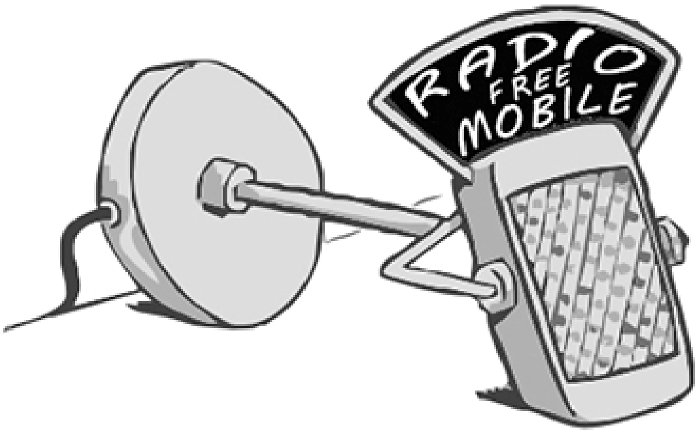
Mobile Ecosystems

Tick of the clock



- Slowing growth makes ecosystem quality increasingly important.
- Google and Apple have recognised their weaknesses...
- ...and are moving to fix them.
- This creates a time limit for challengers to execute their plans.
- Microsoft still in the throes of change.
- Xiaomi doing well but faces bigger and tougher competitors at home
- Sony, Amazon and Yahoo! all have huge issues to overcome.

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The heady days are over. Growth is slowing and competition is growing. There has always been opportunity for change in the mobile industry but both Apple and Google seem to have found the holes in the armour and are moving to address their weaknesses. This puts a time limit on any challenger as the risk is that these two become so big and so ubiquitous that users cannot be bothered to look elsewhere.

- **Maturity:** Both the smartphone and tablet markets are showing signs of maturity and even the pace of addition of smartphone users is beginning to slow. Ecosystems will increasingly have to poach users from each other to continue expanding rather than just adding new smartphone users. This is where the scope and quality of the ecosystems will start to matter.
- **Against the clock.** 12 months ago both Apple and Google appeared to be blissfully unaware of the weaknesses in their ecosystems. This gave the competition both the time and the opportunity to develop. Unfortunately, both now seem to have recognised their shortcomings and are moving to address these problems. There is now a time limit for the competition. The risk is that both Google and Apple become too big and too ubiquitous for anyone else to get a meaningful foothold.
- **China.** The big exception is China where the penetration of both of these ecosystems is limited. This essentially ensures that the home grown ecosystems will rise to dominate this huge market. Currently the most advanced is, new entrant, Xiaomi which RFM expects to hit the 100m user milestone during 2015E. The first step has been relatively easy but now Xiaomi must develop its offering into a fully-fledged ecosystem which brings it up against the much larger and much richer Baidu, Tencent and Alibaba.
- **Microsoft** is in the throes of change. The signs are now clear that Microsoft will pursue a full consumer and professional ecosystem strategy which brings both opportunity and risk. If Microsoft can get it right then its ecosystem will be unique but executing this vision means uprooting 25 years of culture. Time is now factor as both Apple and Google are moving to cement their grip on the market.
- **Others.** Sony and Yahoo! remain the most interesting challengers outside of China but both of them have huge hills to climb. Sony must address its inability to create good software while Yahoo! seems unable to execute on its plans. Amazon's ecosystem continues to look like a random series of expensive experiments.

Contents

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