

Why NOKIA Failed

A Case Study On Reasons Behind Nokia's Failure In Mobile Phone Market

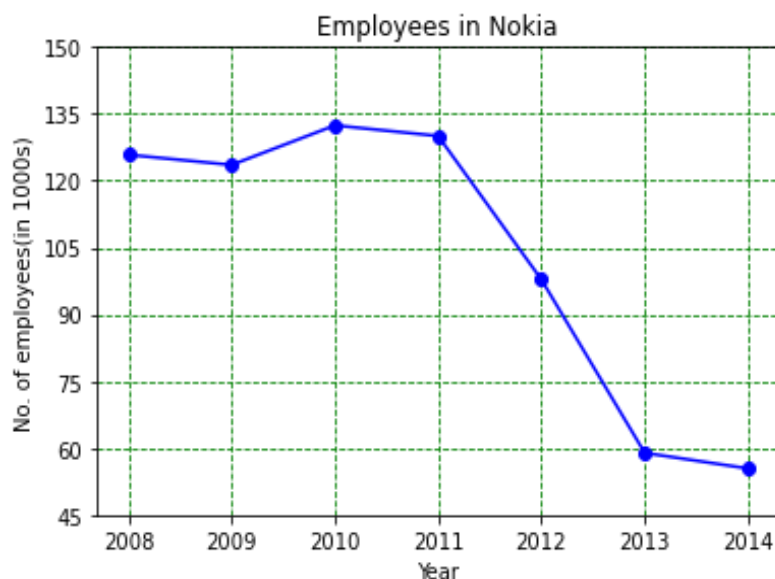
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***Abstract:** This case study analyses Nokia's mobile phone sector. Nokia is a Finnish telecommunication corporation and the first GSM call was made in 1991 with Nokia's technology. By 1998 Nokia was at the top in the mobile phone market and by the end of 2013 Nokia exited the market due the continuous failure of their products. In this document the reasons and other information related to Nokia's failure is discussed in detail.*

Why Nokia Failed

Introduction

Nokia is a multinational telecommunication, information technology and consumer electronics company founded in 1865. In 2020 Nokia employed approximately 92,000 people from 100 countries. The company has operated in various industries over the past 150 years. It was founded as a pulp mill and had long been associated with rubber and cables, but since the 1990s has focused on large-scale telecommunications infrastructure, technology development, and licensing. Nokia made significant contributions to the mobile telephony industry, assisting in the development of the GSM, 3G, and LTE standards.



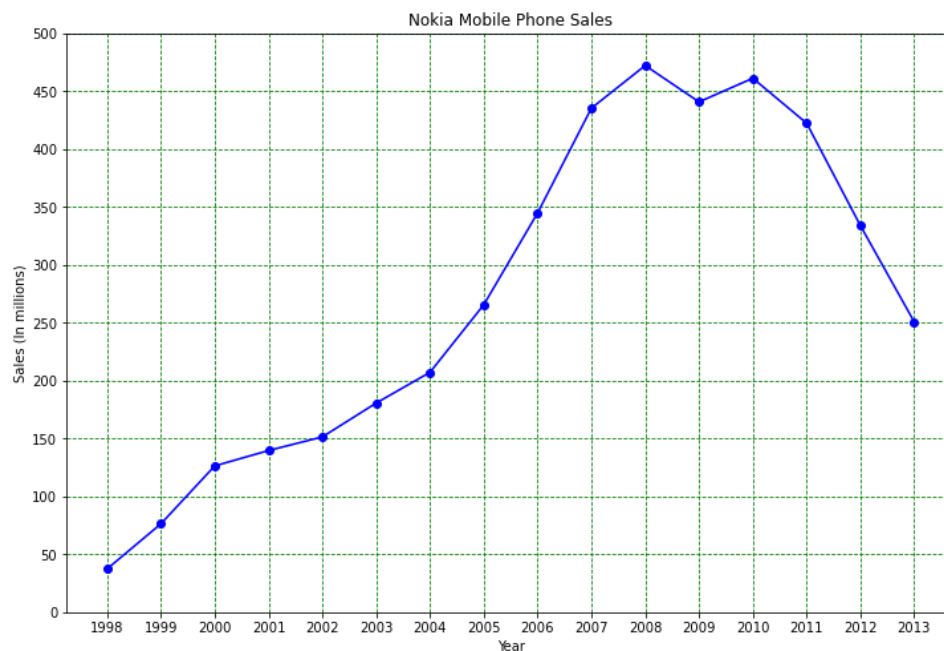
For a decade beginning in 1998, Nokia was the largest worldwide vendor of mobile phones and smartphones. Nokia dominated other companies in the mobile phone market up until for a decade from 1998. But due to poor management Nokia took a sharp drop in the mobile phone market. In order to provide an alternative to iPhone and Android based mobile phones Microsoft took over Nokia's mobile phone business for over 7 billion dollars in 2013 which failed miserably resulting in thousands of job loss.

