

From Rise to Fall: A Study of Nokia's Strategic Partnerships and Market Positioning

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Abstract: In this article, through the rise and fall of Nokia in the mobile phone industry, the strategies and decisions that companies need to pay attention to in different details are analyzed, covering the mid-to-late stage of the mobile phone industry, including major trends, major players and the overall operation of Nokia background. This case study discusses about Nokia's strategic partners, pointing out that Microsoft and Intel failed to cooperate and missed the best time to use Android system. Furthermore, it investigates Nokia's market positioning, initially as a reliable, innovative brand, but later proved that is ineffective in the face of changing consumer expectations and technology evolution. The final part of this article is some suggestions from this experience. Suggestions for Nokia's resurgence include streamlining product portfolio, revisiting market positioning, enhancing supply chain flexibility, optimizing cost structure, embracing technological advancements, and enhancing marketing and branding efforts. This comprehensive review provides valuable insights into the mobile phone industry and the strategic decisions influencing a company's trajectory.

Keywords: mobile phone industry, entrepreneur strategy, marketing, decision making

1. Introduction

1.1. Introduction of Case

Nokia's peak in the mobile phone industry came in the late 1990s and early 2000s, a period during which it was the world's largest vendor of mobile phones. From its roots in Finland, Nokia became a global powerhouse in the mobile phone industry. It established itself as a technology leader with a reputation for innovation, quality, and user-friendly design. The company was known for products that were durable, reliable, and easy to use, appealing to a broad consumer base across the world.

During early 2000s to 2010s, Nokia once held an astounding 40% of the global market share for mobile phones. Its phones were sold in over 150 countries, and its brand was recognized and respected worldwide. Nokia was not just a dominant player but was synonymous with mobile phones for many consumers. Moreover, Nokia had a strong financial performance, with revenues and profits growing steadily. Its success in the mobile phone market also helped to drive the growth of the broader telecommunications industry.

In the mentioning period, Nokia had an unparalleled market position in the mobile communication equipment market, sustaining Nokia to new heights in history and brought huge business profits to it. Through the brand effect obtained, it has gained many loyal customers and brought confidence to the development of enterprises. However, just a few years later, in September 2013, Microsoft announced the formal acquisition of Nokia's mobile phone business. Three years later, Nokia announced the sale of the Nokia feature phone business to HMD and Foxconn subsidiaries, which also announced the official end of Nokia's "mobile phone dynasty". A century and a half, from a small wood pulp factory to the leading throne of the mobile communication equipment industry, Nokia yet finally was acquired by the fate of this legendary history in a few years.

1.2. Purpose of Study

Understanding the causes of Nokia's rise and fall in the mobile phone industry is surly crucial. First, it provides valuable insights into the dynamics of the technology market, especially regarding the importance of continuous innovation and adaptability in an industry characterized by rapid change. The agility of correspondence to changing environment has been proved important [1]. Second, it underscores the relevance of strategic decision-making at the management level, highlighting how choices about product development, partnerships, and operating systems can profoundly impact a company's trajectory [2]. Lastly, by examining the interplay between Nokia's products and those of competitors, as well as the shifts in market share, we can better comprehend how competition and consumer preferences shape industry landscapes. These questions are not only crucial for understanding Nokia's story, but also offer broader lessons applicable to any company operating in a fast-paced, competitive, and technology-driven market.

Many scholars have looked into the case including Vijay Joshi, who focused on the major components in the industry [3]. In this essay, through similar angle, several questions are under discussion. Macroscopically speaking, two major topics will be discussed including the cooperation with its strategic partner and the brand strategy and market positioning of Nokia. To be more precise, the essay looks deeper inside the failure of the partnership with Microsoft and the outcome of Nokia's brand strategy and market positioning which will also include the advantages and disadvantages of Nokia's supply chain.

2. Case Describe

2.1. Context: The Mobile Phone Industry in the Mid to Late 2000s

2.1.1. Overview of the State of the Mobile Phone Industry during This Time

The mobile phone industry experienced significant transformation and growth during the late 1990s and early 2000s. This was a period of technological advancement, with rapid innovation and increasing consumer adoption of mobile technology. There was a shift from 1G to 2G and then to 3G networks, which allowed for better voice quality and the introduction of data services like text messaging and basic internet browsing [4]. Mobile phones also became more compact and offered more features, such as cameras, MP3 players, and color screens.

