

The finnish based cell
phone company
named nokia
marketing essay



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The following coursework will be done on the Finnish based Cell Phone Company named Nokia. Grouping A; Industry dynamics and Technological Innovation will be the chosen topic of concentration. As Cell phones are such a technologically dependant industry it requires the broadest study of the concept of innovation. This topic interests the writer of this essay greatly, as Group A gains a better understanding of the problems faced by Nokia. The issues of formulating and then implementing a strategy are after thoughts for a company so heavily dependent on technological innovation. Therefore it is more important to learn about the Sources of Innovation, Types and Patterns of innovation used. Competing with others in the industry and looking for dominance over ways of doing things. Also timing is of great importance for a company in such a fast moving technological field. The reasoning behind why I have decided to concentrate on the company Nokia and not just the industry of cell phone is because of the dominance of certain countries in this industry. And to give the right amount of weight to these companies will make the essay concentrate heavily on the countries that the topic has set out for us to avoid. The reason Nokia was chosen is mainly because of its unorthodox origin among technological companies. Most tech based firms are from the US of A, Japan, Germany, France or U. K. At the same time being a relatively strong competitor from a Scandinavian country Finland requires further study, in order to understand how it manages to compete with these industry giants. The objective towards doing this coursework is to learn how the creative endeavour of Innovation is affected by the real world forces of the industry such as timing, competition, and the current limitations and state of technology.

Method

The method chosen for the purpose of this essay is chiefly Secondary data collection through Literature from several sources. The literature is from physical books from the university and county libraries along with the majority of literature pulled from the relevant web sites on the internet.

Primary data collection in the form of Surveys among several colleagues and friends internationally were conducted to see the success of the company in the industry not only within the U. K but also internationally in places such as Mumbai, India.

Main Body

The story of Nokia's innovation begins in 1865 with a Finnish mining engineer named Fredrik Idestam, who established a groundwood pulp mill in the town of Tampere, in south western Finland, and started manufacturing paper. Several years later Idestam and Leopold Mechelin founded Nokia Limited and moved the company and operations to the city of Nokia. Fast forwarding to 1966 by which time the company had branched into several businesses and in 1967; Finnish Rubber Works, Finnish Cable works and the Nokia Company combined to form a new global conglomerate the Nokia Corporation. At one time or another in its long and illustrious history the company was involved in a variety of industries such as Electricity generation, the Rubber Industry, manufacturing of Communication cables, paper products, robotics, plastics, aluminium and chemicals. The first Nokia chairman Bjorn Westerlund (Jan 27 1912 - Mar 11 2009) was responsible for setting up the original electronics division. In the late 1990s under the

chairmanship of Jorma Ollila the company decided to focus solely on telecommunications divesting itself from all other non telecommunication businesses, thus crafting Nokia as we know it today. Within the twenty years of divesting itself from all other businesses and focusing only on telecommunications the Nokia Corp as grown into Finland's largest company responsible for a third of market capitalisation of the Helsinki stock exchange in 2007 and also credited with increasing the entire country of Finland's GDP by 1.5% in 1999 and also accounting for 25% of the nation's export in the year 2003. Nokia brand itself is listed as the fifth most valuable global brand valued at \$34.9 billion by Business Week in 2009. Current President and CEO Olli Pekka Kallasvuo is quoted saying (During last year's Nokia World) that, " We have the opportunity to put the power of the Internet in the hands of more people in more places than any other company. And that's exactly what we are doing. " Nokia's products have reached throughout the world starting with the first cell handset by the company the Nokia 1011 and ever since the company has applied new technology and design into their mobile devices. With collaborations that have resulted with the recent Rihanna Concert, Shakira in Latin America and Priyanka Chopra for the Nokia 3600 and 7610 Supernova adverts highlight the trend setter in Nokia's Design. By researching into their markets Nokia has broken down their customer bases, segregating them in places where market penetration is highest. Nokia targets four markets simultaneously; firstly there is the Explore range: this is Nokia's technical leadership product line that pushes the boundaries of the specifications phones; this is released as its N series which is targeted towards technology leaders and young explorers. Nokia has only recently introduced its Maemo range which is the integration between Mobile

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computing and phones the first being the N900. Second market segregation is the Live range which targets a broader consumer base in particular these mobiles have key features, are very stylish and inspirational in nature for example the Nokia express Music. The Achieve range is the enterprise series of phones targeted towards business consumers and pragmatic leaders and life trippers they are capable of organising personal schedule and multi tasking. The Connect range is focused on low end phones for the simplicity seeker just like its tag line connecting simply.

