

# Nokia challenges in rural marketing in india



**ASSIGN  
BUSTER**

The world is witnessing an unprecedented growth in the number of people who own a mobile handset. According to a September 2009 Economist report, the total number of people who owned a personal mobile handset stood at a whopping 3.6 billion, which is more than half of the world's population. The point that is worth noting here is the fact that the majority of this growth has come from the developing nations. In the year 2000, the developing countries accounted for only one-fourth of the world's 700 million mobile phones. But, by the beginning of 2009, developing nations accounted for more than 75%. Considering the fact that the developed markets are saturated, it is the developing world's rural poor which will fuel the growth in this market in the coming times. [1] Exhibit 1 shows the share in mobile phone subscriptions of the developing nations and that of the developed nations in the last decade. [2]

It is in this context, we consider the case of the Indian mobile handsets market which has seen a sea change in the last decade owing to a number of critical success factors. India is presently the world's fastest growing telecom market in terms of the subscriptions as well as the number of mobile handsets. The mobile subscribers in India are projected to grow at a CAGR of 15% in the next 5 years from 2010 to 2014. [3] This shows the tremendous opportunity that exists in the Indian telecom market for the handset manufacturers.

### Indian Telecom Industry

The Indian telecom Industry is the world's fastest growing telecom Industry in the world with a total of 706.37 million subscribers out of a population of

1180 million. As of Aug' 2010, out of the 706. 37 million, a whopping 670. 60 are mobile phone connections.[4] The Indian mobile telephony market adds more than 20 million subscribers a month on an average and for the first time in the year 2008-09, rural India outpaced urban India in mobile growth rate.

The growth in the Indian telecom sector can be attributed to several factors which include the rising disposable incomes of households, rising aspirations of consumers across the country, the enhanced utility of a mobile phone for people from all walks of life be it business or education or just information. The mobile handsets revolution has changed the lifestyle of consumers by giving them a faster way to reach their near and dear ones, by making their life easier in more ways than one. The growth drivers for mobile handsets can be attributed to the telecom service providers and off late, it is also the mobile phone applications that are fuelling the increasing adoption of mobile phones as they give the consumers a whole range of new services he/she can avail by using a mobile phone.

Mobile phones in India are fast changing into a commodity with the entry of numerous players in the market and similarity of offerings by the existing competition. Exhibit 7 shows the change in consumer decision making that has occurred over the years in the Indian mobile handsets market. It has changed from a High Involvement-Low Experience product to a Low Involvement-High Experience product.

Mobile phones are mainly divided into 4 categories in the handsets industry in India:

Smart Phones: These are essentially the high end phones which have many features and have the internet accessibility capabilities and Wi-Fi technology. This space is mainly dominated by the multinational brands like Nokia, Samsung, Blackberry, and Sony Ericsson. The general price range for such phones varies from Rs. 10, 000 to Rs. 35000 in the marketplace.

DUAL SIM: This is the fastest growing category in the Indian market accounting for more than 35% of the total shipments in the beginning of year 2010. The principle reason so as to why these phones are in such great demand is the fact that consumers want to reap benefits of the attractive offers provided by telecom players. In this regard, Multi-SIM handsets are also being launched and they are fast becoming the next trend in this space. The market for this is mostly dominated by domestic manufacturers like Lava, Karbonn, Micromax, MAXX and Zen Mobiles among other players. It was only in September 2010, Nokia has launched its first ever DUAL SIM handset after it realized the huge demand for such models in the market. The general price range for such mobiles varies from Rs. 2000 to Rs. 5000

Touch Phones: These are the type of handsets which do not have any manual keys and are completely sensor based touchscreen handsets. These are extremely fashion oriented handsets which are in-vogue among the youth and fast catching up with all types of consumers due to their visual appeal and ease of use. The market for such handsets was mainly dominated by the multinationals but now it is cluttered with the entry of Indian players such as Micromax, Spice mobiles and others. The general price range for such mobile phones varies from Rs. 5000 to Rs. 15000.

CDMA: These handsets use a different technology compared to others which are GSM based mobile phones. CDMA handsets are generally cheaper than their GSM counterparts. They are mainly preferred by consumers who have a heavier usage of mobile phone. The general price range of CDMA phones is Rs. 1000 to Rs5000. This market is evenly distributed between Indian players as well as multinationals.

