

Sample 4

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To what extent will Nokia benefit from the strategic alliance with Microsoft?

Rizen ██████████

IBDP Business and Management IA

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Content:

Part 1: Commentary

Page 1.....Introduction

Page 1.....Market Analysis (SWOT Analysis)

Page 2.....Market Mix

Page 3.....Conclusion and Recommendation

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SWOT up*

Part 2: Supporting documents

Page 7.....Supporting Document 1

Page 7.....Supporting Document 2

Page 10.....Supporting Document 3

Page 12.....Supporting Document 4

Part 3: Appendices

Page 14.....Appendix 1 ✓

Part 4: Bibliography

Page 15.....Bibliography ✓

■■■■■ 3

Introduction:

Nokia, a company formed by Fredrik Idestam and Leo Mechelin, is a multinational company that is headquartered in Finland. Nokia today stands as one of the biggest producer of mobile phone device. However, its market share has dropped by about 25 % from 1997, and its number one position in the cell phone market was taken away by its rival, Samsung last year¹. Nokia's current market share is its lowest since 1997, and its still plummeting, while the worldwide mobile device sales increase by huge margin every year as we can see in the supporting document number 2, where it says that "By the end of 2009, despite smartphone sales having increased by 24% worldwide according to Gartner, Nokia's phone profits (which includes smartphones and "dumb" mobile phones) were - on an annualized basis - the lowest they'd been in the entire eight-year period". The following investigation will show how Nokia's strategic alliance with Microsoft will help Nokia in marketing plan. For the depth of the analysis, "3Ps" from the marketing mix is considered, which are product, people and promotion, as well as secondary sources by the company as well as outside

market
share

profits

3Ps

¹ Jordan Crook, *The fall of Nokia: Apple, Google's Android and Samsung to Blame*, <http://www.fedex.com/sites/ringsorstell/2011/07/29/the-fall-of-nokia-apple-google-android-and-samsung-to-blame/>, (July 29, 2011)

the company.

Market Analysis:

Nokia is one of the top companies with the most valuable brand image. It is ranked 14th in the Business Week Best Global Brands List of 2011. It is known for its high quality phone device that is its durability and reliability². In order to get an overview of Nokia, a SWOT analysis is set up (Appendix 1). From this, it was revealed that Nokia has strong brand name especially in Europe for its high quality product. Also, it is known for its good customer service, which helped them develop good public relations. The statistics proposed by CNN Money shows that Nokia is the 8th most admired Network and Other Communications Equipment Company in the world. One other strength of the company was that the company was one of the largest companies with its employees in 120 different countries and sales in more than 150 countries, which proves that the customer base is huge. However the weakness of the company is its lack of strong mobile operating system. Although it was Nokia who dominated the

² Shradi Singh, *Nokia Mobile Phones: Known for their Reliability*: <http://www.articlesbase.com/cell-phones/articles/nokia-mobile-phones-known-for-their-reliability-1450111.html>, (Nov 12, 2009)

mobile device market 10 years ago with its high quality technology⁸, however their operating system wasn't the best, hence, their market share started to fall after the launch of Apple's iPhone with an operating system that the world had never seen before. Nokia has failed to provide consumers with better operating system, which again connects back to their market share fall in the smartphone market. Furthermore, as seen in the supporting document number 2, the development of open operating system called "Android" by Google has rocketed these past few years that Samsung's mobile device based on Android has taken 40% of the smartphone market today, overtaking Apple's iPhone. So, in order to tackle its rivals, Nokia needs an innovative operating system that meets the customer's needs, and in order to do that they had two choices, one to develop their own operating system that it had been working on with Intel, and the other to choose operating system offered by Microsoft, one of the biggest company in the technological industry. It is clear that the Nokia want to have their cell phone dominance in the smart phone market as it is one of their mission statement (Supporting document 4). Therefore, Nokia made a decision to join strategic alliance with Microsoft, which owns an operation system called "Windows

⁸ Supporting Document 2

*Send information of
Supporting Document
to your citation
style.*

Phone". It is known as the most innovative operating system; however Microsoft was having a hard time trying to develop high quality hardware for it. And this is where the high quality hardware by Nokia meets the high quality operating system by Microsoft.

Product:

It is likely to have a high quality product from this project that the two companies are working on as both the companies have been in the technology business for more than 20 years, which shows that both Nokia as well as Microsoft have experience and the skill it needs. Also, they are the two big companies that have dominated the mobile and the computer market for past few years, which means that both the company knows the needs and wants of the customer. So this strategic alliance helps them share their experience and skills to fully develop a much needed product.

