

“A Comparative Evaluation on Marketing Functionality of Nokia and Other Mobile System”

Sridhar P

Lecturer, Mahatma Jyotiba Phule Rohilkhand University, Bareilly, UP

Abstract – *Nokia's market share in the European smartphone market has shown a huge decline in the past couple of years. The problem began with the introduction of the Iphone in 2007, which set a new trend in the market. In order to return to the market leadership position, Nokia entered into partnership with Microsoft. Threatened by the rapid lost of market share to rivals, Nokia created series of Smartphones. Nokia bet on these products to regain its lost market share. However two years after the partnership, the company has not achieved its goal.*

This research looks at the marketing strategy that Nokia has chosen to implement for some of the Nokia devices. The approach seems reasonable due to the fast decline of market share for Nokia and the need of taking quick actions to reverse the situation. The analysis finds some evidence that the present situation of the company may be affected by wrong strategy implementation.

The research begins by understanding the goals of the company in the smartphone market. From this analysis it becomes clear that one of the main objectives for Nokia is to regain its lost market share, and return to the leadership position in the Smartphone market. The company mainly counts on the partnership with Microsoft, and on its Lumia smartphones to achieve this goal. The analysis moves on to exploring the external and internal environment of the company. Nokia has its main strength in its brand and loyal customers, and it has opportunities in creating innovative ecosystem with Microsoft. The company main threat comes from the existing rivals in the industry.

INTRODUCTION

The worldwide market for Mobile Learning products and services reached \$3.2 Billion in 2010. The five-year compound annual growth rate (CAGR) is 22.7% and revenues will reach \$9.1 billion by 2015. The country-by-country dynamics of the worldwide market are changing fast. In the 2010 market, the US was the top Mobile Learning buying country, followed by Japan, South Korea, the UK, China, and Taiwan. By 2015, the top buying countries will be the US, China, India, Japan, Indonesia, and Brazil, respectively.

The countries with the highest growth rates (all over 60%) are China, India, and Indonesia. The countries with the lowest growth rates (all under 5%) are Japan, South Korea, and Taiwan, the three most mature Mobile Learning markets in the world.

It has only become possible to speak about a worldwide Mobile Learning market in the last 18 months. Prior to

2010, Mobile Learning was heavily concentrated in just a handful of countries, mostly in developed economies.

Mobile Learning has spread like wildfire across the planet primarily due to the launch of dozens of successful Mobile Learning value-added service (VAS) products sold directly to consumers by telecom network operators, device makers, and content suppliers. The content is usually delivered via audio, Short Message Service (SMS), or Interactive Voice Response (IVR).

Subscription-based Mobile Learning content sold as a value-added service is quite new on the market and essentially represents a new type of Mobile Learning product – a fusion of packaged content and services. Ambient Insight has labeled this new product type "Mobile Learning VAS".

The operators initially launched their Mobile Learning VAS products in developing economies and are now expanding into the developed economies. Combining the Mobile

Learning VAS products with the "legacy" Mobile Learning market in the developed economies exposes the clear contours of a cohesive worldwide Mobile Learning market.

Asia will be the top buying region throughout the 2010-2015 forecast period. In the 2010 market, the top buying regions were Asia, North America, and Western Europe. By 2015, the top buying regions will be Asia, North America, and Latin America.

The regions with the highest growth are Africa, Latin America, and Eastern Europe, respectively. Each of these three regions represents significant long-term revenue opportunities for Mobile Learning suppliers.

Western Europe and North America have healthy growth rates, although modest compared to the other regions. These are both mature markets and while growth has slowed somewhat, revenues are still high. The growth rate for Asia is unique in that it is a combination of very high growth rates in many countries weighed down by the slower growth rates in the more mature markets such as Japan and South Korea.

The computing landscape has drastically changed over the last five years. Consumers are increasingly seeking connected devices with majority of them being mobile. In fact, due to the aggressive buying habits of the US consumer, the overall computing landscape in terms of quarterly sales has unquestionably tilted towards smartphones and tablets. While Apple wasn't the first one to launch the smartphone, its iPhone completely changed the market dynamics. Google's Android and Samsung have also ridden the tidal wave perfectly. The US market has been ground zero in the battle of the mobile ecosystems, the war of computing platforms, and quarter-over-quarter sales hand-to-hand combat.