During the press conference to announce NOKIA being acquired by Microsoft, Nokia CEO ended his speech saying “we didn't do anything wrong, but somehow, we lost”. In this case study a deep analysis is made on “Why Nokia failed”.

World Mobile Market

- **Nokia's Position in the market**

In the mobile phone market Nokia held the number 1 position in the period of 1998 to 2011. They sold the largest number of units in that period. In this time period Nokia widely used the Symbian OS.



Nokia entered the market early and had an advantage over the other player in the market. In the time period till 2007 Nokia had one of the fastest and most favourable mobile phones available in the market. Nokia was also fast to adapt mobile phones with cameras right after Samsung in 2001. Nokia was liked by many people because of its extra features in their phones.

• Other Important Companies

Samsung ,Motorola, Microsoft, Apple, Sony, LG were the most important companies in the mobile phone market right from the beginning of 20th century. But years passed Apple and Samsung increased their sales with a tremendous advancement in their product and in the technology they use. This was the crucial reason why some companies left the market and some barely survived in the market.

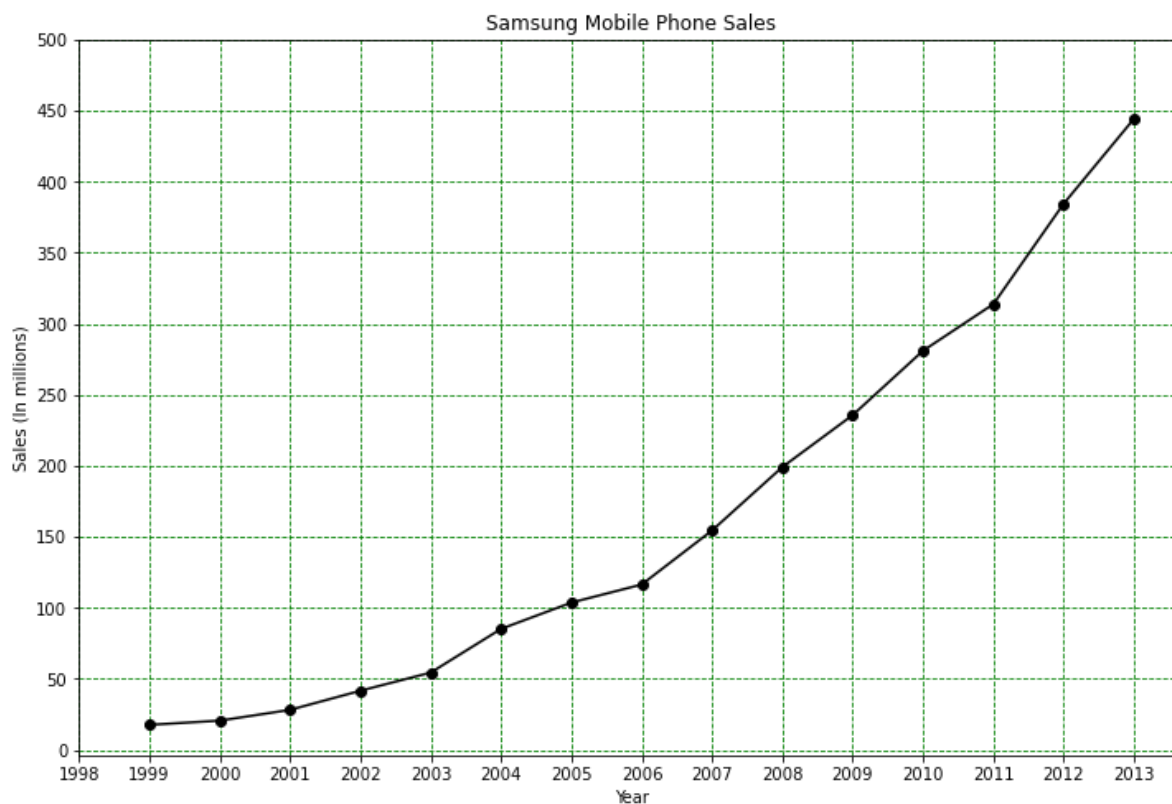
Samsung and Apple are the two most important players in the market and they affected Nokia negatively with their advanced technology. Samsung was one of the strongest competitors for Nokia from 1999 and in 2007 Apple launched its first phone embedded with IOS operating system in it. Apple and Samsung sales were steadily increasing over the time and so they went to the top

❖ Samsung

The Samsung Group is a South Korean multinational manufacturing conglomerate headquartered in Samsung Town, Seoul, South Korea. It comprises numerous affiliated businesses,most of them united under the Samsung brand. Samsung entered the electronics industry in the late 1960s and the construction and shipbuilding industries in the mid-1970s.

