

The strengths and weaknesses of nokia



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Chapter 5: Discussion

In order to compare Nokia with its competitors it is very important to first examine the strength and weakness of Nokia and how the strategy of Nokia is build around it. Also, understanding the economical constraints will help in understanding the reasoning behind the strategies that were adopted. To understand the strategy of a company it is important to understand the direction in which company wants to go ahead, how it plans to place itself and how it plans to differentiate itself from other players. It is important to understand the customer needs and customer behavior which in turns will help us understand the extent to which they were met as this will mostly be the reason of customer perception about the company apart from branding. Last and most important the three criteria (mentioned earlier) for evaluating the company's strategy success are important before concluding anything.

5. 1 Strength and weakness of Nokia:

The main strengths of Nokia are:

Product Quality- High product quality is one of major strengths of Nokia which can be considered as the crucial factor in satisfying Indian customers' needs. It produces products with high quality and continuously aspires to improve it further.

Wide range of product- Nokia has a wide variety of products catering to needs of all the classes of Indian people and wide range of prices. Also, setting up the manufacturing units in India has made it possible for them to offer the price range of the mobiles to a quite suitable level for the large middle class population of India.

Brand position and marketing- Nokia is a very popular and trusted brand in India which is due to the aggressive marketing followed by them.

Reliability- Nokia's good quality products are quite reliable and durable as required by majority of Indian population. Moreover services provided by Nokia are better as compared to any other brand. Nokia has maximum number of service centers in India. Add on to that the better resale value of Nokia which is a major factor in India. In one particular example Nokia offered to change its battery for free when they discovered some flaw in old batteries.

Fashionable and innovative products- Nokia brings out new and innovative products. Products are quite fashionable and they appeal to youth which form a major segment of Indian market.

All of these were possible because Nokia planned to set up manufacturing plant, Research and Development centers and Design and Innovation center in India. It has invested a lot in marketing and brand building. Reliability and trust are the two big assets that Nokia has managed to create over a period of time.

However the major weaknesses of Nokia are its inability to follow the trend and slow reaction to the changing and new technologies like 3-D gaming, PC tools, touch screen mobiles etc. This has been time and again exploited by the competitors.

5. 2 Economical considerations:

Though the mobile market was liberalized in 1995 but still very high import tariffs were imposed on the mobile handset. During the initial period of liberalization the import tariffs for mobile handset were as high as 27% and this made the mobile handset very costly for the customers in India. Thus, it forced Nokia to set up the manufacturing units in India (in Chennai). This strategic move was not only advantageous by avoiding the tariffs and but as the cost of production in India were also low, it reduced the overall price of mobile handsets of Nokia. In a long run the manufacturing plant proved to be more beneficial and Nokia even export the mobile handset from India. Thus Nokia was able to offer the mobile handset at a very low cost to customers. The investor policies are also very friendly in India especially for telecom sector. For example hundred percent FDI is allowed and government has set up various special economic zones for telecom sector.

Since last few years, Indian economy has been growing at 7-8% CAGR and which in turns has increased the per capita income. As a result, the disposable income of the Indians has also increased thus making it possible for them to purchase more than one mobile per family. Also, it made it possible for Indians to go for higher end mobiles. The profits generated from this higher end mobile are greater than those of lower end mobiles (in terms of percentages).

Telecom industry has been at the centre of some high FDI and FII. The level of investment which is allowed in this sector has been increased gradually with years. All of this has made the industry very competitive and allowed various other players to enter into the market which have grown over the

past few years and have captured significant portion of the mobile handset market.

5.3 Customer Behavior

Environmental products have huge scope of development in near future. Nokia has been quite environmentally friendly and very careful about not offending the customers. This is one of the reasons they are such a popular brand of mobile phones. The factors that affect the customer behavior and preferences are: cultural, social, personal and psychological factors. In India mobiles are always associated with status and living standard. Even now people in India are judged and categorized for social status on the basis how costly mobile phone they are carrying and one's esteem is now associated with one's mobile. Also, the brand matters and Nokia has managed to create an image that is associated with good quality.

Indian customers are extremely price and value-conscious – Indian mobile consumers are very price conscious and are always in the lookout for the best out of their handsets. Moreover, they value the notion of 'value for money' a lot too. A major factor behind Nokia's success in India despite relatively higher prices is the 'value for money' that Indian customers derive out of its products.

