

## Motorola/Symbol Deal Will Be Challenging, Though Promising

William Clark, Ken Dulaney, Todd Kort

This proposed acquisition offers many long-term synergies. But don't expect to benefit from lower prices or enhanced radio functionality in the short term.

## NEWS ANALYSIS

---

### Event

On 19 September 2006, Motorola announced its intention to acquire Symbol Technologies for \$3.9 billion. Motorola expects to close the deal by early 2007, and will retain Symbol's Holtville, New York, headquarters as headquarters for Motorola Enterprise Mobility Solutions. The new, wholly owned subsidiary will report into Motorola's Networks and Enterprise segment, increasing its annual revenue run rate as a segment from \$12 billion to approximately \$14 billion.

### Analysis

Pairing Motorola's Enterprise group with Symbol's experience in "ruggedized" handheld devices, wireless LANs (WLANs), data capture, radio frequency identification (RFID) and industry-specific application expertise makes sense on paper. This move will provide Motorola with intellectual property, new direct-sales and distribution channels, and an installed customer base that is adjacent to its core enterprise strength in government. For Symbol, this deal offers strong financial backing, complementary intellectual property and supply chain know-how. Other interesting benefits from such an acquisition include:

- It offers the enterprise group the potential to have a group independent of the Mobile Device segment.
- It would make it more difficult for Motorola's chief competitors to predict its moves.
- Motorola could improve the Symbol business margins by bringing manufacturing operations under its wings.

However, Motorola has been slow to integrate other acquisitions (such as its 2004 mesh networking acquisition). This will be a much more complicated portfolio to integrate and Motorola must balance control with innovation in executing this deal, providing Symbol's product management with the key design decisions to grow the device and scanner business.

Gartner believes that Motorola will retain Symbol's WLAN infrastructure business so that it can bundle this offering for vertical industries and complement its WiMAX and voice offerings. In particular, the Air PBX concept (which Motorola is pursuing with Microsoft, utilizing Office Communicator) gets a boost by adding WLAN capabilities, allowing the possibility to tightly integrate WiMAX-WLAN-cellular roaming. Such integration would make the all-cellular-phone office a more likely possibility. To remain viable in the WLAN market, Motorola must build its WLAN capability by positioning it as an integrated offering in contrast with other WLAN infrastructure vendors such as Cisco, and by exploring partnerships/acquisitions with the likes of HP's Procurve Networking and AirDefense.

## RECOMMENDATIONS

---

### Symbol customers and prospects:

- If your enterprise is considering ruggedized handheld purchases, don't expect to benefit from lower prices or enhanced radio functionality in the short term, as supply chain efficiencies and product synergies (such as improvements in radio frequency or chipset designs from Motorola) will take at least two years.

- Consider the possibility of changes in Symbol's WLAN product road map regarding voice integration

*Additional research contribution and review: Rachna Ahlawat*

## RECOMMENDED READING

---

- "MarketScope for the 'Ruggedized'-Handheld-Computer Market" — Motorola must prove that it can transition from custom hardware vendor to a true competitor in the ruggedized-handheld market. **By Todd Kort, William Clark and Ken Dulaney**
- "Vendor Rating Update: Motorola" — Motorola keeps its "positive" rating based on strong growth in mobile handset market share and improved operations. **By William Clark and others**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

## REGIONAL HEADQUARTERS

---

### Corporate Headquarters

56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

### European Headquarters

Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

### Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.  
Level 9, 141 Walker Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

### Japan Headquarters

Gartner Japan Ltd.  
Aobadai Hills, 6F  
7-7, Aobadai, 4-chome  
Meguro-ku, Tokyo 153-0042  
JAPAN  
+81 3 3481 3670

### Latin America Headquarters

Gartner do Brazil  
Av. das Nações Unidas, 12551  
9º andar—World Trade Center  
04578-903—São Paulo SP  
BRAZIL  
+55 11 3443 1509