Likewise, the Nokia's strategic alliance helps them with their economies of scale. As the company joins forces, companies share their resources and it helps both companies keep their costs down. Also, in terms of their research and development, both the company benefit from each other as their costs is put

down as well as they can share their research and help them develop something more innovative and creative. As a matter of fact, Nokia spends a lot of money in it research and development as we can see in the graph of supporting document number 2 that the revenue is increasing, but the overall profit is decreasing. It means that they have high expenses and one could be on R&D. Not only will the company benefit on R&D, but it helps them in the field of sales and distribution of the product. When two companies come together, it means that there is more number of suppliers to choose from, which means that Nokia will have a high probability of having a supplier that is cheaper and better in terms of quality. Likewise, bigger the company, there are more distribution channels and there is high chance of having better retailers. Therefore, when all of the costs are kept as low as possible, Nokia can sell its product at a cheaper price compared to its competitors like Apple or Samsung.

Promotion:

Similarly, when two companies combine their powers, both the companies have benefit promoting their product as they have an access to each other's customers and markets. Especially in this case, Nokia will have more benefit because there are more people who uses computer that runs Microsoft's

operating system "Windows", which proves that more people know the company "Microsoft" than Nokia. Therefore, Microsoft will help advertise the Nokia phone to its customers and similarly, Nokia will help commercialize Microsoft's new mobile operating system that has been a fail since its first launch in November 2010. Furthermore, since they both are multinational companies, both the companies have markets in different countries. The most common problem faced by a business in foreign marketplace is the politics. Therefore, with strategic alliance, both the company will benefit from winning the political obstacle if they are planning on to expand their market. Also, the movement by Nokia and Microsoft will help them lower their financial risk as the responsibility is split into 50% each. Therefore, it will help Nokia in their overall process.

People:

However, the disadvantage to this project is that the internal environment of the both company changes. As we can see in the supporting document 3, where it says " lots of jobs are going to go at Nokia and bureaucracy is going to be shaken up " we can predict that lots of jobs are going to be cut off. However, the CEO of Nokia, Mr. Elop said that it hasn't been decided.

(Supporting document 3) First of all, Nokia is Finnish Company, where as

Spurs, analysis. Some claims can be referenced but may also be relevant knowledge.

4/3

Microsoft is an American Company, therefore the managers might have a difficult time managing the culture clash in the company. Similarly, both the company might struggle with two companies' diverse nature and its conflicting operation practices. Also, the managers of the both company will have a take time to build trust and smooth flow of communications. However, since the President and CEO of Nokia, Stephen Elop is the former CEO of Microsoft, the working environment might not be extremely different, hence helping both company to settle in short period of time. *But are SO strongly criticized by (??)*

Conclusion:

In conclusion, it is clear that Nokia does its job extremely well. It is not obvious that the process that Nokia follows is wrong. However, it is clear that Nokia needs improvements in its operating system in order to survive in the industry. Realizing the need of better operating system, Nokia has broadened its capacity of skills, experience and power by joining forces with one of the biggest company in the world, Microsoft. Additionally, when people are moving into an era where the customer need is cheaper and high quality phone, Nokia should be able to lower their price from the strategic alliance, meeting the customer needs as they have access to Microsoft's resources and skills. Furthermore,

Can find

■■■■■ 10

access to new untapped customers with lower financial risk and overcoming the political obstacle will benefit Nokia to expand and create a stronger brand name in the future.

Strong paper. There are some factors of the SD that are considered, but overall good integration and analysis.

Supporting Documents:

Supporting document 1:

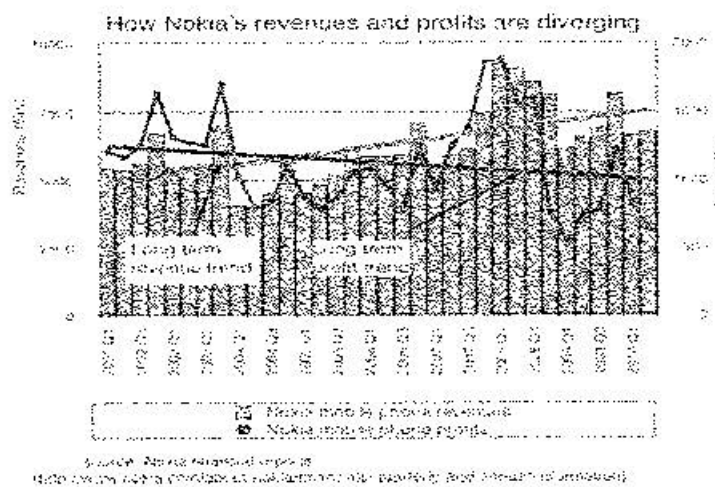
Top Six Smartphone Operating Systems, Shipments, and Market Share, 2012 Q1 (Units in Millions)