Most of the population in India is under 30 years of age and majority of the mobile users are youth who prefer a phone which is stylish and has a lot of features. There is a paradigm shift in demand of the type of mobile phones. For example, in the early 2000s, different phones were marketed to appeal to the "rugged" user. However, now the "sophisticated" users ask for

trendy and business phones. There is a growing band of smart phone users in urban India who are looking for more business-enhancing applications, such as email and internet connectivity.

Entertainment features have become “ must-have” features even for entry level phone buyers. Also, increased traffic has increased commuter time, which has generated the demand for entertainment on-the-go. Indian rural market – wherein low cost has higher preference than any other feature – has its own demands. For example, Nokia 1100 with torch light to cope with frequent power cuts.

5. 4 Technological edge:

The mobile phones industry is driven by technological innovations. It is innovation, which consumers reward in this sector.

Nokia understood the changing environment and changed accordingly. Nokia effectively adopted the nanotechnology in its phones. In initial stage, it came up with large mobile phones but with time the size of the mobile phones decreased.

With CDMA market gaining popularity in late 90s, Nokia came up with CDMA supported handsets.

In order to cope with the entertainment on-the-go needs, Nokia innovated mobile phones with FM radio and music player. Also, Nokia launched its gaming handset (N-gage) to satisfy the gaming freaks.

Nokia, to meet the market demand of wireless connectivity, came up with infrared, wi-fi and Bluetooth incorporated mobile phones.

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On the way from GSM to GPRS to 3G, Nokia came up with handsets with web browsing and e-mailing facilities.

Almost 70 percent of the population of India belongs to rural India where affordability is an issue. Nokia came up with mobile phones having basic facilities only and thereby reducing the price.

For cities and mature markets where the customers are tech savvy, Nokia came up with E-series phones which have advance functionality to support office works and assist the business class and it offers N-series which offers multimedia features and is more fun than E-series. To target youth Nokia came up with special music edition series. Nokia's touch-screen phones cater to the upcoming tech savvy consumers.

With Dual-Sim generation rising, Nokia will have to make the necessary changes and come up with dual-sim mobile phones.

5. 5 Positioning strategy of Nokia:

Nokia positions its products using following differentiation strategies:-

Product Differentiation: Following strategies were used to differentiate product.

Features- Nokia differentiates its mobiles by not only providing basic features but also latest multimedia features. Other than normal features of mobile many series like N-Series can be used as music player, video capture and user friendly OS. Other features include gaming blue-tooth, touch pads, FM radio, USB port etc.

Design- Nokia mobiles are attractive phones with usually sleek and light weight making them easier to carry. Moreover the mobiles are very durable

Durability and Reliability- Nokia is well known for its durability and reliability. Indian perception is that “ If it is Nokia it got to be good”. Almost all handsets come with warranty of 6 months or one year. The incidence of replacement of batteries by Nokia when some fault was found in them reinforced that Nokia is reliable company and it cared for customers

Ease of Reparability- Nokia spare parts are readily available. Local repair shops and vendors have acquired expertise in repairing Nokia mobiles. More importantly the large number of service centers of Nokia has really increased the reparability of any Nokia mobile

Service Differentiation: Following strategies were used to differentiate Nokia from others on the basis of service provided by the company.

Customer Training- With high levels of customer awareness about mobile usage these days and simple technology being used by Nokia has made it a layman’s accessory. But still Nokia provides customer training at time of purchase and even later, if required

Guaranty/Warranty- Nokia provides one year guaranty on almost all its handsets. Not only repairs, in certain cases Nokia even replace the mobile. No other company provides this full product replacement and this service is only provided by Nokia

After Sales Services- In the service differentiation this is the most important differentiation factor for Nokia. Nokia has set a benchmark in providing

quality after sales services. The problems faced by customers are handled effectively and quickly. Nokia has left its competitors far behind in this aspect

Ordering and Delivery Ease- Nokia mobiles are widely available in all leading and small mobile shops. IN addition to these there are Nokia centers where you can find almost all the models of Nokia. So for ordering is no problem in case of Nokia. As there is direct purchase by the consumer so delivery is not an issue again

Personnel Differentiation: Following strategies were used to differentiate on personnel basis.

