

Analysis of Decline Market: with Special Reference To Nokia Mobile Phone

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ABSTRACT: Nokia was a synonym for the mobile phone industry for a long time; however, when it came into the era of smart phones, the former leader was under an awkward situation. Nokia sold its mobile phone business to Microsoft on September 3, 2013. This was a typical case of the subversion of an industry; therefore, the author believed that it was necessary to analyze the process. This research paper studied Nokia's decline mainly from the three parts. First of all, looking back Nokia's development process from the glory to the decline, it can be divided into three stages: the transition period, the peak period and the decline period, followed by analyzing the reasons of its decline from three parts: Nokia executives' grasp for the market, the company's business strategy and business cooperation, and finally analyzing its inspiration for modern enterprises from the marketing perspective.

I. INTRODUCTION

Nokia was one of the first handset companies to enter the India market in the early 1990s and the brand almost became generic to cell-phones. Its hold on the Indian market was far stronger than in the international market. Adding to this is the fact that the Indian mobile phone market grew at a scorching pace in the early 1990s, Nokia even started one of its largest manufacturing facilities in India. However, along with the rest of the world, Nokia lost its leadership position in India and across International market, unable to capitalise on the Smartphone trend. Industry feels that the Microsoft buy was meant to popularise the Windows OS and possibly fight Google phones in the market. However, given that the brand Nokia is leased to it for just 10 years, how will the company use the handset manufacturing facilities and the brand to further its objective?

The marketing team realises that currently Windows OS is definitely not the most popular and will, hence, hamper the growth of Nokia handsets, especially in the Smartphone segment. At the same time, unless the Nokia Smartphone share grows rapidly, the objective of popularising the Windows OS will not be achieved. It is obvious that the Microsoft board is only keen to popularise the Windows OS and not just increase Nokia handset sales. You are the head of the Mobile Solutions business at Microsoft and have been asked to share your views on what should Microsoft do from here with respect to Nokia handsets division and why. The objective for you is to make Windows the strong second as the operating system for phones, if not the first, during this 10-year period. As both companies in question are live companies, you can gather additional information on their current strategies from secondary research.

II. METHODOLOGY

In my analysis I have perceived as relevant to explore the competitive situation in the Smartphone industry. For this analysis I have chosen to use Porter's Five Forces. I find the method suitable as it exposes every aspect of the competition in an industry. It is important that Nokia is aware of the dangers of the various sources of competition, so it builds its marketing strategy protecting from those. I choose to use SWOT analysis to map the environment of Nokia. The method is a way to better explore the strengths, weakness, opportunities and threats for Nokia. SWOT analysis will help me understand whether Nokia has build its strategy utilizing its strengths and protecting from the threats in the market, and whether it has worked to offset its weaknesses.

I have used the product life cycle concept, as Nokia is manufacturing physical goods and the method will help me understand, which strategies are appropriate for the introduction stage of the LumiaSmart phones. For the strategy analysis I have chosen to explore two strategy models, which I find suitable for the introduction stage of a smart phone. These are Smith's differentiation and segmentation strategies and Porter's Generic strategies. I have chosen to use this two strategy models, as they seem to fit the strategic possibilities in the Smartphone market.

III. SCOPE OF THE STUDY

Nokia's situation may be affected by factors outside the scope of marketing strategy, those may be discussed briefly but they are not included in the scope of this research paper. This analysis is taking into consideration only the marketing strategy factors, affecting Nokia's performance in the European market. The paper is mainly discussing the marketing decline of the company in the Smartphone market and the mobile phone market is ignored, as the product is sidelined due to changing customer needs. More specifically the analysis focus only on Nokia mobile phones, as these products seem to be marketed in order for Nokia to achieve its main goals in the Smartphone market.

IV. PROBLEM STATEMENT

This research paper has the purpose of exploring the marketing strategy of Nokia, and more specifically the introduction strategic choices of the company when marketing its Lumia products. The purpose of this analysis is to understand whether there is evidence to conclude that Nokia's performance in the Smartphone market has been affected

negatively by the marketing strategy choices of the company. This paper will concentrate on finding problems with the marketing strategy choice and implementation.

The research question of my research paper is:

1. What is the problem with the marketing strategy of Nokia Lumia, which may have slowed down the recovery of the company?