To differentiate itself from other competitors such as Samsung, Sony Erikson, Motorola, Apple, Blackberry and others Nokia has created new services that only operate on Nokia Phones such as the ' Ovi' store that is the one stop shop offering media and information through social connection and navigation, ' Comes with Music' an online music store much like the Apple iTunes store. And point and find an app developed by Nokia in the U. K. and USA. This app allows the user to search based on images captured by the phone's camera of real life objects and gives the user information about that thing from the internet. This is an app that is pursued at great expense by Google for its own phone operating system the Android.

Research and development:

Nokia believes that effective R & D is vital towards remaining competitive in the mobile computing and communications industry. The R & D division at Nokia operates in a hybrid manner with research centres in Helsinki Finland, Berkeley California, India, Boston, Dallas, China, Singapore and others around the world. Cooperation with the likes of Cambridge University and

MIT bring design innovation forward. The Company as a whole has R & D presence in 16 countries, employed almost 40, 000 people, which is 31% of the company's workforce. Over €6 billion in 2008 where spent towards R & D in attempting to forward mobile phone technology with innovations conforming with their consumer's needs. Nokia's research has spurred many projects such as the Mobile millennium, which is a research partnership that provides drivers with real time traffic information. And the Nokia Mobile Augmented Reality Application which is the technology behind point and find that uses the phone's camera to take images of real life objects and provide information on them. Because the internet at its core is a text based technology, search engines that use words are highly efficient and popular. But in order to search for images a whole level of search infrastructure had to be created that converter images in lines on data that can be matched with similar lines of data derived from a set of images on the internet. Collaboration between Cambridge's Nano science centre and Nokia has the two entities working on ' Morph' which is based on the concept that one day nano technology allow devices to be built with flexible displays, transparent electronics and self cleaning surfaces.

The main highlight of Nokia's Innovation strategy is that Nokia is actually engages in community driven open innovation. The company has formed strategic alliances with a healthy community of partners and this brings innovation to market quicker. Two examples are Nokia Forum and Nokia Beta Lab. Besides all of the above, Nokia has deployed a dedicated team towards protecting the brand and its intellectual properties to combat counterfeiting. Currently Nokia own 11, 000 patented innovations and its Global portfolio

includes 42, 000 patents and patent applications of which is files 1, 000 a year. Along with IPR protection Nokia understand that importance of being the First to market a certain new device or product (First Mover Advantage).

Challenges:

Nokia needs to work hard as it has strong competitors such as Apple. It can compete with Apple by increasing the branding of their phones. And be open to work with third party companies in order to create the apps that increases the application range and flexibility of Smart phones. Demand wise the high cost of its Explorer range (N Series phones) can deter potential customers, increasing marketing for the live and connect range of phones could resolve this.

Opportunities

Phones as wearable devices, as fashion accessories. Morph is a potential, but having read up on nano technology, this technology is still a way away, several years, even a decade.

Another idea is to have a feature that puts advertisements (Nokia calls this product Adtronics) on the phones paid for by the advertisers, and the advantage for the customer is that the part of the profit is passed onto reducing their bills. This is a real options as the cost for bandwidth is ever dropping, and Nokia can be the first to take advantage of this design aspect of the business. This set up has been in existence with many other media, such as free newspapers, television programs that make their profits through advertisers and not the end customers. This will be a win- win situation.

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Nokia Research Centre

Nokia is the world's largest manufacturer of Mobile phones, portable music player and cameras. (Quoted by Joe McCarthy, Nokia's Principle Scientist, in an interview focusing on the Nokia Research Centre).

Nokia's opinion on Innovation: ' Innovation drives Growth and Margins'.

Innovation is not only about high end that is the new forms of technology development is not the end all and be all of innovation. Application of existing technology into new forms is also a type of innovation. For example; Use of PC like Icons on phone, a plastic pen (Stylus) for characters to be written on screen, Radio built into phones, Flashlight, Audio Messages etc. are all products that existed before in other forms outside of mobile phones, but were incorporated into the design of Nokia Phones because of the applicability of these features.

Nokia as a company is designed to churn out new innovations. Its corporate strategy drives business renewal. The Nokia Research centre drives innovation through strategic research. Business development drives business innovation and incubation in domains outside of current cores (Partnership with the Nanotech branch in Cambridge University). Forum Nokia drives innovation through developer community by allowing third party companies and amateurs to contribute to the ocean of compatible programs to be used in conjunction with the devices of Nokia. Venture funds scan innovative start up business and provide funding for a slice of ownership or partnership, and grant its large status to companies looking to penetrate new markets by

standing on the shoulder of giants like Nokia. Innovation for Devices;
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Customer focused; innovation and sustained competitiveness in devices. Services and Software; Attempts at innovation in offering and business models to grow services business for Nokia. Markets; Attempts at innovation for operational excellence, and sales and marketing capability. Nokia creates its own culture of products that are its own family of products compatible to its devices and for the use of its end users by providing a wide range of applications for all the needs of its customers. For example, smart2go, twango, loudeye, enpocket, intellisync, Nokia2. 0, Blogs, Nokia Beta Labs, Nokia Infopedia (Wikipedia for Nokia), Nokia Alpha Labs, Nokia Jam, Nokia Way Cafe, Social Phonebook, Nokia Second Life, Lead User Innovation etc.

