

NOKIA: ITS NOT OVER YET, A COME BACK IN 2016

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ABSTRACT

The case discusses the downward spiral of the once leading mobile handset company, Nokia, in India. The case discuss the Marketing mix of Nokia to tap the Indian market & its SWOT analysis. It highlights the Challenges faced by Nokia in the Indian market. The case study Examine the various factors which led to Nokia losing its position in the market. It discuss how the acquisition of Nokia by Microsoft would impact its Indian operations & to analyse whether Nokia would be able to regain its customers' trust or not.

Key Words: Nokia, Marketing Mix, SWOT , Microsoft, Acquisition

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INTRODUCTION

The Indian telecommunications industry is one of the fastest growing in the world. Government policies and regulatory framework implemented by Telecom Regulatory Authority of India (TRAI) have provided a conducive environment for service providers. This has made the sector more competitive, while enhancing the accessibility of telecommunication services at affordable tariffs to the consumers.

Currently the mobile economy in India is worth USD 130 Mn (INR 1.27L), this means that by 2020 it is going to take a leap of 408%. There are currently 900 million mobile connections, which make up 25% of the total mobile connections in Asia Pacific region. This clearly indicates the high demand of mobile phones in the country. The penetration of mobile phones is 72% and is continually increasing.¹ According to the recently released report by GSMA, made in collaboration with BCG, Indian mobile economy is growing rapidly and will contribute approximately USD 400 billion to the country's GDP and is going generate 4.1 million employment opportunities. Indian mobile services sector contribution towards national GDP is estimated to reach 8.2 per cent or Rs 14 lakh crore by 2020.² As per The Mobile Economy: India 2015 report, the industry accounted for 6.1 per cent of India's GDP in 2014 with a total contribution of rs. 7.7 lakh crore to the economy.³

Based in Finland, Nokia entered India in 1994. From then till 2007, it had been leading the Indian mobile market. Nokia had been popular for introducing low cost phones catering to the needs of low income consumers. It customized its products for the Indian market and offered Indian ringtones, user menu in local languages, and sturdy phones that could withstand the extreme weather and dust in India.

However, after 2007, Nokia failed to sense that trends were changing. It ignored the changing demands and needs of the customers. Also, its inability to cope with the severe competition and its dependence on a more complex operating system, Symbian, made its position shaky in India. Since 2008, Nokia has been left behind by its rivals in the growth oriented Smart phone market.

OBJECTIVES

The case is structured to achieve the following objectives:

- Marketing mix of Nokia to tap the Indian market
- SWOT analysis of Nokia in the Indian market
- Examine the various factors which led to Nokia losing its position in the market.
- Discuss how the acquisition of Nokia by Microsoft would impact its Indian operations.

NOKIA : NET SALES, OPERATING PROFIT, PBT R&D EXPENSES⁴

Devices & Services : Net Sales

	2007	2008	2009	2010	2011	2012	2013	2014
Net sales (Nokia)	51058	50710	40984	42446	38659	15400	12709	12732
Operating profit	7985	4966	1197	2070	-1073	-821	519	170
Profit before taxes/Loss	8268	4970	962	1786	-1198	-1179	243	-237
Research and development expenses	5647	5968	5909	5863	5612	3081	2619	2493

¹<http://www.iamwire.com/2013/11/mobile-sector-india-contribute-usd-400-bn-gdp2020-generate-4-1-mn-jobs-gsma/22073>

²http://economictimes.indiatimes.com/articleshow/24707613.cmsutm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

³<http://www.thehindu.com/business/mobile-sector-to-account-for-8-per-cent-of-gdp->

by-2020-study/article7919415.ece

.⁴http://company.nokia.com/en/system/files/download/investors/nokia_results_2014_q4_e.pdf

MARKETING MIX OF NOKIA

Product

- In every series of Nokia there are large numbers of sets thus large variety.
- Nokia gain brand personality and market shares of 35% because of its quality.
- Nokia sets are of various designs such as flip sets, Flat sets, Slide sets, Sets with rotating Camera etc.
- Each set of Nokia has its own features.

Price

- Prices start from mere Rs.1200 to more than Rs.50, 000 to suit all class of people.
- Nokia also offer cash allowances
- It uses skimming price strategy

Promotion

- Advertising – Through TV, Sign boards, Bill boards, Radio and Newspaper, Broachers, Posters Dummies and display stands
- Personal selling – By product training to Distributor.
- Sale promotion – Gift like Yamaha bike, Philips TV, Mitsubishi split AC, watches and digital diary, With N73 mobile offer 2500Rs original Blue tooth free With 6220 offer leather Wallet, With 6300 offer caps and shirts.
- Public relation – Nokia spot light.
- Road shows – N-gage.com for game lovers, Nokia football crazy.