In 2000, Samsung opened a development center in Warsaw, Poland. Its work began with set-top-box technology before moving into digital TV and smartphones. The smartphone platform was developed with partners, officially launched with the original Samsung Solstice line of devices and other derivatives in 2008, which was later developed into Samsung Galaxy line of devices including Notes, Edge and other products.In first quarter of 2012, Samsung Electronics became

the world's largest mobile phone maker by unit sales, overtaking Nokia, which had been the market leader since 1998.



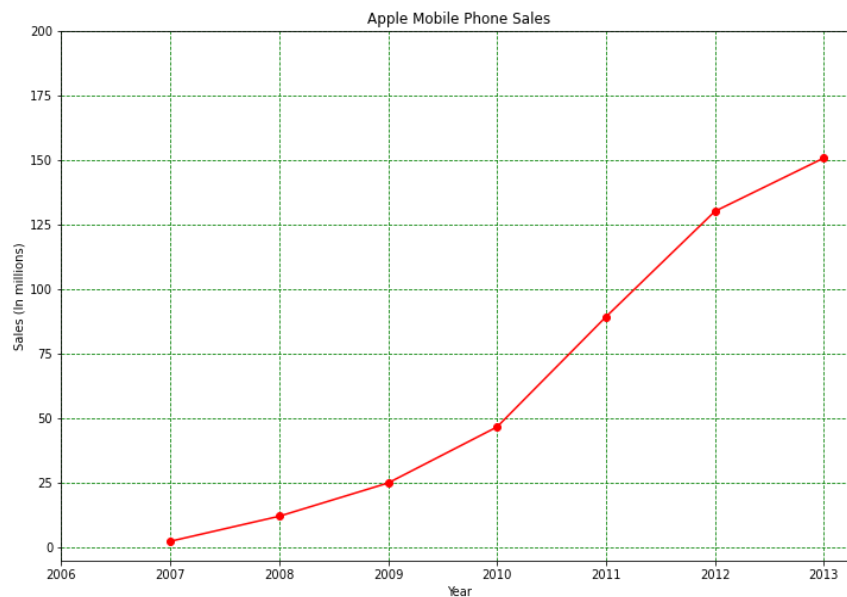
❖ Apple

Apple Inc. is an American multinational technology company that specializes in consumer electronics, computer software, and online services. Apple was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne in 1976 to develop and sell Wozniak's Apple I personal computer. It was incorporated by Jobs and Wozniak as Apple Computer Inc.

In 2007, Jobs announced that Apple Computer, Inc. would thereafter be known as "Apple Inc.", because the company had shifted its emphasis from computers to consumer electronics. In 2007, the company launched the iPhone to critical acclaim and financial success..The company

sold 270,000 iPhone units during the first 30 hours of sales. In July 2008, Apple launched the App Store to sell third-party applications for the iPhone which registered an average of \$1 million as its daily revenue.

By October 2008, Apple was the third-largest mobile handset supplier in the world due to the popularity of the iPhone. With a consistent advancement Apple became one of the important companies in this era.



Reasons for Nokia's collapse

Nokia was the best company in the mobile phone market but being at the top for a long period of time made them to have over confident on their product. In the old era people focused on build quality so that they wouldn't be spending money to buy a new phone frequently and even the features were almost the same in every phone, but in the new era people wanted more featured, more stylish phones.

In the new era Nokia failed because of

- ★ Poor decision making
- ★ Lack of innovation
- ★ Failed to capture people needs
- ★ Lack of investment towards future technology
- ★ Failed analyse the market deep

- **Nokia's Depreciation Period**

Nokia's depreciation period started from 2007 even though their sales were at their peak in 2008. It's because the other players in the market like Apple (since 2007), Samsung, Motorola etc developed their strategy over time and took the help of technology advancement to attract more customers. Nokia's sales began to drop after 2008 and it took a deep fall after 2010. In 2011 Nokia partnered with Microsoft but still there was no improvement. Since Nokia struggled to survive in the market, the decision was made and Nokia was sold to Microsoft in 2013 for 7 billion dollars.