Exhibit number 5 shows the type of handsets that fall into each of this category in the Indian market.

The current tele-density in India stands at 58.17% and this is projected to reach up to 82% by the year 2012. The rural Indian market has a tele-density of 24% as of March 2010 whereas the Urban tele-density has already crossed the 100% mark\* [5]. Considering the fact that around 65% of India's total population lives in rural areas, we can say in other words, that every third person holding a mobile phone is from rural India. Therefore, it offers a huge potential for growth in coming years for the various handset manufacturers. Also, with the upcoming of 3G technology in the Indian market, the sector as a whole is likely to see robust growth in the coming years.

In addition to this, the Indian mobile handsets market is witnessing a sea change in terms of the expectations of the consumers. It is being observed that consumers are demanding phones with multimedia and multi SIM capabilities at very affordable prices, especially in the Tier-3 and rural regions. Indian mobile handset makers are fast making inroads into the Tier-2, Tier-3 and rural markets which offer tremendous growth potential. Multi-

SIM handsets accounted for a whopping 38.5% of the market in the 1st quarter of year 2010.

### Rural India: A huge opportunity in mobile handsets market

The market for mobile phones in rural India remains highly untapped and offers a very high potential. It is this immense opportunity and the inability of the foreign based multinationals in understanding the Indian consumers that has led to the proliferation of numerous local manufacturers who now pose a serious threat to the existing players. According to a research by the Research and Markets, the market for mobile phones in rural India is projected to grow at a CAGR of 17% in the years 2009-2012. [17] It is also being suggested that the availability of low cost long battery phones will primarily drive the growth in these markets.

### The Mobile Handsets Market in India

This unprecedented level of growth in the mobile usage of the Indian population has also led to the birth and proliferation of a number of home grown mobile handset manufacturers. The market for mobile handsets which was once dominated by the likes of Nokia, Sony Ericsson and Motorola are being fast replaced by domestic Indian concerns like Micromax, MAXX, Videocon, Lava, Karbonn, Spice mobiles, Zen Mobiles to name a few.

These domestic players have a strong penetration in the smaller towns and rural hinterlands of the country because they understand the needs of the local people better than the multi-nationals. Some of the innovations from the regional players include a 45 day battery phone, a solar powered cell

phone to cater to the perennial power shortage in rural India. Again, there have been launches of mobiles that are dust resistant, water-proof and high decibel to cater to various needs that are unique to the rural Indian consumers.

According to a research conducted by Voice and Data, the total market share of all the Indian mobile handset manufacturers came to 14%, which is quite a significant number considering the complete dominance of Nokia and other foreign players like Motorola and Sony Ericsson till very recently.

Micromax leads the Indian mobile handset manufacturers with a market share of 4.1% followed by Spice mobiles with 3.9% and Karbonn with a market share of 3% respectively. However, Nokia still continues to be the market leader in the Indian market with a share of 52.2%. [6] Exhibit 3 shows the market shares of various players in the Indian market and a comparison in the years 2008-09 and 2009-10 is being tabulated as shown. [7] The following are the details about various players in the Indian mobile handsets market:

**Nokia:** The Finland based multi-national is the world's largest manufacturer of mobile telephones with a global market share of 30% in the beginning of 2010. Its latest offering is its OVI technology platform which offers a wide range of internet services such as games, music, maps, media and messaging. Nokia made its entry into the Indian market in the year 1995 [11] and there are many firsts to Nokia's credit in the Indian mobile handsets market. It would not be an overstatement to say that Nokia has pioneered the evolution of mobile telephony in the Indian market. For instance, the first

mobile call in India on an Indian network was made on Nokia phone and they were the first to introduce a camera phone as well as the first Wi-Fi enabled phone.

**Samsung:** It is currently the world's second largest mobile phone manufacturer after Nokia. It is a part of Samsung Electronics, based out of South Korea which is the world's largest electronics company. [12] It is one of the major players in the Indian mobile handsets market and is known for its stylish phones as well as utility oriented models. The famous Indian actor Aamir Khan has been the brand ambassador of Samsung Mobiles in India and this has given the brand a good mileage in terms of product acceptance and trust ahead of big players like Nokia. Their anti-theft mobile tracker is one of the most successful features in the market and was highly appreciated by the consumers.