Place

- Nokia products are available at Nokia gallery.
- Established mobile phone dealership such as Car phone warehouse & Link.
- Retailers like Dixon & other electrical products suppliers

NOKIA: SWOT , 2014

Strengths

- Many consumers often opt for Nokia more than any other brand because of the reliability, durability, and creativity their phones provide.
- Largest Distributor of the mobile phone in the mobile phone industry
- Most of Nokia's highly qualified personnel have teamed up with Microsoft's experts as a part of the acquisition deal.
- The phones provided by Nokia have a much higher re-sale value compared to other mobile phone brands.
- Many of Nokia's products are easy to use and are usually coupled with a variety of handy accessories.
- Products offered by the company are available in all price ranges.
- Largest network of selling & distribution

Weakness

- Took a long time to enter the highly productive and booming smart phone market. Nokia is slow in reaction to new rivalry. As a result the company lost a lot of its once huge market share.
- Some of Nokia's products are not affordable for middle and lower class consumers, which often affects their searches negatively.
- The Finnish mobile company has made comparatively lower profits due to drop in sales that result from tough competition. According to statistics, the company's profits have fallen by 7% in the second quarter of 2014.

- There are slumps in the company's development with its Windows Lumia range of smart phones because of constant competition from rivals Android and iOS.
- Less stylish in low priced products & Poor design of smart phones

Opportunities

- The Microsoft-Nokia deal is a win-win situation for both companies. The deal possesses great opportunity if both utilize resources in a proper way.
- To expand with a wide range of products, features & different price range to suit different people.
- Opportunities to bring in new features and applications on to Windows OS.

Threats

- Strong competition from other smart phone companies will make it hard for Nokia to maintain and expand their market share.
- Low-cost threats by China mobile companies and others can cause big problems.
- In the selection of handset consumers are becoming more complicated in the choice of Handset. They need stylish & Fashionable mobile phones.
- To regain the position as a market leader as Nexian, Micromax, Samsung etc have come to stand a tough competition with Nokia.
- To identify the opportunities and deliver innovative products timely

NOKIA: LOSING THE GRIP

Nokia was the undisputed leader in India's mobile market till 2007. It was the leader in the feature phone market and entry level mobile phone market. Nokia Corporation has made connectivity truly ubiquitous. It has emerged as a world leader in mobile technology and progressively moving towards the company's vision of creating a world where everyone is connected.

The introduction of Symbian series by Nokia in 2002 had a good market response. But with the introduction of Apple IOS in 2007 and Android in 2008, the OS race was completely taken over by the two giants. Symbian OS lagged behind in mobile applications and user interface, though efforts were made by Nokia to improve the Symbian OS but still it could not come to pace with other operating systems and hence the collapse of market for Symbian OS and declining market share for Nokia. Moreover, too much reliance on Windows platform proved another costlier step to Nokia. Nokia required product innovation to recapture the market. But lack of innovation resulted in late introduction of various software and even hardware features by Nokia while other players had already launched products in the market which were highly appraised by the mobile users and thus customers switched over from Nokia to competitive brands. While Nokia was losing charm in high end phones, at the same time players like Micromax, HTC gave it a stiff competition in lower segment as well. In India, local brands stole the lead on dual SIMs, low-end Qwerty and long-battery-life phones. While Apple was designing the iPhone and Nokia was selling half a billion phones each year, Google bought a company called Android and announced an Open Handset Alliance, a grouping of industry players who would come together to build an open source OS for smartphones. Nokia was invited to join but refused to demean itself. In 2009, Nokia/Symbian also launched an Apps Store, Horizon and its own Apps and Content store – Ovi, in 2009. But Nokia had no real platform experience to compare with Apple's. The platform was shaky and it tried to launch simultaneously in 35 countries but it faced a gale of criticism for the first time

Secondly, In mid-2007 Nokia encountered a problem with the malfunctioning of its handsets due to faulty batteries which might get overheated, especially the BL-5C batteries which were used in most of Nokia's low-end models. The Finnish company was sourcing these batteries from the Matsushita Battery Industrial Co Ltd. (Matsushita) of Japan and several other suppliers. On August 13, 2007, Nokia issued a warning over its BL-5C batteries across the world, stating that these batteries may get overheated while charging. It said that about hundred such incidents of

overheating had been reported globally but there were no reports of the batteries being associated with any serious injuries or damage to property. A product defect related to BL-5C batteries used in many Nokia mobile phones has put Nokia in a crisis management mode. Due to which the market capitalization of Nokia had fallen from €110 billion in 2007 to €14.8 billion in may 2012.⁵

REASON FOR NOKIA'S CRISIS IN INDIA

Complacency

As a market leader for over a decade, Nokia didn't really plan for the future as it seemed a bit complacent with its products. When Apple launched the iPhone in 2007, the first touch phone, Nokia was still priding in its E-series by when the definition of smart phone had undergone a tremendous change. That was least expected from the pioneer in the smart phone market.

The success of iPhone didn't have any significant impact on Nokia, unlike Samsung, which experimented with off-the-shelf technologies and managed a transition to smart phones much faster than expected. And Nokia, which had launched its first smart phones through its Symbian series 60 in 2002, remained a pioneer with no better future prospects. Nokia failed to anticipate, understand or organize itself to deal with the changing times.