In order to answer the research question I have come up with smaller questions to guide my analysis:

1. What is the goal of Nokia in the Smartphone market, and how does it want to achieve it?
2. Which marketing strategy the company chooses to translate its vision into reality?
3. Is the strategy choice proper and implemented correctly?
4. What course of action should the company undertake to fix the problem?
5. How Nokia's market decline and fall the grace of strategy?

V. LITERATURE REVIEW FROM 1992 TO 2013

Nokia was the unchallenged leader in the mobile phone market until 2012 when South Korean consumer electronics giant Samsung Electronics, a late entrant, dislodged it from the top. Things had begun to change for the Finnish handset maker from early 2007. The first threat to its dominance came from Apple's iPhone. Soon Google's mobile operating system, Android, and HTC's first Android device - HTC Dream- added to its challenges. In 2009, a year after Android was unveiled, the company posted its first quarterly loss in more than a decade. Since then it has been struggling to regain its lost position. According to reports, market share of Nokia's Symbian operating system fell from 62.5 per cent in Q4 2007 to 52.4 per cent in Q4 2008. By Q4 2010, Symbian's market share had dropped to about 32 per cent, while Android's share had increased to about 30 per cent. Faced with dwindling market share, in 2011, Nokia decided to move out of Symbian altogether. India was one of the key markets for Nokia which it dominated with more than 26 per cent market share until 2012.⁶⁶

As a veteran mobile phone companies, Nokia has experienced a total of three transformations: from rubber, paper to cable, from cable to mobile phones, from mobile phone to mobile Internet over a hundred years of business process since 1865. The two former transformations can be said to be very perfect, and did make a great contribution to the development of Nokia. However, in the era of mobile Internet, Nokia in the third transformation has been out of orbit, and has not launched star products meeting the requirements of mobile Internet. Facing the rapid development of Apple and Android phones, it seemed that Nokia was a bit powerless, and has already lost the leadership style of the mobile phone industry.

But before 1992, Nokia adopted the business tactic that was highly cross-industry and diversified, and had 34 subsidiaries in 10 different industries and 108 areas. When Nokia was in the situation of full loss in 1992, the company's board of directors hired Ollila as president of the company. Ollila immediately gave up the diversification tactic, adjusted the business structure drastically, narrowed the scope of operation, abandoned non-core business, and sold 71 enterprises. At last, there were only two groups, mobile phone and network, and Nokia began its professional road from now on.

Before 1998, Motorola is the world's largest mobile phone manufacturer, and Nokia has been in hot pursuit of it. In the 6 years of the implementation of the professional tactic, Nokia's rate of increase increment has remained at around 50%, becoming the world's largest mobile communications manufacturers. Nokia produced the 100,000,000th mobile phone in 1998, and then become the world's largest mobile phone manufacturers instead of Motorola.

Since Nokia exceeded Motorola in 1998, its market share soared in a few years. The year of 2006 was a milestone for the development of Nokia in China. Nokia's annual sales and exports in China were more than 10 billion euro with net sales being more than 5.3 billion euro and exports amounting to 4.8 billion euro. China has become the largest market for Nokia in the world. The year of 2007 was Nokia's harvest year, because its global market share reached 40%; in China, the largest market, the market share of this year was also more than 30% (Economics New, Jan. 2012). So far, in China and the global market, there is no such crazy data. However, the glory of Nokia seemed to be drawing to a close during this year.

The smart phone operating system Android, Google released in 2008, became a new market reform. The smart phone storm led by iPhone and Android has proved to be market mainstream. For the first time, Nokia didn't occupy the first position of the mobile phone market share, the ranking dropped to the third. What's worse, Nokia's share of the smart phone market in 2011 has dropped from 33% in 2010 to 14%, far lower than Apple and Samsung.