**Micromax:** The Gurgaon based handset manufacturer started its operations in the year 1991 but it has made its presence felt in the last 2-3 years. With a slew of product launches with attractive features and value-proposition, it is now currently the third largest player in the Indian mobile handsets market after Nokia and Samsung. It appealed majorly to the high-potential underserved rural market with its 1 month battery backup model. It has also come up with attractive models at prices as low as 50% to that of a Nokia phone with the same features.

**Motorola:** The American telecommunications giant has lost market share to other players in the Indian market. It also did not feature in the top 5 mobile handset manufacturers in the world in the International Data Corporation



(IDC) research carried out in the beginning of year 2010. [14] Exhibit 4 shows the top mobile phone vendors, their market shares and the shipments of the top 5 mobile handset manufacturers in the world. Motorola had become the second largest player in the Indian market in the year 2007 on the back of its aggressive promotions and innovative product line. It had roped in the Bollywood actor Abhishek Bachhan as the brand ambassador during that time.

Sony Ericsson: Sony followed a similar strategy and launched a series of phones which has very good music features that reflected the Sony Walkman legacy. Actor Hritik Roshan was the brand ambassador for Sony Ericsson in India and during this time, the company had gained considerable market share before its decline started due to the rise of local Indian handset manufacturers.

Blackberry: The parent company RIM continues to be one of the top notch manufacturers of high end business phones in the world and as given in exhibit 3, it is currently the 4th largest handset maker in the world. In India, it targets only the business users and hence uses different communication channels rather than the mass media which is used by other manufacturers.

HTC: This is a Taiwan based manufacturer of smartphones which made smartphones based on Windows software but is now shifting to Google's Android as its operating system. It has a very small presence in the Indian market and it has no intentions to come up with handsets that will be targeted at the Indian rural consumers.

Spice Mobiles: This is a part of Spice Telecom which is majorly owned by the Aditya Birla Group and is currently the 5th largest player in the Indian market. It is being endorsed by the Bollywood actress Priyanka Chopra.

Lava Mobiles: It is one of the recent entrants in the Indian market which has launched a series of handsets which offers the DUAL SIM capability which is very highly demanded especially in the rural areas since many consumers in rural India buy one phone for a group of individuals and it is shared.

Karbons: It is a Joint venture between two players: UTL group and Jaina group. It is being endorsed by the Indian cricketer Virender Sehwag which the company believes is a good move since the mobiles they manufacture are positioned in the same tone as that of the playing style of Sehwag, which is explosive and agile.

MAXX: Endorsed by the Indian cricket team captain M S Dhoni, this is one of the leading brands from the Indian mobile handset manufacturers.

Videocon: This Company which is a conglomerate has diverse interests ranging from telecom to petroleum to power generation. They entered the Indian mobile handsets market in November 2009 [15] The Videocon group has also gained the rights to be the T-shirt sponsors of the famous Indian Premier League (IPL) team, the Mumbai Indians. This has given Videocon mobiles a lot of visibility and created awareness, which is very important considering the fact that it is still a new entrant in the highly competitive mobile handsets market.

The market for handsets in India has evolved drastically over the last one decade with consumers expecting a lot more out of their mobiles rather than just making a call or sending a message. Exhibit 2 shows the various applications in mobile handsets as a percentage of total number of mobile phones shipped in India from the years 2007-2009. [7] It is precisely in this space that most of the recent players in the Indian mobile handsets market have positioned themselves. They offer more features in their handsets at the same price as the market leaders, Nokia being the benchmark of sorts in the Industry.

#### Analysis of commercials of Nokia in the last 5 years

In order to understand the communication strategy of Nokia in the last 5 years, a thorough analysis of all their TV commercials was carried out. This helped to understand their positioning and the type of customers they are primarily targeting. Given below are the series of analysis of their commercials for their various models of handsets.

**Nokia Xpress music 5310 and 5700:** The commercial involves a plot in which there are shown lot of young students (all were apparently from a city background) in a hostel enjoy their music non-stop on the new Xpress music Nokia phones. This commercial also highlights the 18 hours non-stop music capability of this phone from Nokia's stable.

