

## Microsoft Needs Partners in China for Pocket PC Success

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Microsoft's launch of Simplified Chinese Pocket PC 2002 offers standardization in the fragmented Chinese handheld market. But Microsoft needs to partner with software developers to challenge the top Chinese manufacturers.

## NEWS ANALYSIS

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### Event

On 9 April 2002, Microsoft announced the Chinese launch of the Simplified Chinese version of Pocket PC 2002, Microsoft's operating system (OS) for handheld devices.

### Analysis

Microsoft brings to fruition four years of close collaboration with Chinese developers, including work on the Chinese character recognition software. However, several large Chinese personal digital assistant (PDA) vendors dominate the Chinese handheld market, and they have invested heavily in their own proprietary OS and hardware. Minren, Hi-Tech Wealth and other indigenous vendors together comprised more than 90 percent of the PDA market in China in 2001. With relatively high pricing and no native language support, Palm OS (2 percent market share) and Windows Pocket PC and CE (4 percent) devices have historically found it difficult to penetrate this market.

Inexpensive PDAs used largely for personal information management (e.g., phone lists and calendaring) also dominate the Chinese handheld market. However, the market is moving to the professional and enterprise sector, where Microsoft offers IT managers more functional devices and better integration into the enterprise infrastructure.

Microsoft has developed two wireless-enabled hardware reference designs — SmartPhone 2002 (voice-centric) and Pocket PC 2002 Phone Edition (data-centric). The major Western phone manufacturers have subbed these designs so far, but they can run the new Chinese OS and thus give other Chinese manufacturers a chance to enter the smart phone and PDA market rapidly. China already commands 15 percent of total global mobile-phone subscribers and, in 2001, accounted for about 48 million new mobile terminals. Gartner believes that Microsoft's offerings will lower the barrier to market entry, especially for Chinese manufacturers with domestic as well as international expansion in mind.

The Simplified Chinese Pocket PC launch gives Microsoft the platform to build a successful Chinese business. Chinese independent software vendors will likely welcome Microsoft's powerful Visual Studio-based software development environment. To exploit this opportunity fully, Microsoft must aggressively build a robust and innovative developer community to create applications specifically designed for the platform and the Chinese market. Although Minren and Hi-Tech will likely not adopt the Pocket PC 2002 platform in the short term, new players that use Microsoft's reference designs could enter the market inexpensively and likely dominate very quickly.

**Analytical Sources:** Robin Simpson, Dion Wiggins and Daniel McHugh, IT Management Asia/Pacific, and Lillian Tay, Hardware Platforms Worldwide

### Need to Know: Reference Material and Recommended Reading

- "Chinese Firms Could Benefit From Microsoft's Loss in China" (FT-15-2027). Microsoft's failure to win this particular bid indicates the challenges that multinational companies face when doing business in China. **By Louisa Liu**
- "A Boost for Windows XP in China Could Spark PC Price War" (FT-15-0727). A deal with four of China's largest PC makers to pre-install Windows XP should expand the market for Microsoft-compatible software. **By Dion Wiggins**

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