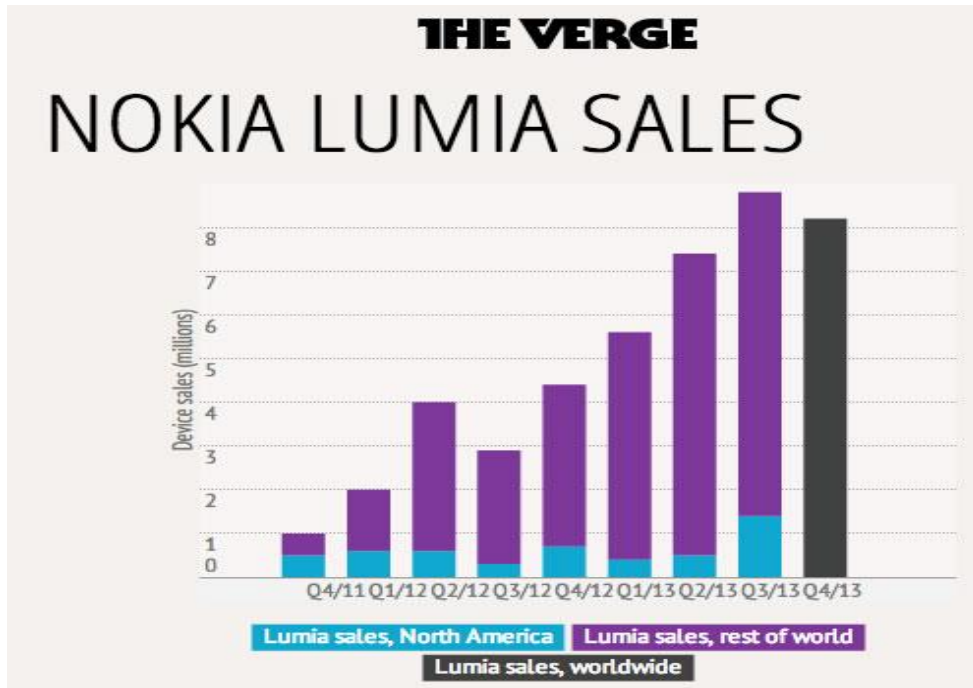
According to the "mobile Internet users behavior research survey in 2012" released by CNNIC, 53% of Nokia's mobile phone users planned to buy smart phone in the future s, of which 43.3% chose the Android system, 28.6% picked IOS system. Massive customer switching meant that the future of Nokia's mobile phone market share would further decline, Nokia was facing not only how to compete for new users, but also how to retain the old users. A Research Consulting's report released in December 2012 showed that for the domestic market of mobile phone sales, Samsung became the market leader accounting for 32.3%, Apple (14.3%), HUAWEI (12.5%), Lenovo (7.3%) and HTC (5.9%) followed. Nokia, whose ranking has slipped out of the top three since September, occupied 5.9% in the market. Sales share of each mobile phone brand in December 2012 in Chinese market.

Nokia has suffered a series of attacks since 2012. It has been pressed by many events, including several landmark events Nokia announced 10,000 layoffs globally on June 15, 2012, besides Nokia sold headquarters building at 17 million euro on December 5, 2012; finally Nokia sold the company's mobile phone business to Microsoft on September 3, 2013.

VI. ANALYSIS OF NOKIA'S DECLINE

After a while Nokia came developed the mobile phones with Symbian OS, with this the capabilities were expended. But then came Apple with the iPhone in 2007, Apple Brings a new definition to the 'Smartphone'. Apple developed the iPhone in such a Way that is a mini computer that could make phone calls. Nokia couldn't keep up with the

iPhone as Nokia was still using Symbian OS. Nokia's market shares were falling more downwards after Samsung came with their smart phones. During this period Nokia was unwilling to challenge itself¹. Nokia was sticking to the model that Mobile phones were mainly about calling people. Nokia failed to notice that they were Just as much about checking your e-mail, surfing and social media. In 2011 Nokia unveiled their new strategic alliance with Microsoft. The new Windows Phone is to replace the Symbian OS for Smartphone. It was suggested the alliance would make Microsoft's Windows Phone a stronger contender against Android and iOS.