Courtesy- Sales executive should be friendly, respectful and considerate. Nokia sales executive are trained to respect the consumer. Certain norms are followed by everyone at the “ Nokia Priority” and “ Nokia Care”. The employees are told Do’s and Don’ts while dealing with the customers

Credibility and Reliability- Reliability refers to consistency and quality of services that is provided. In case of services, Nokia showrooms are very prompt. This increases their credibility and reliability

Responsiveness- Nokia care for its customers is evident from the prompt responsiveness to queries and problems. Nokia calls centers also help a great deal in this regard. They take the initiative to inform the customer as soon as their problem is solved

Competence- It deals with the ability to understand the problems/requirements of customers. For this the employees at Nokia Care

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should have complete knowledge about all the products. So they are given special training to deal with the technical faults

Channel Differentiation

Large number of Distributers- Another major competitive advantage for Nokia is that it has more than 100000 distributors throughout India. This makes the product readily available. Competitors like Samsung are now trying to acquire Nokia's distributors but with very less success

Image Differentiation: Strategies used by Nokia to build a distinctive image among people are:

Atmosphere- The atmosphere aspect refers to the feel of official showroom/office. To exemplify the brilliance of their products not only they have revamped their priority dealer outlets but also set up several “ Nokia Concept Stores”

Media- Nokia uses the media to advertise its products. Nokia advertizes its products through TV, Magazines, and Newspapers etc. Nokia has famous brand ambassadors like Priyanka Chopra to attract the youth which forms a major segment of the mobile market. This way Nokia tries to capture the potential consumers

Events- Not only the ads but Nokia also sponsors major events cricket and bollywood events. By sponsoring these events people become much more aware about the brand

Logo- Nokia has not made many changes to its logo in the past years. It has changed only once from Nokia “ Arrow” logo to Nokia “ Connecting People” logo over the past 13 years

Management – From Indian perspective the management has not much role to play. The company is not up front in Corporate Social Responsibility though the company has associated itself with WWF-India to promote the initiative of “ Save the Tiger”.

5. 6 Secret of Nokia’s success:

The secrets behind an enigmatical Finnish company which got an edge over the Indian giants to gain success as global leader in mobiles communication:

Bold Strategic Intent: While the other competitors debate and suffer agony over the first-mover strategies, Nokia goes for new products and opportunities. Nokia, growing from a small Finnish company with very few amount of resources and no privileges for incumbents moved in a swift and decisive manner so that it can claim for its shares of the markets spread worldwide from infrastructure to the handsets and the applications of software.

Innovation through the Value Chain: Nokia keeps innovation on the top priority with the help of new technology, branding and design and innovation and segmentation. Like P & G (Proctor & Gamble), Nokia has saliently filled its shelves with innovative products so that it can dominate categories. Like the brand Sony, it has used its umbrella branding techniques so that it can sell the new products and services and can create foothold in the new markets. Unlike the other direct rivals (Ericsson, Motorola), the innovation

techniques of Nokia extends from the innovation in technology to the activities of marketing.

Flat Organization: Prior to the expansion done worldwide, Nokia extended the use of IT technology throughout the organization. Bureaucracy and Hierarchies are shunned due to it being a process organization. The senior executives are also rotated from their work tasks to another. Though the organization chart seems having hierarchy but networking and team reigns.

Entrepreneurial Spirit: Nokia always encourages entrepreneurialism to people of all ranks and also have a view to failures as an experience in learning. Rewards, incentives and learning lifelong permeate in the entire organization. Humility is given a lot of importance and taken seriously in Nokia i. e. the technology sector, as the arrogance of today is considered the losers of tomorrow.

Collective Leadership: Nokia has a lot of reliability on its board of executives due to the uniqueness brought by each member.

Global R & D Networks: The R & D effort of Nokia reflects the extended collaboration with some vital institutions throughout the world. Nokia is low on investing in technological development than the rivals, but often believes in exploiting new knowledge efficiently. Through the coalition in technology Nokia has managed itself to internalize the new know-how while it is neutralizing competitive threats.

Cooperation and Competition: Management of government and corporate relations with consideration and diplomacy, Nokia can abstain from costly

anti-trust relations, avoidance of high profile and competition struggles in policies. Instead of having the idea of crushing or buy the new rivals, Nokia follows the strategy of cooperation with clients, partners, suppliers, and even the competitors which are direct.

