Nokia india: battery recall logistics essay sample

Countries, India

Abstract

Nokia was one of the largest mobile phone companies in the world. It operated in 120 countries and posted a profit of more than $10 billion in 2007. The biggest market for Nokia was China followed by India. Indian market was growing at a faster rate, and Nokia had a 70% market share in the Indian market. During the early part of 2007, Nokia came to know about a defect in BL-5C batteries. It wanted to replace all the defective batteries at free of cost. Nokia India faced this huge task of replacing the battery with maximum logistics efficiency so that the cost of this process for the company is minimum.

Nokia India had no prior experience with this process. However, the CEO and his team were very vigilant to create an effective recall process. They created a process based on the market feedback they got and improved on the initial problems in quick time to make the logistics process work in an efficient way.

However, due to the lack of prior experience and no plan for the recall process, the established process could not handle the crisis situation in a way it should have. A recall crisis logistics plan in place would have helped Nokia execute the replacement process in a much better way.

Background

Nokia in 2007 was one of the largest manufacturers of mobile devices and telecom equipment. Headquartered in Finland, Nokia had operations almost all across the world. Nokia employed almost 128, 445 people in 120 countries (Malvankar, 2011). It reported whopping revenue of $69 billion for

2007 with an operating profit of more than $10 billion. China was the main manufacturing hub for Nokia, and Singapore was the headquarters for Nokia for the Asia Pacific region. Nokia India was the 2nd largest location for Nokia in terms of volume (Malvankar, 2011). India was one of the fastest growing markets of Nokia. In India, Nokia had a market share of more than 70% (Malvankar, 2011). Unlike many other regions where the mobile phones are locked to service providers, in India mobile manufacturers used to sell their products independently of the service providers. The major competitors for Nokia were Samsung, LG electronics and Motorola. Nokia established a manufacturing facility in Chennai in 2006 (Malvankar, 2011). It also started its R&D centers in Hyderabad, Bangalore and Mumbai. Nokia India had a workforce of almost 5, 000 in 2007. Nokia India had a strong sales and marketing presence across India. It had more than 130, 000 outlets. The company also had more than 500 customer care centers (CCCs) and more than 600 Nokia priority dealers (NPDs) across India (Malvankar, 2011). HCL Infosystem was the system integration technology partner for Nokia, India. It helped Nokia with distribution and reach strategy. Nokia divided its total network into four regions – North, South, East and West. The regional headquarters were located in Delhi, Chennai, Kolkata and Mumbai respectively. The area care managers were responsible for the regional offices and also for CCCs and NPDs in the region. Mobile phone manufacturing was an extremely complex operation as it needed thousands of sub parts to manufacture a mobile phone. Also, there were hundreds of variants of a single mobile model and there were hundreds of packaging variations a well. Logistics was a big challenge in India as there were

problems with infrastructure. Road, airways and ports were inadequate, and there were not many reliable logistics operators. In 2007, Nokia Finland came to know that there was a problem with some batches of the battery model Matsuhito BL-5C (Malvankar, 2011). It decided to replace the batteries at free of cost. There were several Nokia models in India using the Matsuhito BL-5C. The main problem for Nokia India was how to find the customers with defective batteries and then send the replacement battery to them as quickly as possible. This paper will try to discuss how Nokia dealt with the problem and what was the learning from the process.

Role of Logistics Controller in Product Recall

Sudip Dhariwal was the logistics controller of Nokia India when this product replacement happened. As a logistics controller of Nokia, Sudip Dhariwal was responsible for the successful product recall process. The first step in such process is to make a plan to put the recall process in place (Brewer, 2007). Creating a plan of action when product recall happens is the first thing to do. Then communicating the plan to all the concerned parties in the supply chain is also equally important. Everyone in the supply chain should be knowledgeable about what to do in case of a product recall. Once a product recall logistics plan is in place, it is much easier for the logistics manger to execute it effectively when actually it happens. However, it is not the only role of a logistics controller in the recall process. As and when a company makes a decision about a recall of a product or product parts, the logistics manager should try to weigh the impact of the recall. Understanding the scope of the process is very important. How large is the problem? What is the base of customers who might get affected by the recall process? These

are some of the questions to be answered before starting the recall logistics process. It helps in determining the scale of operation required for the logistics for the recall and replacement of parts. It is then decided by the logistics manager as to what central locations will be used to store the replacement parts, when warehouses will be the local warehouses where central warehouse will ship and finally where the damaged parts will be accepted. Once the scope is identified, the communication of the problem becomes a responsibility of the logistics manager (Brewer, 2007). There are generally three types of communication expected from the logistics manager. Firstly, the logistics manager should communicate to the leadership about the scope of the problem and the course of action he is going to take so that he gets full management support during the process. Once that is done, the communication to the internal logistics employees needs to be completed. It is absolutely necessary to communicate to each and every internal employee about what their role will be in the recall logistics process. Finally, logistics manager along with the company primary communication teams should communicate to the customers about the plan of action for the company, and how they are supposed to get their replacement parts.

How Nokia India Handled the Product Recall

Nokia India did not handle the product recall very well. However, they managed to execute the process relatively well given the fact that there was no plan for recall in place in the company. When Nokia came to know about the recall from the headquarters, it decided that it would run the whole recall logistics process from Delhi. It would receive the replacement battery parts

from Japan directly in Delhi warehouse and then would ship them to the customers from Delhi. However, Nokia never considered a few factors when planning for the product recall. Firstly, it never considered that any product recall communications might cause panic to the customers, and often under panic they behave abnormally (Brewer, 2007). Nokia needed to have a robust plan of action to contain the panic situation. Secondly, Nokia initially never realized that most of the Indian customers did not have access to the internet, and so they would not be able to check their battery status via an internet portal. Thirdly, they had no logistics planning for the recall process. Nobody had any clue in the company as to how the recall process should operate in such cases. Finally, there were the lack of logistics partnership between the regional offices and headquarters in Delhi which also created problem in the execution of a logistics plan.

However, there were certain things which Nokia logistics department did execute really well. They came up with quick fixes for almost all the problems within a very short period of time. Firstly, when they faced with the problem that most users did not have access to the internet to check the status of battery, they came up with a mobile solution immediately where users could know the status of their battery simply by doing a sms (Malvankar, 2011). Secondly, after the recall communication when public became panicked, Nokia logistics team quickly started a dedicated toll free 24 hour customer care line only to meet with the queries related to battery recalls (Malvankar, 2011). Thirdly, when Sudip Dhariwal saw that the product replacement requirements were far larger than the actual international shipments of the replacement parts, Nokia quickly collaborated with a

Chennai based factory for the supply of BL-5C batteries, sacrificing the normal production of mobile phones (Malvankar, 2011). Finally, to keep the logistics process efficient along with Blue Dart, it also collaborated with DHL and provided special incentives to deliver products on time to the accurate address.

Conclusion and Recommendation

Nokia logistics team did a great job to manage the product recall given the fact that it had no plan or experience of handling such situations. It showed a great reactive adaptability of the logistics supply chain under stressful circumstances. It also showed that the management was capable of coming up with innovative ideas in such circumstances. However, the major improvement Nokia could do for the future was to create a comprehensive product recall plan for the future. It should have a detailed logistics plan which would address the major components in a product recall and could be implemented within a short notice. The recall logistics plan should cover the control process, the communication process, the scope and the logistics network design. It should also identify the potential failure points in the logistics chain and should have a back-up plan for those scenarios. Leadership is another component which plays a big role in a crisis situation. However, in case of Nokia India, it is not a problem. Leadership has shown great management of the crisis situation under the circumstances.

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