

Informa comments on Microsoft/Nokia announcement

LONDON, UK: The Microsoft/Nokia partnership is a "make-or-break" strategy by both Microsoft and Nokia - the partnership might not be to Nokia's advantage, however.

By [David McQueen](#) 14 Feb 2011



Yes, the two companies are the most known brands in the consumer electronics, yes they have complementary strengths and bringing these strengths together could help them create a strong ecosystem, yes both companies want to be friendly mobile operators and seeking to use them as the main channel to consumers. Yes both companies have an incredible marketing budgets and resources and the combination of their efforts is likely to strengthen the image of both brands. All these assets could enable the two companies to change the landscape of mobile converged devices in the future.

There is no question that this partnership will provide scale for Microsoft which has been struggling in the mobile world since the beginning and will offer more competition, which will benefit operators (more options in terms of platforms).

However, this may not be the best move for Nokia and it is questionable how "open" Microsoft will be to work with. Even if Nokia fear Google's dominance, an open platform like Android would allow much more possibilities to Nokia.

In addition, two losers don't make a winner, particularly given their scale and cultural differences. It's hard enough for massive companies to innovate on their own much less with another massive partner with a completely different culture. Whether Steve Ballmer and Elop can be the white knights that the operators are looking for will depend largely on the ability for Nokia and Microsoft to execute their partnership effectively.

Implications for operators:

The corridors of power within the operator community will be echoing to the cries of "at last". Vodafone, Telefonica, Deutsche Telekom and many other operator peers had all been waiting for a credible challenge to the apparent hegemony Google and Apple in the smartphone space. They'll be especially pleased by both the reference to the importance of operator billing in driving uptake of applications/downloads as well as the promise of a new force in the enterprise device & services space to reduce dependency on RIM's dominant Blackberry platform.

What is more, the more competition there is in the smartphone space, the greater the innovation, the better the devices that emerge and therefore the easier it is for operators to convert users to upgrading to data plans. However, while operators might view the MS-Nokia tie up as a net positive, ultimately it will be users who choose what phones they want to buy. That's why we have to expect Nokia and Microsoft to match their bold move by making bold marketing investments to fund sell-through efforts via the operators' retail channels.

Implications for devices:

Whilst Windows Phone 7 will offer Nokia access to MS software expertise and help it crack the US market, however the problem with Windows Phone 7 is that it currently commands high build costs so will only compete at the top end of the smartphone market. This will put pressure on the Symbian and Meego platforms until such time as cost and prices have been driven down to compete with the likes of Android in lower smartphone tiers, a key segment for Nokia. The transition from Symbian to Microsoft will take time, and in this fast-moving sector of the handsets market, time is a scarce commodity.

Nokia software has a different DNA to Windows Phone: ditching existing software based on open-source to adopt a closer environment such as Windows phone means completely changing Nokia software DNA and this is not going to happen overnight. Drilling out cost and ramping volume to create a buoyant profitable ecosystem may take time, and Nokia scale v

help MS to bring prices down although Android managed to do it in just over a year.

Implications for platforms:

The decision not to go with Android is an interesting one, with Elop citing the platform as being too commoditised/ democratised and difficult to create differentiation and good margins. By Elop saying that it is now a 3-horse race just doesn't add up - MS, Android, Apple and Blackberry equals 4.

It will be interesting to see how Microsoft partners like HTC, Samsung, LG react to this partnership. Bear in mind these players walked away from Symbian because of Nokia's ambitions to control this ecosystem. Although Microsoft is winning strong partner it could lose many others, particularly in the US.

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