Mobile Wars –
Apple versus the World

Q3 Global Smartphone Sales

Other OS's
Windows Mobile (Microsoft)
Blackberry (RIM)
iOS (Apple)
Android (Google)
Symbian (Nokia)

0   5   10   15   20   25   30
(million)

Market Share

2.8   3.6
14.8
36.6
16.7
25.5
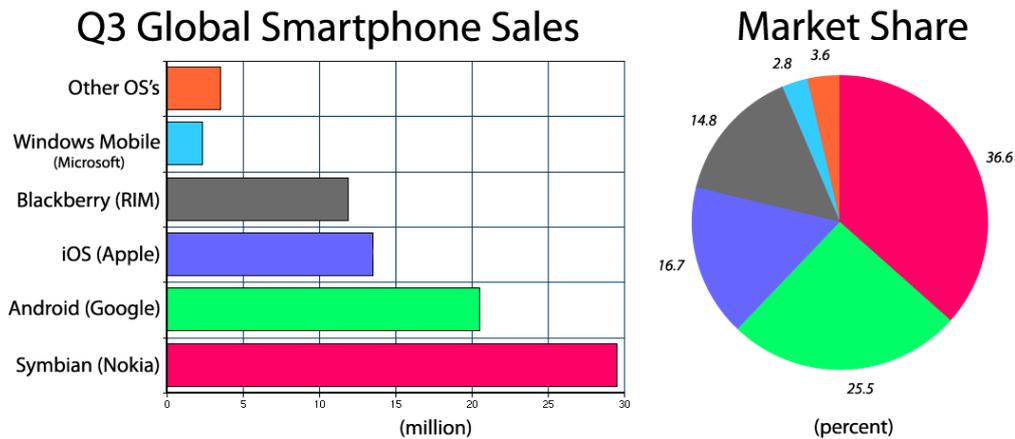(percent)

Source: *Gartner Q3 2010*

You may not have noticed it but there is a war breaking out in the mobile phone world and more particularly in the smart phone segment. Three issues really, the smart phone operating system, the security of the mobile phone software and the future of the SIM as we know it.

Let's take the easy bit first because it's been coming for some time but at the beginning of November Nokia decided to take full control of the Symbian smart phone operating system after rival handset makers finally abandoned the platform in favour of Google's Android platform. Nokia didn't really have a choice they were left on their own which means we now have a battle with clearly defined boundaries, there are 6 main players,

You might be forgiven for thinking that Nokia's Symbian is in the clear lead but when I tell you that a year ago Android only had 1.8% of the market then you can see the problem facing Nokia. Realistically Android is going to be bouncing alongside Symbian by the end of this year.

Perhaps more interesting still to the industry observers is that Android has already overtaken Apple's iPhone (iOS) as well as RIM and the Blackberry. Behind the scenes RIM has been faced with a series of security problems with various governments (where the government can't break the encryption and RIM hasn't got the keys) around the world. I'm sure these issues will be resolved but one suspects that the Blackberry will remain the corporate darling at about 15% of the market which is still big business for RIM.

Apple also has a problem, the iPhone is single sourced (from Apple), Android by comparison is freely available to all manufacturers (already adopted by Samsung, LG, HTC and to the rescue of Sony Ericsson and Motorola who have been struggling). However one suspects that with so many different manufacturers and their different kit that there will be interoperability problems. We have enough of that already with existing phones even within different versions of the software from the same manufacturer.

So what will happen to iPhone? I'm certainly not an Apple geek but I would be the first to say that the iPhone experience is superb and rave even more about the iPad and with all those applications and the click and use experience – that's going to take some catching up but my money would be on Android doing exactly that but over a longer space of time. However the iPhone will remain on not less than 15% of the market.

Well that leaves Nokia and Symbian, who would want to be in the shoes of Microsoft's Stephen Elop who replaced the sacked Olli-Pekka Kalasvuo in September and who first joined Nokia in 1980, and then rose to be Chief Executive Officer in 2007? He has had the unpleasant experience of sitting on a crash in operating profits this last year of 40%. Apparently it's the software and the change management skills of Stephen Elop that persuaded Nokia's Chairman on the way to go.

But it's even worse than this, don't forget about MeeGo the joint effort between Intel and Nokia for the Linux based platform that was due to appear on Nokia's N9 phone but seems to have run into long delays. I wonder if this has anything to do with the sudden departure of Ari Jaaksi who was Nokia's VP of MeeGo devices, the inside story goes that he was after the CEO's job but obviously didn't get it.

It was not only Jaaksi after the top job and apparently Anssi Vanjoki the head of Nokia's smart phone unit has also handed in his notice. However before announcing his departure Mr Vanjoki has been very supportive of Symbian and has rejected a move towards adopting Android. He is reported to have said that, handset manufacturers using Android could have low operating margins but claimed they were only likely to have temporary relief with Google's operating system. He compared this to Finnish boys who 'pee in their pants' for warmth during the cold winter.

Many analysts think that Symbian has little future, regardless of how hot or cold it might be outside.
Of course this is not likely to be the end of Nokia yet; the company has a very strong position in the bog standard phones that are used in countries like India and China. However if I was Stephen Elop I wouldn't want my future to depend on the decreasing margins in a low cost commodity product that can and is manufactured in these same countries.

Apparently MeeGo is going to be for the high end devices and Symbian for the midrange, you're going to need to be an expert to sort all this out! I personally believe the line between smart and basic is becoming very fuzzy and one suspects that smart will become the norm over the next few years. If Nokia could hold on to its top spot I would be amazed, it's more a matter of how far can they sink?

Now you know that smart devices are susceptible to bugs and vulnerable to hacking attacks so you won't be surprised to hear that Google's Android is facing a critical security study. After the release of the Android software kernel used on the HTC Droid Incredible phones a code analysis group called Coverity discovered examples of improper memory access and memory corruption that could cause data loss or system crashes. There are concerns that could allow malicious applications to access user's email or other sensitive data. In all fairness it should also be noted that the number of defects discovered in the Android kernel by Coverity is lower than average for open source projects.

And then we heard about the apps running on these smart phones and in particular the PayPal app running on the iPhone. According to ViaForensics the application has serious flaws that could allow a phishing site to steal the user's credentials. Apparently the mobile application fails to check the site's digital signature which would allow a hacker to use a bogus PayPal web site and fool the users into handing over their credentials.

Let's be honest this is but the tip of the iceberg we know that all applications will have flaws and it would not be surprising if in many cases they formed some form of a security vulnerability.

Saved to last because it's only a rumour but sources inside some of the European carriers have reported that Apple has been working with Gemalto on a special SIM card that would allow users to buy their phone over the web or at an Apple shop with a SIM application but not yet configured to any network operator. This can be done at the POS or later on-line. It's like Apple acting as a multi-carrier MVNO (Mobile Virtual Network Operator).

Now of course this is just the start, do we need a real SIM, could it be a virtual SIM? I personally would be a little worried as to where the authentication keys are being stored. However we could put some form of secure chip in the wireless device, it doesn't have to be removable.

So who gains by this proposition, the user, but I'm not sure by how much. Somehow it doesn't sound to be any cheaper albeit it could be more flexible but I rather suspect that Apple would make a turn. The carriers are partially dis-intermediated but that may not be a huge problem.

If I were a betting man I would expect Apple to lose on this one because the removable SIM already provides consumers with lots of flexibility and I for one don't like the micro-SIM used by Apple which is non interoperable with other phones. The next 12 months promises to be interesting and my money is on Android to win.

David Everett - November 2010