



Microsoft acquires Nokia

- Motives for M&A
- Timeline
- Nokia's state before partnership
- Salient features of alliance
- Reason behind failure

Motives for M&A



Operational Synergy

realization of economies of scope, scale, reducing totals costs for a multi-product firm by utilizing specific assets from the partner firm

- Microsoft's strong capital and better marketing campaign and a known name in operating system
- Nokia's hardware expertise and renowned product line

Strategic Realignment

is a process that ensures an organization's structure, use of resources (and culture) support its strategy

- Necessity of rapidly shifting technological environment
- Apple and Google's OS were snatching away Microsoft's market share
- Microsoft aimed to use the R&D of Nokia for entering the smartphone market

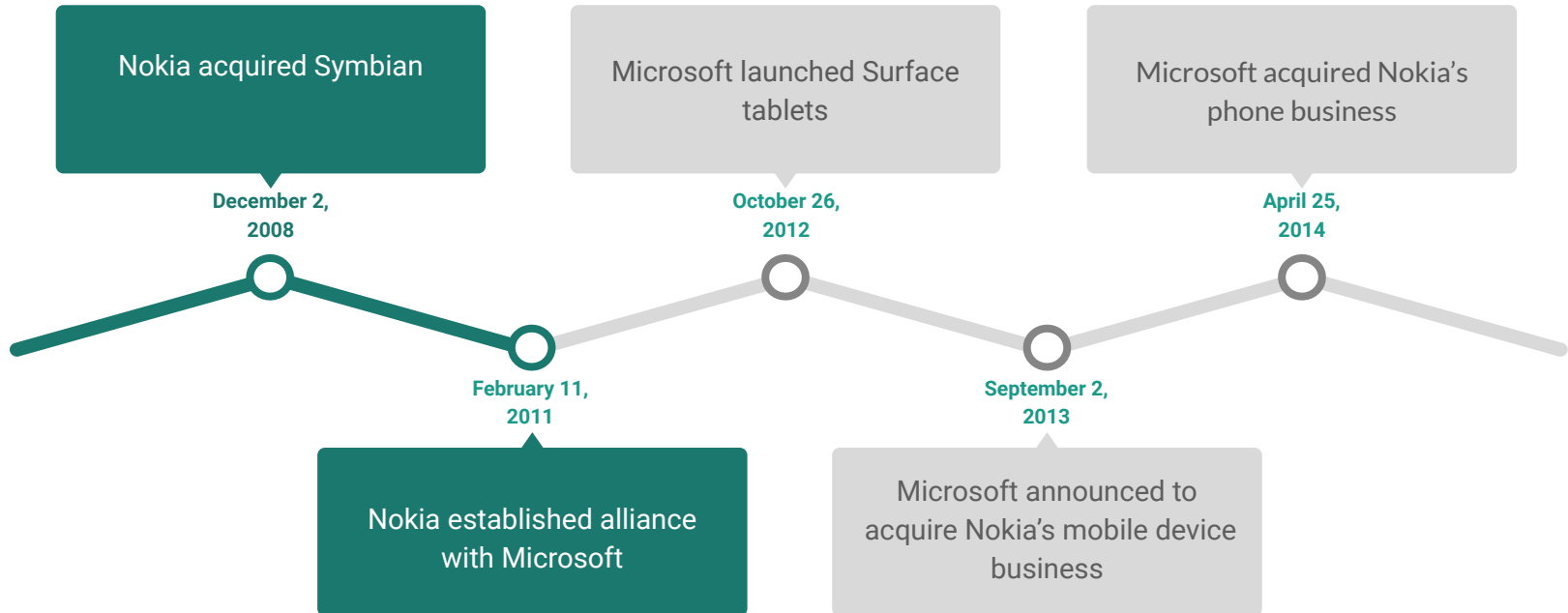
Tax Consideration

Acquirers of firms with accumulated losses and tax credits may use them to offset future profits generated by the combined firms

- As Nokia was based out of Finland, Microsoft aimed at using a large portion of its foreign cash for its acquisition and dodge heavy tax burden



