

Apple Infiltrates \$3.8 Trillion Market With iPad: Tech

By Peter Burrows - Feb 2, 2012

(Corrects iPad forecast in 14th paragraph.)

[Apple Inc. \(AAPL\)](#), without much effort on its part, is making rapid headway in selling to corporations.

After years of being the also-ran to [Microsoft Corp. \(MSFT\)](#) in the workplace, Apple has seen its iPad become a standard business tool. According to an IDG Connect survey, 51 percent of managers with iPads say they “always” use the device at work, and another 40 percent sometimes do. Seventy-nine percent of the respondents use the iPad for business when outside the office.

Even as [Amazon.com Inc. \(AMZN\)](#)'s Kindle Fire and other tablets play catch-up in the consumer market, the iPad faces little competition among corporations such as financial services and pharmaceutical firms. Apple's iPhone, meanwhile, is the top-selling smartphone, forcing businesses to accommodate workers who use it. That has helped set the stage for Apple's Mac computer to make its own inroads in the corporate world.

“We haven't seen a single pharma deploy on anything but the iPad,” said Matt Wallach, co-founder of [Veeva Systems Inc.](#), a Pleasanton, California-based maker of sales software for drug companies. “I've seen a lot of devices come and go over the years. Nothing touches the speed of adoption of the iPad.”

Microsoft and [Intel Corp. \(INTC\)](#) have dominated the office-technology market for three decades, accounting for almost all the personal computers on workers' desks. The seeds for the “Wintel” hegemony were [planted in 1981](#), when International Business Machines Corp. tapped the two companies to help create its first PC. That fueled an information-technology industry that now [generates](#) \$3.8 trillion a year, according to research firm Gartner Inc.

Making an Effort?

Microsoft and Intel have struggled in their efforts to compete with the iPad, though that may change later this year when a tablet-friendly version of Windows debuts. Windows PCs also are under attack. While total PC shipments dropped 5.9 percent in the fourth quarter, the Mac grew almost 21 percent, according to Gartner.

The real threat to the corporate-technology industry is if Apple decides to pursue the market more

aggressively, said [Frank Gillett](#), an analyst at Cambridge, Massachusetts-based [Forrester Research Inc.](#) Apple can take advantage of its popular iTunes and App Store platforms to distribute software to companies in a user-friendly way, he said. That in turn would help promote the company's hardware products.

[Bill Evans](#), a spokesman for Cupertino, California-based Apple, declined to discuss the company's corporate strategy.

Big Opportunity

Apple sold 3.8 million Mac computers to companies in the past fiscal year, according to data compiled by Bloomberg. That amounts to 3 percent of the market.

If Apple were to boost that to 18 million Macs a year, similar to the sales level of No. 3 PC maker [Lenovo Group Ltd. \(992\)](#), it would bring in about \$23 billion. Given workers' desire to use Apple products, the company would probably be able to reach that point with far less investment than rivals such as [Hewlett-Packard Co. \(HPQ\)](#) or Dell Inc., said Anand Srinivasan, an analyst at Bloomberg Industries.

Because companies also pay for warranties and additional services, profit margins might be higher than for Apple's consumer Mac business, he said.

"Apple has lots of room to grow in the commercial space," Srinivasan said.

In any case, iPad sales to companies will accelerate this year, said Tom Mainelli, an analyst at Framingham, Massachusetts-based IDC, a sister firm to IDG Connect. Many large companies focused in 2011 on testing the device and running trials for ways to use the tablet, he said. Now, those pilot programs are turning into mass purchases by customers.

Corporate Ecosystem

Mainelli expects iPad shipments into commercial markets, which includes education and health care, to rise more than 50 percent to higher than 6 million in 2013 from this year. The device was a common sight at last week's [World Economic Forum](#) in Davos, [Switzerland](#). Apple's iPhone also has pushed into the business world, often supplanting [Research In Motion Ltd. \(RIMM\)](#)'s BlackBerry. The company shipped 37 million of the phones last quarter, making it the market leader in smartphones.

[Fidelity Investments](#) has developed iPad applications that let clients check mutual funds and retirement accounts without having to boot up a PC, said Richard Blunck, executive vice president of digital distribution at the firm. At pharmaceutical companies, salespeople use iPads to show product information to doctors on a moment's notice. During Apple's quarterly conference call last week, Chief Financial Officer [Peter Oppenheimer](#) cited Royal Dutch Shell Plc, Credit Suisse Group AG and [Nike Inc. \(NKE\)](#) as

companies that have issued iPads to employees.

Android Software

For companies considering tablets, the main alternatives are devices that run [Google Inc. \(GOOG\)](#)'s Android operating system. Many chief information officers are concerned that Android isn't as secure as Apple's iOS software, said Santiago Becerra, CEO of MeLLmo, a corporate app developer.

Companies also have to go through a lengthy testing phase before letting a device access its networks, and it's easier to qualify the iPad than each of the many Android tablets on the market. For now, MeLLmo only makes apps for the iPad.

"There are so few CIOs looking at Android that it's not worth it for us right now," Becerra said.

Microsoft could still slow Apple's momentum. Tablets with the new Windows 8 may have an easier time running Microsoft Office, a staple for most office workers. That could give Windows 8-based tablets a big advantage, since Microsoft hasn't created an iPad-compatible version of Office.

Doing Nothing?

Apple has succeeded with corporations without building a large sales force or a corps of consultants and field technicians. Wallach, who sold pharmaceutical-sales software for years before co-founding Veevo, says he has only dealt with one person at Apple who focused on his industry.

"It would be strong to say they're doing absolutely nothing, but it's pretty close," Wallach said.

According to Apple's website, the company is now seeking a salesperson dedicated to pharmaceutical companies in eastern [Pennsylvania](#).

"If Apple is starting to hire reps around the country focused just on accounts in their region within one industry, that would be a definite signal of their intention to sell with a stronger vertical focus," Wallach said.

About 10 other corporate-focused positions are listed on [Apple's website](#), including sales positions in [New York](#), [Seattle](#) and Austin, [Texas](#), as well as a "B2B Quality Coach," to help Apple salespeople "deliver exceptional business-to-business experiences."

Apple has made other moves to ease corporate buying. The company rolled out a volume purchasing program, letting businesses place large orders for iPad apps, rather than requiring each employee to go to iTunes and enter a code and their own credit card number.

Not every company wants Apple to focus more on their needs. Fidelity's Blunck would rather have Apple

continue to make breakthrough consumer products that create new ways for its customers to use Fidelity's services.

"I'll take that all day long, versus having them spend all their time on enterprise's needs," he said.

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