At the same time, the structure of the industry and the economic environment also changed a lot. The mobile phone industry was characterized by higher levels of competition and more significant economies of scale. Companies needed to invest heavily in research and development to stay competitive, and those that could achieve larger scale could reduce costs and offer more competitive prices.

2.1.2.Key Trends of the Mobile Phone Industry

During the period of 1990s to 2000s, the globe witnessed a growth of mobile usage. Mobile phones, once considered a luxury item, started becoming a necessity. With falling prices and more user-friendly designs, mobile phones became accessible to a larger part of the population. Mobile phone penetration rates increased dramatically in many parts of the world, driving the growth of the industry.

There was also a shift in consumer expectations. As mobile phones became more popular, consumers started to expect more on the functions a phone can provide [5]. People were not just using their phones for calling and texting, but also for other activities like taking pictures, listening to music, and browsing the internet.

2.1.3.Major Players in the Industry

Motorola, Ericsson, and Nokia included, were among the dominant players before the 2010s. These companies had a strong global presence and were known for their innovation and quality products. Meanwhile, new players like Samsung and Apple were making significant inroads. Apple, for example, with the launch of its revolutionary iPhone in 2007, transformed the industry by introducing a touch-based smartphone with a user-friendly interface and a thriving app ecosystem.

During the 2010s, Apple continued to dominate the smartphone industry with its yearly iterations of the iPhone. Also, Samsung became the largest smartphone manufacturer globally by volume. As time went by, the Chinese multinational Huawei emerged as a significant player, becoming the second-largest smartphone maker in the world by the late 2010s. These companies, along with others like LG, Oppo, and Vivo, shaped the mobile phone industry in the 2010s, each contributing to the market with their unique strategies and product offerings.

2.2. Company Background

2.2.1.History of Nokia

Nokia, founded in 1865, is a multinational company based in Espoo, Finland, specializing in the production of mobile communications equipment. In 1960, Nokia officially established its electronics division, laying the foundation for its future entry into the mobile communications equipment industry. In 1982, Nokia produced the first mobile phone in Nordic mobile telephone network, allowing Nokia to officially enter the telecommunications era.

After the turn of the millennium, Nokia consolidated its dominance in the mobile phone industry, after which it witnessed a shift in the industry. Around 2010s, let along the rapid growth of major players, Nokia stucked with the Symbian operating system and later in 2014, it was acquired by Microsoft [6].

Nokia made its return to the mobile phone market in 2016 through a licensing arrangement with HMD Global, a company made up largely of former Nokia employees. HMD Global continues to release Nokia-branded phones till today, being the known Nokia today.

2.2.2.Nokia's Rise to Dominance in the Mobile Phone Industry

Its share of the Finnish telecom market was getting bigger and bigger, and it was starting to expand into the world market, at the time when Nokia was getting closer and closer to the Nokia that we ordinary people remember. In the mid-1990s, the Nokia Group abandoned all its subsidiary businesses except telecommunications services, retaining only Nokia's electronics division, which eventually became the mobile phone giant we know as Nokia.

2.2.3. Key Strategies and Decisions Before Nokia's Peak

The first vital decision can be witnessed in 1902, when Nokia's telecommunications division was established, after which Nokia expanded its business into the telecommunications industry. In 1995, one of the most significant strategies of Nokia was implemented, being the sale of traditional industries and the retention of the electronics department. Such strategy saved Nokia, which was facing bankruptcy due to its involvement in too many industries. Till 2000, Nokia aggressively pursued opportunities in emerging markets, where mobile phone adoption was just beginning. This helped the company build a global brand and increase its market share.

In the 2000s, Nokia continued its leadership in the mobile phone industry by using Symbian Operating System and offering a wide range of mobile phone models catering to different consumer segments. Nokia also focused on R&D, which led to some innovative products like the Nokia N95. Though Nokia fell off in 2014 with the sold to Microsoft, it came back through a licensing arrangement with HMD Global.