**Nokia 1110i and 1600:** In this commercial, the creative involves a husband coming back to his home in the village and he has his wife and daughter waiting for him. The husband gets stuck on the way as his vehicle gets damaged. Then, a neighbor in the village who has a Nokia phone helps in

<https://assignbuster.com/nokia-challenges-in-rural-marketing-in-india/>

reaching the neighbor's husband through the Nokia phone and thus an emotional connect is being formed for Nokia. It is also nicely captured in the advertisement where in the end, the daughter asks her mother: Kya hum bhi Nokia le lein?

Nokia 3110 Classic: In this advertisement, the plot involves a young boy trying to impress a young girl through his Nokia mobile phone which has an 8Ã- zoom capability and a one touch camera option. This again focuses on the urban segment as the attire and the ambience as shown in the advertisement reflects a city's environs.

Nokia 6300, 5310 and 2630: the commercial is more of an attempt towards corporate advertising where Nokia is being shown as a part of every moment of joy in the lives of people across the country. All the regional festivals are being shown and people have been shown clicking pictures, playing music etc. from their Nokia phones to celebrate their moment of joy. This ad shows no discrimination towards an urban or rural background.

Nokia 7610 and 3600: It is a commercial which reflects the lifestyle, attitudes and aspirations of the modern day young girl. This again is filmed against the backdrop of a city projecting a metropolitan girl. The ad is a lively ad that captures the essence of the modern day lifestyle and the phone tries to reflect the same. This is again a commercial that focuses on the urban way of life and the youth belonging to such places.

Nokia Navigation (Maps): This advertisement shows a character who finds her way all up to the house of her destination through the help of Nokia maps. This commercial emphasizes the utility of Nokia's series of

<https://assignbuster.com/nokia-challenges-in-rural-marketing-in-india/>

applications and tools to attract customers towards them. This is one of Nokia's responses in countering the competition from numerous local Indian players. But, again this is an advertisement focused at the Indian urban population rather than rural where they are presently losing out to more nimble footed players.

Nokia priority dealer: manpasand mobile guaranteed. The commercial shows an individual trying to find a good new mobile for him but has to do all the running to so many places. He is shown to be running after one model to the other but not able to catch hold of the phone that he is actually looking for. In the end, a Nokia priority dealer store is shown where he can find all the models of Nokia phones, thereby reducing his hassles. That is why the tagline in the beginning is apt.

Nokia 1208 and 1209: This advertisement inspires the viewer by showing that all the dreams of an individual like owning a house, a car and taking a flight etc. will come true one day. Again, the ad goes on to show that Nokia is there for the consumer in realizing their dreams in life. These are the two low end phones of Nokia and there is a clear focus towards the aam aadmi of India who dreams of a better life. There is no discrimination of urban and rural in this case also.

Nokia 6270: this advert shows the new Nokia phone which has a memory capacity of 1GB which was unheard of in the Indian mobile handsets market in the year 2006. The commercial shows the precision and perfection with which the phone has been designed. It is being positioned as an exclusive handset which is for those who desire perfection in life. This again has no

clear bias on whether it is targeted at the urban consumers or the rural consumers.

**Nokia (Corporate):** This commercial features the Indian star actor Shahrukh Khan which shows his life as a superstar. The commercial explains how his Nokia phone has been there with him for the last 10 years and now he has a trust for that brand. The ad ends with Shahrukh Khan saying hamara Nokia. This is an advertisement that focuses on corporate branding of Nokia rather than any particular model.

**Nokia E-Series Business Phones:** This commercial initially shows how it is very difficult for a modern day executive to balance and get the best of both his personal as well as professional life. And then the new Nokia E series business phones have been shown as the ideal solution using which the executive is able to merge his personal as well as professional commitments and is content with his wife, kids and work. This advert again has an urban focus in a thorough and distinct manner.

**Nokia OVI Music Unlimited:** this commercial emphasizes on the unlimited music options that are available with the new Nokia OVI music store where one can get and store literally a million songs from the OVI store. The ad has a strong catchy theme and it does not have any bias towards an urban or rural backdrop. But, inevitably this also gives away its urban focus in the latter part of the ad.

