

Nokia needs firm direction

The handset manufacturer must focus its strategy to overcome unanticipated challenges

Nokia retains a massive share of the global mobile phone market, but cracks are beginning to appear in its once-impenetrable leadership. In particular, the electronics brand is struggling to defend its lead in smartphones – the fastest-growing and most profitable part of the mobile phone business.

As Apple drops the price of iPhones and expands services, its share of the smartphone market is growing at Nokia's expense. Meanwhile, Research in Motion has the business segments stitched up with its BlackBerry devices.

After a decade thoroughly trouncing the likes of Sony Ericsson and Motorola, Nokia suddenly finds itself in need of a different game to take on different competitors.

So far, there have not been many good signs. It seems that barely a day goes by without a Finnish executive popping up somewhere around the world and confidently announcing a new strategic direction for Nokia – but each of these strategies seems to contradict and dilute the last.

Chief executive Olli-Pekka Kallasvuo was unequivocal about the company's future at the Nokia World conference in Stuttgart two weeks ago. 'We want to create the biggest delivery platform for services,' he said in his keynote address. 'We consider it critical. There is no turning back, and we will not fail.'

Despite this apparent focus on software, Juha-Pekka Sipponen, the director of Nokia's N-Series Division,

seems intent on maintaining the lead in smartphone hardware. 'It is about becoming the undisputed number-one,' he insisted.

As Sipponen aimed to lead the smartphone category, Tuula Ryttilä-Uotila, Nokia's vice-president of products, was telling an audience in New Delhi about her vision to democratise it. 'We want to take smartphones to a wider audience by bringing down the prices of such phones,' she said. 'The strategy is to be present in all price ranges.'

Meanwhile, back in Europe, Kai Oistamo, vice-president for devices, announced the launch of the Booklet 3G laptop computer, signalling a different direction for the brand. Oistamo boasted of 'redefining the segment', 'bringing unique insight' and 'making the personal computer more social, more helpful and more personal.'

In New York, another Nokia executive was laying out yet another strategic direction with equal gusto. Tero Ojanperä addressed music executives with the proclamation: 'I am claiming now that we will quickly be the world's biggest entertainment media network.'

So what will it be? Software or smartphones? Laptops or entertainment network? Nokia is trying to be all of the above, but in my opinion is unlikely to achieve any of them. While competitors such as BlackBerry and Apple show the power of focus, Nokia wants to be all things to all people, all over the world, all the time. As marketers, we know how that dream usually ends.

Indeed, it may already be ending. Nokia has sold only 500,000 of its latest smartphone, the N97, since its launch in June. In contrast, Apple's 3G iPhone sold 1m units in its first weekend. Meanwhile, there is Ovi, the internet portal that allows users to access the services that Nokia's future hinges on. Since its May launch, it has attracted only 1.7m users and 10m downloads – a fraction of the 200m downloads iTunes achieved in its first three months.

Two-and-a-half years ago, Kallasvuo said he 'welcomed' the launch of the iPhone and concluded that it would not in 'any way necessitate us changing our thinking'. Perhaps he is ready to leave a new message now.

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30 seconds on... Nokia's challenges

- 'There's no silver bullet that is going to kill the iPhone,' says Ben Wood, CCS Insight's director of research. 'Nokia has to put the pieces of the jigsaw together. The next 12 months are make or break, but at least they now have some sturdy foundations to build on.'
- 'We believe smartphones represent one of the most



iPhone
'no silver bullet' will take away share

attractive secular trends in technology, given our projected long-term compound annual growth rate of 18%,' reports Kulbinder Garcha, Analyst at Credit Suisse. 'We conclude that secular share gainers will be Apple, RIM, and possibly Palm. Nokia's smartphone share is likely to decline, given slow progress in software and services.'

- 'It is going to be 2011 before Nokia has the right software to make a competitive product,' says Richard Windsor, a Nomura Securities analyst.
- 'The right high-end product and an increased focus on services and content are vital if Nokia wants to both revamp its brand and please investors,' adds Carolina Milanese, an analyst for Gartner.