During the 2008-2010 timeframe, it was obvious that the gap between the iPhone and rival offerings was tremendous. The user interface, ease of use, and just the quality of product design won consumers over. Microsoft to its own admission completely misread the shifting landscape and paid dearly. Its once dominant share of computing (95%) was cut into less than half in a matter of four years. The disruption from iOS and Android was so intense that Microsoft had to go back to the drawing board. Microsoft wasn't alone in being complacent. Once proud leaders of the mobile smartphone era – Nokia and RIM were in denial for a long time of the changing market. They did end up launching pretty credible offerings in 2012-2013 but were clearly late by half-a-decade. LG who once used to go toe-to-toe with Samsung in all major markets just couldn't keep up with the frantic pace of innovation and product cycles and its weak structural beams gave up

under stress. HTC, once the Android darling of the industry, had several mis-steps and hasn't been able to recover ever since despite launching some great devices.

Given the massive shifts in the computing landscape, it will be instructive to understand "What really drives device market performance?" What factors influence the purchase behavior of the consumer? And can OEMs change their strategy to impact sales? Why have Microsoft and Nokia not been able to make a dent in the trajectory despite having a compelling OS, range of devices, consumer-friendly price-points, better distribution, and increased level of advertising dollars? Will Blackberry be able to recover? Why hasn't HTC One been able to sell in similar numbers as the Galaxy S4 despite being better by most accounts? What will it take for LG to increase share? Can Motorola stay relevant? Can new entrants disrupt the waters? Can ZTE and Huawei come from the bottom and disrupt the top players? Will Apple and Samsung be able to protect their position on the top?

We have tried to address these questions using a framework that looks at the complicated equation of market performance. It is based on subjective assessment but it is informed by data on some of the key variables that impact device sales. The model is applicable to tablet sales as well. It gives us a reference model that can provide an understanding of the shortcomings of certain OEMs relative to others.

The mobile market is far from static, it has changed dramatically over the last ten years and it will change again in the next ten. However, the factors that drive market performance are likely to stay consistent.

In 2007 the launching of the Iphone by Apple Inc created the Smartphone market for the average person, before that the product was targeting only business users. Since then Apple's Iphones and Android phones, which have been offered by Motorola, Samsung, HTC and others have tried hard to compete in this fast growing market and

have succeeded to be the big players in the industry. This environment of fierce competition, has forced the companies to come up with unique technology and creative ideas as well as winning marketing strategies.

Nokia, which has been one of the most popular brands for mobile phones, somehow faded out with the creation of the massive Smartphone market in Europe, as Alison Donnelly (2008) points out the situation is already changed in late 2008. She stresses the fact that not so long ago it was very popular to own Nokia, but at this time the company was losing customers to rivals. The Finnish company had troubles adapting to the market changes, it

did not recognize that the Iphone release in 2007 would create a new era into the mobile world.

Nokia offered smartphones running their own software "Symbian" long before the Iphone release, however the platform was not very successful and Nokia's sales start declining to Apple's Iphone and Android running smartphones. The Symbian operating system did not succeed in creating an ecosystem and did not provide enough application for the customers to use. This is because Symbian developers did not actually understand that the basic functions were not enough in the growing smartphone market, as well as technical problems with the operating system slowed down application developers. With the growing success of Apple's Iphone and their App Store as well as Google's Android ecosystem, Symbian started to loose

popularity. ("Why does Symbian" 2013). Nokia was loosing rapidly its customer base. According to research firm IDC in BBC the company's market share fell from 38% in 2009 to 28% by the end of 2010 ("Nokia at crisis" 2011). Stephen Elop, CEO of Nokia corporation, referred to the Symbian as 'burning platform' in a memo to his staff in the beginning of 2011, and points out that the company is far behind Apple's Iphone, and that Nokia is loosing its leadership position in smartphone volumes to Android running smartphones ("Nokia at crisis" 2011).

THE MARKET CREATION PIONEERS

Ambient Insight analyst have been tracking the Mobile Learning market for over a decade and we have identified three companies that have been instrumental in creating a global Mobile Learning market - Nintendo, Nokia, and Apple.

Generally speaking, Nintendo's influence has impacted the more developed economies, while Nokia has introduced Mobile Learning into developing economies. Apple has managed to create a global Mobile Learning ecosystem for higher education.

Nintendo Pushes the Envelope - Nintendo greatly expanded the buying demographic for edugames by encouraging developers to design games on a range of topics including early childhood learning, language learning, yoga training, music, test prep, cooking, general academic topics, and more recently, art instruction.

Nintendo single-handedly created the international market for a new type of mobile edugame called brain trainers. Nintendo has defined this new category of games as "mental training." Not only are brain trainers a fundamentally new type of edugame, they are also

designed for a demographic not known to play games at all – the older generation.

