

## Smart Phones

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An interesting battle is taking shape in smart phones.

How are smart phones different from Personal Digital Assistant (PDA) phones? *PDA phones* are handheld computers that are mainly used for wireless data communications, but they can double as a phone. *Smartphones* are primarily light voice phones. The 'smart' tag comes from their ability to display diaries, receive email and play music files.

The handset industry has so far been dominated by Nokia and Ericsson. Nokia has recently announced plans to offer phone makers a standard kit of software and computer chips to build new internet ready "smartphones". The company will also open up its terminal software for use by industry rivals. This would be combined with the semiconductor hardware of Texas Instruments and the Symbian mobile phone operating system.

Thus, Nokia is going for "open systems" – something unusual for an industry that tended to be protective about its technology. Four of the world's top five cell phone makers, who constitute 70 percent of all cell phones produced worldwide, are backing Britain's Symbian.

The opposition camp is headed by a new entrant to the phone industry – Microsoft Corporation. Microsoft, Intel & Texas Instruments have come out with a blueprint for new cell phones & handheld computers. Microsoft is backing Intel's PCA technology. Intel is supporting Microsoft's PocketPC Phone operating system. The operating system is expectedly a "closed system". Microsoft will still need phone makers who will use its technology. Among the top five hand set companies, only Samsung is with Microsoft.

The cross-promotion between Microsoft and Intel is similar to what happened in computers where Windows software of Microsoft and the chips of Intel supported each other's growth. Finally both became industry standards accepted by hardware manufacturers. This led to the commanding 80 per cent share for the two companies in their respective markets.

Texas Instruments is one company that is clearly not bothered which camp wins. It is in the comfortable position of being in both camps.

Nokia has covered itself for a **normal market progression**, by being on the same technology platform as three out of its top four competitors. Through open systems, it has also reduced the technology costs for scores of other phone makers who wish to get into smart phone. Thus, *the competition among a significant number of the existing phone makers would be on the services offered – not on technology.*

In what situation will Nokia (and a significant number of existing phone makers) lose? If the Windows technology helps smart phones offer such superior features that customers distinctly prefer this platform, even if the smart phones are sold by manufacturers who are not in the top league of current phone makers. The technology factor would need to be so strong that people are comfortable moving out of their existing phone brand comforts.

If this happens, we are in for a **shake-out**. Samsung, which is on the Microsoft camp, will get a huge lead over its current competitors. Many new phone makers will get into the top league in smart phones. *Finally, Nokia, Ericsson and a host of current phone makers will have their tail between their feet and shift to the Microsoft – Intel technology!*

*Are we in for normal **market progression** or a **shakeout**? Will Nokia and Ericsson carry their handset leadership to smartphones, or will they have their tail between their feet? Let us wait for the action to unfold.*

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