The future of nokia case discussion

The Future of Nokia – Case Discussion This case discusses the challenges faced by Nokia in the global handset market as it looks to regain significant market share it has been losing since the new millennium. Once the worldwide leader in the global handset industry, Nokia now must find new ways to reinvent itself and its products. Between 1995 and 1999, sales for Nokia tripled while profits nearly did the same. In 1998 they sold over 40 million phones, making Nokia the number one mobile phone company in the world.

Nokia was successful due to its ability to have large scale production, within its own factories, allowing them to achieve economies of scale and high profit margins. However, in 2000, the market matured and the other major players in the industry (Motorola, Sony Ericsson, Siemens AG, Samsung) have been gaining market share ever since. Due to increased pressures from consumers for each manufacturer to offer the latest in technology and features, an industry trend of outsourcing to low cost manufacturer's and Nokia's reluctance to embrace a ' Clamshell' style phone, Nokia has gone from 35% market share in 2001 to just 28. % in 2004 (Appendix 1). Any decision going forward would have to abide to certain Nokia principles as outlined in their " Nokia Way" program, including speed and flexibility in decision making and expanding mobile communication. With these in mind, Nokia can redefine themselves over the course of the next decade if it chooses its next endeavors wisely. In the short term, Nokia can begin outsourcing to low cost factories in China, allowing Nokia to re-achieve economies of scale.

They can ill afford to fall farther behind their competition with respect to production costs. This will allow lowering prices of their products to meet the “ commodization” of cell phones and allow for increased R&D expenditures. As well, they can also start implementing a Trade Back Program, where customers could take back a used Nokia phone with the battery. Customers receive credit equivalent to their used phone’s value, so that they can buy and activate a new Nokia phone. This would further reduce costs.

Further, Nokia must customize its phones for the developed markets, where they demand new and improved features constantly, and developing markets where reception and availability are key factors. Consumers are attracted by names because they can thus easily relate to the features of the phone. Just by reading the name of the handset, one gets a broad idea of what the phone looks like and what its features are. This is evident from the success of the MotoRazr, MotoSlvr, MotoRizr and MotoKrzr. Nokia can use the Two-Stage International Segmentation in order to segment its global market.

After segmenting countries, they can segment the consumers of each country-cluster based on criteria such as lifestyles and benefits sought. For the longer term, Nokia can start doing research and talking to governments of developing countries for a possible future program where they would sponsor the development of a communications infrastructure that would support wireless technology. Since Nokia is known for its socially responsible programs, it can develop a new program for the developing countries where a percentage of their sales will go to help them build these communication infrastructures.

This will create a very positive image for Nokia, especially since more customers are starting to think in a more socially responsible manner. Appendix * This can be done by establishing an agreement with the cell phone service providers. (can do this by offering service providers a higher reward than other companies, so that this program can be used only for Nokia phones). Customers can earn points each month that can help them upgrade to a new phone for less, purchase prepaid airtime and pay for the first month or two of an Add-on. Customers earn 5% of their eligible service charges in points each month.