There are now dozens of suppliers that sell mobile brain training games. The Professor Layton series of brain trainers has sold 10.1 million copies worldwide with 1.7 million sold in the US. Nintendo dominated the mobile brain trainer market in 2010 and will continue to be a strong contender throughout the forecast period.

Schools across the planet have used the Nintendo DS device for educational purposes, but on a relatively small scale. Nintendo is now focusing on the academic segment. In early 2010, Nintendo executives announced that they were launching a Mobile Learning platform called DS Classroom based on the DS device designed for primary and secondary schools. It was first

deployed in Japanese schools in late 2010. It comes with a PC-based content management system (for the teachers), assessment tools, and devices preloaded with learning content.

Nokia Spreads Mobile Learning VAS Across the Globe - Nokia has been promoting and implementing Mobile Learning across the planet since the launch of their Mobiledu product in China in 2007. Nokia has over 20 million subscribers to their Mobiledu product in China, with 1.5 million active users. Mobiledu offers English language learning with content from the BBC, Wall Street English, The British Council, ETS, and most recently, Pearson.

Nokia's Text2Teach platform is now used in over 850 schools in the Philippines. The platform allows teachers to download hundreds of video-based educational material via SMS to their phone preloaded with Nokia's Education Delivery (NED) application. NED "allows teachers to download and easily access educational audios and videos on Math, Science, and English."

Nokia provides a smartphone, a SIM card with pre-paid monthly minutes for one year, a color TV, and three days of teacher training.

Apple Creates a Worldwide Mobile Learning Ecosystem for Education - Launched in 2007, Apple's iTunes U has content from over 1,000 educational institutions from 26 countries across the globe. The content is available in over 123 countries. In September 2011, Apple reported that over 60% of iTunes U traffic comes from outside the US.

Apple reports that they have had over 600 million downloads since the launch of iTunes U in 2007. Half of those downloads were in the last year coinciding with the release of the iPad in 2010.

All public content on iTunes U is free, yet it is a major catalyst for the commercial Mobile Learning industry as it increases awareness and drives adoption worldwide. About half of all iTunes U content providers make their content available to the public. The other half provides private access only to their enrolled students.

What Actually Drives Device Market Functionality?

There is no one factor or statistic that helps explain the device sales patterns completely. In this section we discuss the six major variables that make up the formula for understanding devices market performance.

Market Performance = $f(\text{Brand Equity, Marketing and Promotions, Competition, Channel Efficiency, Product, Supply Chain})$

Each of the six variables has some dependent variables and each of the sub variables has a weight (or importance) that defines the impact of the sub variable / variable over the overall equation. Each of the variables is informed by either the factual data from the field or the subjective assessment of the relative strengths versus its competitors. By taking a deeper look into each of these variables, one can understand why some OEMs are doing better than others, what will it take to move the needle in terms of market and profit share, and can some OEMs even catch-up?

Brand Equity (BE) - This is the loyalty index of any brand that keeps the consumers coming back to it because they feel the affinity to that brand and its products. Historically this has been measured through the dollar value assigned to the brand. Interbrand has been tracking brand value for over a decade which is illustrated in figure 1. Clearly, Apple's brand value has risen manifold since the iPhone came out and it continues to grow. Samsung, the next dominant US OEM is behind by 3x in the brand value. So, Apple has been able to use that loyalty and brand equity to its significant advantage.

Another key factor in this equation is the ability of the brand to sustain and grow the brand value. Nokia's brand value started to decline almost at the same time Apple and Google were seeing the rise. It's worth noting that Microsoft has maintained its brand value over the last decade.

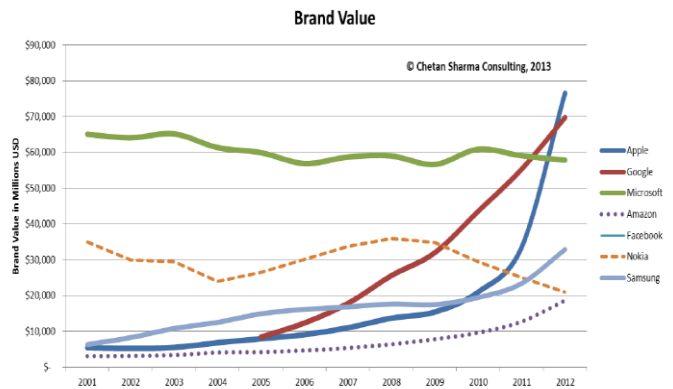


Figure 1. Brand Value growth of major technology companies.

