

REASONS BEHIND THE FAILURE OF NOKIA: A CASE STUDY OF TELECOM SECTOR

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Abstract— Nokia is a Finnish multinational communications, information technology and consumer electronics company, founded in 1865. Nokia's headquarters are in Espoo, Finland in the greater Helsinki metropolitan area. In 2017, Nokia employed approximately 102,000 people across over 100 countries, did business in more than 130 countries, and reported annual revenues of around €23 billion. Nokia is a public limited company listed on the Helsinki Stock Exchange and New York Stock Exchange. This case is selected as per following basis: Case is related with Product innovation and brand equity, Opportunity for company to re-enter into market, To understand reasons for failure of a business and To justify that product and brand dies on the same day, but it is not true. Following are the sources of data collection: Articles and review of students and people and Dr. Vivek Bindra's videos. Following are the assumptions of the case study: Nokia will reenter into the market and Sources of Data have right information Following are the limitations of case study: Few sources of data collection, Lack of market related information about case and Lack of financial data Problem of this case study is reasons behind the failure of Nokia to cope up with the current product innovation in the cellular world. Many solutions are given for problem of case study in this report.

KeyWords— Nokia; Product Innovation; Brand Equity; Information Technology; Stock Exchange

1. INTRODUCTION

Nokia is a Finnish multinational communications, information technology and consumer electronics company, founded in 1865. Nokia's headquarters are in Espoo, Finland in the greater Helsinki metropolitan area. In 2017, Nokia employed approximately 102,000 people across over 100 countries, did business in more than 130 countries, and reported annual revenues of around €23 billion. Nokia is a public limited company listed on the Helsinki Stock Exchange and New York Stock Exchange. It is the world's 415th-largest company measured by 2016 revenues according to the Fortune Global 500, and is a component of the Euro Stoxx 50 stock market index.

The company has had various industries in its 152-year history. It was founded as a pulp mill and had long been associated with rubber and cables, but since the 1990s focuses on large-scale telecommunications infrastructures, technology development and licensing. Nokia is a notable major contributor to the mobile telephony industry, having assisted in the development of the GSM, 3G and LTE standards (and currently in 5G), and is best known for having been the largest worldwide vendor of mobile phones and smart phones for a period.

After a partnership with Microsoft and market struggles, its mobile phone business was eventually bought by the former, creating Microsoft Mobile as its successor in 2014. After the sale, Nokia began to focus more extensively on its telecommunications infrastructure business and on the Internet of things, marked by the divestiture of its Here mapping division and the acquisition of Alcatel-Lucent.

The company also entered virtual reality and digital health and is the owner of scientific research organization Bell Labs. The Nokia brand has since returned to the mobile and Smartphone market through a licensing arrangement with HMD Global.

2. JUSTIFICATION OF CASE TITLE

Title of This Case Is Reasons Behind The Failure of Nokia: A Case Study on Nokia

In past time, Nokia is the one of the successful leader in mobile phone market and their products are top on selling and Nokia cover larger market share of mobile phones. When time passes new players enter into the market with new innovations and ideas. That time Nokia become a heavy loaded truck who runs in saturated road where new players enter with new things.

New players over take Nokia with its new mobile phones with new features, Nokia has already very big, so they cannot over take others. Nokia think that no one can beat them. They think wrong and many other reasons which affect on Nokia growth and be them a failure.

This case is selected as per following basis:

- Case is related with Product innovation and brand equity
- There are many opportunity for company to re-enter into cellular market
- To understand reasons for failure of a business
- To justify that product and brand dies on the same day, but it is not true

3. ASSUMPTIONS

- Following are the assumptions of the case study:
- Nokia will reenter into the cellular market
- Sources of Data have right information
- There is long gap between real case and this study

4. PROBLEM STATEMENT OF CASE STUDY

Problem statement:

Problem of this case study is reasons behind the failure of Nokia to cope up with the current product innovation in the cellular world.

Analyzing the case data:

Followings are the various reasons behind the failure of Nokia.

Nokia moved too slowly

Nokia was a pioneer in the smart phone market, literally introducing consumers to the smart phone with its initial Symbian Series 60 devices in 2002. For the next five years, Symbian phones had little trouble maintaining a leadership position in the smart phone pack.

