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Finance

Fri, Dec 07, 01

Nokia declares war on US wireless technology firms

The company has licensed a software platform to offer new applications to wireless devices and is hoping to control the market with the support of industry players

By NIALL MCKAY

Recently, Nokia took on Microsoft and Palm in a battle for dominance of the handheld computer and smart phone market when it announced that it was to enter the software business.

In so doing, Nokia trashed its relationship with Microsoft, rejecting its smart phone software platform. It also dismissed Palm, which has dominated the handheld computer market for the past five years.

It's really a case of Europe declaring war on the US. Why should the larger European mobile phone companies such as Nokia, Philips and Ericsson take their lead from the US giants, which are, after all, often quite a bit behind their European counterparts?

The US has, of course, dominated most areas of the high-tech sector in the past.

But because US mobile providers were each pushing their own agendas, they failed to agree on a common wireless communications standard, and European and Asian companies were able to step in and take a large slice of the market.

Europe and Asia's lead in this sector may go some way to breaking Silicon Valley's stranglehold on the technology sector. It is in Europe and Asia that many of the new startups that provide new wireless services are springing

up. And because the European and Asian networks are more advanced, it is likely that these companies will be first to market with their products.

And it's a huge market. Indeed, while PC products become commodity items and therefore loss leaders, there are still vast fortunes to be made in the mobile market - despite the recent financial performance of some of its biggest players. Sales of mobile wireless hardware, applications and services are still set to grow by 28 per cent annually until 2004, according to the consulting firm Cahners In-Stat Group.

By that time, more than half of all computing devices shipped will be wireless enabled.

Research company Micrologic makes the optimistic prediction that 1.6 million third-generation (3G) handsets will ship this year, mostly in Korea and Japan - both of which have already rolled out new networks.

These new 3G networks are currently the "golden fleece" of the high-tech market. They promise to add data, video, audio and multimedia to current voice offerings, giving consumers the ability to download music, view the latest rock video, or access the Internet at high speed from their wireless phone or hand-held computer. Of course, along with such groovy feature come groovy revenue opportunities.

Furthermore, the lines between what is a computer, a mobile phone and a pocket computer are becoming blurred. These devices are becoming a veritable battlefield.

Consumer electronics manufacturers such as Sony, Sharp and Panasonic, computer vendors such as Compaq, Acer and Toshiba, and mobile phone manufacturers such as Nokia, Motorola and Samsung, are all trying to capture a slice of the market.

So the landscape is changing dramatically. Everybody sees wireless networks as their future and there will not be enough goodies for all players. That is why companies such as Nokia feel it is time to try to seize control of the market.

To achieve this, it must firstly grow the market by ensuring that there is a reason for consumers to want to migrate to the new 3G networks. So it has licensed the Symbian software platform called Symbian, and will pump money and resources into it so that the next generation of mobile phones/handheld computers will be able to offer new applications such as video mail, games and location-

based computing.

Secondly, it has to try to control the market by hopefully winning the support of the other industry players. So it signed up telecommunications operators such as AT&T, Cingular, M0<MD->2 (BT), NTT DoCoMo, Telefonica Moviles and Vodafone, and consumer electronics vendors such as Fujitsu, Matsushita, Mitsubishi Electric, Motorola, NEC, Samsung, Sharp, Siemens, Sony Ericsson and Toshiba.

The consortium members say they are committed to developing software and services that comply with current standards and interoperate with each other's products.

But it remains to be seen whether such an alliance will actually boost the market by providing interoperable products among the consortium members or simply hinder the market by not inviting such prominent players as Microsoft, Palm and Qualcomm to the party.

One would wonder, given the poor record of technology companies to successfully build hardware platforms and license software implementations that run on them to competing vendors (Apple, for example), whether Nokia will succeed in its new business.

Another big question is whether Nokia intends to use its suite of software product as a cash cow or is it simply trying to kick-start the market so that it can sell more hardware?

Let's hope that it will opt for the latter.

Otherwise, even if it's successful, the industry may find itself at the mercy of a large European vendor rather than a large US vendor. And that just wouldn't do. Would it?

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