3. The Impact of Nokia's Strategic Partners

3.1. The Failure of Collaborations with Microsoft

In February 2011, Nokia and Microsoft entered a strategic partnership, with Nokia adopting Windows Phone as its primary platform on future smartphones, replacing the system used before, Symbian and MeeGo. The partnership was planned to compete against smartphone competitors like Apple's iOS and Google's Android platforms. The partnership is to aim at generating better experience of consumer, which announced by Microsoft and Nokia on February 11, 2011. But now it seems like a joke. In general, the Nokia phones given up Symbian system, replaced by Windows mobile system, and Microsoft provide system support to Nokia to develop the software ecosystem.

One reason of the low market share in smartphone market of Nokia windows phone is Microsoft underestimated Google and the value of services like Gmail, Youtube, search, and Maps on mobile [7]. Since google stop provide these services in 2012, the windows phone lost a crucial part of its software ecosystem. At the same time, the counterparts, Android and IOS still have these services. These services are necessary for consumers. So, the market share of Nokia windows phone is declining as time goes by because of its limited software ecosystem.

Another questionable decision-making was old windows phone did not support new windows phone system 8 [8]. Microsoft made a mistake by treating the mobile operating system market and the desktop operating system market as the same thing. They only sold the rights to OEM partners to use the first generation of the Windows Phone system and subsequently refused to allow existing users to update to the new system [9]. It is not lead to a fatal consequence in desktop market. Because system on desktops mainly act as a platform of third-party software, but in smartphone markets, system not only act as a platform of softwares, it also contains design of the user interface and the new features will take lots of convenience to the users. As windows have the highest market share in laptop, so only support one generation for one computer model was not cause a big disappointed for desktop users [10]. But will cause a huge user churn in smartphone market because the new systems of Android and iOS are compatible with considerably older devices, which means old users can still try new features on new system. The brand loyalty of Nokia and Microsoft will highly decrease.

Thus, refusing to let old mobile phone users experience the loss of users caused by new systems and functions.

3.2. Why Nokia Did Not Cooperate with Google and Its Android

All in all, during market demand transition period, Nokia had an inflated perception of their market standing and capabilities. They learnt that the future trend is towards the convergence of software and hardware, from Apple. So, Nokia's decision to avoid Android was driven by their desire for end-to-end control over their products in all areas, which means Nokia have a complete control in every step of their product production. CEO of Nokia-Elop discussed with AT&T CEO Ralph de la Vega about this statement [11]. They said that Nokia is different from Samsung or Apple, they are a third alternative for consumers and developers. They aim to underscore their role as a third-party provider, accentuating their distinctiveness and increase competitive edge [11].

4. Nokia's Brand Strategy and Market Positioning

4.1. The Excessive Expansion of Nokia on Product Diversity

The overmuch variety of product will result in a shortage of resources, especially in development department, and increase cost in supply chain. Apart from lack of resources, the excessive variety of products also led to a certain degree of brand confusion to consumer. Consumers are more difficult to distinguish between Nokia products and their benefits. It is true that more products will give consumers more choice, but too many choices will make consumers confuse and more difficult to choose the suitable one. Before 2015, they have published about 7 series of smartphones. Its counterparts, Apple, for example, only have one series. And Samsung only have four series and focus more on their galaxy S series-their flagship smartphone.

In the short run, the decision of Nokia to have an excessive variety of products will let more consumers to choose a suitable Nokia phone. But in the long run, it caused operational inefficiencies and brand dilution.

4.2. Market Positioning of Nokia Brand

Nokia emerged as a global leader in the mobile market in the early days of the mobile and smartphone era. The company also played a key role in the development of GSM since the late 1980s. Nokia positioned itself as a reliable brand for everyone, offering a huge variety of phones designed to meet different demand from consumers.

But after mid of 2000s, the mobile phone market has a significant transformant. The leader of smartphones becomes Apple and Samsung. Nokia noticed but, because of its brand position as before, their wrong decisions evolving consumer expectations.

All in all, Nokia was positioned as a trustworthy, innovative, and user-friendly mobile phone brand that catered to a diverse range of consumers. But as the mobile phone industry evolved towards smartphones and more concern in app ecosystems, this positioning later proved to be less effective to save Nokia or even accelerate the going downhill.