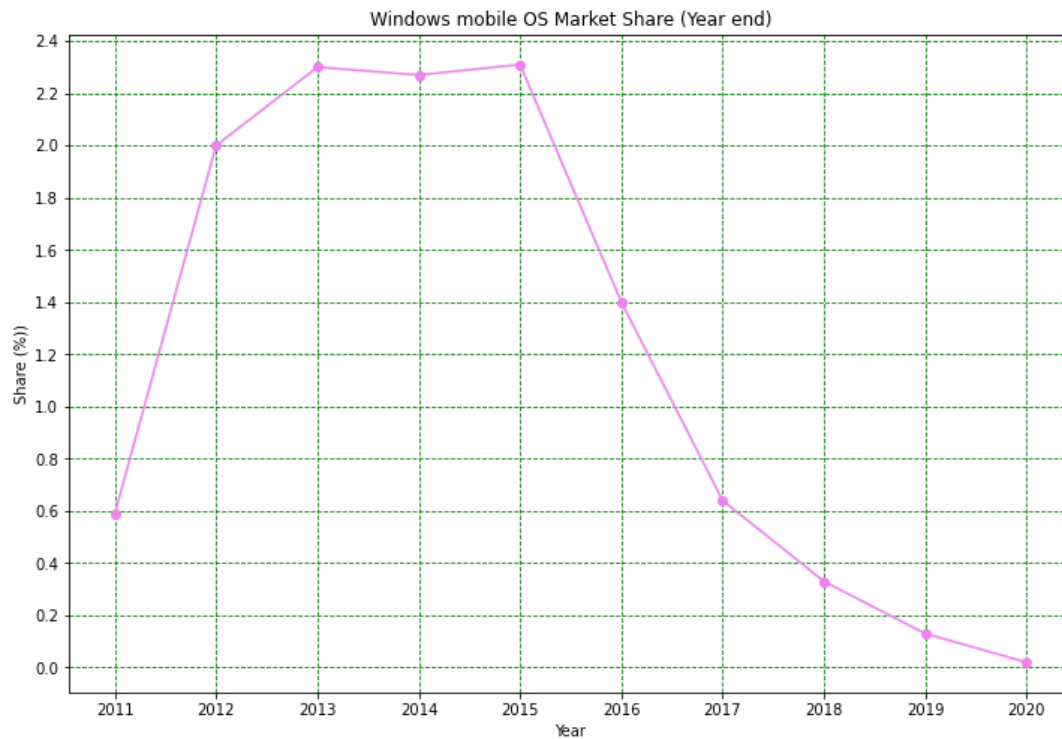
- ❖ **After Microsoft took over Nokia**

After Microsoft took over Nokia's mobile phone sector, Microsoft aimed to implement a windows based phone as a third alternative for the android and apple ecosystem.

- **Main reasons why Microsoft's windows based phones failed**

Microsoft was more focused on Apple, they thought Google was new to the OS market and so they chased after Apple. They underestimate Google's android OS and this turned bad for Microsoft. Google did not allow Microsoft to have access to Maps, Gmail and other services which made Windows based to look cheaper. Moreover, customers didn't have a compelling reason to

switch to Windows phones from Apple or Samsung phones. Development of Windows phones stopped from 2017 and by 2020 Microsoft announced the end of Windows phones.