Customer Focus: The lasting factor of Nokia is the willingness and ability to listen to the customers- a fact which is quite apparent from its structure, strategy and allocation of resources and also in the product and services. Due to the foresight Nokia has, it can easily figure out the pulses going around in the market i. e. predict the demands of the customer without even the customer being aware.

5. 7 Competitor and trend analysis:

With about 10 million new mobile users added every month, India stands out as one of the most lucrative areas for handset markets across the world fighting for market share. While the high-end segment is flooded with brands like Apple's iPhone, HTC and RIM's Blackberry, the illegal imports from China with high end features incorporated compete with the low priced Indian mobiles from Nokia, Samsung etc. The product portfolio of the companies is expanding from providing the basic services of clarity of sound, messaging to developing ultra niche segments providing open source of OS, video-chat. While Reliance expanded the whole rural segments to the mobile market, Nokia remains the numero-uno primarily because of its ability to tap into the requirements of customers and delivering at a price point feasible for an average Indian thus dominating about 50% market share followed at a distance by other players like Samsung and Sony Ericsson. While Samsung is fast catching up on the international front with Nokia, the major new

entrants today are the Chinese mobiles. Another Kaarbon with its value proposition of dual SIM however failed to create ripples in the society with several issues in the display and operations as reported by the customers.

5. 8 Measuring the success of Nokia's strategy:

By most accounts, India is considered as among the fastest-growing markets of the world with respect to mobile phones. The country India has some 170 million subscribers and it contributes 10 million to 15 million more each month. China, in contrast, contributes 7-9 million subscribers, and the U. S. contributes 3-5 million subscribers every month. Recognizing this amount of potential, several other global telecom giants stood out into the affray when the Indian government took the charge of opening the first telecom market to private enterprise of the country in 1994.

Market share of mobile handset manufacturing companies in India in 2003[1]

Nokia took a lead in Indian Mobiles Phone Market ahead Sony Ericsson, Motorola, Samsung and LG by following a strategy that combined focusing on the mobile phone market, establishing crucial partnerships related to distribution, making investments at an early stage in brand-building and manufacturing, and developing product features which are innovative.

Discussing the market share of various mobile handset manufacturers will help us understand the success of strategies of those companies. Often the entry strategies are designed for long run and thus it reflects the results after a long period. Though there are some immediate effects of the strategies but these effects cannot be use to conclude the success of strategy.

Nokia accounted for 62.3% market share in July 2005 for GSM mobiles (when the GSM market capture was around 84 percent and CDMA market share around 16 percent)[2]. The market share break up for other players were: Samsung – 11.3%, Motorola – 9.2%, Sony Ericsson – 4%, LG – 2% and others (which included Alcatel, BenQ, Bird, Siemens, Phillips etc.) – 10.3%. Thus Nokia was clear market leader for 2004-2005 for GSM mobiles. However, the market share for CDMA was dominated by LG with 59.1% followed by Nokia with 17.6%. Thus we can say that Nokia though succeeded in its strategy but was more focused on GSM technology as it has large market share than CDMA.

Thereafter, the market share of Nokia has decreased as the competitors managed to capture it from Nokia and the presence of local players has also increased. In 2009, the market share of Nokia was 54.1%. Within five years of entering in to the Indian markets, Nokia managed to capture more than fifty percent of market share. This helped Nokia to gain higher profitability and thus in turn provided a large sum of money to be re-invested in the company.

Another parameter that is used for measuring the success of Nokia's strategy is the general perception about the brand and various awards given to the company that helps in strengthening the brand. Some of these are[3]:

Nokia was awarded as the most respectable consumer durable company by Business World in 2004, 2006 and 2007.

The company was titled as the most trusted brand in 2006 by Media-Synovate Survey. Thus one can understand how successful Nokia was in entering and establishing itself.

It was also declared as the number one company in the telecomm equipment vendor sector for the years 2004, 2005 and 2006.

Confederation of Indian Industry declared Nokia as the ' Brand of the year' in 2005 in a brand summit.

All this tells that Nokia managed to become the best brand for mobile handset in India. The company was able to build trust among the Indian people and the general perception about the company was positive.

Summing up we can say that Nokia not only achieved its financial goals but also managed to leave positive impact on Indian customers. Thus, Nokia managed to enter successfully in the Indian market.