**Nokia 1650 and 2626:** This commercial shows the Radio (FM) feature in their handsets and how Radio still has a future in our multimedia world where there are numerous options for entertainment. Songs from all the possible  
<https://assignbuster.com/nokia-challenges-in-rural-marketing-in-india/>

types of genre have been shown playing on the radio through the Nokia handsets. This advertisement is targeted at all the target groups with no clear focus on the youth or the urban-rural distinction in particular.

Nokia 1600: This advertisement is a fast paced creative where it is being shown how colors are a part of the life of an Indian and how colors are integrated into every aspect of our life. Various individuals from different walks of life have been shown in this ad. This ad also reflects the product that is being endorsed here: a phone for the common man of India. It ends with the caption: naya Nokia 1600, har jeb main rang.

Nokia 7710, Experience: this advertisement shows an individual enjoying a music video on a screen that is so wide that it almost feels to him like a theater. The effect of the widescreen has been shown very distinctly in the commercial. This is one of the higher priced phones from the stable of Nokia. There is once again no clear distinction so as to who is the target audience for this product.

Nokia 6300: This advertisement ends with the statement true style never shouts. The advertisement begins with a scene where a shooting for some purpose is going on and the director asks the professionals on the set to continuously remove all the glitz and showy backgrounds. In the end, a simple white background is what suits the need perfectly. Thus, the statement that true style doesn't need any showbiz associated with it. This is an effort to tell the consumers about the simplicity and reliability of Nokia as a brand with respect to all its recent competitors in the Indian market which have focused more on the showbiz.

## Insights from the commercials

From the above advertisements and various corporate promotions carried out by Nokia in the last 5 years (a time during which a lot of new domestic players have entered the Indian mobile handsets market), a clear pattern that emerges is that Nokia has still not focused exclusively on the rural Indian consumers who form a major chunk of the population that uses mobile phones on today's date. There are many commercials which exclusively focus on the modern day youth of urban India and their lifestyles, attitudes and aspirations. But, there are very few advertisements and promotions that show Nokia's willingness to target the rural Indian consumer.

One of the reasons for this may be the fact there are no products that Nokia has exclusively designed that can fulfill multiple needs of the rural consumers other than just phone and messaging. Its only product that found an instant hit with the rural consumers was the 1100 model which had an in-built torch light. But, there were many needs of the rural consumers which could have been fulfilled with the help of mobile phones but Nokia did not come out with such products. It is in this space that almost all the new Indian domestic players have been very successful.

Micromax, the Gurgaon based mobile handset manufacturer is one such case in point. They realized the acute shortage of electricity in the rural hinterlands of India and it was being observed that consumers need a phone the battery of which lasts for longer periods of time than the usual 2 days on an average. They aggressively promoted their new handsets which lasted for a month after being charged once. This was also accompanied by their sales



promotions which offered phones at highly discounted rates and with more features than what a Nokia phone would offer at the same price.

This trend continued and it led to the entry of other domestic players like Lava, Karbonn, Spice among others in the Indian mobiles market. Each of the player offered much more enhanced features than Nokia and at a price which is in many cases as low as 60% to that of a Nokia phone.

Another very common trend that was again captured by the Indian manufacturers as well as some of the cheaper Chinese mobile manufacturers in India was the Dual SIM concept. Increasingly, people felt the need to use the services of two service providers at the same time and buying two phones for this purpose was not feasible for most of them. This was again catered to by these players who launched a slew of Dual SIM mobile phones at prices that were very competitive in comparison to a similar phone with a single SIM capability. One more such feature of the latest offerings from domestic players has been the ability to handle multiple accounts from a single handset. This has been an instant hit with the consumers of Rural India where a group of people now own a mobile phone. This reduces the burden on each particular individual and also at the same time ensures connectivity.

Unfortunately, for Nokia has not paid much attention to these innovations in the initial stages and now it has woken up to reduced market share which has dropped down drastically from 78% five years ago to 52. 2% in the year 2010.[4],[5]

Analysis

<https://assignbuster.com/nokia-challenges-in-rural-marketing-in-india/>

Our analysis was intended to find so as to how the Indian consumer perceives various brands depending upon their communication, their positioning and their overall marketing efforts which include different type of promotional activities. In this regard, a questionnaire was being developed which tried to measure the attitudes and perceptions of consumers in general towards Nokia and other brands of mobile phones that they use.