"They didn't make the leap of faith onto Windows Phone until 2011. Now they are suffering from their slow response." – Wayne Lam But in 2007, Apple introduced its iPhone. With its full touch screen and app-based operating system, the iPhone changed the very definition of what a smart phone should be.

Yet Nokia failed to respond to the iPhone and the shifting consumer demand that came with it. As the years passed, the Symbian platform aged, and that age really showed when compared to iOS and, later, Android. Simultaneously, the smart phone market exploded – more and more consumers opted for pocket-sized mini-computers instead of "feature" phones with tedious WAP browsers.

"When Apple came out with the iPhone, it showed the industry how the smart phone could be done right," Wayne Lam, IHS senior analyst, told Wired. "In hindsight, Nokia should have responded to the iPhone more quickly.

Samsung, on the other hand, moved quickly into the smart phone market. Granted, Samsung had the advantage of working from the ground up, whereas Nokia had a relatively successful smart phone platform that it just didn't want to give up. (The same can be said of RIM's Blackberry OS.)

"If you look at Samsung a few years ago, they were nowhere to be found in the smart phone market, whereas Nokia and RIM were leaders in the smart phone market," Alex Spektor, Strategy Analytics analyst, told Wired. "It's a lot more difficult to be nimble and react to the changes in the market if you're already a leading player."

Android paid off (for Samsung) and windows phone hasn't ... Yet (for Nokia)

Not only was Samsung speedy, it also bet on multiple platforms, including Android and Windows Phone – and it even had its own homegrown OS, Bada, just in case none of the others worked out. But in the end, Android paid off. And it paid off handsomely.

"Samsung chose Android at the right time, and it benefited from the maturation of that platform," Spektor said. "Because Samsung has been the dominant player in the Android space, they've been able to ride the coattails of that platform."

Nokia, on the other hand, spent its time focusing on Symbian until the company's recent partnership with Microsoft. But Nokia's flagship Lumia Windows Phones haven't paid off yet, as evidenced by Nokia's Q1 earnings.

"It was a good partnership on paper, but it was too late – over two years after the introduction of the iPhone and Android picked up market steam," Lam said.

Nokia didn't have the panache

The classic Nokia brick phone – and the Snake game on it – brings back a lot of nostalgia. But that's a problem. Consumers, especially in developing markets, associate the Nokia name with a different era of technology. And in today's world, having the newest and shiniest device is what matters.

"Nokia was sort of an older brand; there wasn't a new panache to it. Samsung, as a marketed brand, was perceived as an innovator. Nokia has a legacy baggage – they are the traditional brick, candy bar phone maker," Lam said.

Nokia didn't market itself as an innovator, and frankly, it hasn't been doing much innovating anyway. At least not until it entered the Windows Phone space.

Execution was the key

Where Samsung shines brighter than Nokia, and many other manufacturers, is execution. Samsung mirrored Apple's game plan by dazzling consumers with a high-end flagship line in its Galaxy S Android phones.

"If you look at what Apple's done really well, it's organizing its phones under the iPhone brand. It's a memorable, recognizable brand that consumers wait for," Spektor said. "Samsung has adopted a very similar approach with their flagship phone. Every year, consumers know that a new Galaxy S is coming. It helps to build up anticipation and drive consumer demand."

But Samsung also has a broad portfolio of smart phone devices, several costing less than \$200 without a contract, which appeals to customers who don't want (or can't afford) a high-end phone like the Galaxy S or the iPhone. The company also has the advantage in its hardware manufacturing process.

"Unlike other manufacturers, Samsung has the built-in efficiency of being a vertical company, making their own display, processors, and so on," Lam said.

While Nokia's execution has been shoddy in recent years, it doesn't mean it can't make a comeback with Windows Phone. "Nokia and Microsoft are no weaklings, they do have assets," Lam said. "We believe that there is a good chemistry there with that partnership, and ultimately long-term Windows Phone will be successful."

In the meantime, however, Nokia is going to go through some rough patches (this week's rough patch included).