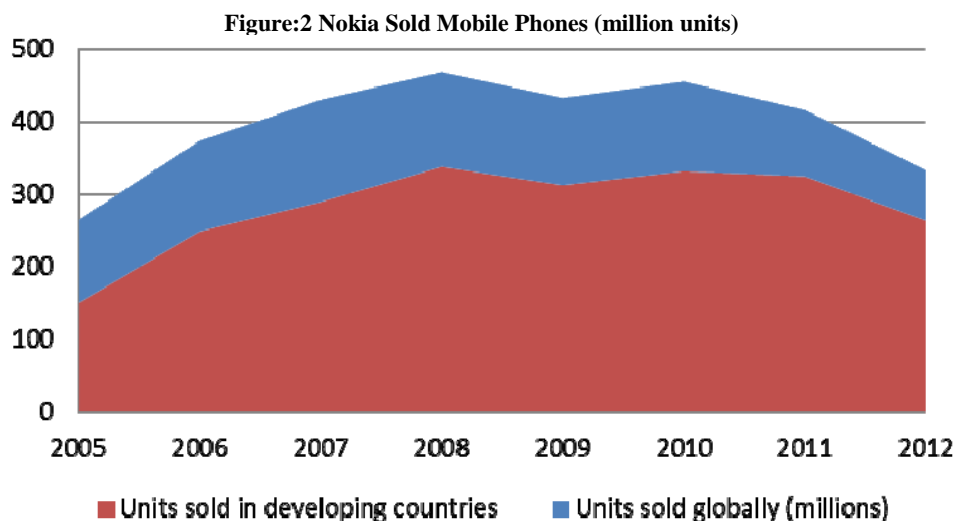


Source: www.nokia-lumia-sales-figures-in-india&source=lnms&tbm

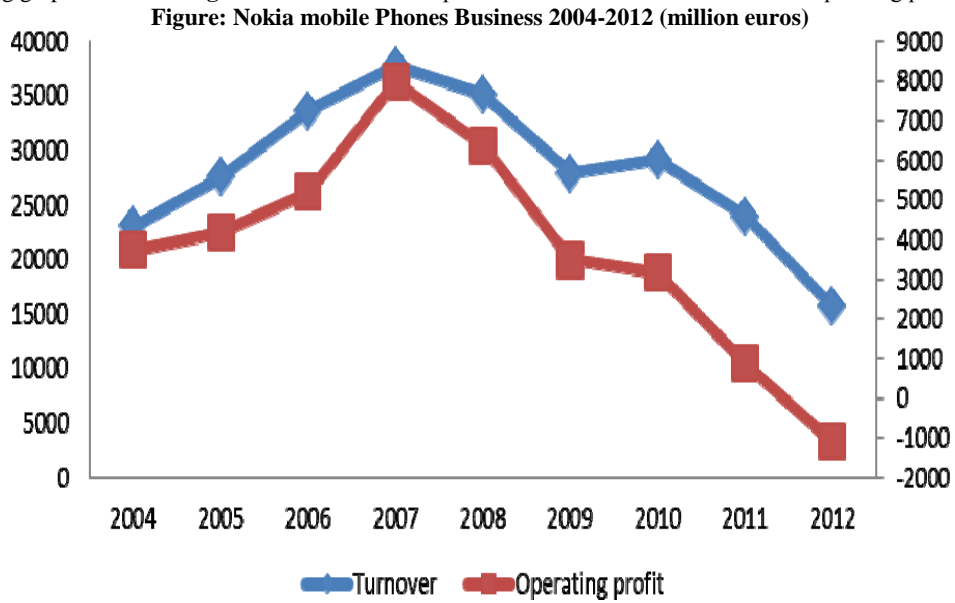
Figure-1 Nokia Lumia Sales

This new Line is called Lumia line. In 2012 the Lumia line sold above 1 million phones before 26 January 2012. In the second quarter sales went up to 5.4 million Windows Phones. The sales of the Lumia line went up, in the second quarter of 2013 Nokia announced That Lumia sales were 7.4 million as shown in **Figure-1**. This is a new record for Nokia. In 2013 Nokia returns to profit after a spell of losses, Microsoft buys Nokia's handset business for €5.44bn².