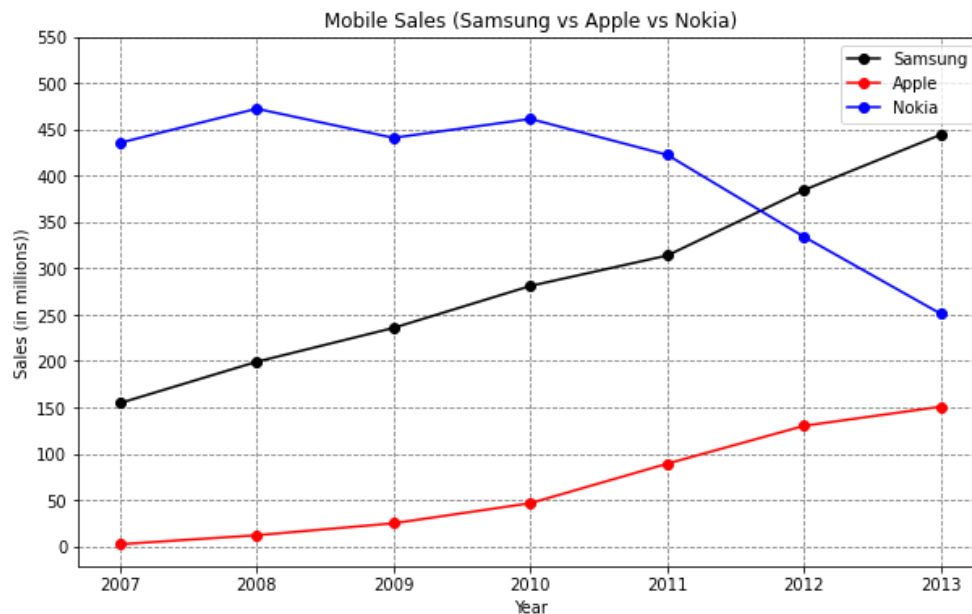


❖ **Nokia failed to see the fast growing competition**

As Nokia was holding the crown for a decade it failed to see what its competitors are upto, If we deeply analyse the sales of Apple, Samsung and Nokia in the period of 2007 - 2013 we can notice what Nokia failed to see

[2007 - 2011] In this period Nokia mostly worked alone without any partnership with Microsoft. This was the period where Apple changed the meaning of Smartphones in the minds of people by introducing Apple iPhones. Even though Apple's sales were not skyrocketing it did increase steadily but surely, on the other hand Samsung was very quick to the change of good old smartphones to high tech smartphones and so they too had a steady increase in their sales. Nokia

in the period of 2007 to 2011 didn't have a steady increase in its mobile sales, it had a staggered sale but it was way higher than Apples or Samsungs sales.



[2011 - 2013] In this period Apple's and Samsung's decision towards the new era of smartphone paid off, their sales started to grow rapidly. Nokia made a partnership with Microsoft to produce Windows based phones but it was not sufficient to compete with Samsung's Android based phones and Apple's IOS based phones and thus Nokia's sales began to decrease.

Nokia failed to see the rapid increase in technology and the peoples change of interest towards Apple and Samsung mobiles. They failed to capture the true reason of why people shifted to Apple or Samsung mobiles.

❖ **People Shifted to Apple/Samsung Phones**

In 2007 Apple introduced the full fledged app based touch phone and it made people see what a true smart phone looked like. As expected in the beginning there were not many sales for Apple iphones, but the features provided in the iphone spread and slowly people started buying

Iphones. Soon after seeing the growth of Apple iPhones Samsung were quick to adapt and they made Android based mobiles which were more flexible, but Nokia stuck with Symbian OS and slowly switched to Windows based phones.

Even in the new smartphone era Nokia phones had their fame for the build quality but they didn't focus much on what is inside the phone. In the new era of smartphones people did not want a phone with restricted features with a WAP browser like the Nokia phones with Symbian OS, they looked forward to having a mini computer in their pocket. The Android / iOS phones allowed users to download applications for various purposes from their inbuilt App store. Because of these features many developers came into play in making new applications and which is one of the reasons for the increase in Android / iOS mobile phone sales. Nokia Symbian OS mobiles didn't have these features and so it restricted the Nokia user to use the phones only for certain tasks meanwhile Android / iOS users had a freedom to use in whatever way they want.

❖ **Nokia Failed Even After Producing New Era Smartphones**

Even in this case Nokia failed because of the features inside the phone. Nokia started to produce Windows based phones which had almost the same features as Android / iOS. By this time Apple and Samsung moved a step further and started giving mobile services like Google map, Gmail, iTunes, etc. Google refused to provide these services to Microsoft, Nokia collaborated on mobile phones which made the Windows phones to look cheaper and thus people didn't want to buy Windows based phones.

Conclusion

Nokia mobile phone company topped the market for a decade but they were slow to adapt to the rapidly growing future technology which made them fail in the mobile phone market. The poor decision making and poor analysis of the market made them a blind eye on their competitors. Nokia lacked innovation in the product which made them a weak competitor after a point of time. People expected phones to be a mini computer rather than a normal mobile phone. People also made money by developing applications for competitors' technology which made Nokia mobiles look cheaper and technologically agile. When they teamed up with Microsoft it was too late and the other competitors were many steps ahead of Nokia. So Nokia sold its Mobile phone division to Microsoft in 2013.

Most of the people in the first decade of 2000 would have owned a Nokia at least once, Even now people love to see the hand shaking opening of Nokia mobiles. The inbuilt snake game is a never dying Legend. Nokia brick phones can never be replaced. It is sad to see a legend go. In 2013 Microsoft bought Nokia mobile company but it failed too. In 2016 Nokia re-entered the market with the help of Nokia executives by signing an agreement with HMD global and so the legacy continues.

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