

Motorola Drops Back

Scott Moritz

07/12/07 - 01:33 PM EDT

Motorola (MOT) dropped below **Samsung**, ending a two-and-a-half-year run as the No. 2 phone maker behind **Nokia** (NOK).

The Schaumburg, Ill., wireless tech shop turned in its fourth consecutive earnings shortfall Wednesday, saying it sold about 35.5 million phones in the second quarter. That's well below the 40 million-unit analysts estimate and about 10 million below the first-quarter level.

The weak phone sales come amid a period of robust growth in the wireless industry. Motorola holds the distinction of being the only major phone maker to cool down in this warm sales climate. So much so, says JP Morgan analyst Ehud Gelblum, that it has now been surpassed by Korea's Samsung as the second-biggest phone maker.

It was nearly three years ago, just prior to the introduction of the Razr phone, that Motorola was last surpassed by Samsung for the No. 2 spot.

Motorola's latest plunge has flipped handset profits to losses, setting off a 7,500-employee firing spree and an ongoing management shakeup that observers see going all the way to the top .

"Last time Motorola found itself here, it took six years and a near-wholesale change-out in management to deliver" a recovery, says Charter Equity Research analyst Ed Snyder.

In many ways, Motorola's current doldrums show just how phenomenal the Razr phone was.

The Razr's ultrathin metallic design clicked with phone buyers despite its weak camera, a widely despised user interface, poor Internet capability and lack of even a primitive email program.

Sure, **Apple's** (AAPL) iPhone is the leading vote getter in today's all-star gadget game, but the real hall-of-famer is Razr. In its first year and a half, Razr surpassed 50 million units sold --some 100 times more sales than the iPhone hit in its huge weekend debut .

But the Razr's greatest accomplishment was that it concealed Motorola's massive flaws for two years.

Sinking Spell

Motorola handset market share drops as rivals gain ground

Source: JPMorgan estimates

And there seems to be no blockbuster phone in the pipeline that will give Motorola some much-needed cover.

"While new phones such as the Razr2 and the Rizr family are doing incrementally better," RBC analyst Mark Sue writes in a note Thursday, "Motorola sorely needs a hit product to turn things around."

Visit TheStreet for more great features

THESTREET PREMIUM SERVICES

From the action-oriented investing ideas of *Action Alerts PLUS* by Jim Cramer to the expert technical trading strategies of Helene Meisler's *Top Stocks*, TheStreet offers a range of premium services to help boost your portfolio's performance. [View now.](#)

EXPERT ADVISORS ALERTS DELIVERED TO YOUR INBOX

Action Alerts PLUS: Cramer's personal portfolio, emails before he acts.
Real Money: 70+ experts share their top investing ideas and analysis.
Stocks Under \$10: Alerts identify undervalued stocks with profit potential.

FREE NEWSLETTERS

Get an edge on the market with the help of free email newsletters like Jim Cramer's *Daily Booyah!*. Learn about the day's major market events, companies that sizzled or fizzled and lots more that can help you make more profitable investing decisions. [Sign up.](#)

TheStreet

© 2014 TheStreet, Inc. All rights reserved.