Bruise on the Golden Apple?

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Apple Inc.â€™s release of the new iPhone Tuesday at the MacWorld show in San Francisco caused ripples that were felt around the world â€“ including in Appleâ€™s stock price, which jumped upon the announcement.

The iPhone is intuitive, elegant, and slimmer than almost every other phone out there and is a clear hit with consumers â€“ at least based upon initial reaction. What is less clear, however, is how it will mesh with the enterprise-side of the smartphone market.

The iPhone is definitely positioned as a smartphone, which today is a category of phone mainly used by business professionals. Apple CEO Steve Jobs even went so far as to call the iPhone â€œsuper smart,â€• but its prospects as an enterprise device may not be so shiny.

With the iPhoneâ€™s focus on multimedia and its innovative look and feel, its appeal is mainly for consumers. However, even in that segment, the iPhone may hit some bumps. Priced at $499 for a 4GB iPhone and $599 for an 8GB iPhone (with a required 2-year Cingular network contract), its price may even be prohibitive for mainstream consumers, many of whom already have similar combined functionality from multiple devices, including the Apple iPod. In addition, Appleâ€™s decision to partner with Cingular exclusively, offering the iPhone only within Cingularâ€™s network through 2009, is already being mentioned as a sticking point by potential purchasers.

On the enterprise side of things, the iPhone is coming late to a market already populated by several large players. The iPhone will have to perfectly fulfil a need in order for corporations to replace their existing smartphones with the Apple device. â€œI would suspect that Apple will be making little to no progress in the enterprise space for the foreseeable future. The iPhone will be up against the installed base of smartphones, and Linux, Symbian, RIM, and Microsoft all have end-to-end enterprise solutions. The Apple iPhone just doesnâ€™t fit into that picture at this point,â€• commented Bill Morelli, Analyst, IMS Research.

Another issue for concern is the same thing that makes the iPhone so attractive â€“ its â€œcoolâ€• factor. Music, video clips, camera functionality, all the bells and whistles could be viewed as a potential distraction for employees.

Again, Appleâ€™s iPhone exclusive with Cingular through 2009 may also hurt its prospects in the enterprise sector. It will be interesting to see if Apple adopts a similar practice with the European and Asian operators, or if market forces will dictate that it becomes more widely available. In addition, the iPhoneâ€™s touchscreen, which is a very intriguing feature for consumers, may be viewed as a detractor for corporations. Todayâ€™s smartphone/PDA keyboards enable the user to use the thumb to quickly type out messages. Initial discussions of the iPhone suggest that, in many cases, two hands are necessary to tap out messages. This could be a drawback for busy executives on the go.

â€œThe future may see the iPhone moving into the business world as consumers put pressure on their organizations to migrate to the devices, but I donâ€™t expect that we will see that anytime soon, â€œ commented Alison Bogle, Senior Analyst, IMS Research.

Thereâ€™s no denying that the Apple iPhone is a hot device. Initial purchases will likely come from early adopters that can overlook the network lockin and higher price point. If corporations arenâ€™t interested in migrating their installed base of smartphones to the iPhone or in adopting it at all, professionals will have to have add one more device to their arsenal in order to own the iPhone. That might prove to be just one device too many.

It remains to be seen whether the iPhone will be acceptable to the enterprise market, or if the iPhone will be left for consumers alone.

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