



DIGITAL DOMAIN

# Microsoft + Nokia = a Challenge for Apple

By RANDALL STROSS  
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IPHONES and [Android](#) phones seem to be everywhere I look in Silicon Valley. The future is obvious, isn't it? iPhone, Android and no one else. They will form an exclusive duo in smartphones, just as Windows and Mac have in personal computers.



The Samsung Focus runs on Windows Phone, a Microsoft platform that app developers are embracing.

Make way, however, for Windows Phone. Yes, Windows Phone. Despite [Microsoft's](#) multiple, abject failures with mobile phones since 2002, many software developers and industry watchers expect Microsoft to become the second-largest smartphone player worldwide.

The evidence isn't visible today, nor will it appear anytime soon. Even at year-end, Android will have a 39.5 percent share of smartphones worldwide, according to projections from IDC, the research firm. Symbian — used by [Nokia](#), though it is not a major presence in the United States — would be second, at 20.9 percent, while [Apple's](#) iOS, the software that powers the [iPhone](#), would be third, at 15.7. Windows Phone 7 and its predecessor, Windows Mobile, would be far behind, at 5.5 percent.

These rankings are likely to change thanks to one player, Nokia, which has seen its market share shrink in the United States. It has formed an alliance with Microsoft and will switch from Symbian to Windows Phone software on its smartphones.

As a result, according to IDC [predictions for 2015](#), Windows Phone 7 will occupy second place, at 20.9 percent of the market, ahead of iOS, which is projected to stay near 15 percent. BlackBerry, then as now, would be No. 4.

(In the United States alone, IDC expects Windows Phone 7 to jump to third place by 2015, at 15.6 percent, behind Android, at 48.9 percent, and iOS, at 16.8.)

Despite its recent worries, Nokia remains the largest phone manufacturer in the world, and it has no equal in building handsets inexpensively. Last year, it sold more than 452 million phones, including 100 million smartphones.

“The average price paid for smartphones is going to go down, and the total number of smartphones is going to go up,” says Andrew Lees, president of Microsoft's mobile communications business.

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Microsoft introduced Windows Phone 7, a major overhaul, last fall. By year-end, Microsoft had 5,000 apps in its store, a milestone reached three times as fast as [Google's](#) Android, says Al Hilwa, an IDC analyst.

Mr. Lees says that there are now more than 11,500 apps. It's not close to the more than 350,000 apps that Apple boasts for iOS. But the difference may not be significant.

"What is often missed is the diminishing returns after 1,000 applications," says Thomas R. Eisenmann, a professor at the Harvard Business School. "If a platform attracts the thousand-most-popular apps, then it provides almost anything a reasonable person would want to do with a smartphone."

I sought out iPhone software developers who have done well with iPhone apps to see what they make of Windows Phone. I was surprised that many are already adding titles for Windows Phone, despite the tiny market share.

"Microsoft has a perception problem. Everyone thinks of them as a distant third, but they've got a good product," says David Roberts, chief executive of [PopCap](#), a games developer whose *Plants vs. Zombies* game is among the iPhone's top-grossing apps. The company just introduced its first Windows Phone game, *Bejeweled Live*.

[Halfbrick](#), based in Brisbane, Australia, is another successful iPhone software developer. Last week, its *Fruit Ninja* game was No. 5 in the App Store's list of top paid apps. It, too, has introduced its first title for Windows Phone.

Shainiel Deo, Halfbrick's C.E.O., says that while games were not a major attraction on past Microsoft phones, games will be a differentiator that will favor Microsoft this time. For example, the Marketplace store of Windows Phone employs the same user accounts used for Xbox Live.

Mr. Deo says he, too, is susceptible to iPhone-centrism. "In Australia, almost everyone I see has an iPhone," he said. But "the next phone for a lot of the Xbox gamers will probably be a Windows Phone," he remarked. "And there are 30 million Xbox Live subscribers."

Jeffrey R. Williams, a professor of business strategy at [Carnegie Mellon](#), predicts that Microsoft will become a major player in mobile devices for one overriding reason: "They're willing to spend billions of dollars, just as they did with Xbox," he says. "And this is even more strategic."

There is also little need to focus on tight integration with Microsoft Office, a keystone of the company's marketing campaigns for its earlier phones. The Office integration pitch was aimed at corporate I.T. departments, which also made the purchasing decisions that shaped the personal computer industry.

The world has changed since then, Professor Eisenmann points out. "In PCs, it was business leading consumers," he said. "This is a different game: consumers leading business."

SMARTPHONES are a different case for another reason. In the industry's formative period, Windows and Macs didn't mix well on the same network, but different brands of smartphones share the same voice and data networks just fine. "I don't think the network effects in smartphones are as strong," Professor Williams says.

Nokia is in Microsoft's camp. Good reviews of the software are coming in. Some leading iPhone developers are taking it seriously, and the company has plenty of capital to help it form alliances. Unexpectedly, Microsoft is well positioned to leap into the top ranks of smartphone players. A story to hearten latecomers everywhere.

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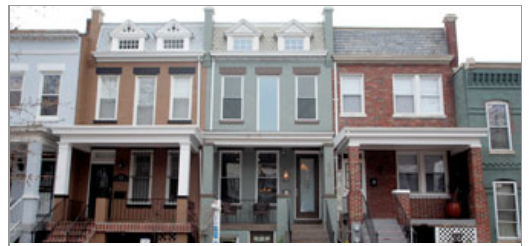
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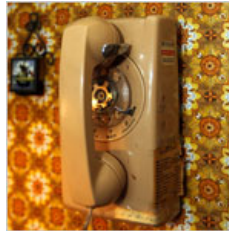
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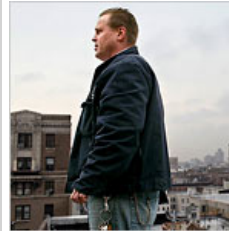
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