Marketing (M) - Advertising works. That's why it is half a trillion dollar industry. While one can argue, the traditional ways of advertising are a waste and the advertising industry hasn't made progress at the same pace, advertising does work and plays an important role in developing a narrative and story that influences consumer purchase behavior.

There are several components to the advertising variable, chief among them being the amount the OEM is able to spend on their own, the advertising through the operator channel, the relevancy, potency of advertising, and the promotion dollars pushed into the various channels.

Competition (C) - The competition variable looks at the strength of the competitive products that can have a negative influence on device sales. The timing of product launches, the price differentiation, the regional and carrier adjustment for launch all play a role in assessing the probability of device sales for a given OEM. Apple has been able to counter any price point segmentation by making its older model available at low cost. It actually sells more old model phones than new model iPhone. Any new Android model that comes into the market has to compete with iPhones priced from \$0-200.

Product (P) - Product is obviously the most important variable. If one has a bad or inadequate product, no amount of marketing or channel efficiency is going to make up for it. Some of the key sub variables are product portfolio, pricing, the ecosystem, and the subsidy that the OEM is able to garner from the operator to keep the consumer eager to buy a new smartphone. Apple disproportionately benefits from the subsidy model and it has most to lose if subsidies disappear from the US market. However, that is unlikely to happen anytime soon.

Supply Chain (SC) - The control over the industry supply

chain matters a great deal not only for time to market and margin expansion but also to keep the competitive forces at bay. Apple is able to write big billion dollar checks that freezes the supply chain so that the smaller OEMs are not able to procure adequate component supply in time to hit their targets (HTC) or the pricing of the end product ends up too high (Motorola) that the product introduction doesn't have the desired outcome.

NOKIA'S MISSION AND VISION

In order to understand better what Nokia wants to achieve in the smartphone market and how, I will analyze the company's mission and vision statements. This step is important in order to understand the underlying drivers for Nokia's strategy choice in the smartphone market. According to P. Drucker (1973) the mission statement is the starting point for the strategies and plans. He also argues that strategy formulation requires answer to the question "what our business is and what it should be." (Drucker, 1973, p.57), and this answer is to be found in the mission statement.

According to Drucker (1973) a company needs to answer five questions to define its mission statement. A company has to understand, which business they are in and who is the customer and what this customer value, as well as what will the business be and how the business should be. Answering these questions will determine the choice of strategy so that it leads to accomplishing the goals set in the mission statement. I will analyze Nokia's mission and the vision of how it will achieve its goals in the smartphone market in order to understand which are Nokia's customers, and where it wants to stand in the smartphone market.

"Nokia's mission is simple: Connecting People. Our goal is to build great mobile products that enable billions of people worldwide to enjoy more of what life has to offer. Our challenge is to achieve this in an increasingly dynamic and competitive environment." (Nokia, about us)

Nokia's mission seems focused on building its brand worldwide, it looks like Nokia would like to achieve again the credibility and the position as a market leader, which it once had. The company wants to target the mass market and it also understands that the products it has to offer must be "more" than what already exist in the market. The

mission statement is recognizing the competitive environment that Nokia faces now. Nokia is lacking the positioning and the brand identity of its competitors.

MARKET PERFORMANCE SCORE

Determining the market performance of a player in the mobile device space is a complicated equation as it is a multi-dimensional question. There are many factors that help address the question – how is an OEM doing in the market place? Market share, revenue share, profit share, growth across all these variables, competitive landscape, future pipeline, etc. all play a role in getting a pulse of the market. The Market Performance Score attempts at taking all this in consideration with the help of variables discussed above.

Apple clearly is the leader in the US market when it comes to market performance which gives us an indication of the device sales and device profits in the smartphone arena. So, even though Samsung is now the undisputed leader in device sales in the US market selling more than twice what Apple does, in the smartphone space, Apple has been able to keep its distance though the gap is closing overall.

What's more striking is the distance between Apple and Samsung and the rest of the industry. There is no visible number three as has been evident observing the market for the last two years. The chart also illustrates the scale of the problem that these players have. In order to come even closer to the first two, they will need to improve substantially over multiple fronts. Despite having narrowed down the gap in product, the gap in loyalty and advertising is so wide; it is unlikely that they can make up for the difference in the near future. Building Loyalty takes time and advertising takes substantial resources. The existing crop of the tier-2 OEMs lacks both.

INTERNAL ANALYSIS

The company was founded in 1865 in Finland and was named Nokia in 1871 (Nokia, story). President and CEO of Nokia Corporation at the moment is Stephen Elop. He joined Nokia in 2010, after working two years for Microsoft as President of Business Division and member of the senior membership team of Microsoft Corporation (Nokia, leadership team). Nokia serves worldwide demand for its products, which are feature phones and Smartphones. The company offers also services such as maps, navigation and music. Nokia has about 139 000 employees around the world. (Nokia, people and culture).

