

Nokia, Microsoft in pact to rival Apple, Google

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A man holds a new Windows Phone 7 mobile operating system in New York, New York, 2010. Nokia, the world's largest mobile phone maker, said it was joining forces with US giant Microsoft in a major corporate strategy shake-up that left investors disappointed.

Technology titans Nokia and Microsoft are combining forces to create smart phones that might challenge rivals like Apple and Google and revive their own fortunes in a market they have struggled to keep up with.

Nokia Corp., the world's largest maker of mobile phones, said Friday it plans to use [Microsoft](#) Corp.'s [Windows Phone](#) software as the main platform for its [smart phones](#) in an effort to pull market share away from Apple's [iPhone](#) and [Android](#), Google's software for phones and tablets.

Analysts said the deal was a bigger win for Microsoft than Nokia, whose CEO Stephen Elop in a leaked memo this week compared his company to a burning oil platform with "more than one explosion ... fueling a blazing fire around us."

Nokia's share price plunged more than 8 percent to euro7.46 (\$10.15) Helsinki after the announcement.

Moving increasingly to providing services for phone users, Nokia and Microsoft "will combine our strengths to deliver an ecosystem with unrivaled global reach and scale," Elop said in a statement on the deal Friday.

Nokia said it will drive the future of Windows Phone, "innovating on top of the platform in areas such as imaging, where Nokia is a market leader."

But Nokia warned that the new strategy would bring "significant uncertainties" and said it expects margins to be hit by strong competition from rivals.

Neil Mawston of London-based Strategy Analytics said Microsoft was the big winner in the partnership, by teaming up with the biggest mobile hardware vendor in the world.

"In terms of expanding their distribution reach, this is a huge win for Microsoft," he said.

For Nokia the deal leaves uncertainty about what will happen to its current Symbian operating platform. Mawston said he expects it to be phased out within two years and "completely, or at least mostly, replaced by Windows Phone."

Although Nokia still is the mobile industry's No. 1, it has suffered from plummeting market share, dropping from a high of 41 percent in 2008 to 31 percent in the last quarter of 2010.

It has also lost its innovative edge in the fiercely competitive top-end sector and is virtually invisible - with a 3 percent share - in the world's largest smart phone market, North America.

Apples' iPhone has set the standard for today's smart phones and Research In Motion Ltd.'s BlackBerrys have become the favorite of the corporate set. More recently, [Google](#) Inc.'s Android software has emerged as the choice for phone makers that want to challenge the iPhone.

"Today, developers, operators and consumers want compelling mobile products, which include not only the device, but the software, services, applications and customer support that make a great experience," Elop said.

Nokia, which claims 1.3 billion daily users of its devices, said it hopes the "broad, strategic partnership" with Microsoft will lead to capturing the next billion users to join the Internet in developing growth markets.

The company said that it will also announce new leadership team and organizational structure "with a clear focus on speed, results and accountability."

"Nokia is at a critical juncture, where significant change is necessary and inevitable in our journey forward," Elop said, adding that the company was aiming at "regaining our smart phone leadership, reinforcing our mobile device platform and realizing our investments in the future."

Jyrki Ali-Yrkkö, from the Research Institute of the Finnish Economy,

described Nokia's cooperation with Microsoft as "surprising."

"The strengths will be in Microsoft's strong position in various corporate solutions and server solutions, but its weakness is that Microsoft perhaps doesn't have a broad, user-oriented group of developers like those around Android or Apple," Ali-Yrkko said.

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