

CEO Advisory: Seize the iPad Opportunity Now

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Apple's iPad is more than just the latest consumer gadget; it is truly disruptive and should be seriously examined by every enterprise. CEOs and business leaders should initiate a dialogue with their CIOs if they have not already done so.

Key Findings

- The Apple iPad is a disruptive device with great appeal and broad functionality. It is not a notebook replacement for the majority of users, but a valuable companion device.
- Individuals are willing to buy these devices themselves, so enterprises must be ready to support them. Recognize the soft benefits of a device of this type in the quest to improve recruitment and retention. Technology is not always about productivity.
- The device is much less intrusive in face-to-face environments than conventional notebooks, making it well suited to a sales or information-sharing environment.

Recommendations

If you have not already done so:

- Purchase iPads for yourself and a few close associates, and become familiar with this device and what it can (and cannot) do.
- Request that your marketing and product development teams present a creative briefing within two months detailing how iPads could be used by your company and competitors in your industry.
- Unless there is a self-evident case to the contrary, require your CIO to provide (at a minimum) "concierge"-level iPad support for a limited number of key users, and prepare a budgeted plan for widespread support by mid-2011.
- Act sooner rather than later. The cost of early action is low, while the price of delay may well be extremely high.

ANALYSIS

It is not usually the role of the CEO to get directly involved in specific technology device decisions, but Apple's iPad is an exception. If your CIO, CTO, CMO or product development people have not already discussed the likely impact of this device on your enterprise, and outlined their plans to address it, you should initiate that conversation yourself, without delay. Why? Because the iPad has the potential to be hugely disruptive to the business models and markets of many enterprises.

The iPad Is a Truly Disruptive Device

Like the iPhone before it, the iPad is an iconic device that redefines markets. Media "gurus" and forecasters struggled to categorize this device at the time of launch – and some made the mistake of assuming that, like all tablet-format devices before it, it would remain a niche product for a limited market. Three months and 3 million sales later (with a global rollout still under way) the industry is scrambling to revise forecasts upward and understand the complexities of product substitution, segment cannibalization and price points. Conventional thinking fails to explain the appeal and application "sweet spot" of this difficult-to-categorize device.

What Is the iPad?

The iPad is a device that changes the nature of media consumption, but it is much more than a simple e-book reader like Kindle. Wherever there is a need for a portable device with good connectivity and battery life and that can display documents as well as support basic office tasks like e-mail, Web browsing and limited text input, iPad meets that need.

Why Does It Work?

The iPad has two great strengths: (1) it makes electronic media consumption effortless and casual, thereby increasing consumption (many current professionals feel they can consume three newspapers in the time it used to take to consume one), and (2) it facilitates sharing of content. Unlike a conventional notebook, the tablet format does not create a "technology" barrier between participants, and the autorotation of the screen as the device is physically passed around makes sharing information simple and effective (perhaps making the iPad the first "social device").

How Will It Disrupt?

As usage grows, examples are emerging, including in the following areas:

- **Consumer Applications** – The iPad supports complex information delivery (such as a personal stock portfolio review) and makes rich content, information and entertainment usable in locations both at home and on the road much more simply than before.
- **Book Publishing** – Along with Amazon.com's Kindle, the iPad is redefining who gets paid what along the publishing chain (authors more, publishers less, distributors more).
- **Magazine Publishing** – Although the iPad allows a publisher to move from a paper format to electronic delivery, it also allows the very concept of what a magazine is to be redefined to include rich and user-definable content.
- **Document Manipulation** – Unlike smartphones, the screen size of iPads, combined with multitouch capability, makes limited document editing and data entry on a handheld device feasible rather than challenging.

Which Industries Will Be Impacted?

The killer application has yet to emerge, although it may be that there is no single killer application, merely a killer category – mobile information sharing.

Architects and realtors looking to share plans in the field, finance specialists looking to share quotations with prospects, and salespeople looking to demonstrate interactive presentations will all find benefits from the iPad. Interest from the healthcare sector is high, but the inability of the device to withstand sanitization or operate inside a sealed pouch is a limitation.

The ease with which both conventional and rich content can be downloaded to the device via Apple's App Store, as well as the ability to control distribution and easily charge, is already

turning heads in the media sector and entertainment industry. In transportation (especially aviation), Australian carrier Jetstar is trialing an iPad rental service for in-flight entertainment, and Malaysia Airlines is using iPads in a kiosk mount as self-service check-in devices. As of 1 September 2010, iPads had access to more than 25,000 applications, with more on the way from a large developer community, and additional applications will continue to push the boundaries and explore new ideas. With an undeniable “style” factor and ease of use, as well as various multitouch, display and communications capabilities, the iPad makes a strong statement in many customer-facing sectors, such as retail, hospitality and tourism. With an updated device widely expected to be announced in 1Q11 with additional functionality (including a forward-facing video camera), the appeal of this device can only increase.

Mobile Transaction Volumes Are Rising Fast

Many businesses, especially in emerging markets and Asia, are taking advantage of a growing propensity of individuals to make purchases directly from their mobile devices. Our latest forecasts predict that mobile payment transaction volumes will rise from 1.6 billion in 2010 to almost 12 billion in 2014, while transaction values increase more than sevenfold, from \$31.7 billion in 2010 to more than \$245 billion in 2014. These figures reinforce both the changing behavior (willingness to make a transaction from a mobile device) and growing confidence to make transactions of greater value. The iPhone has proven to be a highly successful platform, which is supported by more than 263,000 applications (as of 19 September 2010) and drives substantially greater online usage and data traffic than other smartphones. With its larger display better suited for displaying content and richer applications, the iPad can confidently be predicted to follow the same trajectory and become a compelling platform for mobile transactions. Other Gartner research has identified mobile commerce as one of the critical disruptive technologies over the next few years.

