how it shakes out.

Apple

The iPhone has been the "it" phone for three years.

The situation: After leading the way for a whole new generation of multi-touch smartphones, Apple needs something new to stay ahead of the pack. "Apple is very exposed," says Charter Equity analyst Ed Snyder. "Everyone is coming after them."

Apple needs a fresh iPhone and a fresh new market. The iPhone is in a rut at AT&T, where heavy complaints have tarnished the company's network quality image. And the iPhone itself is getting stale. Design fatigue will soon set in as gadget fans start to crave something new.

The solution: Apple must raise the bar with its new iPhone. The improvement has to be significant enough to get original iPhone owners to upgrade and lure more buyers into the Apple fold. The iPhone needs either a distinctive design change that signals it is the shiny new object to own, or at least a feature improvement like a user-facing camera to allow video calling. One thing the iPhone won't have, it seems, is a spot at Verizon, at least not this year.

The stock: After doubling last year, Apple shares have gone flat. The iPad isn't going to be the wonder gadget that launches a stage-two growth rocket for the stock, and without Verizon, there's not much extra fuel in the tank.

Google

The Android invasion continues with new carriers, new manufacturers and new apps.

The situation: Even without a single blockbuster Android device, Google Androids are spreading everywhere. Motorola's ([MOT-N](#)6.78-0.07-1.06%) Droid at Verizon is still gaining speed, HTC has several popular models with more coming. And Google's got its own HTC Nexus One Android phone coming to Verizon.

The solution: Google's willingness to upgrade old Android devices with new versions of the operating system is a generous way to keep user loyal. Look for Android phones to start chipping away at Apple's iPhone market share this year.

The stock: Google is an Internet search company. Its stock is tied to sales of advertising linked to searches that are still done largely on PCs. Android is like a Trojan horse to get Google searches inside mobile devices. At this point, it's too early for mobile search to meaningfully figure into the stock.

Research In Motion

RIM's BlackBerry -- can millions of suits, texting teens and lacrosse moms be wrong?

The situation: RIM's simple, secure, synced email app serves users addicted to staying connected at all times. Despite all the challengers, no other system has come close to BlackBerry mail. But RIM needs more tricks if it hopes to keep its loyalists happy.

The solution: RIM needs less talk and more tangible evidence of its upcoming Web-oriented, app-friendly operating system. The fingertip-controlled user interface and big bright touchscreen are basically the standard equipment on any successful 2010 smartphone.

The stock: RIM managed to climb to No. 2 in smartphones with an outdated operating system. The fact that an upgrade is within reach is a reason to think there's upside to the stock.

Nokia

The top phone shop has mastered the global cell phone game, but it has been outmaneuvered in the smartphone arena.

The situation: Already weak in the U.S., Nokia has done little but flail in the market as Apple iPhones and RIM BlackBerries grabbed the smartphone business. The Finnish phone giant has yet to deliver on some of the next gen touchscreen designs it was expected to have by now. And the absence of a new device at the Mobile World Congress event in Barcelona last week sends a more troubling sign.

The solution: Typically, when phone trends shift, Nokia stumbles, and Nokia has stumbled badly in smartphones. Nokia's size and resources suggest it can fight its way back into the game. Nokia needs sleek touchscreen devices, but even more, it needs to cultivate partnerships with telcos again.

The stock: Nokia is the only member of the smartphone group that saw its stock decline last year. And while it isn't quite at the stage where investors should abandon all hope, Nokia needs to show that it has a plan that investors can at least pin their hope on.

Palm

Palm is a smartphone pioneer turned dud, turned teetering upstart.

The situation: You know the story. Palm was salvaged and reinvented as a iPhone challenger by a core team from Apple. The phones -- Pre and Pixi -- have been solid, but the sales anemic and the finances bleeding out. At Sprint, Palm never sold especially well. Now at Verizon, that pattern continues. With so little appeal and so little money to drum up interest, the future for Palm looks a lot like its recent past.

The solution: Palm needs more size, distribution and cash to play at this level. That scenario doesn't seem immediately available. Optimists have two reasons to believe in Palm.

1. Palm is bringing on AT&T as a partner this year, which provides a new, big outlet for phone sales.
2. Palm could find a wealthy buyer.

Pessimists point to Apple, Google, Motorola and RIM, and see Palm getting pulverized.

The stock: Barring a takeover, Palm will be the first big victim of the smartphone shakeout.