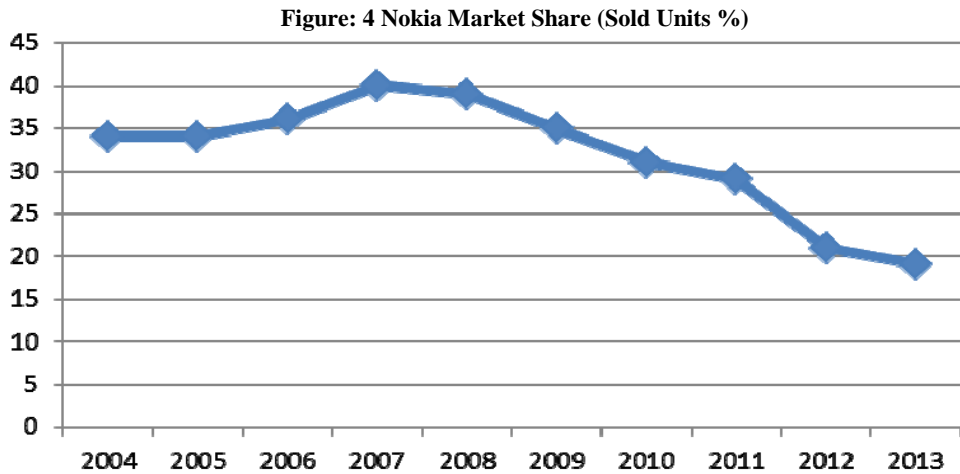
The performance of Nokia during the period 2004 in further detail, a glimpse at them still gives a good idea of what has happened. The first graph depicts Nokia's sold volumes, both in emerge America) and their total sold volume shown in **Figure 2**. It is worth noticing how large share of their volumes were actually sold in developing countries. Interestingly, the decline is much steeper in developed countries percent (Europe and the United States) where the company lost 47 of its volume from 2008 to 2012 as compared to 22 percent in emerging economies.



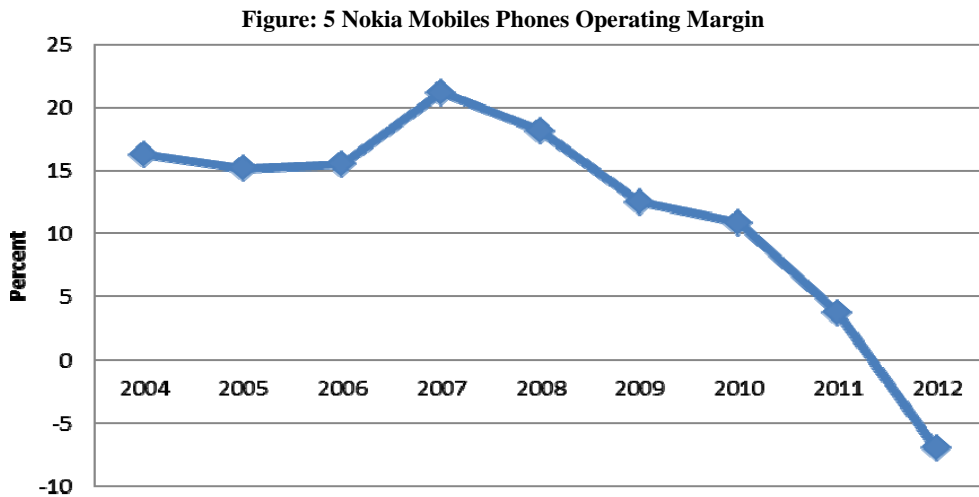
The following graph showed in **Figure3** Nokia’s financial performance in terms of revenues and operating profit:



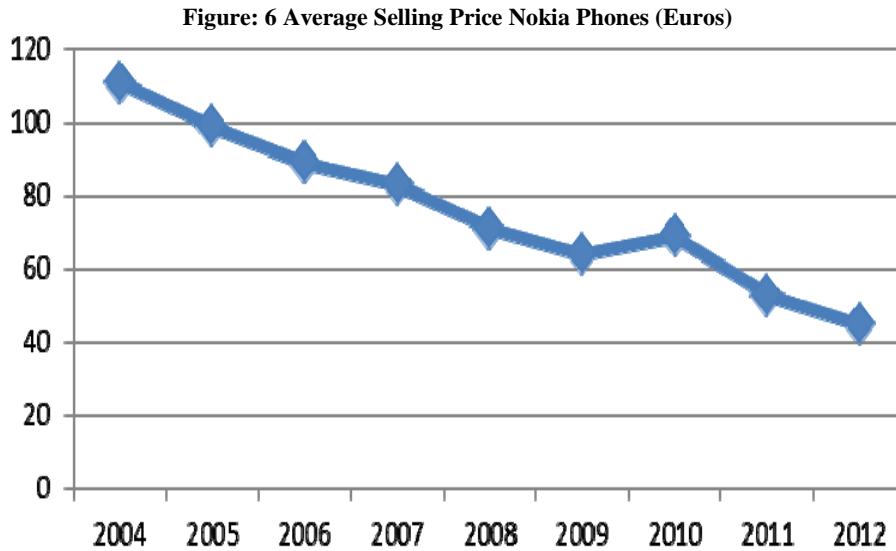
Needless to say, the company’s market share has declined significantly. It peaked around 40 percent in 2007. In the years up to the introduction of smartphones, Nokia gained market share on a growing market in **Figure 4**.