"They are in this financial bind, cutting a lot of expenditures, and really focusing on trying to reinvent in the company. In the short term Nokia will go through trying times," Lam said.

Complacency/satisfaction

As a market leader for over a decade, Nokia didn't really plan for the future as it seemed a bit complacent with its products. When Apple launched the iPhone in 2007, the first touch phone, Nokia was still priding in its E-series by when the definition of smart phone had undergone a tremendous change. That was least expected from the pioneer in the smart phone market.

The success of iPhone didn't have any significant impact on Nokia, unlike Samsung, which experimented with off-the-shelf technologies and managed a transition to smart phones much faster than expected. And Nokia, which had launched its first smart phones through its Symbian series 60 in 2002, remained a pioneer with no better future prospects. Nokia failed to anticipate, understand or organize itself to deal with the changing times.

Lack of product innovation

While Samsung comes up with new phones almost every year with a slight modification from the previous launch, Nokia's Windows phone which came in 2011 lacked some basic technology essential to drive its sales. Nokia's Lumia series was launched with a bang, but didn't click. Reasons can be its design, which wasn't as attractive as Samsung phones or the iPhone. Today the sale of phones is dependent on how shiny or trendy it looks. Leave aside the looks, Nokia phones didn't have the front camera, which makes it not even 3G enabled. And we are on the threshold of entering the 4G era. So, Nokia's latest phones were featuring ready, but not future ready.

Failure of Symbian os and wrong deal with windows

Nokia launched its Symbian 60 series in year 2002 which initially had a good market response but with the introduction of Apple iOS in 2007 and Android in 2008, the OS race was completely taken over by the two giants. The reasons for collapse of Symbian OS are lack of applications and UI (User Interface). After facing competition from iOS and Android, Nokia continuously tried to improve their Symbian OS but it was mostly following the UI of Android and iOS and was not creating something unique. Secondly, the company failed to look into the need of available applications in gaining market share.

Finally when the tide turned against the company, the company made the biggest mistake to take a leap of faith in Windows in 2011. At that point of time, the company already was in declining condition and trusting Windows which was new in the field to regain its status was the biggest mistake the company made.

Lumia series could have been a hit for the company had they launched on the Android platform. All these phones which the company launched were comparable to other competitor devices but OS was the problem which leads to ultimate collapse of company.

Nokia became laggard in smart phone market

Stiff competition from Samsung and Apple, and lack on focus on innovation was the second big reason of collapse. Even if users could ignore the OS, the hardware features which Nokia was rolling out were quiet late as compared its major competitors Samsung and Apple. Nokia seemed to be lagging in the race. Where Samsung from nowhere entered the race and focused on innovation as its core competence to gain the market share, Nokia was very late to realize this fact. Samsung did everything right to focus solely on product innovation and started competing with Apple in all product lines from smart phones to tablets, but Nokia failed to develop a focused device strategy.

Losing market share on both ends

Nokia not only failed to realize competition from Apple, Samsung, Sony, and Blackberry in high end smart phones, they also failed to notice the stiff competition in the lower segments of phones. Where Nokia was losing charm in high end phones, the competition from Micromax, HTC, Huawei and ZTE squeezed the company's market share in lower segment too. This led to double trouble for the company. The company which used to have epic models like Nokia 1100 suddenly started losing at lower ends too. Very lately company realized this thing and launched their Asha series but by that time they had already lost the game.

Failure to implement the right umbrella branding strategy

Apple was the first phone to use the strategy of umbrella branding using iPhone as an umbrella brand and then building subsequent models each year. Samsung was quick in identifying this concept and they started building their high end phones with Galaxy S series.

Nokia on the other hand used to have used an umbrella brand in the N series and recently the Lumia series, but they failed to create buzz among customers which Apple created. Apple very uniquely launches its new model in September each year and whole year it builds consumer anticipation which drive demand.

But the problem with Nokia's umbrella branding is that they didn't, or couldn't build anticipation in users.

