

# Slow sales of Pre force Palm to cut forecast

February 26 2010, By Edward C. Baig

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Palm is back on the ropes. The smartphone pioneer slashed revenue forecasts Thursday because sales of its Pre handsets have been slow.

Palm revised fiscal 2010 third-quarter revenue to \$285 million to \$310 million, below company and analyst forecasts. Palm said full 2010 revenue will be "well below" the previously projected range of \$1.6 billion to \$1.8 billion. Palm's stock fell more than 19 percent to \$6.53.

"This is a tough blow for Palm," Gartner analyst Ken Dulaney said.

The Pre received mostly glowing notices upon its arrival in June through Sprint. It was expected to restore Palm's shine after its flagship Treo smartphones had lost their luster. But the Pre hasn't become a best seller, nor have the newer Pre Plus and Pixi Plus. Palm unveiled both on the [Verizon Wireless](#) network in January.

"Driving consumer adoption of Palm products is taking longer than we anticipated," CEO Jon Rubinstein said in a statement. He said Sprint and Verizon remain committed, "And we are working closely with them to increase awareness and drive sales."

It won't be easy. With Apple, RIM (BlackBerry), [Google \(Android\)](#), Microsoft and others, competition is only getting fiercer. On Palm's long-term prospects, Dulaney said, "That's a tough call."

Not all analysts are ready to write Palm off. "The company is far from down and out," said Michael Gartenberg, a partner at the Altimeter

Group. "It doesn't take much for a runner to stumble and for someone to gain some momentum." He said Palm has a decent-size war chest and "tremendous talent," but that it can't afford to make many mistakes.

What's gone wrong? Palm launched Pre with just one U.S. carrier, Sprint, and precious few apps compared with Apple and other rivals. Phone supplies were tight. "You have a small window to make an impact with a new handset," Standard & Poor's analyst James Moorman said.

Dulaney thinks Palm must come out with a new touch-screen-only device and persuade developers to write apps for its WebOS operating system. "I hope the best for them," he said. "[Palm](#) is one of the hallmarks of Silicon Valley."

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