Decreasing volumes have implied collapsing operating margins, as illustrated in **Figure 5** below:



Another, perhaps more important explanation of Nokia’s problem is related to the decline in Average Selling Price in **Figure 6**. If each so phone generated 110 Euros of revenue in 2004, then getting only 45 Euros per phone in 2012 is of course a tragedy for the company.



For sure, parts of the decline in Average Selling Price can be explained by increasing volumes in developing countries, but it is nevertheless clear that price competition has been fierce in these years.

Nokia has been squeezed from two ends margins and in the Western world Nokia has been forced to cut prices due to an outdated product portfolio.

It is truly amazing how a company can appear so solid and competitive and then fall apart within only a couple of years.

According to their data the **Nokia Lumia 520, released only a month ago, has already taken 16.9% of the WP market in India**, taking first place ahead of the Nokia Lumia 620, at 15.4%.

The data shows that the majority of WP handsets in India now run Windows Phone 8, at more than 52%, and that Nokia had more than 90% of the market there. It also suggests **Nokia sold more handsets in the first few months of 2013 than they did in the whole of 2012 in India**.

Here are the Q4 2012 results, meaning they only show WP 7.5 devices, since WP8 phones were only released this year:

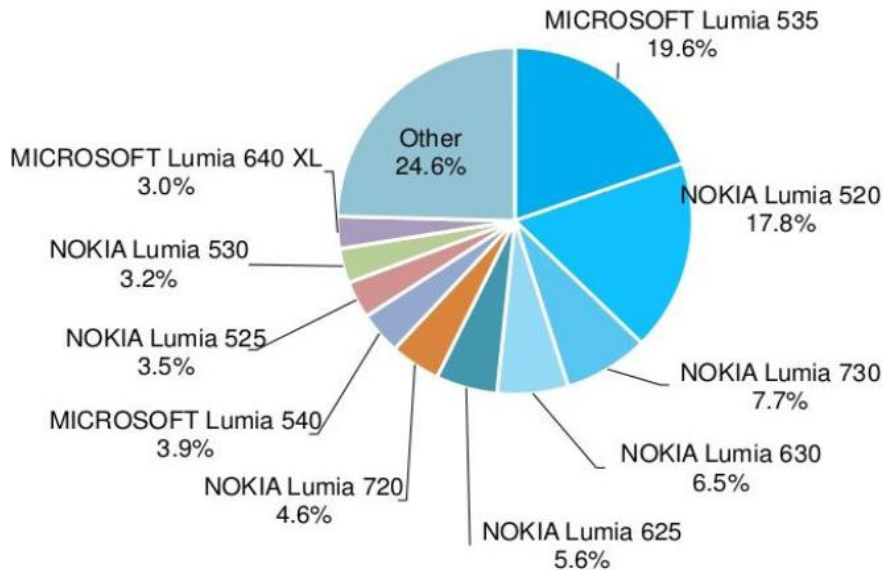


Figure: 7 Windows Phone Devices-India

According to the William Stofega, IDC’s program director for mobile device, speaking in Wired, 289,000 Windows Phones were sold in India in Q4 2012, out of 5.4 million smartphones sold there in the same quarter, giving the OS a market share of 5.4%. Nokia's share out of this is more than 90%. As Microsoft of course mentioned recently, this is a greater market share than iOS has in the same region. While the Indian smartphone market is quite small, with only 16.3 million handsets sold in total in 2012, this is a 70% YoY growth, and with a number of cheap and powerful Windows

Phone 8 handsets being released there, the OS is set to ride this wave of growth much better than iOS or Blackberry is at the minute, who have priced themselves out of the market.

VII. CONCLUSION

This research paper first introduced the background of Nokia's acquisition by Microsoft, then proposed the research direction of this paper based on the interviews by studying the problems, and followed by giving a brief account of the three stages of Nokia's development. After that, this paper analyzed the Nokia's decline from three aspects: Nokia's executives didn't grasp the market accurately; there was a deviation in the business tactic of the company; Nokia was lack of teamwork. Finally, this paper put forward the targeted marketing strategies on the above three problems of Nokia.

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