Timeline





Nokia's state before partnership

- Due to competition from Asian rivals for lower-priced phones, the company's market share decreased to 14% at the end of 2013
- In 2008, Nokia acquired Symbian for its OS to compete with Apple's IOS and Google's Android
- Nokia mirrored Google's strategy to offer smartphone manufactures free softwares
 - Problem with this strategy:
 - Inferior quality of Symbian OS as compares to IOS and Android
 - Nokia's success hinged on their ability to persuade manufacturers to use its software

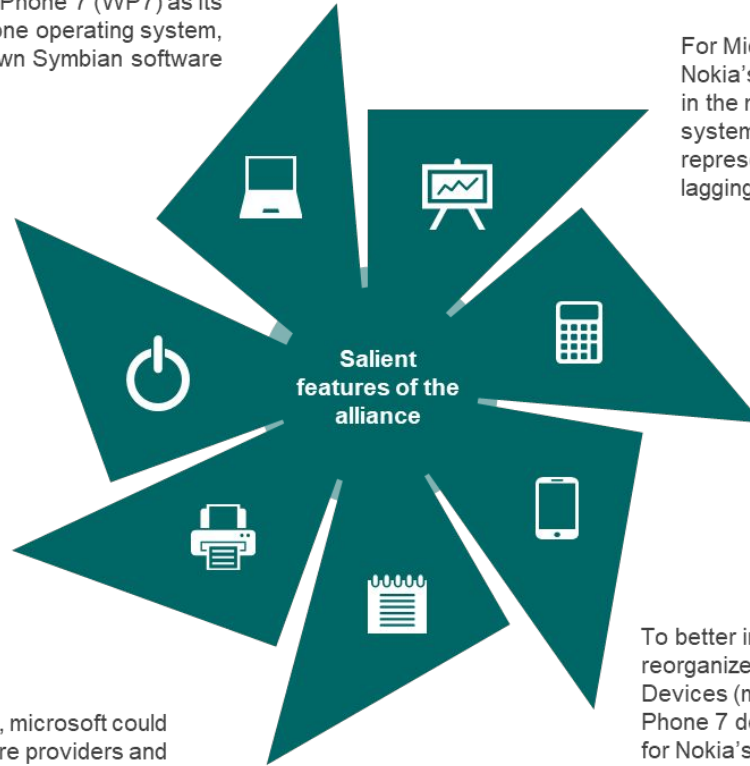
Nokia adopted Windows Phone 7 (WP7) as its principal smartphone operating system, replacing its own Symbian software



Nokia wanted to differentiate its products from the market by providing WP7, anticipating that if customers become frustrated with Android, then WP7 could gain significant share

The two firms also would jointly market their products and integrate their mobile application online stores

The deal was not exclusive, microsoft could partner with other hardware providers and Nokia could continue using Symbian



For Microsoft, the alliance gave it access to Nokia's extensive intellectual property portfolio in the mobile market to strengthen the WP7 system. For Microsoft, the deal also represented a major opportunity to boost lagging sales in the mobile phone market.

Nokia was able to substantially reduce its own research and development and marketing budgets

To better implement the partnership, Nokia reorganized into two business units: Smart Devices (manufacturing the new Windows Phone 7 devices) and Mobile Phones (phones for Nokia's mass market).



Challenges faced and reasons behind the partnership's eventual failure

- Nokia's stock fell by 11% while Microsoft's suffered a dip of 1% at the time of announcement
- Investors feared that Microsoft had partnered with a weak player in smartphone market, and by the time they start bulk producing, Apple and Google would have already advanced their stronghold
- Microsoft was highly unpopular in Europe where Nokia had its biggest market
- Microsoft introduced its own tablet thereby disrupting Nokia's plans at marketing its own tablet device
- Both firms started overlapping with developers, music and app stores making them eventually realize they will be better off operating as a single unit



THANK YOU!

Ayushi Goyal (180182)
Amisha Shahdeo (180078)
Kshitiz Chaurasia (180367)
Shubham Gupta (180749)