You Are Already Supporting the iPad

Like the iPhone before it, individuals inside every enterprise are buying this device with their own money, and they are connecting it to your network, unless you are running the type of highly security-aware enterprise where such actions are simply not possible or not tolerated. It took IT organizations more than a year, and a

significant software upgrade (to provide essential security and remote management facilities to the iPhone), to enable them to accept (as opposed to merely tolerate) the iPhone as a device on the enterprise network. With the basics already in place (after all, the iPad is essentially a large iPhone), there is no reason to repeat this delay. Your CIO should bow to the inevitable and set in place the necessary processes to allow these devices to be attached and managed appropriately. Note, this is not the same as saying you must buy the device for your employees; individuals who care about the iPad have demonstrated a remarkable willingness to spend their own discretionary income – all you have to do is let them!

The iPad Has Unrivalled Appeal

The iPad has emerged as the latest “executive technology” and is the “must have” “cool” device for the “Type A” executive to be seen with. And the iPad will be seen. This device remains the subject of close attention by others in the conference center or hotel lobby. Nobody will even notice when you pull out your BlackBerry, iPhone or other portable device, but an iPad does garner attention. “So what?” you might say. “What does that do for my bottom line or for increased productivity?” Well, in a business landscape that remains as competitive as the economic environment remains stubbornly lacking in confidence, the search for top talent is going to get harder and harder. Being seen as the type of enterprise that is at the cutting edge of technology matters to both recruitment and retention. You may feel that this is peripheral and transient, but can you afford to take the chance?

CEO Action Plan

CEOs should ensure their management team is seriously evaluating the probable impact of this device:

- **Immediately:** If you and your closest colleagues do not already have iPads, get your purchasing agent to order them, and get a feel for what this device can and cannot do.
- **Within two months:** Require your marketing and product development teams to present a creative briefing on how iPads could be used by your company and competitors in your industry.

- **By year-end 2010:** Unless there is a prima facie case to the contrary, require your CIO to provide (at a minimum) “concierge”-level iPad support for a limited number of key users, and prepare a budgeted plan for widespread support by mid-2011.

Why You Should Act Now

More than a decade ago, enterprises that failed to investigate and engage with the World Wide Web lost visibility as the mood and emphasis of the market changed – and many subsequently went out of business. Similarly, enterprises that have moved quickly during the past two or three years to create applications for mobile devices (especially the iPhone) have realized many benefits, as the market as a whole has moved sharply toward a mobile, “always-on” mode of interaction. Almost a decade ago, Apple launched the iPod, into a market where digital MP3 music players already existed. Today, Apple dominates the MP3 player market (three out of four MP3 players are iPods of one model or another) and, in combination with iTunes (actually the “secret sauce” in the Apple ecosystem), Apple now controls the music distribution business – having wrested control from the music industry itself. While there are no certainties, the iPad looks set to become an equally market-disrupting device. The price of early investigation to explore the opportunities that this device brings will be small, and the cost of delay could be significant or even fatal to enterprises.

You may encounter a number of arguments against supporting the iPad, but these reflect historical perspectives on the role of technology inside the enterprise and should be challenged:

- **We are a Windows shop, and Apple does not support the enterprise.** It doesn’t have to and, frankly, your users don’t care. Like most consumer-focused technology today, the iPad is essentially intuitive to use. Most enterprises now provide support for iPhones and other user-owned devices, which can easily be extended to the iPad.
- **We buy our devices from “X,” not Apple.** Almost every other device vendor, from Microsoft to Dell, has announced media tablets of their own, and some have even been launched, but they will remain largely irrelevant to the market. Like the iPod before it – a device that redefined portable music, displacing the equally iconic Sony Walkman – there will be iPad and “the rest.”
- **This device is not compatible with our critical internal applications.** The iPad is *not* a replacement for a full-fledged notebook; it fulfills a role as a companion device. While some users with only limited requirements to access Web-based applications may be able to use this as their sole device, for the vast majority of users, it is an additional device that will be used for short (one- to two-day) business trips, keeping in touch on vacation, and face-to-face client meetings where a full-size notebook is too intrusive. Compatibility with Microsoft Office files is good (but not absolute, and some “glitches” will occur), and options are available (such as Citrix Receiver) to provide a secure-access client to centralized applications and data.
- **Media tablets are a passing fad.** They may be, but most forecasts now expect significant growth over the next two years. Examining this opportunity seriously to understand the potential impact is not going to involve huge resource commitments, so are you prepared to take the risk of ignoring it?
- **This is a serious enterprise – we use serious devices, not toys.** It is true that the iPad (like almost all Apple products) is unashamedly targeted at consumers, but (as history shows with developments like Wi-Fi and the PC itself) the consumer market represents the cutting edge of technology, which then moves into the enterprise. There are no signs that the device lacks physical robustness or will be discontinued in the near future. This is an innovative and cutting-edge blend of technology and design – most definitely not a toy.
- **The iPad is just an overpriced e-book reader.** While the iPad does an excellent job of delivering digital media, it is a much more capable and functional device than any other e-book reader – do not pigeonhole this device to one application.