Following is an Interview of Nokia's Former VP of Corporate strategy, Jarkko Sairanen focusing on the principles behind Nokia's innovation recipe:

There is no magic formula: innovators have a tendency to experiment, to try new things and to test out concepts. Jarkko states the need to accept failure and accepting that some repeated work will be conducted during research for the organization. You need a small group that extends all over the organization to put the next idea forward. Nokia is not a textbook example of a systematic approach to managing a pipeline and portfolio of ideas where they rationally and analytically decide that they can afford for example seven out of ten ideas, a forum makes informed decisions based on analysis of data, if your strategic decision is clear, this is a more powerful way.

Systems approach: radical innovation goes beyond just planning features or standalone products, teams consider the context and the ecosystems in which the overall solution delivers benefits for those part of the value chain.

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This approach allows others to succeed while creating value that supports and promotes Nokia's platforms. Jarkko's answers emphasize the need for innovators to switch from a 'feature' to a 'platform' mindset.

Sustainability: don't limit your company's opportunity to a one-off. Think of what it takes to become a serial innovator and the alternative evolution paths to achieve a given vision, " make what you are doing sustainable in the long term".

Agility: adapt, think of what it takes for your innovation to remain relevant over time, " being agile means continuously embracing the environment as it changes and grasping the opportunities it offers".

Innovation culture: network, decentralize and empower. " Don't attempt to guide or drive everything from the top down. A lot of decisions occur deep in the organization, we don't have a separate process or an incentive structure for innovation - it's part of the work that people do, we are a networked organization that is connected to innovation, everyone is extremely interdependent, instead of thinking in terms of silos and separate kingdoms".

Forward looking view: develop a vision; look at trends across the value chain, including the competitive environment. Provoke strategic thinking and articulate missions and guiding principles. Leverage this understanding in the present: " we do vision work, which we call the Nokia World Map; the output is available for all our employees, so everyone can read it and people can discuss it. This stimulus is brought into the organization and people begin to act on it, and realization begins".

Emerging Business Unit: this is Nokia's corporate venturing unit, leveraged to 'incubate seeds', involving different teams experimenting with potential innovations, "this unit has dedicated funding, so they can go to market fast and easily test things. And then we build seeds for deeper innovation at the Nokia Research Centre". As shared at the beginning of this post, there is another fund which focuses on investments on start-ups, this one being the equivalent to a venture capital fund.

Timing: "we move things as soon as feasible into our core activities, but we shouldn't move them too early. Finding the right time and having a low 'burn rate' so innovations do not die too early are critical things. Managers require insights and intuition if they are to understand what makes sense at what stage".

Be local and global: "A lot of innovation occurred in Europe because we standardized smartly (...) the Internet paradigm and the social networking innovation Web 2.0 (...) has been driven in the United States (...) look at China, which has its own model (...) take things locally or regionally where they are born, and deploy what can be deployed globally".

Go-to-market capabilities: for innovations to realize their potential, there is a need for a company's 'backbone' that's capable of producing, shipping, selling and delivering.

<http://consultaglobal.wordpress.com/2007/12/15/nokias-innovation-recipe-there-is-no-blueprint/>

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Primary research carried out by doing a survey among classmate, colleagues and friends from Mumbai, out of the 37 people questioned 14 claim to own a Nokia cell phone. With almost 40% of the people surveyed the results are as expected for the company like Nokia which faces such strong competition from the likes of Apple, Google (HTC), and Samsung etc. Before the popularisation of the Apple iPhone however, 21 out of the 37 claimed to have owned a Nokia phone. This means that Nokia went from a 60% market share of an informal survey, to only 40% in less than 5 years. This means that the company must concentrate its resources in order to overcome the threat of Apple's iPhone. The reasoning behind iPhone's success is myriad apps it provides for its customers on its online stores. Nokia simply cannot compete with the sheer number of apps available for the iPhone. Only way it can match this in our opinion is joining forces with Google. Although Google has recently entered the Mobile phone market by partnering with HTC (Taiwanese company), it still sells its phone software to other companies. Its phone software the Android is something that Nokia may want to invest in. Also earlier in the essay we mentioned that Google is spending a significant investment in order to create something that Nokia has already done. The image search software. Since both companies have something each other need, it seems like a match made in heaven. Also with Android in its arsenal Nokia can prove to be a legitimate threat to Apple, the current dominant entity in the market.