Could Motorola Fall Off the Mobile Map?

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25 January 2008 Â It may not be a question that many in the industry are asking themselves yet, or at least not out loud, but each poor set of results increases the possibility that Motorola could follow Siemens out of the back door of the mobile phone industry. Whilst it yet remains unlikely that anything so drastic might occur, the latest results from Motorolaâ€™s Mobile Devices unit did little to inspire.

The headlines showed year on year handset sales down 38%, causing profits to fall 84% and losses of $388m as shares fell a further 16%. However, is Motorola simply recovering from the blunting of the RAZR? Its handsets have not always been well received in some parts of the world, all this changed with the RAZR. A phone that, through style and design, gave the average consumer exactly what they wanted; a slim, attractive phone for calls and texting.

Unfortunately this phenomenal but narrow success massively raised expectations that, as we are witnessing, are not easily fulfilled. Instead of delivering a range of ideas, technologies and form factors Motorola continued to follow the same formula by searching for the next big hit. A case of â€œthe RAZR was big, so letâ€™s release the RAZR2.â€• Perhaps it comes from a corporate culture infected by the fear factor. Rather than systematically platform-building in new areas, Motorola seems to have tried a bit of this and a bit of that as it looked for the next rabbit to pull from out its hat.

The situation is not helped by some activist groups in its ranks of investors. Drawn in by the excellent results of a few years ago, they did not seem to mind that Motorola had not traditionally accounted for more than 20% of the mobile phone market. Was it that, temporarily at least, it was excelling itself and punching above its weight?

Nor has the quick reaction of the competition helped. Whilst being a little slow to the table with 3G devices, and missing the boat for clamshell and thin designs, Nokia went about strengthening these areas of its portfolio. Samsung was quick to produce a number of thin phones, LG has been moving into higher-end fashion phones whilst Sony Ericsson has been expanding its lower range - all impacting Motorolaâ€™s success. Combined, these companies have dulled Motorolaâ€™s edge and now some investors are looking at how to get their money back.

It may be right that more capital could be generated by splitting up Motorola into separate business units. This would free up those successful areas, such as Home & Networks and Enterprise Mobility, from the troubled handsets group; but this is unlikely to be good news for the latter. Siemens went down this road with BenQ not too long ago and we know what happened there. Again I would expect that one or more of the Asian manufacturers would feel that they could build on the Motorola brand and presence, but would they give it the time and strategy to overcome its inherent problems? Additionally I feel that market pressure, should it go it alone, would inhibit the Mobile Devices unit and continue to pressure it to simply cut costs, at the expense of long term strategy.

Motorola seems to be heading in the right direction with the release of attractive music phones, fresh new designs and multimedia-focused products to accompany its staple lower cost and RAZR-based handsets. The announcement to return to Qualcomm as a 3G chip supplier may help as well. Once Motorola progresses in these different segments I expect that, whilst maybe not taking large chunks of market share, it will sharpen up to increase profitability, thereby guaranteeing its continued place in the market.

If you would like an interview with an expert in this area, please contact Alison Bogle, Marketing Manager, at Alison.Bogle@imsresearch-usa.com or +1 412-441-1888.