4.3. Nokia's Emphasis on Supply Chain

Nokia was known for its strong relationship between its suppliers, in order to provide a reliable stream of quality components for their devices. Its main suppliers are Texas Instruments, STMicroelectronics, Intel, Qualcomm, Broadcom and Foxconn.

Because Nokia consider the supply chain as crucial, there did not have any record that Nokia have a long time that is out of stock. There is a record that on March 17, 2000, a storm led to a major fire at a Philips chip factory located in New Mexico, USA. As 40% of the chips produced by the factory were ordered by Nokia and Ericsson, this fire was bound to have a huge impact on Nokia. They

immediately sent people to the Philips chip factory, where through consultations, discussions, and coordination, they urged Philips to do everything possible to maximize the company's potential and organize production, providing a guarantee for the production of Nokia's chips. Thus, the accident did not lead to a widespread shortage of products in the market [13].

5. Suggestion

Based on the analysis of Nokia's challenges in product variety, market positioning, and supply chain management, here are some recommendations for the company.

5.1. Streamline Product Portfolio

Nokia should focus on a narrower range of products to reduce operational inefficiencies and brand dilution. Instead of offering excessive variety, the company should concentrate on developing a few flagship smartphones that cater to different market segments. This will help consumers better understand the brand and its benefits, making it easier for them to make purchasing decisions.

5.2. Revisit Market Positioning

Nokia needs to redefine its market positioning in the smartphone industry. While the company was once known for its reliability and user-friendly phones, it needs to adapt to the changing market landscape. Nokia should emphasize its technological innovation, design aesthetics, and unique features to differentiate itself from competitors like Apple and Samsung. By repositioning itself as a brand that offers a distinct value proposition, Nokia can regain consumer interest and loyalty.

5.3. Enhance Supply Chain Flexibility

Nokia should invest in building a more flexible and agile supply chain. This includes diversifying its supplier base to reduce dependency on a limited number of suppliers. By working with multiple suppliers, Nokia can mitigate the risk of supply disruptions and negotiate better pricing terms. Additionally, the company should invest in advanced supply chain management technologies to improve inventory management, demand forecasting, and order fulfillment processes.

5.4. Optimize Cost Structure

Nokia needs to address its inefficient cost management practices to improve profitability. This can be achieved by identifying areas of cost savings within the supply chain, such as optimizing transportation and logistics, reducing inventory holding costs, and negotiating better pricing terms with suppliers. By streamlining its cost structure, Nokia can improve its competitiveness in the market and allocate resources more effectively.

5.5. Embrace Technological Advancements

Nokia should invest in research and development to stay at the forefront of technological advancements in the smartphone industry. By focusing on innovation, Nokia can develop cutting-edge features and functionalities that differentiate its products from competitors. This will help attract tech-savvy consumers and position Nokia as a leader in the market.

5.6. Enhance Marketing and Branding Efforts

Nokia should invest in marketing and branding initiatives to rebuild consumer trust and awareness. This includes launching targeted advertising campaigns, leveraging social media platforms, and

partnering with influencers and celebrities to promote its products. By effectively communicating its brand message and value proposition, Nokia can regain consumer mindshare and increase its market share.

In conclusion, Nokia needs to make strategic changes in its product portfolio, market positioning, and supply chain management to regain its competitive edge in the smartphone industry. By streamlining its product offerings, redefining its market positioning, enhancing supply chain flexibility, optimizing costs, embracing technological advancements, and investing in marketing and branding, Nokia can rebuild its brand and regain consumer confidence.

6. Conclusion

This article presents a case study on Nokia's rise and fall in the mobile phone industry. It explores various factors contributing to Nokia's decline and provides insights into the strategies and decisions that companies should consider. The study covers the mid-to-late stage of the mobile phone industry, including major trends, key players, and Nokia's background. It highlights Nokia's failed collaborations with Microsoft and Intel, their decision not to cooperate with Google and Android, and the impact of these choices on Nokia's market position. The article also examines Nokia's brand strategy, product diversification, and supply chain management. In conclusion, the study suggests measures to help Nokia compete in the smartphone market, such as reducing production costs and enhancing user experience and product features.

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All the authors contributed equally and their names were listed in alphabetical order.

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