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Nokia Lacking Five-Inch Screen on Lumia Threatens Revival

By Adam Ewing - Apr 2, 2013

As [Nokia Oyj \(NOK1V\)](#) claws its way back into the smartphone market with its Lumia handsets, it risks missing the next big trend as consumers shift toward a category the Finnish company has neglected: big-screen handhelds.

Smartphone buyers are increasingly snapping up devices with screens measuring 5 inches (13 centimeters) or more for easier Web browsing and video viewing, while others pick up a tablet to accompany their handset. Nokia is absent from both categories, dominated by [Samsung Electronics Co. \(005930\)](#) and [Apple Inc. \(AAPL\)](#)

Nokia's failure to enter the large-screen market early on marks the third time in a decade the company has overlooked a major trend: In 2004 it was slow to embrace clamshell handsets, then a few years later it missed out on touch screens. This time, the company's future in smartphones is at stake as it seeks to sustain the nascent revival it has enjoyed with Lumia.

"This is a trend that can't be missed," said Francisco Jeronimo, an analyst at researcher IDC in [London](#). "People are using smartphones in different ways now, consuming media by streaming over faster mobile networks. A 5-inch screen for a smartphone just feels right in the hand."

Sales of handsets 5 inches or bigger soared to 29.7 million units last year from 1.2 million a year earlier, Jeronimo said.

Stock Drop

While Nokia hasn't announced any bigger devices, the company is almost certainly preparing one and could release it within a few months, Jeronimo said. James Etheridge, a Nokia spokesman, declined to comment on plans for bigger-screen smartphones and tablets, saying that the company is still assessing consumer interest in them.

Shares of Nokia, based in Espoo, [Finland](#), rose 0.5 percent to 2.54 euros at 10:01 a.m. in Helsinki. The stock [has lost](#) about 90 percent since the iPhone and Google's Android were introduced in 2007. Over the same period, Apple has almost tripled and Samsung has more than doubled. Nearly 20 percent of Nokia's shares are on loan -- borrowed stock is typically shorted -- more than eight times the average among Euro Stoxx 50 members, according to Markit, a financial-information provider in London.

Nokia's flagship Lumia features a 4.5-inch screen, and the rest of its handsets have smaller displays. While the company has focused on the design and software of its smartphones, competitors have been getting bigger.

Galaxy S3

The 4.8-inch Galaxy S3 from Samsung, the world's largest handset maker, became the top-selling smartphone globally last year. The Galaxy S4, an updated version introduced last month, has a 5-inch screen.

Samsung's Note 2 has a 5.5-inch display. [ZTE Corp. \(000063\)](#)'s Grand Memo has a 5.7-inch display, and the Ascend Mate from [China's](#) Huawei Technologies Co. boasts a 6.1-inch screen. Samsung in February unveiled [the Note 8.0](#), an 8-inch device that works as a mobile phone. The industry often calls such devices "phablets" because they blur the line between phones and tablets.

Apple, which has dominated the 10-inch segment since it introduced the iPad three years ago, responded to phablet competition with the 7.9-inch iPad mini, unveiled in October. Apple has also increased the screen size of the iPhone, though it remains a relatively small 4 inches.

Nokia, which pioneered the mobile-phone market in the 1980s, clung to its so-called candy bar handsets a decade ago even as customers were flocking to clamshell phones made by Motorola Inc., Samsung and Sony Ericsson. Its market share fell to a five-year low before recovering as the company released new clamshells and smartphones.

Microsoft Linkup

After 2007, Nokia's market share headed south again after it ignored consumer interest in touch screens, spurred by the iPhone. This time, there was no significant recovery.

Chief Executive Officer Stephen Elop started the current comeback effort two years ago, dropping Nokia's home-grown operating system in favor of Windows software from his former employer [Microsoft Corp. \(MSFT\)](#) He has also cut more than 20,000 jobs in a bid to revive Nokia after the company fell outside the top five in smartphone rankings and became [unprofitable](#).

The strategic shift has yet to reverse market-share losses, though Lumia sales did increase to 4.4 million units last quarter. That's still a fraction of the 160 million devices shipped by manufacturers using Google Inc.'s Android, led by Samsung, and the 48 million iPhones sold by Apple, according to IDC. Nokia's fourth-quarter smartphone market share was about 3 percent, according to IDC.

Pulling Palm

Apple and Samsung have carved out such powerful market positions in smartphones and tablets that simply rolling out a bigger device doesn't guarantee success, even for a strong brand.

BlackBerry failed to dent iPad sales with its PlayBook even as its handsets retain a loyal following.

Sales of tablets running Microsoft's Windows RT software have been disappointing, [Nvidia Corp. \(NVDA\)](#) Chief Executive Officer Jen-Hsun Huang said last month.

Dell Inc.'s Streak, combining the features of a tablet and smartphone, went on sale in 2010 and was discontinued the following year. In 2011, [Hewlett-Packard Co. \(HPQ\)](#) pulled the plug on the TouchPad tablet, which relied on an operating system developed at Palm Inc.

"The benchmark is for a larger screen and Nokia isn't there yet," said Ben Wood, a research director with London-based consulting firm CCS Insight. "Nokia needs to make sure they don't miss the boat."

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