

# In fall Apple season, rival phone makers struggle

September 6 2012, by Peter Svensson

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Steve Ballmer, left, Chairman and CEO of Microsoft, and Stephen Elop, President and CEO of Nokia, introduce Nokia's newest smartphone, the Lumia 920, equipped with Microsoft's Windows Phone 8, Wednesday, Sept. 5, 2012 in New York. Nokia revealed its first smartphones to run the next version of Windows, a big step for a company that has bet its future on an alliance with Microsoft. (AP Photo/Mark Lennihan)

(AP)—It's shaping up to be a cold fall for smartphone makers other than Apple, as the trendsetter of the phone industry gears up to release the next iPhone.

Nokia and Motorola, which a few years ago were the No. 1 and No. 2 phone makers, revealed new phones at back-to-back press events in New York on Wednesday. They appeared hurrying to show them off before Apple makes its iPhone announcement next week.

The phones are impressive in their own right and sport improvements from previous models, but analysts didn't see anything about them that would change the prospect of an iPhone-dominated [holiday season](#).

For [Nokia Corp.](#), the new phones are especially crucial. They're the first to run Windows Phone 8, and the Finnish company is hinging its [turnaround strategy](#) on an alliance with Microsoft. But the reveal fell flat with investors, as Nokia's stock plunged 16 percent on Wednesday.

Nokia's new flagship phone is the Lumia 920. The lenses on its camera shift to compensate for shaky hands, resulting in sharper images in low light and smoother [video capture](#), Nokia said. It can also be charged without being plugged in; the user just places it on a wireless charging pod.



The Nokia Lumia 920, equipped with Microsoft's Windows Phone 8, is displayed, Wednesday, Sept. 5, 2012 in New York. Nokia revealed its first smartphones to run the next version of Windows, a big step for a company that has bet its future on an alliance with Microsoft. (AP Photo/Mark Lennihan)

Nokia also unveiled a cheaper, mid-range phone, the Lumia 820. It doesn't have the special camera lenses, but it sports exchangeable backs so you can switch colors.

Nokia CEO Stephen Elop said the new phones will go on sale in the [fourth quarter](#) in "select markets." He didn't say what they would cost or which U.S. carriers would have them. AT&T Inc. and T-Mobile USA have been selling the earlier Lumia phones.

Investors seem to have expected more specifics, or an earlier launch. Nokia shares fell 45 cents to \$2.38 in New York. The stock is trading at the same level it had in the mid-1990s.

Gartner analyst Ken Dulaney said the new phones were impressive, but he thought that Microsoft was killing the buzz by holding back on details about Windows 8.



Nokia's smartphone, the Lumia 820, equipped with Microsoft Windows Phone 8, is displayed, Wednesday, Sept. 5, 2012 in New York. Nokia revealed its first

smartphones to run the next version of Windows, a big step for a company that has bet its future on an alliance with Microsoft. (AP Photo/Mark Lennihan)

"The hardware is gorgeous, but Microsoft didn't do a good job of telling the rest of the story" Dulaney said.

He suspects Microsoft and Nokia announced the Lumia phones early in an attempt to steal some thunder from the next iPhone.

"Microsoft should have spent more time filling in the holes for this product release instead of worrying so much about what Apple was going to do," Dulaney said.

Neil Mawston, an analyst with Strategy Analytics, said Nokia's new smartphones held no real surprises and lacked a "wow" factor.

"The devices that were launched were more of an evolution rather than a revolution," Mawston said. "This was a baby step for Nokia and Microsoft and not really a giant leap like some were hoping."



Motorola's three new Droid Razr smartphones, the Droid Razr M, center, the Droid Razr HD, center, and the Droid Razr Maxx HD, are unveiled at a press conference on Wednesday, Sept. 5, 2012. The phones are the first from Motorola as a part of Google. (AP Photo/Bebeto Matthews)

Nokia launched its first Windows phones late last year under the Lumia brand, as the first fruits of Elop's alliance with Microsoft. Those ran Windows Phone 7 software, which is effectively being orphaned in the new version. The older phones can't be upgraded, and they won't be able to run all applications written for Windows Phone 8.

Nokia sold 4 million Lumia phones in the second quarter, far fewer than the 26 million iPhones that Apple Inc. sold during those three months. So far, the line hasn't helped Nokia halt its sales decline: Its global market share shrunk from the peak of 40 percent in 2008 to 29 percent in 2011, and it is expected to dwindle further this year.

For Microsoft, the alliance with Nokia is its best chance to get into smartphones again, where it has been marginalized by the rise of the iPhone and then phones running Google Inc.'s Android software. The launch of Windows Phone 8 coincides roughly with the launch of Windows 8 for PCs and tablets. That launch is set for Oct. 26.



The new Droid Razr HD is reviewed during a press conference on Wednesday, Sept. 5, 2012. It's one of three new smartphones unveiled by Motorola since it became a part of Google. (AP Photo/Bebeto Matthews)

"Make no mistake about it—this is a year for Windows," said Microsoft Steve Ballmer, who joined Elop, a former Microsoft executive, on stage.

Ovum analyst Jan Dawson said that Windows Phone provides a compelling experience that's clearly different from that of the iPhone. The problem for [Nokia](#) and Microsoft, he said, is that it's only apparent after a user spends half an hour or so personalizing the device, and that's not something phone shoppers do.

On the plus side, U.S. phone companies are eager to build up [Windows Phone](#) as an alternative to the iPhone and Android, to reduce the leverage Apple and Google have over them. Android and Apple devices dominate in smartphones, with 85 percent of the worldwide market combined, according to IDC.

"We believe it's important to have balance in the ecosystem," said Tami Erwin, chief marketing officer at Verizon Wireless.

Microsoft competitor Google Inc. is even more deeply invested in cellphones, having bought Motorola in May for \$12.4 billion. But Google bought Motorola mainly for its patents, which it can use to shield other cellphone makers that use Android from lawsuits. That means that even though it has a wealthy new corporate parent, Motorola is still under pressure to produce hit phones. Google has already announced plans to cut about 20 percent of the workforce at Motorola.



The new Droid Razr M is reviewed during a press conference on Wednesday, Sept. 5, 2012. It's one of three new smartphones unveiled by Motorola since it became a part of Google. (AP Photo/Bebeto Matthews)

Motorola's strategy for the fall is to expand the Razr brand, resurrected from the hit clamshell [phone](#) launched in 2004.

For one of these phones, Motorola had firm details on availability. Next Thursday, the day after Apple's press conference, Verizon Wireless stores will sell the Droid Razr M for \$99. The new iPhone isn't expected in stores until a week or two after that.

The Razr is a smaller, cheaper version of the first touchscreen Razr, which launched last year. Motorola is also updating the top of the Razr line with the Razr HD and Razr HD Maxx.

Motorola is emphasizing long battery life—up to 21 hours of talk time

for the Maxx HD, or 10 hours of video streaming.



The new Droid Razr Maxx HD is reviewed during a press conference on Wednesday, Sept. 5, 2012. It's one of three new smartphones unveiled by Motorola since it became a part of Google. (AP Photo/Bebeto Matthews)

The iPhone 5 is unlikely to beat that, as its smaller body doesn't leave that much space for a battery. But the cachet of the [iPhone](#), and the wide range of applications available for it, mean that analysts expect the rest of the year to belong to Apple.

Gene Munster at Piper Jaffray said Apple might sell 6 million to 10 million iPhones in the last week of September. That compares with 9 million Motorola sold in the 12 weeks of the second quarter, according to research firm Gartner.

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