Analysis - Finnishing TOUCH?

By Keith Mallinson Saturday, November 1, 2008

Nokia has adjusted its strategy for the enterprise, but this is not enough for North America.

Nokia has made an expedient u-turn in its global enterprise strategy. Its Eseries devices already sell well with 3 million units worldwide last quarter. The new device-focused approach will penetrate enterprises across most of the world where brand and distribution are strong.

This is insufficient for success in North America where the brand is weak, low-end and nobody – let alone CIOs – uses Symbian S60. Adding Windows Mobile to Nokia’s hardware would elevate its brand and foster enterprise device sales on 3GSM and CDMA2000.

In recognition of its strengths and the large opportunity for device sales to enterprise users, Nokia has abandoned its ambitions in behind-the-firewall enterprise applications including e-mail and device management. Instead, it’s wisely going agnostic to embrace leading enterprise IT solutions such as Microsoft Exchange Server and Cisco United Communications Manager. Nokia has terminated development of its own offerings. It is disposing of its security appliances business and is redirecting its Intellisync acquisition to the consumer market.

NOKIA VS. RIM

Nokia has drawn the battle lines decisively between itself with these allies and against RIM with its vertically integrated solution including BlackBerry devices, OS and enterprise server solutions. Nokia has dropped BlackBerry Connect from its devices, although this partnership is still listed on RIM’s Website.

Nokia’s strategic shift is insufficient for success with North American enterprise users. It’s not impossible to drive a consumer OS into the enterprise, but it is an insurmountable challenge for Symbian S60 in North America:

- CIOs will only support a limited number of OSs and they resist additions. RIM and Windows Mobile are already in and Palm OS is under pressure for exclusion.
- The number of smart device OSs is increasing with Apple and Android. Only the most prevalent will be accommodated.
- Carriers and CIOs want diversity in device supplier. Windows Mobile devices are available from HP, HTC, LG, Motorola, Palm and Samsung.

Overwhelmingly with consumers and increasingly with prosumers, Nokia is approaching 50% of hardware and Symbian has 70% of OS sales in smart devices globally. Enterprise success outside North America will come through the back door with personal liable purchases predominating.

This was an effective route for Palm in the United States, and it also will be for Apple, despite some well-founded reservations about security and platform maturity by CIOs. RIM and Windows Mobile lead with corporate liable purchasing in many nations because they are trusted and preferred by CIOs. Their devices are also going multimode – used not just for work, but also after office hours for socializing and personal entertainment.

Modest strategies will deliver bigger rewards eventually with patience and perseverance. Carrier partnerships are crucial in North America. There are two ways to succeed. Strong brands with stellar products such as Apple with its iPhone and RIM with its BlackBerry were able to dictate terms in deals that promoted their brands. Although Nokia does have excellent smart devices, in contrast to Apple and Android there is little user recognition of this
here. Compare the “crowds” at the New York flagship stores of Apple and Nokia.

In contrast, HTC’s brand was submerged as it has built volume and respect with wireless carriers and users. HTC devices have succeeded in consumer and enterprise markets with carrier-branded Windows Mobile models from AT&T and Verizon. Along the way, HTC’s own brand value is emerging with its new Touch device through Sprint.

Intoxicated by its enormous success elsewhere, Nokia still lacks the commitment to do what is necessary to reconstruct following decline in North America.

The absence of Windows Mobile on its 3GSM smart devices is only part of the problem because half of North Americans use CDMA2000. Windows Mobile also could help it establish itself on CDMA2000 with Sprint and Verizon. Whereas porting Symbian to CDMA would be a major investment with limited potential, Motorola, HTC, RIM, Palm and others already provide Windows Mobile on both 3GSM and CDMA2000.

Extensive developments have been made by chipset vendors including Nokia’s supplier TI and Qualcomm over the last couple of years to integrate and optimize Windows Mobile on each of these technologies.

Despite Nokia’s protestations, I’m still not convinced it is willing to make the strategic compromises and investments needed to succeed in a geographic market that remains obstinately different.

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