Market positioning case study: how nokia fell from number 1 essay

Business

Market Positioning Case Study: How Nokia Fell from Number 1Last week, the world found out that Samsung surpassed Nokia for the top position in the global handset market in the first quarter of 2012.

The Korean company shipped 93. 5 million handsets in the first quarter for a 25 percent share of the market, even as global handset shipments grew a little over 3 percent annually. In contrast, Nokia's handset shipments were down 24 percent year-on-year to 82. 7 million units, giving it a 22. 5 percent share.? According to market research firm Strategy Analytics, only 14% of Nokia's shipments were smartphones, in contrast to 34% for Samsung. This marks the first time since 1998 that Nokia has not been number one in the cell phone market. Ouch.

I'LL HAVE THE TROUT In their classic 1981 book Positioning: The Battle for Your Mind, Al Ries and Jack Trout describe how positioning is used as a communication tool to reach target customers in a crowded marketplace. The easiest way to get into someone's mind is to be first; nobody remembers second.? Nokia Who? Ries and Trout go on to list a number of things a market leader should do to maintain leadership position. One point in particular stands out: ¦Change is inevitable. Leaders must embrace change rather than resisting it. When a new technology opens up the possibility of a new market that may threaten the existing one, a brand leader should consider entering into the new market so it will have first-mover advantage in it.

? Apparently, Nokia Chairman Jorma Ollila wasn't fond of trout (sorry, couldn't resist). Looking at product mix of both companies over the past few years, Samsung growth was almost entirely in the smartphone segment, whereas Nokia went the opposite direction. As a percent of total, Nokia has shrunk its smartphone business from a peak of 24% in Q3 2010 to 14% last quarter. In the same time frame Samsung’s smartphone share of portfolio has exploded from 10% to nearly 50%.? A look at global smartphone shipment data tells a similar story.

At the end of 2010, Nokia was the number one global smartphone manufacturer, with 34. % market share (100 million units shipped). Samsung was in 4th place behind RIM and Apple, with only 7. 5% market share (23 million units shipped). Just one year later, the numbers were starkly different.

Nokia’s smartphone market share dropped to 15. 7% (77 million units shipped), while Samsung’s climbed to 19. 1% market share (94 million units shipped).

In other words, from 2010 to 2011, Samsung enjoyed a 409% increase in smartphone shipments, while Nokia suffered a 33% decrease in shipments. What a difference a year makes. EVOLVE OR DIE While Samsung was frantically converting its portfolio to smartphones, Nokia failed to do so. Major transitions such as these (or lack thereof) are driven by the upper echelons of an organization’s executive management. After reporting a 1. 76 billion dollar operating loss, Nokia is planning to resurrect its defunct mobile business by delving into tablets and “ hybrid” smart mobile devices, but the jury is still out as to whether Nokia can effectively transition at this point. What is clear is the success of Samsung. Sensing an opportunity, Samsung leapt in to the breach that Nokia’s tepid response to the meteoric global adaptation of smartphones had created, overturning years of mobile orthodoxy.

As technology hurtles us all into the future at breakneck speed, industry leaders need to learn from Nokia’s mistake and prepare for change. By doing so, leaders can nimbly evolve to the demands of a hyper-active marketplace rather than be victimized by them.