

Overview

Microsoft and Nokia announced a strategic alliance that will see the two companies come together to create a global ecosystem in the mobile space. In short, Nokia will be transitioning to Windows Phone as its main operating platform and as part of a broad strategic alliance with Microsoft, ushering in a raft of new and engaging experiences for both consumers and advertisers. The change is rumoured to sideline both Meego and Symbian technology platforms over time.

Microsoft will provide Nokia with access to services, apps, and monetisation opportunities. In return Nokia will provide Microsoft with the global scale that it needs to compete in established and emerging markets. Nokia is bringing years of experience in building hardware, a proven distribution system, and customer services that few global companies can boast. Both companies realise the mobile landscape is moving from a “battle of the devices” (i.e., model x vs. model y) to a “war of ecosystems” (i.e., Apple’s iOS vs Google’s Android platforms). The goal is to set the pace of innovation, regain the share lost to Apple and Google, and above all, to drive revenue streams from the lucrative smartphones segment.

The announcement follows concerns about Nokia’s capacity to recover ground in the high-end device segment. Nokia’s share has decreased from 40% in Q4 2009 to 31% in Q4 2010 while Google and Apples’ reached 33% and 16% respectively. At the same time, with total smartphone unit sales growing by 74% year-on-year, Microsoft needs to quickly garner critical mass to justify its “second act” in the mobile space.

Implications

Nokia consumers will enjoy the same world of apps, stores, maps, and location based services hyped by Apple and Google. Likewise for advertisers, the long term strategic partnership could open up a range of opportunities covering social, entertainment and mobile search. Location-based services could be at the core of the new proposition, which will provide advertisers new and innovative opportunities to connect with users and on the go; this is particularly true in verticals such as retail, travel and automotive where local intent equates to an opportunity to drive in-store traffic.

When the Microsoft/Nokia alliance achieves scale, we can expect to see new features such as the integration of a mobile Xbox Live product integrated into the experience. Innovations like these could bring real value to on-the-move gamers, as well as provide advertisers with exciting new avenues to explore.

In addition, with Nokia’s reach in emerging markets and the plan to extend the partnership to all device segments, an opportunity exists for advertisers to reach a considerable mass of users in Asia. Eventually, publishers will be encouraged to upload more Microsoft Inventory into the yield optimisation mix.

Finally, with new incremental reach via Nokia developers may have a stronger reason to develop applications for the Windows Phone platform. Accordingly the Microsoft / Nokia partnership aims to bring a new set of development tools and consolidated services to Nokia smartphones.

Summary

The announcement is as much a statement of both company’s current reality as it is about their future ambitions. Nokia is struggling to develop its next generation operating platform while Microsoft has successfully launched Windows Phone 7 but needs to scale quickly. This partnership solves each entity’s strategic needs, provides for new profitable revenue streams, and combines forces in a very competitive landscape currently dominated by alternative smartphones powered by Apple iOS world and Google Android and to a certain extent by RIM.

For marketers the partnership should provide another scalable platform to reach significant mobile audiences using the full arsenal of Microsoft’s advertising and software suite, including Bing and Xbox.

Apple and Google demonstrated that an entire industry can be turned upside down in less than three years. The question is whether “Nokiasoft” or “Mokia” can do it once again.