

# An Analytical Study on Prospect of the Mobile Industry Future Based On the Case of Motorola Mobility

Sung Wook Choi

**Abstract**— The smartphone industry is currently one of the fastest changing industries in the world. In such industry, there is a very high potential that corporate acquisition will cause great waves throughout the entire industry. In August 2011, the massive IT corporation, Google, acquired the smartphone manufacturer, Motorola Mobility, shocking the entire industry. This paper aims at analyzing the acquisition of Motorola Mobility by Google in order to examine the impact of this case and to consider the changes in the smartphone industry that this will result in. This space is for the abstract of your study in English.

**Keywords**—Mobile Industry, Smartphone, Corporate Acquisition

## I. INTRODUCTION

SMARTPHONES are no longer simply a means for communication, but has established itself deep within our lifestyles. This small device, which was at first considered to be simply a substitute to mobile phones, has completely turned upside down our living patterns. The smartphone market is developing at alarming speeds and it is no overstatement to say that the smartphone market is being innovated at the fastest speeds. Accordingly, companies in this industry are competing fiercely. Therefore, to people in today's world news such as the patent wars between Apple and Samsung, competition for dominance between the Android OS and iOS, as well as the launching of new devices are very familiar. Under such circumstances, on August 15, 2011, the goliath company Google acquired Motorola Mobility for 12.5 billion US dollars.

This paper was written because it was felt that it is worth examining the effects that Google's acquisition of Motorola will have on the future smartphone industry. It is also worth conducting research on whether this acquisition can be used as a role model for companies such as Microsoft, which is preparing to jump into the smartphone market after concentrating mainly on the software industry like Google, as well as the rapidly changing smartphone industry.

In conclusion, the goal pursued by this study is to simplify the theme of 'What will Google gain from acquiring Motorola?' and to analyze what kind of effects this acquisition will have in the future industry. This study examines the effects of this case on the ecosystem of the smartphone industry, and what kind of effects it will have on existing and new companies in the future,

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as well as what kind of inflection points they will have on future strategies.

## II. LITERARY RESEARCH

This acquisition caused great waves in the rapidly changing smartphone market, and most analyses focused on the problem of 'Why did Google acquire Motorola?'. According to the 'Diverse perspectives on Google's acquisition of Motorola' released by the National IT Industry Promotion Agency, the superficial reason for the acquisition of Motorola, which was officially stated by Google, was to protect the Android ecosystem using Motorola's patents. However, according to the above-mentioned research material, they expect that Google will ultimately join the hardware manufacturing industry and strengthen their control over platforms and take another shot in the Google TV and healthcare markets. [1]

For the internal changes of the Android ecosystem, we should take a look at the study titled "Considerations on the Status and Outlook of Google's Acquisition of Motorola" by Kim Min-shik of the Korea Information Society Development Institute. This study analyzes the effects that changes in Google's strategy resulting from the acquisition of Motorola will result in for existing Android smartphone makers, while claiming that there are potential for damages to Korean smartphone makers, which are highly dependent on Android OS, due to changes in Google's policies, while also suggesting countermeasures for this. [2]

Also, though this is a minority opinion, some say that by Google acquiring Motorola, it is attempting to provide Motorola with reference phones while trying to prevent the fragmentation of the Android OS, and that eventually, Google will enter more industries such as the TV and healthcare industry in addition to the smartphone industry through Motorola Mobility so that it will lead it to the popularization of the Android OS. [3]

Likewise past studies focus on the case of Google acquiring Motorola, while concentrating on how this case will effect the immediate industry. However, it is still a question whether such a massive deal like Google's acquisition of Motorola will end as just one case, or whether it will act as a flash point that can change the entire tides of the future smart phone industry.

## III. SETTING THE THESIS AND VERIFICATION

This study designed a research model by analyzing past research analyses such as the trends of the existing smart phone

industry through the comprehensive and simplified flow of the smart phone industry and Google's acquisition of Motorola Mobility. The following thesis were set for this paper during the course of analyzing past research.

Thesis 1: Due to the rigid patent pool, the strategies of competing companies will not be able to be played out in full.

Thesis 2: There will be networking effects in the smartphone industry as well starting with the acquisition.

Thesis 3: This acquisition will change the leadership in the smartphone industry that was held by Apple.

Thesis 4: Through this acquisition, MS's acquisition of smartphone makers will also be accelerated.

