

Nokia Booklet 3G Targets an Opportunity Beyond Smartphones

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Nokia faces heavy competition for the mini-notebook market opportunity. While Booklet 3G includes some standout hardware features, differentiation will depend on how Nokia chooses to integrate it with services like Ovi.

NEWS ANALYSIS

Event

On 24 August 2009, Nokia announced its first entry into the mini-notebook market. Booklet 3G will have a 10-inch screen, an Intel Atom processor, Wi-Fi, Bluetooth, a Secure Digital (SD) card reader and a webcam, and will run Microsoft Windows. Booklet 3G will also include third generation (3G) networking with a hot-swappable subscriber identity module (SIM) card slot; a claimed 12-hour battery life; a high definition screen and High-Definition Multimedia Interface (HDMI) video-out; an aluminum chassis, and Assisted GPS (A-GPS) to provide location data to Nokia's Ovi Maps. Nokia will announce availability and pricing on 2 September 2009 at its Nokia World event.

Analysis

We believe that Nokia is diversifying into mini-notebooks in response to new competition as mobile device and PC markets converge. Mini-notebooks are akin to mobile devices, and are often sold through mobile operator channels. Most PC vendors have already moved into the mini-notebook market, attracted by its revenue opportunity: We forecast that 37 million mini-notebooks will ship in 2010, up from 25 million in 2009. Additionally, some PC vendors — like Acer, Asus and Dell — have already joined or will join Apple in the smartphone market in 2009. We expect other PC vendors to enter the mobile device space, using mini-notebooks as a stepping stone.

Booklet 3G also shows Nokia continuing to build an ecosystem that integrates hardware and services to deliver a rich user experience. With Apple and Google both focusing on the mobile as well as the PC markets with their operating systems and services, Nokia had little option but to move into the mini-notebook market to expand the opportunity for its Ovi services as well as maintain its dominance in the operator channel. However, we need to know more about how Nokia plans to deliver its integrated offering: Users can run Ovi services today on any Windows-based mini-notebook.

Nokia's unexpected use of Windows, rather than the Linux Maemo platform it uses on its Internet tablets, might help Nokia appeal to consumers who believe that a phone manufacturer cannot deliver a winning mini-notebook. It may also be a reaction to the return rates of Linux-based mini-notebooks. Because Windows is well proven, it may also help Nokia bring Booklet 3G to market more quickly.

We believe Nokia will price Booklet 3G as a premium device, and look to differentiate it from the broad base of competition with hardware features like HD video, long battery life and close integration with Ovi services. This will potentially help Nokia drive margins and revenue for its device business. We also expect Nokia will use its operator relationships to edge out PC vendors in sales through the mobile device channel, which we expect to account for 35% of all mini-notebook sales in Western Europe in 2009. But operators may not be keen on the hot-swappable SIM card, which will allow consumers to avoid buying a dedicated data plan.

RECOMMENDATIONS

Mobile phone manufacturers:

- If you choose to enter the mini-notebook space, put differentiation first using your mobile sector expertise. Generic products won't generate enough revenue in this crowded market.

PC manufacturers:

- Work to build closer partnerships with mobile operators, to ensure they subsidize your mini-notebooks with mobile broadband contracts. Some operators will prefer to sell Samsung or Nokia models due to their existing channel relationships.

RECOMMENDED READING

- "Nokia/Intel Collaboration Raises Stakes in Mobile Chip Market" — Booklet 3G shows Nokia's PC partnership bearing fruit. **By Nick Jones and others**
- "Dataquest Insight: Mini-notebooks Are the Only Growing PC Segment in 2009" — Vendors are competing hard for this market opportunity. **By Annette Jump and others**

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