

Nokia scraps phone software to conserve cash: sources

Tarmo Virki, Reuters

Finnish cellphone maker Nokia has ditched the software it was developing to compete with Google's mass-market Android phones, three sources with direct knowledge of the company's plans said, in its latest move to slash costs.

Loss-making Nokia was hoping the Linux-based software platform, code-named Meltemi, would replace its ageing Series 40 software in more advanced feature phones - mid-range phones that sit between basic models and sophisticated smartphones.

Scrapping the platform means Nokia will risk losing its strong position in the mass-market, where phones are priced at \$100-\$200. Nokia controlled more than 20 percent of this market in the first quarter, according to research firm IDC.

Nokia's Chief Executive Stephen Elop flagged Meltemi in a leaked video in mid-2011, but Nokia has never officially confirmed Meltemi existed. It declined to comment on Thursday.

In June, Nokia said it would cut 10,000 jobs - one in five staff in its phone business - as it battles to pull the company out of the red. Talks over job cuts are scheduled to end this week in Finland.

Shares in Nokia extended their gains on Thursday and were 6.1 percent higher at 1.56 euros by 9:28 a.m. EDT (1328 GMT).

"With the pressure to make extreme cost-savings it is little surprise that it has been cut," said Canalys analyst Pete Cunningham. Launching and maintaining a software platform costs hundreds of millions of euros.

One of the sources, who works at a supplier, said the original plan was for the first feature phones using Meltemi should to be on the market by now.

Smartphones such as Apple's iPhone which offer a platform for third-party application developers, is where the industry's strongest growth is. But simpler feature phones, with limited support for third-party software, still account for most phones sold.

Nokia's Series 40 platform is in around 2 billion cellphones, making it the most ubiquitous software in the market. But it lacks the smartphone-like experience, such as a wide choice of advanced applications, that Meltemi could have offered.

Google's Android platform has stormed the smartphone market in its first few years.

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Last quarter it was used in roughly 60 percent of all smartphones sold.

Nokia last year dumped its own smartphone software platforms in favor of Microsoft's Windows Phone, which has so far had a limited impact, in part due to the high prices of phones using it.

"The important factor for Nokia is driving Windows Phones prices low enough to bridge the gap with the feature phones Asha range -- that should happen in 2013," said Cunningham.

IDC analyst Francisco Jeronimo said Nokia has done well by adding new features like full-touch screens and keyboards to its latest Asha range of Series 40 phones.

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