

Pestle analysis of nokia

Business



**ASSIGN
BUSTER**

Nokia (NYSE: NOK), based in Finland, was once the world's premier manufacturer and marketer of mobile phones. Unfortunately, it has been unable to adapt to changing market conditions created by the introduction of smartphones and the rise of aggressive competitors such as Apple Inc. and Samsung.

Nokia's problems and struggles are clearly exposed by its financial numbers. As recently as June 2012 Nokia reported revenues of \$34.08 billion, but on June 30, 2015, Nokia reported revenues of \$16.31 billion. Those revenues actually represent something of a turnaround for the company; in June 2013 Nokia reported revenues of just \$8.57 billion, or a little over a quarter of the number from the year before. Recent revenue figures indicate that Nokia is maintaining its market position but not growing.

The troubles affecting Nokia arise from a radical transformation in its business environment. A brief examination of the Political, Economic, Social/Cultural, Technological, Legal and Environmental, or PESTLE, conditions affecting Nokia can give us a glimpse of the company's potential future.

Political Factors Affecting Nokia

The impact of political factors on Nokia is hard to ascertain. The company is based in the European nation of Finland, but the Finnish government has refused to give it a bailout or special favors.[1] This forced Nokia into an uneasy alliance with Microsoft (NASDAQ: MSF) that has since fallen apart.[2]

Unlike some tech companies, Nokia lacks strong government support because it is based in a small country. This can both help and hurt the company because it is not associated with a major power, but it might lack the political clout of American- or Chinese-based rivals.

Political unrest or other changes in China could disrupt production and limit Nokia's manufacturing capabilities in that country. This could force it to move production to higher-cost locations such as the United States.

Economic Factors Affecting Nokia

Nokia suffered heavily from the European downturn of recent years.

Economic turmoil in Europe has hurt it badly by limiting buying power in its home markets.

Unlike Apple, Nokia has had a hard time tapping into the fast-growing Chinese market. Nokia also lacks the vast economic resources available to some of its competitors, such as Google, Apple and Samsung. In particular, Nokia seems to lack the research and development capabilities that have enabled these companies to develop new devices and tap new markets. One reason why it lacks those capabilities is that Nokia simply does not have the money to finance extensive research and developments efforts like its competitors do.

Social/Cultural Factors Affecting Nokia

The major cultural factor that has hurt Nokia has been the widespread adoption of smartphones and the growing use of apps. Many of the most popular apps, such as WhatsApp, are designed for more popular operating

systems such as Google's Android and Apple's proprietary iOS. Nokia's decision to utilize the Microsoft Windows Phone instead of Android limited its appeal to many customers.

The popular association of Apple with smartphones in some countries—such as the United States—has cut deeply into Nokia's market by creating a generation of customers that only buy one brand. In more recent years, Nokia has had to deal with the popular misconceptions that there are only two brands of smartphone in the market, Apple and Samsung, and only two operating systems: iOS and Android. This has kept many customers from even considering Nokia products.

Technological Factors Affecting Nokia

The technological challenges affecting Nokia are at the root of the social factors limiting its business. The development of open sourced operating systems such as Android and the invention of apps radically changed the mobile phone market. Mobile phones were transformed from simple communications devices into handheld computers.

This led to a situation in which customers wanted to perform a wide variety of tasks with phones, including taking photographs, watching streaming video and performing business functions. The problem was compounded by Nokia's decisions to utilize the less popular Windows Phone operating system and to stick with its own operating system. This limited customers' choices and made it difficult to sell Nokia products to younger consumers.

Nokia has not been able to significantly tap the potentially lucrative market for other kinds of mobile devices such as tablets and wearable technology. This could greatly reduce its competitive edge in the future.

Legal Factors Affecting Nokia

Nokia's legal environment is extremely challenging because it operates within the European Union. That body's regulators have been investigating Google's use of Android for a possible antitrust case.[3] EU action against Google could lead to radical changes in Nokia's market, such as Android being spun off into a separate company.

It is not clear how exactly such action would affect Nokia, but it could create a more level playing field and increase Nokia's access to the European market. One possible game changer could be that popular Google solutions such as Gmail could be taken off of Android, which could limit its popularity.

Environmental Factors Affecting Nokia

Like other electronics manufacturers, Nokia is faced with the problem of safely and economically disposing of its used products in an environmentally-friendly manner. One costly requirement that it could face in the years ahead is laws making electronics manufacturers responsible for the disposal or recycling of used devices, a potentially costly expense, particularly if the devices use lithium batteries.

Another environmental concern that could affect Nokia is increased costs for materials and components, particularly lithium for batteries. Increased

demand for lithium for other uses such as electric cars could limit its supply and raise costs.

A long-range challenge could be climate change created by global warming, which could disrupt transoceanic shipping and Nokia's supply chain. New environmental laws in China designed to curb greenhouse gases could increase production costs in that country and affect Nokia's costs.

The Future

Nokia faces serious challenges in a radically altered mobile phone market. It will need to radically alter its business model and products simply to survive. At this junction, it is unclear if Nokia will ever be able to become a major player in the consumer electronics business again.

[1] <http://businesstech.co.za/news/mobile/16053/nokia-not-getting-finnish-government-bailout/>

[2] <http://www.wired.com/2015/07/microsoft-takes-big-nokia-hit-ballmer-era-now/>

[3] <http://www.androidauthority.com/eu-right-bring-antitrust-case-google-603007/>

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