Microsoft takes another step in the mobile environment

Brian Subirana
e-business Center PwC&IESE
23/10/2003

With the joint development of standards like “Web Services” for mobile phones and PCs, Microsoft and Vodafone are looking for different objectives. First, the mobile operator wants to increase the average income of its data users, which Ovum forecasts at $71,000 million in 2007 but that at the moment are somewhat evasive. For the software giant, it’s another step in its competition with Nokia, the industry leader, and an attempt to be a significant player in the emergent market of smart phones.

Both companies estimate that these services will be available for next year. However, before winning over the mainstream market they will have to solve some technical obstacles.
The first is the very nature of mobile phones, that normally have very small screens which are very different from one another. On the one hand, the small screens make it very hard to use PC designed applications. On the other, there is no standard size and the screen varies with each manufacturer.

Secondly, most mobile phones have no memory, communications facilities nor enough processing power to run the applications that the companies are thinking of, like messaging, localization, authentication and billing.

Finally, the project faces the difficulty of guaranteeing a secure transmission of data and the diversity in the programming standard (BREW, Java, .Net). Microsoft and Vodafone are acting outside the policies of the Open Mobile Alliance, the industry organization that is promoting the standards on a world level. That could bring about a division in the sector and a decrease in the mobile market size.

The truth is that the future of this operation is dependant on the ability of the software giant to convince the telecom providers to abandon their individual projects and join its
initiative with Vodafone. Microsoft must not only persuade the operators but also the rest of the industry, including manufacturers like IBM, SUN and HP. However, most players in the industry don’t like Microsoft’s entrance into the mobile phones market. Gate’s company already won a battle when it succeeded in getting Motorola to adopt the Windows Mobile operation system and very few are willing to let Microsoft win the war in the mobile operating system.

There is still an additional hurdle to overcome. For the initiative of Microsoft and Vodafone to succeed it is necessary to develop a real need in users. For the moment, the 1.6 million Smartphones sold in 2003 are only 0.4% of the total mobile market sales. There are also very few laptop users, even in the future (according to Forrester, only the 16% of the European users by 2008).

Maybe size is a powerful element in gaining users, but it’s not a sure success. Before their project becomes a reality, the software giant and the phone company will have to face three flanks: the technical obstacles, a suspicious industry and the lack of demand.