5. PROPOSED SOLUTIONS FOR THE CASE

Company Solutions:

- Adopt Android operating system
- Remove old CEO and appoint new
- Targeting medium range of Smartphone's market i.e. RS. 7000 to 15000
- Reintroduce old models like Nokia3310 with latest features

Following are others possible different solutions / alternatives

360 analysis of market and company

Nokia should analyze current market situation and trend in market; also they make 360 analysis of its own. Nokia analyze all aspect regards current customer need and demand.

Be a fast mover

Nokia firstly remove myopia i.e. threat to change, and be a fast mover in industry by different ways to survive in industry.

Increase product Innovation

Innovation is a key to survive in the market for a Nokia. If Nokia wants to recover it market and position in India, they requires increasing innovation activities. Through new innovation Nokia able to creates its old brand image in customers mind. There are different sources of innovation like customers, suppliers, competitors etc.

Convert feed back into value

One of the important solutions for Nokia is to convert customers feed backs into value, i.e. if customers are not satisfied with anything, listen their problems and try to solve it.

Increase brand promotion

Another solution for Nokia is to increase their brand promotion and reinforce brand in customers mind. Nokia will be making brand building process for promoting their brand in marker.

Hire Skillful marketing peoples

Marketing is a process of identifying real needs and wants of customers. For that Nokia requires hiring innovative and skillful peoples for marketing.

Find out opportunities and convert into action

Opportunities are a way to come back in market with getting it and implement or convert that opportunities in action to meet customers demand and needs.

Recall old brand images on customers mind

With an effective advertising and promotion strategy, Nokia will try to recall old brand images on customers mind. Now a day's peoples also identify Nokia easily because its brand value and image. So Nokia catch that and recall its old brand image.

Build strong distribution chains

Your distributors are the peoples who deliver your product to market. For that Nokia will develop strong distribution chains to meet needs of market.

Implement right umbrella brand strategy

Nokia have different products with its brand name. But they not properly adjust their products in umbrella brand. So Nokia wants to implement right umbrella brand strategy

Retain customer base is main goal of company

Customer is a person who purchases your product. Without customers you don't operate your business in day. Nokia aim to retain customer base for growing in market

Invest capital in right tie-ups

Capital is very important aspect for any business. Without capital no one can operate their business in market. If Nokia wants to come back they must be identify beneficial spots where they gain more return of investment and invest on right tie-ups.

Build a unique business plan and marketing strategy

Business plan and marketing strategy help to implement your plans regard to achieve company goals. Marketing strategy includes marketing mix. For Nokia marketing mix strategy is very important for come back.

Implement right STP (product placement) strategy

STP includes segmentation, targeting and positioning in market. Nokia will be decides which segment is beneficial, what is target market for him and how they positioning their product in market.

Make products as per customers value

Now a day various mobile companies like xieomi, vivo, oppo and other smart phone manufacturers provide unique and different product than others for defeating rivals. If Nokia wants to come back again in Indian market, they must produce mobiles which are unique in feature, attractive design, as per different types of customers like camera lovers or music lovers.

Merger with branded telecomm company

Today market Telecomm Company likes jio, Airtel etc. are beneficial way to come back in market with collaborate or merger with them.

6. MANAGEMENT LESSONS LEARNED

- Main lesson I learn from this case study is to don't threat to changes. There are any difficult situation arise who force you to change, take it and change yourself with change in market.
- Always look for opportunities and catch that and use in beneficial way for you.
- Innovation is very important part of anyone, without any innovation you cannot survive in competitive market.
- It is not good that you have intelligent leaders, but your leaders must have willing to operate your business for company and customer benefits not personal.
- To match up with the latest trend in market and changes yourself according to that.
- If you have a leader of the market it's very important for you that sustain your position and defend yourself with attackers to gathering long time benefits from market.

7. CONCLUSION

That Nokia have an opportunity to re- enter into the market with strong manner. Also they have different ways to solve their problems and issues and come back again with its solutions. Nokia have threat to changes and it is the biggest reason for its failure in market. Also there are others reasons which effect on Nokia failure. There are many solutions and ways given in this case study by researcher which helps Nokia to overcome its problems and issues.

These are top 3 solutions other than company solutions like Increase product Innovation, Recall old brand images on customers mind and Implement right umbrella brand strategy

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