#### *Thesis 1. Loss of Competitive Strategies due to Patent Pool*

Through the acquisition of Motorola Mobility, Google has become equal, or even higher, in terms of influence through patents in hardware production and related industries compared to smartphone manufacturers. Therefore, it is likely that patent rights will be used more aggressively by creating a patent pool by sharing patents between the Android alliance. When summing up the current patent wars, Apple filed a lawsuit for design-related patents against the Android alliance. The best-known technical lawsuit was that between MS and Oracle. Thus, if the Android coalition unites under Google and conducts aggressive patent lawsuits for the platform technology patents of mobile phones, it becomes highly possible for most patent strategies of Apple and MS to be lost.

#### *Thesis 2. Network Effect in the Smartphone Industry*

As of now, smartphone users purchase and use smartphones according to their preference. However, if the market share of Android continues to rise and controls over 50%, it will be inevitable for users to consider the OS when selecting their product. If the market becomes larger, there will be an increase in the quantity of contents, and naturally, the quality will improve as well. From this perspective, Google's strategy to launch inexpensive smartphones through Motorola will be able to greatly increase the number of Android OS-mounted smartphone users worldwide.

Motorola Mobility has a rich tradition in manufacturing mobile phones and its brand value is well known throughout the industry. Therefore, Motorola brand low-cost smartphones have a high possibility that it will receive considerably good reviews in the Asian market. Also, Apple's closed app store will be a big obstacle for the growth of the contents market. Currently, the app store has much higher profits for smartphone application stores, but as time passes, it will lean towards Android where there are much more users compared to Apple products. Networking effects will occur through this and the application's quality and profitability will gradually grow too.

#### *Thesis 3. Changes of the Smartphone Market under Apple*

Apple led the boom of the dying smartphone market through innovative products. However, it was unable to quickly dominate the market because of its closed operation and high prices, while in the meantime, Android grew rapidly. The distinguished strategies of Apple were benchmarked by many manufacturers in the Android alliance, Samsung being the most

famous, and lost its uniqueness. Furthermore, compared to Android products that are outpouring, its product cycle is very long.

Under such conditions, Apple began filing patent lawsuits in order to check the Android alliance, but by Google forming a patent pool by acquiring Motorola mobility, there is a high possibility that this strategy will lose its effect. One indirect case related to this was the competition between IBM and Apple in the PC industry some time ago. Apple gained attention in the PC industry through its unique strategies of design and convenience, but it lost its grounds by the open operating system led by IBM. As Apple lost its uniqueness, its strategies to distinguish itself became an obstacle for the pricing strategy, and under such conditions, Apple lost its footing in the PC industry by IBM.

Taking such cases into account, the current situation of Apple is flowing very similar to the PC case. As the market share of the Android OS grows, the size of the unique market of Apple will diminish, and eventually, Apple will give up its position in the smartphone market to Google.

#### *Thesis 4. Acceleration of Acquisition of Smartphone Manufacturers*

In addition to the competition between Google and Apple, another mammoth company that is hoping to jump into the smartphone market is MS. MS continuously invested in the smartphone market through the Windows mobile operating system, but it was not very successful. However, MS continuously bought up patents in the market and has established itself as a considerable threat in the industry. In such circumstances, the fact that an acquisition that MS can refer to and benchmark may signify a modification of the future smartphone strategies of MS.

Currently, MS has placed the Windows 7 OS on the market by cooperating with Samsung and Nokia. When examining the strategies of MS, it appears that large-scale investments are put on standby and they are looking for the right time to jump into the market. The knowhow of MS that established itself as a monopoly through the PC OS industry will be used as a core capacity within the smartphone industry. It will also be worthy to take note that MS defeated Apple and took over the OS market.

If MS looks to acquire companies, it will probably be the complete acquisition of Nokia, which was once the leader of the mobile phone market, or RIM, which is a smartphone maker with unique features. Such actions by MS will be a threat to both Google and Apple, but it will hurt Apple much more because it is starting to show a loss in its market share.

## IV. CONCLUSION

This study is significant in the fact that it examined the effects of M&As of large companies in the smartphone industry, which is an industry that is changing the most rapidly, on the overall smartphone industry, and that it can have a massive impact that can completely turn upside-down the entire industry. However, there is a limitation in the fact that there is a lack of resources from abroad for the current smartphone industry to analyze the overall situation, and that there is a logic jump in the fact that the entire industry was analyzed using just one case. Despite such

limitations, this study has value in the fact that it predicts the future of the rapidly changing industry, and provides an index for researchers who will study this problem in the future, while also having value as a resource that can be referred to when conducting research on similar cases not only in the smartphone industry, but all other industries as well.

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