

## Nokia on deck with Windows Phone device

By [Dan Gallagher](#)

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SAN FRANCISCO (MarketWatch) — All eyes will be on Nokia Corp. this week when the company is expected to unveil its first device for the Windows Phone platform — on which some believe the cell phone giant's future rests.



Reuters

*Nokia CEO Stephen Elop, shown here at an Oct. 4 event, is expected to unveil the company's first Windows Phone device on Wednesday in London.*

Nokia [NOK, -0.48%](#) (NOK1V) will kick off its Nokia World event in London on Wednesday morning. As part of the event, CEO Stephen Elop will deliver the opening keynote at which he is expected to give an update on the company's turnaround strategy and possibly show off at least one model of the wireless devices the company is building for the Windows Phone 7 operating system designed by Microsoft Corp. [MSFT, -0.37%](#)

Several analysts have described the company's up-coming Windows Phone devices as a "binary event," on which the once-powerful company may make or break its future in the lucrative — and hotly competitive — smartphone market.

"It could restore Nokia to relevancy in the smartphone market, or a slide into irrelevancy could continue if the transition is not successful," Charlie Wolf of Needham & Co. wrote in a note to clients.

Nokia has said it plans to launch its first Windows Phone products this quarter. While no details of the actual devices have been given, the company told analysts on its earnings call last week that it will launch the new devices in a few select markets to start, and then gradually expand distribution through 2012.

"We're very pleased with the degree of operator support, with the early signs of commitment and all of those other factors," Elop said on the call. "But we are being very deliberate in the sequence in which we roll things out because it is a significant shift for the organization in how we sell, how we manufacture all of those different elements."

Elop announced in February the company's plans to build smartphones based on the Windows Phone 7 platform, as part of an effort to reverse the company's sagging fortunes. Nokia had about 40% of the global smartphone market in 2009, a number which slid to about 16% by the end of the second quarter of this year, according to data from IDC Corp. [Read full report of Nokia's partnership with Microsoft.](#)

Much of the company's market share has been taken over by mobile phone makers Samsung, HTC Corp. [HTCKF, +10.14%](#) and LG, all of whom build handsets predominantly for the Android operating system from Google [GOOG, -0.40%](#) Also, Apple Inc. [AAPL, -0.64%](#) has seen its global share climb from 14% in 2009 to 19% by the end of the second quarter with its popular iPhone.

## Nokia aims for low-end phones

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Nokia Corp., having abandoned its ambition to develop a high-end operating system, is shifting its programming efforts toward creating software for its low-end phones, according to people familiar with the matter. Greg Bensinger reports.

Elop was recruited from a high-ranking executive post at Microsoft last September to help lead the Finnish mobile phone giant's turnaround efforts. [Read full story on Nokia's hiring of Elop.](#)

Francisco Jeronimo of IDC said the new Windows Phone devices will not likely turn things around quickly for Nokia, but it may help keep the company in the top-tier of device makers over the mid-term. Windows Phone as a platform has so far not made much of a dent in the smartphone market as compared to Apple iOS and Android, due mostly to limited support from device manufacturers.

"With Nokia on board, and the doors Nokia can open, it will be quite important for the OS to gain traction with consumers," Jeronimo said. "It will basically be like what happened with Android a few years ago."

Ed Snyder of Charter Equity said Nokia has suffered from "price erosion" and heavy competition, but the new Windows Phone devices should help the company regain its footing "and finally establish a response to iPhone's pervasive impact."

"The inability to grow both ASP [average selling prices] and market share is a symptom of the spiral the company finds itself in, and can only escape from by rejuvenating its product line," Snyder wrote in a note Monday. "We doubt the generic Windows 7 phones slated for this year will accomplish this, but with aggressive cost cutting and a big balance sheet, Nokia has ample time to get it right."

Others are more skeptical, noting that the Windows Phone platform has a long way to go to catch up with Apple and Google, and that Nokia also faces stronger, more nimble competitors among Asian manufacturers.

"We remain unconvinced that consumers will embrace the Windows platform, given attractive alternatives, lack of an ecosystem and apps," wrote Didier Scemama of the Royal Bank of Scotland, in a note Monday. "Longer term, we doubt Nokia can be profitable versus HTC (faster to market) and Samsung (vertically integrated)."

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