

# Microsoft to introduce new smart-phone operating system: Windows Phone 7

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Microsoft is the undisputed king of operating systems -- except for the ones you hold in your hand. The company, whose Windows software dominates on desktops and laptops, has been also developing systems for mobile phones for more than a decade.

But its Windows Mobile operating system is not a big hit with consumers. As of the first quarter of this year, it had only about 10 percent of the nation's smart-phone market, according to the research firm NPD Group. It lagged behind [Research in Motion](#) (BlackBerry phones), Android (from Google, used in a variety of models) and iOS (Apple's [iPhone](#)).

Microsoft's piece of the pie is not only small, but it has been shrinking. In 2008, it had 30 percent of the smart-phone market.

But Microsoft is hardly conceding the mobile arena. In the fall, the company will introduce an all-new operating system for [mobile devices: Windows Phone 7](#).

It's more important than ever, analysts said, that they get it right.

"They cannot not be in the mobile phone space, and they have to be a big player," said John Jackson, an analyst with CCS Insight. "They have to have something out there to compete with the iPhone and Android because the future of computing is mobile. It's that simple."

Windows Phone 7 will make use of two of its most successful ventures: the Office suite of programs and the Xbox 360 video game system.

"This is a hard reset of our entire operating system," said Brandon Watson, a Microsoft executive who is overseeing development of the system. "In a lot of ways we are the new kid on the smart-phone block, because Windows Phone 7 is just that much different, a complete departure, from what we were doing before."

Watson was not shy about naming competitor Apple Inc. as a role model.

"When Apple showed up with the iPhone, there were plenty of people who said they were crazy for getting into the smart-phone space," he said. "But they built something completely different, and it absolutely resonated with consumers. We believe that Windows Phone 7 will resonate with consumers in a way that we haven't done before."

Dumping its current system is a wise strategy for Microsoft, said Kim Caughey, an analyst at Fort Pitt Capital Group.

"The problem has always been that Microsoft was so focused on what has made the business and desktop users happy, which is what their business is built on, that they didn't even seem to consider that the majority of consumers might want a different experience on their phones than on their computers," Caughey said.

The basic approach was wrong, said Charles Golvin, mobile analyst at Forrester Research.

"They attempted to apply the exact same model to mobile as they had to the PC business -- build a generic platform and let the hardware manufacturers license it," Golvin said. "The software wasn't really responsive and usually relied on a stylus and older technology. They missed the boat entirely, basically."

And the operating system was just not enough fun.

Apple, which introduced its iPhone in 2007, emphasized design and user friendliness, and it brought a "wow" factor to mobile phones, even with independently created apps that sometimes crossed the line into silliness.

"Take, for example, the beer-pouring app," Caughey said. "It's silly and totally opposite of what a person used a phone for in the past, but you pull it out and turn it on, and it looks like a beer was poured into your phone, and you show it to your friends, and for a few minutes you're the king of comedy.

"People really like being able to do that, and the Windows phone didn't even have the ability to do that."

Recreation is an area where Microsoft already has a strong product -- the Xbox -- that could be its most potent weapon in the mobile operating system wars.

"If Microsoft can capitalize on its online gaming constituency, which is larger than any of its competitors in the video gaming market, and pull all those people over to the Windows Phone, then it will be a hit," said analyst Jim Plunkett of Plunkett Research.

"The Xbox on a cell phone could be Microsoft's killer app."

Gaming played a major role in the iPhone's success, capitalizing on so-called casual games that appeal to a wide clientele. In contrast, some games on the Windows Phone 7 system will be spinoffs of Xbox titles that appeal to more hardcore gamers.

Eventually, Watson said, a gamer on an Xbox and another using the phone system would be able to play against each other in real time, but this function won't be on the phone system when it debuts.

The interface that Microsoft has been using for its mobile product was based in large part on its Windows operating system for desktops and laptops, complete with a small "Start" bar at the bottom of the screen.

The company is departing from that in a major way for Windows Phone 7, which will feature icons on the screen to represent not only apps, but also hubs to organize apps with the same theme.

It's not a new concept, but it will represent Microsoft catching up to competitors.

"The mash-up, having your Facebook, your Twitter, all of your things in one place is not new," said Jackson of CCS Insight. "That's foundational at this point."

Microsoft drew inspiration for the interface from its Zune portable music player, which has not been a hit. Although introduced in 2006, the

Zune line has captured only about 5 percent of the market, which is dominated by Apple's iPods.

Caughey said Microsoft could finally find some mobile success with Windows Phone 7, if for no other reason than it plays to the company's expertise in operating systems.

"That's their staple; that's their cash cow," she said. "That's what they do, and that's what they're known for and what Microsoft has built their business on. And Windows Phone 7 is an [operating system](#)."

So far, that expertise has not helped the company much in the mobile market. But Microsoft has the resources to keep on trying.

"Will they have a hit with Windows Phone 7? I don't know," Caughey said. "But I believe they will succeed eventually. They have the people and the money to pull it off.

"They can still write more checks than just about anybody else."

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