

Aragon Research

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Topics: Mobile

Issues: What are the trends impacting mobile computing? What are the technologies and architectures that make up a mobile ecosystem?

HP Committed to Tablets, Not So Much to webOS

Summary: In just under four months since HP's announced discontinuation of the TouchPad tablet, HP has decided to open source webOS.

Event: On December 9th, HP announced that it would contribute its webOS mobile operating system to the open source community, along with its webOS application framework ENYO.

Analysis: By handing webOS to the open source community, HP appears to be regrouping for a different assault on the tablet and mobile arena. When it bought Palm, HP was positioned to make its play as a leader in the tablet era. With this move, HP is leading with its strength as a device manufacturer by aligning with Microsoft while attempting to breathe life into webOS. Finding no suitable buyers for webOS, HP has positioned itself to promote webOS development in the open source community and take a wait-and-see approach for future webOS devices.

HP's initial effort with webOS and tablets was short-lived, and its investment has as yet failed to pay off. HP completed the acquisition of Palm on July 1, 2010 for US \$1.2 billion. The TouchPad, intended to be a serious iPad and Android tablet competitor built for webOS, started shipping in the US a year later, in July 2011. After just over six weeks from its launch, the TouchPad and HP's webOS smartphones were discontinued. HP took a US \$3.3 billion

after-tax charge in its 4Q earnings related to ending the webOS device business.

The webOS software was viewed as a solid mobile operating system and received positive reaction from developers. HP developed a credible strategy to create a competitive mobile ecosystem for smartphones and tablets with a common OS and growing developer support. HP was not able to overcome initial issues of fragile hardware and a TouchPad tablet that was not innovative or competitive enough to contend with the iPad.

HP has said they will remain active in the development and support of webOS, and will continue to invest. Details regarding how much and how long are missing, but HP claims to have substantial engineering resources remaining in place even after the layoffs in September. Expectations regarding volumes, timelines and definition of a governance model to help guide consistency versus diversity and splintering of the code itself has yet to be outlined. Overall, much remains to be worked out regarding the future of webOS, and just how much HP remains committed to standing behind it needs to become clearer.

This is a longer-term play for HP. iOS and Android dominate today, but the closed nature of iOS along with the looming advantage of the Google and Motorola combination may be incentive for OEM's to seek a more open alternative mobile OS.

HP's approach has some promise. HP has seeded webOS into the open source

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community, and will build tablets for Windows 8 in 2012. Should webOS take root with developers and manufacturers, and grow the happy and vocal webOS community of customers, CEO Meg Whitman has stated HP will build webOS tablets again.

The key to success in mobile will be the ability to create a viable ecosystem around the mobile OS and devices that support it. This will mean having substantial developer support, an app store for webOS applications and robust hardware that attracts millions of buyers. Ecosystems take years to curate and nurture and they are not for the faint of heart (see Aragon Research Note: *Winning in Mobile: The Five Essential Components of a Mobile Ecosystem*). HP had the resources, but apparently not the patience, to stay the course.

For HP, their current role is primarily one of tablet hardware provider as they seek to get open source momentum for webOS. HP is currently aligned with Microsoft, and expected to deliver two Windows 8 tablets in 2012. Although the possibility of HP returning to the webOS fold with tablets 2013 was projected by HP executives, we believe it is unlikely to occur in that timeframe.

Aragon Advisory: There is little short-term upside for users or developers. The webOS market has been slow to emerge, and its future now hinges on an open source approach not yet fully formed.

Where webOS has potential is with current Android-based mobile device manufacturers who seek differentiation from other Android products or need software that is more truly open than is possible given Google's business model behind Android.