

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?

Nokia and Microsoft: Partnership Bears First Fruit in Mobile Ecosystem Battle

Summary: On October 26th at its Nokia World 2011 event in London, Nokia announced the Lumia 800 and 710, its first smartphones based on Windows Phone 7.

Event: Nokia announced the Lumia Windows Phone-based line of smartphones as the first step to replace its own Symbian ecosystem on the journey to competing with Apple and Google.

Analysis: Nokia's strategy, outlined by new CEO Stephen Elop in February 2011, promised decisive and swift action in replacing its failing Symbian operating system for smartphones with Windows Phone 7 through Nokia's partnership with Microsoft. Nokia has demonstrated that it is serious, and in bringing product to market in eight months has shown an ability to move quickly. This is also a clear recognition that timing is key in seeking relevance in an iOS and Android dominated mobile market.

To move this quickly Nokia had to shoehorn Windows Phone 7 as a late production change into an existing product rollout cycle. As a result, there is not a lot of new Nokia unique differentiation and user experience. Nokia Music and Nokia Drive, which follow through on key parts of the initial partnership announcement with Microsoft, offer beginnings of this approach for music and a solid personal navigation device. These are attempts at

building the much-needed ecosystem, but right now Windows 7 Phone remains far behind the leaders with apps in its Windows Phone Marketplace.

Overall, the main intent of these initial Windows Phone 7 products is to establish presence in markets historically loyal to Nokia. There is benefit to both Nokia and Microsoft. Nokia feature phone users who want smartphone options now have a viable choice from Nokia, and they have them ahead of the 2011 holidays. Microsoft has a partner with solid devices to advance its need for relevance in mobile, and the smartphone market.

Nokia's Windows Phones will not launch in the U.S. until 2012. Building on its strengths, Nokia is launching in Europe first, with more countries and Asia-Pacific markets following in the remainder of 2011. The target of these phones, shared by both Nokia and Microsoft, is the massive consumer market that drives overall smartphone success.

The key to survival in mobile will be a thriving and vibrant mobile ecosystem that is built on a multi-device operating system, expansive support of apps with a vibrant app store and content in addition to platform hardware. Nokia was unable to evolve Symbian into that role, and has pegged its future to the ability of Microsoft to create such a competitive ecosystem to take on iOS and Android.

A critical element will be extensive apps and broad developer support. For Nokia, this is

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somewhat cautionary as little attention was given to the developer community surrounding the announcement. Nokia's own Symbian operating system had grown to over 40,000 apps, while Microsoft has only recently passed 30,000 for Windows Phone 7. Nokia did distribute 25,000 phones to developers, reflecting recognition that this is a priority.

There is little at this time to differentiate Nokia and Windows Phone devices from the iOS and Android competition. However, they have succeeded in creating a larger presence for Windows Phone 7, and have provided added credibility to Microsoft's competitiveness with its Windows Phone strategy.

Aragon Advisory: Nokia's Windows Phone 7 smartphones are just a beginning. While attractive to Nokia buyers, and able to build on Nokia's reputation in its core markets, these products set in motion what is expected to be significant additional focus on more advanced Windows Phone 7 experiences.

The current target of Nokia's Lumia phones is the consumer, with little attraction for business, yet. We expect a more business-focused phone to be part of the 2012 expansion Nokia will make into the U.S. Enterprises should take notice of Microsoft's improving momentum and credibility for Windows Phone 7. Although the overall impact on the dominance of iOS and Android remains small, Microsoft has considerable potential to leverage mobile Office and SharePoint capabilities to better align with enterprise priorities.