Lack of Innovation

Nokia's Windows phone which came in 2011 lacked some basic technology essential to drive its sales. Nokia's Lumia series was launched with a bang, but didn't click. Reasons can be its design, which wasn't as attractive as Samsung phones or the iPhone. Today the sale of phones is dependent on how shiny or trendy it looks. Leave aside the looks, Nokia phones didn't have the front camera, which makes it not even 3G enabled. And we are on the threshold of entering the 4G era. So, Nokia's latest phones were feature ready, but not future ready.

⁵<http://www.termpaperwarehouse.com/essay-on/Nokia-Brand-Image-Declining/255371>

From Symbian to windows

Nokia was solely dependent on Symbian till it entered into a partnership with Microsoft recently. But its shift to Windows was considered too late as by then Apple and Samsung had established their dominance. The operating system space was nearly occupied by Android and iOS leaving not much role for Windows.

NOKIA: A COME BACK IN INDIA

The Acquisition

In September 2013, Nokia, announced that it would sell a part of its business to the US-based Microsoft. Microsoft acquired Nokia's handset business for € 3.79 billion and licensed its patents for ten years for € 1.65 billion.⁶

Microsoft acquired not only Nokia's Devices and Services Business with the mobile phone and smart devices segments but also the industry leading design team, its operations along with Devices and Services – related sales and marketing activities and related support functions. Microsoft also provided € 1.5 billion of 'immediate financing' to Nokia, when the latter's debt was downgraded to 'junk' status.⁷

While Nokia would retain its patent portfolio, Microsoft could be gifting Nokia reciprocal rights to use Microsoft's patents in its HERE services and in turn became a strategic licensee of the HERE platform. Nokia-Microsoft could competitively position its low-cost smartphones in such a low teledensity market. Analysts were of the view that through cost synergies on licensing, patents, and intellectual property and support of Microsoft's R&D, the new Nokia could bring out better equipped phones at a lower price.

FUTURE PLANS OF NOKIA

The partnership with Microsoft led to Nokia switching over from Symbian platform to Windows platform, which has become the primary smartphone operating system for Nokia. Nokia's hardware quality and Microsoft's software experience enabled the launch of variety of windows based smartphones from Nokia incorporating features like dual sim, enhanced mapping,

navigation, location based services etc in varying screen sizes and affordable ranges. Nokia is also planning to foray into 'ambitious technology product space' including virtual reality. Nokia will now shift its focus to its main business arms Nokia Solutions and Networks (NSN), HERE Navigation Apps, and Advanced Technologies.⁸

- Nokia is now in process to build a developer ecosystem and that can pro actively give incentive to App developers to adopt the platform.
- Nokia Solutions and Networks (NSN): NSN is by far the largest of Nokia's secondary businesses, and "accounts for about 90% of the new Nokia's revenue." NSN CEO Rajeev Suri sees only "flat to modest growth" for the future of the networks industry, and has subsequently made mobile broadband the linchpin of his group.
- HERE, the second largest of Nokia's non-handset businesses, develops navigation systems that wind up in cars.
- Advanced Technologies will be licensing the many patents that Nokia has secured over the past several decades as well as coming up with new ideas for the company at large.

CONCLUSION

A brand is quickly forgotten if it is absent from the consumer business. "The brand will not help much if the product is similar to what is already being sold out there. But if there is something new and interesting to it, the old heritage may be helpful.

'Nokia is a company that is not going away' and 'people will be blown away if some of the stuff he saw comes to market'. "The fact is that the Nokia brand remains strong, well-known for its affordable range of cellphones, especially in developing countries such as India, where you will find a large number of old-time Nokia users who have grown up using Nokia mobiles

There could be potential threats of Microsoft and Nokia deal. Hence, both need to be attentive to such threats and manage the partnership to be aligned to their long term objectives. Combination of complementary assets and technical skills of Nokia and

Microsoft may provide a differentiated (mobile) product portfolio as against the rivals. Significant investments in R& D, hiring expertise, technology, outsourcing, market exploration etc. may be required to innovate and grow successfully.

Nokia needs to scan the environment for the upcoming trends, identify the opportunities and deliver innovative products timely. It will be interesting to see how acquisition between Microsoft with the reputation for software & Nokia with the strong hardware aspect will shape up the mobility landscape?

⁶<https://news.microsoft.com/2013/09/03/microsoft-to-acquire-nokias-devices-services-business-license-nokias-patents-and-mapping-services/>

⁷<http://www.icmrindia.org/casestudies/catalogue/Business%20Strategy/Nokia%20Lossing%20Ground%20in%20India-Excerpts.htm>

⁸<http://www.rapidvaluesolutions.com/whats-the-impact-of-microsoft-nokia-acquisition-on-the-smartphone-world/>

QUESTIONS

1. Identify & compare the challenges that the company is facing as it is trying to maintain their image & market share.
2. Do you think that it was a good time to collaborate for Nokia? If it is yes then how it is going benefit them in future.
3. If you are purchasing a new phone, what factor might you consider when making your decision?

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