From the responses thus obtained, a simple arithmetic coding was being done to quantify the responses and thus we obtained average scores on each parameter of importance in a mobile phone. For instance, here we calculated the average score that each brand of mobile phone gets on parameters such as price, battery back-up, sound quality among all other features. The MS excel sheet attached below gives an idea of how the responses were coded and then converted into a perceptual map. For better visibility, the averages were being coded further using simple arithmetic techniques as shown in the sheet as under:

### Perceptual Map Analysis

In order to find out the current day perception of Nokia with respect to its various competitors in the Indian mobile phone market, as mentioned earlier, a questionnaire was being designed. This was circulated among a select group of respondents. It was being ensured that there are users of all the kinds of brands of mobile phones that are popular in the Indian market. It is mandatory that we get at least 6 responses each of the various brands of mobile handsets for them to be reasonably eligible to find a place on the perceptual map and thus be compared with other brands of phones. Exhibit

6 shows the questionnaire that was being circulated among the consumers who owned a mobile handset.

From the perceptual map, it is clear that Nokia is perceived to be more expensive when compared with other domestic players in terms of the features that they offer for a given price point. In order to counter this, Nokia either has to come up with products that are exclusively designed for the rural masses with customized support for them in terms of the local language and certain locally relevant tools.

Also, as we can see that there is no real difference in terms of the local manufacturers of handsets as all of them offer a slew of features at prices which are very low in comparison to the existing multinationals like Nokia and Blackberry. In this regard, Nokia can take a lesson from the stable of Samsung which has adopted an innovative strategy in dealing with the rural Indian market. It has launched a series of products like Samsung Guru, which are specifically targeted at the rural masses and have been very successful with their advertisement campaigns for the same.

#### Nokia's current strategy for the Indian Rural Market

With a population of more than 800 million, rural India offers huge potential and Nokia has realized it. Nokia has already started its rural marketing as well as communication initiatives and have a well chalked out plan for the coming years. Given below are some of the steps that Nokia has already taken in this regard:

It has tied up with 1000 micro-finance institutions across the country which will help in financing the mobile phone purchases of the rural consumers. It has tie up with big players like SKS Micro-finance which has a network of 653 branches across the nation

It has come up with ' showrooms on the wheels' which is its rural marketing vehicle that is a novel approach in this market and is borrowed from the FMCG industry where such activation programs are commonplace.

Nokia has hired certain professionals who go to the villages and rural hinterlands to promote the brand Nokia in innovative ways like sponsoring a regional festival which sees participation from the whole population of the area.

Another initiative is their ' Rural care on the go', which is their servicing vehicle for the rural markets. This is to tell the consumers and other possible buyers the fact that Nokia is with them at their doorstep to account for all of their mobile handset issues.

Nokia Life Tools: These are a series of tools developed for the rural consumers which will help them make their life easier and better in more than one way. For the farmer community of the rural Indian population, Nokia life tools provide information about the type of seeds, best practices and commodity prices. Young students can use the education life tool for career related information and other help related to their academics.

Location based tools are also being developed by Nokia, some of them being exclusively for the rural consumers for their entertainment and convenience.

These are some of the initiatives taken by Nokia till now in order to increase connect with the rural Indian consumers on a pan India basis. But, it is yet to launch products that truly cater to the differentiated needs of the consumers in smaller towns and villages. Also, the same has to be communicated to the consumers through various traditional as well as non-traditional media.

### Suggestions and Recommendations

In its quest to gain a significant position in the rural Indian market, Nokia can take a leaf from the strategy adopted by the domestic mobile handset manufacturers. For instance, Videocon mobiles took cues from customer's feedback of the need to have large speakers and launched a model accordingly. Again, another regional player Zen mobile realized the importance of launching phones with regional language support as many consumers in the hinterlands and small towns are not well versed with English language [16]. Therefore, they came up with models that had compatibility with 18 different Indian languages.

Nokia should also launch certain models which have features that are currently desired by the users and at prices that are comparable to that of the local domestic players. One interesting