

Industry Consolidation



By Russ McGuire - russ.mcguire@gmail.com

This past month brought some major industry news. On August 15, Google announced its intention to acquire Motorola Mobility. The primary reason identified for the \$12.5B purchase price is for Google to gain access to Motorola's intellectual property rights for use in the patent wars that have been threatening the ongoing viability of the Android mobile operating system.

On August 18, Hewlett Packard announced that it was shutting down development of the WebOS mobile operating system, and that it was seeking to sell its PC business. HP had gained WebOS when it acquired Palm in July 2010 for \$1.2B.

What's going on here?

Mobility is the growth engine for the computing industry (and other industries).

Growth in mobility exploded with the launch of Apple's iPhone in 2007. At the end of 2007, Google, along with a large consortium of industry players (the Open Handset Alliance) introduced Android as an open source competitor to the iPhone. The first Android handset launched in October 2008. Palm introduced WebOS with the Pre handset in 2009. WebOS was widely hailed as a graceful (even beautiful) alternative to iOS (the iPhone operating system) and Android. Today, more than half of the mobile handsets sold in America are smartphones, with Android and iOS being the leading operating systems.

The explosive mobile growth expanded even more with the launch of the iPad in April 2010. Android tablets were quickly launched to compete, and HP announced the acquisition of Palm, primarily to gain the WebOS operating system, with HP's TouchPad tablet being a high priority target for WebOS. The success of tablets has put a noticeable dent in sales of netbook and notebook computers.

Other competitors in the mobile space have struggled to retain relevance and have lost significant market share, including Nokia (formerly the global smartphone leader), Research in Motion (owner of the Blackberry brand), and Microsoft. In fact, Nokia has announced that it is shutting down development of its Symbian operating system, and instead will rely on Microsoft going forward.

The fundamental issue is industry consolidation. Even in a high growth market, there's not enough room for so many players. Since the launch of the iPhone, a key requirement for a mobile operating system is a large and vibrant developer ecosystem, with lots of mobile apps available for smartphone

and tablet users. Apple and Google have succeeded in establishing impressive developer programs. Because of their market share leadership and how easy they've made it to develop and market apps, programmers choose to invest their time developing for iOS and Android. All other mobile operating systems have suffered.

And for HP, it finally was time to throw in the towel on WebOS.

How does industry consolidation bring power to the kingdom?

The good news about industry consolidation is that it brings clarity and focus to our technology work. We know that we no longer need to develop web content or mobile apps with WebOS users in mind. When shopping for new mobile devices, we have fewer choices, so our decisions are easier and can be quicker.

In ministry, our resources are limited, so anytime we can focus and be more efficient, it is good. Our efforts make a greater impact for the kingdom.

What are the dangers of industry consolidation?

That's not to say industry consolidation doesn't cause its own problems.

Sometimes, really good technologies are the victim of industry consolidation.

WebOS was a great technology. When the Palm Pre came out, I carried it as my primary cell phone for a year. I loved that phone. The user interface was graceful. It was easy to learn and easy to use. WebOS introduced a capability Palm called Synergy. This feature seamlessly integrated data from different sources, so, for example, my phone contact list included all the contact details for a person from their Facebook profile (if we're friends), their LinkedIn profile (if they are in my network), and my Microsoft Exchange contacts database. Others have begun to mimic the best features of WebOS, but a year into my "Android life," I still miss many aspects of WebOS.

An even more troubling aspect of industry consolidation is for those that have already invested in a technology that becomes the victim of consolidation. Those that spent up to \$600 for a TouchPad earlier this year must be kicking themselves right now. Going forward, it is highly unlikely that many new apps will become available for WebOS. HP has promised

to continue to support the platform, but getting that support likely will become a challenge. Purchasing accessories, or replacement parts (e.g. chargers, batteries) will also become much more of an issue.

Finally, what about those that have poured their lives into a technology that has been consolidated out of existence? What if you've spent time and money becoming an expert in WebOS development, what does your future hold now? The good news is that demand for WebOS expertise won't vanish overnight. In fact, HP drastically cut the price for the TouchPad following their announcement, bringing thousands of new tablet owners into the WebOS fold. These users will still be looking for new apps and for help with their shiny new devices. (But, it still would be wise to start brushing up your Android or iOS skills...)

What comes next?

Only the Lord knows what companies and technologies will be the next victims of industry consolidation, but I'm guessing the game is not over.

Microsoft remains vulnerable in the mobile space. Today, the company is making more money from licensing intellectual property as part of Android than they are from selling Windows phones. Their new Windows Phone 7 platform is a strong step forward, but time will tell whether it can become a contender alongside iOS and Android. This uncertainty, along with a fear-driven belief that Microsoft needs to be like Apple and Google with an integrated operating system and phone manufacturing business, could cause Microsoft to consider acquiring Research in Motion or Nokia.

Meanwhile, Google's acquisition of Motorola appears to strengthen Android, but may in fact weaken the platform's competitive position. Google claims that the deal positions Google to defend the phone makers (Samsung, LG, HTC, etc.) that are building Android devices from the patent wars that Apple, Microsoft, and Oracle have launched against Android phones and tablets. That should help reduce fears from these companies and end customers that Android could end up in legal limbo. However, these same phone makers may feel threatened by a combined Google and Motorola. That may drive them into the arms of Microsoft, switching from developing Android devices to instead developing Windows devices.

And what about RIM? The company has stumbled with its initial tablet launch and its Blackberries have been losing share in the smart-phone market. Is its only hope to be acquired by Microsoft? The situation probably isn't that dire yet, but RIM's management and board undoubtedly are considering an uncertain future.

What does this mean for all of us? Mostly, it should remind us that we can be certain of nothing but the love and sovereignty of God. We should seek the Lord in prayer, discerning His wisdom and His guidance, making the best decisions we can while trusting Him to provide.

“Trust in the LORD with all your heart,
and do not lean on your own understanding.
In all your ways acknowledge him,
and he will make straight your paths.”

Proverbs 3:5-6 (ESV)

It is my hope and prayer that these articles on the power and danger of technology will encourage you in your daily walk with Christ. Whether it is the printing press, radio, television, personal computers, the Internet, mobility, or Wi-Fi, new technologies continue to advance our ability to know God and to serve Him, wherever we go.

Russ McGuire is an executive for a Fortune 100 company and the founder/co-founder of three technology start-ups. His latest entrepreneurial venture is Hschooler.net (<http://hschooler.net>), a social network for Christian families (especially homeschooleders) which is being built and run by six homeschooled students under Russ' direction.

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