

NOKIA MAKES ITS POWER PLAY

The Finnish handset maker takes on the giants by buying out supplier Symbian—then giving away its software

By Jennifer L. Schenker

Few companies have the heft to take on Apple, Google, and Microsoft—much less all three at the same time. But on June 24, Nokia, the world's largest handset maker, made it clear it won't cede any ground to gate-crashing U.S. tech giants. The Finnish company is buying full control of London-based Symbian, the leading maker of operating system software for advanced mobile phones, and creating a foundation that will give away Symbian's software for free.

Until now, Symbian has been owned by a consortium comprised of Nokia and other handset makers. Their goal, since the company was set up a decade ago, was to promote an independent software platform for advanced devices known as smartphones. Symbian software is now used in 56% of such phones, says researcher IDC, far ahead of rival offerings from Microsoft and BlackBerry maker Research in Motion.

But in the past year a new crop of competitors barged into the industry, including Apple and Google. Nokia and

the newcomers are locked in a high-stakes battle whose outcome could shape the future of mobile communication—and by extension, the Internet—as a growing number of people tap the Web from handheld devices.

The new Symbian Foundation aims to defend its lead in providing operating system software. Yet more than market share is at stake. Operating systems are increasingly important as the bases for providing other services, particularly online offerings that phones tap into over the air such as mobile music

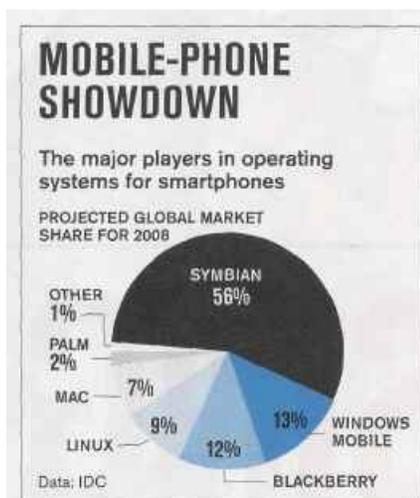


*RPMG Research Corporation 2005 Purchasing Card Benchmark Survey (page 44). Based on respondent-reported savings of \$67 per transaction and an estimated 418 million transactions. ©2008 Visa. All Rights Reserved.

and photo sharing. The market for such services is expected to rise from \$46 billion last year to \$92 billion in 2012, says researcher Strategy Analytics. Nokia is racing to deliver all manner of services through in-house development and acquisitions.

Before Nokia can get masses of people to sign up for wireless services, it has to add more handsets that can deliver them. That's where Symbian comes in: The operating system is used mostly for high-end devices such as Nokia's Nseries. The Finnish company and others want to see it move into less expensive, mass-market products. Today, low-price phones tend to use proprietary software, which makes it difficult to offer advanced services.

Nokia's competition in the field is growing fast. Google is backing an operating system called Android to create one Web-friendly software platform. Separately, the LiMO Foundation, a group championing Linux for mobile phones, has won wide backing. Apple has raised the bar for everyone with its sleek iPhone and growing support



among software developers.

Nokia's move is a shrewd response. By opening up Symbian and making it free, more people will likely use—and improve on—the software. The deal also could hurt rivals such as Microsoft that charge royalties for their software. And the deal makes financial sense. The handset maker paid licensing fees of \$250 million to Symbian last year, estimates consultant CCS Insight.

Better to spend \$410 million to buy Symbian than keep paying such fees.

Some important questions remain. Among the most significant, says analyst Geoff Blaber of CCS Insight: Can the new Symbian Foundation really be open and independent when Nokia has such a vested interest in its software? Many big players in the industry are hedging their bets. Motorola and NTT DoCoMo, for example, will serve on the Symbian board, but they're also involved in both LiMO and Android.

In the end, it's unlikely that one operating system will prevail in handsets, the way Microsoft's Windows has dominated the PC business. And for all its efforts, Symbian could stumble if its rivals do a better job of recruiting handset makers, independent software developers, and consumers. "This is a difficult industry," says Colly Myers, former CEO of Symbian. "Part of it is technology; part of it is fashion; and part of it is consumer." As with anything tied to trends, he notes, "today's hero is tomorrow's fallen idol."

-With Mark Scott in London