In order to understand which strategy Nokia has used to achieve its objectives of regaining lost ground in the smartphone market, I will look at the marketing mix of the company. As marketing strategy shapes the marketing mix for the products, the marketing mix will point to the strategic choice of the company. The marketing mix is a synonym for 4ps, which is constructed of the four most

important components of every product's strategy - Product, Price, Promotion and Place. These components hold the opportunities for the company to differentiate.

Product - Nokia's products vary a lot because the company has a number of series of Smartphone such as Nokia Lumia, Nokia Asha, as well as feature phone series. Product design also varies, the company has touch screen products, classic button phones, as well as slide sets. Nokia's products have some great features that vary from product to product. Nokia is known for great quality of its devices, and often offers technologically advanced cameras and great maps for its smartphones.

Price - The prices of the smartphone series vary between 2000DKK and 6500DKK. There is high price variability of the products, so that the prices meet every social class needs.

Promotion - Nokia makes use of advertising on television, newspapers, radio and billboards. There is no information on any current or near past promotional campaigns.

Place - Nokia is getting its products to the market through distributors. It mainly sells its smartphones and feature phones through Mobile operators and retailers, which is common for the industry. The company does not own shops in most of Europe, exception made in UK.

According to the marketing mix analysis for Nokia, the company mainly focuses on product component of the marketing mix. Nokia offers great variety of product at a different price levels. Given the variability in products and series, at this point it is hard to understand the strategic choices of the company. It is even impossible to assess the decisions regarding the new series Nokia Lumia, which are of interest for my analysis.

CONCLUSION

From the trajectory of the mobile industry growth, it is clear that the mobile space is going to stay dynamic and vibrant for the next decade but who stays on the top and who cycles to the bottom will remain a key question every year. By comparing relative strengths of the various OEMs in different geographies/countries, one can understand the market performance in terms of units sold, revenues, and profits earned for the participants. The competitive nature of the industry also indicates what is at stake for the players. By looking at their strengths and weaknesses, players can adjust their strategies to build sustainable competitive advantage. One must understand what really drives devices market performance in a given market, endeavor to work on building unfair competitive advantage, and strive to build great products. However,

without clearly understanding the forces that drive device market performance, there can be no sustainable competitive advantage.

Nokia's mission is to regain its leadership position in the smartphone market. The company sees greatest potential for achieving its objective in the partnership with Microsoft. According to the environment analysis the most serious problem for the company is the threat from existing rivals. Apple Inc and Samsung are the market leaders, companies with innovative products and great marketing strategies. Apple is using differentiation strategy when introducing its products, and Samsung is using segmentation strategy for the majority of its products except for its flagship device.

Nokia has introduced its flagship device at a high price with very innovative technology and has positioned it in the high-end costly Smartphone market. The product is introduced by implementing differentiation strategy. This strategy implementation is correct according to the analysis, as the product is introduced with aggressive marketing mix, targeting the mass market.

REFERENCES

- Dickson, P. R., & Ginter, J. L. (1987). Market Segmentation, Product Differentiation, and Marketing Strategy. *Journal Of Marketing*, 51(2), 1-10.
- El-Ansary, A. (2006). Marketing strategy: Taxonomy and frameworks. *European Business Review*, 18(4), 266-266
- Kotler, P., Keller, K. L., Brady, M., Goodman, M. and Hansen, T. (2009) *Marketing Management*, 1st ed., Pearson Education Limited. Nokia, about us. Retrieved March 10, 2013.
- Samsung Leads European Smartphone Market Ahead of Apple. (2013, February 27). Retrieved March 11, 2013
- Sharp, B., 1991 "Competitive Marketing Strategy: Porter Revisited", *Marketing Intelligence & Planning*, 9(1), 4-10
- Shaw, E. H. (2012) Marketing strategy: From the origin of the concept to the development of a conceptual framework, *Journal of Historical Research in Marketing*, 4(1), 30-55
- Smith, W. R. (1995). Product Differentiation and Market Segmentation As Alternative Marketing Strategies. *Marketing Management*, 4(3), 63-65.

- Stellar growth sees China take 27% of global smart phone shipments, powered by domestic vendors. (2012, August 2). Retrieved February 9, 2013.
- Yarol, J. (2013). Why the iPhone Is Suddenly Winning In The US. Retrieved April 19, 2013