Nokia, the world's biggest handset maker, seems to be in trouble with rivals continuing to erode its market share quarter on quarter. Till as late as the second quarter of 2008, the Finnish giant had nearly 40 per cent market share in the handset segment. That figure has been sliding ever since, falling to below 30 per cent by the end of 2010.

Warned of a grim start to 2011, chief executive Stephen Elop (who took over the reins at Nokia in September 2010) has the tough task of reversing the tide. "We must build, catalyse or join a competitive ecosystem. The industry has changed and now it's time for Nokia to change faster," he stated.

Nokia has overcome other crises in the past. In 1995, a logistics problem had caused the company to stumble. However, it was able to counter that by developing one of the world's most efficient supply chains, capable of churning out over 1.2 million handsets a day. Around 2005, Nokia lost a step to competitors such as Motorola as it failed to anticipate the demand for clamshell handsets. However, it soon bounced back and reclaimed its market share with several new handset launches.

But this time the problems are deeper. According to analysts from Macquarie Research, what is a cause for worry is the rapid loss in market share over the past two years – not just in smartphones but also in standard and low-priced phones.

Nokia has not had a hit smartphone since the launch of the N95 in 2006. Meanwhile, Research In Motion's BlackBerry and more particularly Apple's iPhones have stormed the market. In 2008, Apple's market share in the $300- plus price range was 25 per cent and by 2010 it had escalated to 61 per cent. In a way, Apple has changed market dynamics by redefining smartphones and attracting content developers to a closed but very powerful ecosystem. It has shown that if the device offers a good user experience and is designed well, consumers are willing to pay the high price.

With the growing uptake of the smartphones, software and services have become more significant and require different skills. Development cycles are not counted in quarters and years but in months and weeks. Analysts believe that this is one area where Nokia might have

lagged. Typically, Nokia has excelled in making and distributing hardware. This has trained the company to focus on planning and logistics. Deadlines are often set more than a year in advance and teams developing a new device work in relative isolation. Therefore, the speed to market is slow.

Besides, since 2008, the Android as a platform has attracted application developers, service providers and hardware manufacturers in droves. The Android, which initially came in at the high end, is now gradually winning the mid-range and quickly moving downstream to offer under-Euro 100 phones. In other words, mobiles running Google's Android operating system have been drawing much of the industry's core innovation.

Nokia, on the other hand, is stuck with its Symbian platform. According to company officials, this has proved to be non-competitive in leading markets like North America. In addition, Symbian is becoming an increasingly difficult environment for developing applications to meet the continuously expanding consumer requirements, leading to tardiness in product development and in taking advantage of new hardware platforms.

In the middle- and low-end price range, Nokia has been feeling the heat from rivals like Samsung, LG and Chinese handset makers. These vendors have been muscling their way into the standard market segment and are producing phones at unbelievable prices.

Experts believe that for Nokia to effect a turnaround, it will have to address issues such as delayed product launches, quality concerns and the overall feeling that the company's competitiveness has reduced. Realising this, Nokia has started the process of reversing the sharp slide in its fortunes. It has a tactical plan and has recently announced the company's new strategic direction. This includes changes in leadership and operational structure to accelerate the company's speed of execution in a dynamic competitive environment.

In late February 2011, Nokia's management kicked off a transformation project to address many of its concerns, starting with a simpler internal structure and cutting its smartphone portfolio by half by dropping the weaker models. The company also decided to give Symbian a makeover.

Recently, Nokia entered into a partnership with Microsoft to build a new global mobile ecosystem. The tie-up will allow the two companies to integrate their key assets, and at the

same time create a completely new set of service offerings, while extending established products and services to new markets. The Windows Phone 7 will now serve as Nokia's primary smartphone platform. This decision is aimed at capturing volume and value growth to connect "the next billion" to the internet in developing markets. In turn, Microsoft will finance the marketing, engineering and other costs incurred by Nokia.

By April 1, 2011 Nokia will have a new company structure, which features two distinct business units: smart devices and mobile phones. Each unit will have profit and loss responsibility as well as end-to-end accountability for a full consumer experience, including product development, product management and product marketing. Besides this, Nokia has announced focused investments in next-generation technologies.

In Nokia's favour, the company had anticipated a shift to software and services much before other handset makers. It launched Ovi services in 2007, almost a year before Apple opened its highly successful App Store. Going forward, its agenda is to increase Ovi's appeal to developers by allowing them to integrate Nokia's services into their own applications.

The Ovi stores or Nokia's online stores that help consumers personalise their Nokia devices through a wide range of content and file types including applications, games, videos, podcasts, productivity tools, web and location-based services and more, have found huge favour in India. Recently, Nokia India tied up with Reliance Communications (RCOM) to offer the same service to RCOM users. RCOM is the first service provider to offer integrated operator billing for users in India, giving them access to a host of paid content from the Ovi Store.

While Nokia continues to be a dominant player in the handset market in India as well as in other emerging countries, the competition is becoming thicker from companies like Samsung, LG, Micromax, LAVA and Lemon. To beat this, Nokia has, of late, been delivering handsets customised for the Indian user. It recently launched its "touch and type" models, which have created a big buzz in the market. At less than Rs 8,000, the Nokia X3-02 and C3-01 models have helped to build a concept of affordable "touch when you want, type when you want". With 3G services kicking off in the coming months, Nokia's device segment should get a bigger push.

Nokia also churns out about a million low-end phones a day at prices as low as Euro 20 apiece. The company aims to cement this position by increasing its investments in its manufacturing unit in Chennai. It is looking to set up a similar manufacturing facility in Vietnam this year.

Manufacturing

While Nokia's global handset business has been facing rough weather, its equipment manufacturing business under Nokia Siemens Networks (NSN) has retained its strong position. For 2011, NSN has pegged net sales to grow faster and its operating margin to break even if not exceed.

In mid-2010, NSN acquired most of Motorola's network infrastructure unit for $1.2 billion. This further strengthened NSN's position in the developed markets. The acquisition also marked NSN's entry into the CDMA business.

In India, NSN is the clear leader in the telecom equipment and managed service segments. It partners most of the leading telecom operators in the country including Vodafone, Bharti airtel and Idea Cellular.

Over the last year, with operators readying to roll out 3G services, NSN managed to do brisk business. It emerged as the leading 3G mobile infrastructure and services vendor in India with a market share of 30 per cent. The company has won deals from Aircel, Bharti airtel, Idea Cellular, Tata Teleservices and Vodafone for the deployment of 3G networks in 20 of the country's 22 telecom circles. According to Ashish Chowdhary, head of customer operations, east, and head of the India region at NSN, 3G promises a real transformation for India and NSN has been given the opportunity to build one-third of India's 3G network infrastructure.

In all, for Nokia, a strategic growth plan was crucial. Nokia and NSN expect the overall industry revenue to grow slightly in 2011 as compared to 2010. Growth is expected in areas such as mobile broadband and services, which will offset, to some extent, the decline in other areas in a continued competitive environment. Globally, for Nokia and NSN, 2011 and 2012 are likely to be transition years as the company invests in building the planned ecosystem with Microsoft. In the longer term, Nokia hopes that device and service net sales will grow faster and the operating margin will increase by more than 10 per cent. It also hopes to reduce NSN's annualised operating expenses and production overheads by about Euro 500 million by the end of 2011

About Us We are Hiring Contact Us

Subscribe Privacy Policy Advertise Terms & Conditions

Copyright © 2010, tele.net.in All Rights Reserved