

# Seeking comeback, Microsoft to show phone software

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(AP) -- Microsoft Corp. is expected to announce a major revamp of its phone software Monday, in an attempt to regain momentum in a crucial market where it's been overshadowed.

CEO [Steve Ballmer](#) will be speaking at Mobile World Congress in Barcelona, Spain, the world's largest cell phone trade show, and analysts expect him to reveal [Windows Mobile 7](#). The software could be in phones by late this year.

The new software comes as Microsoft, dominant when [smart phones](#) were young, has taken a back seat to [Research in Motion](#) Ltd.'s BlackBerrys among corporate users and Apple Inc.'s [iPhone](#) among consumers.

"They seem to have lost the world's attention in smart phones," said Dan Hays, who specializes in telecommunications at management consulting firm PRTM.

The new software is expected to be more consumer-focused than previous versions, with a simplified user interface, which could be borrowed in part from Microsoft's well-reviewed - but low-selling - Zune HD media player.

"If that thing had a phone in it ... that would be a pretty darn good device," said Charles Golvin, analyst with Forrester Research.

"But my own judgment is that this is kind of their last chance," Golvin said. "If Windows Mobile doesn't get it right this time around, they're probably toast."

Microsoft is famous, Golvin said, for sticking to its projects, version after version. But developments in smart phones are coming so fast that tenacity alone won't help. RIM and Apple are already squeezing Microsoft out, and in the last year, Google Inc. has emerged as a major player with its Android software.

Windows phones accounted for 9 percent of smart phones sold worldwide last year, according to research firm In-Stat. That was down from 13.2 percent in 2008.

Much is at stake in the battle for smart phone dominance. Phones steer their users to potentially lucrative Web services and ads. Software developers write their applications first for the largest base of phones, making those phones even more attractive.

As it's trying to regain its footing, Microsoft also finds itself in the odd position of charging for something that others give away. Both Android

and Symbian, used on Nokia's smart phones, are free for any manufacturer to use and modify as they see fit. Both [Google](#) and Nokia hope this will spur adoption and steer phone users to their services.

Having to compete against a free product hasn't hurt Microsoft on PCs, where free Linux software has made few inroads against Windows. But phones are a different game, because they're less dependent on being compatible with other Microsoft products such as Office software, or with peripherals like printers that may connect only with Windows.

However, the cost of the software makes up a relatively small part of the cost of a phone, said In-Stat analyst Allen Noguee, and manufacturers are likely willing to swallow the cost if the benefits are worth it.

Ballmer went to Barcelona a year ago to show off the previous software update, Windows Mobile 6.5. The first phones landed in October, to little acclaim.

"Microsoft always tries to make a big splash at Mobile World Congress," Hays said, "and they never do."

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