Mobile Operating System	1Q12 Unit Shipments	1Q12 Market Share	1Q11 Unit Shipments	1Q11 Market Share	Year-over-Year Change
Android	69.9	55.0%	39.7	29.1%	145.0%
iOS	35.1	23.0%	18.8	13.3%	66.1%
Symbian	10.4	6.3%	26.4	26.0%	-50.0%
BlackBerry OS	3.2	4.4%	11.8	11.6%	-29.7%
Linux	0.5	1.1%	1.2	1.1%	-5.4%
Windows Phone 7/Windows Mobile	0.1	2.1%	2.6	2.6%	26.9%
Other	0.4	0.3%	0.3	0.3%	55.3%
Total	123.7	100.0%	131.5	100.0%	-5.8%

Source: IDC Worldwide Mobile Phone Tracker, May 24, 2012

Supporting document 2: *List all info.*

Nokia's revenue and profit trends point to its key problem: commoditisation
 Analysis of the troubled mobile company's financial results shows that its principal problem is that though it is selling more phones, the profit and price it gets are falling



Here is the problem that Nokia faces: it's getting more revenue from selling phones - but its profits are falling.

As the graph above - drawn from Nokia's financial results going back to the start of 2002 - show, the mobile phone division (which is what these figures show; they exclude the enterprise and Nokia Siemens Networks revenues and profits) has been doing well, in money terms.

But the profits are heading south. The long-term trend actually *flatters* Nokia; its problems have been accentuated since the third quarter of 2008 - when Android began to become a factor in smartphone sales. If you drew the line using the past couple of years, then you'd hit zero profit before the end of 2012. That's highly unlikely, but trends are something for executives to be aware of - and to reverse where necessary.

By the end of 2009, despite smartphone sales having increased by 24% worldwide according to Gartner, Nokia's phone profits (which includes smartphones and "dumb" mobile phones) were - on an annualised basis - the

lowest they'd been in the entire eight-year period, despite the revenues being the second-highest.

That speaks of Nokia's product being commoditised - that the average price and profit per phone sold is dropping.

The question for the incoming chief executive Stephen Elop is whether that's a satisfactory state of affairs.

And one other thing he might want to think about: since the beginning of 2008, those figures have included not just mobile phone sales, but "devices and services". That excludes Nokia's biggest acquisition, Navteq, which is broken out in the results and seems to generate a small operating profit (though the amortization of the \$8.1bn price tag still seems to be taking its toll).

By "services" one has to assume Nokia means things like its Ovi store, launched in mid-2009 - which hasn't set the world alight; you have to look quite hard to find any meaningful statistics (here's some from March: about 1.5m downloads per day, compared to the iPhone App Store's 30.5m apps per day).

It's with apps that Nokia has its toughest challenge. Apple has it easy: there's essentially one product that developers write to - the iPhone. Yes, there are differences between the newer and older ones, but the basic interface is the same. And every app that an iPhone user downloads ties them a little more tightly to the platform: abandoning it would mean giving those up (though of course you can switch operator and carry your number - and phone - with you).

Nokia, with its much bigger and more diverse range of phones, has more of a challenge there: it's harder to attract developers, but more importantly for someone looking to shift to another Nokia, there's the compatibility question - will your apps be portable? Will they work? And if you haven't downloaded many apps (which the Ovi Store stats seem to suggest - Nokia, remember, has the biggest smartphone share, which means that Ovi apps are spread rather thinly) then it's going to be easier to just shift to another phone.

And people aren't being too complimentary about Elop either. "A suit", says Business Insider, which says the company has made "the same mistake again - hiring a manager, not a product visionary". Joe Wilcox goes further: "No disrespect intended, but Elop wouldn't be my first choice to run Nokia, nor would he make my list of top-100 candidates. If someone handed me

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a list of people not to choose, Elop would be among the top five. I love Nokia. I lauded its handsets for years. But this great company has pissed away market share and bungled the most basic innovations since Apple launched iPhone in June 2007. Elop may be the greatest mistake of all and sure sign Nokia won't effectively execute against Google's rising Android Army or Apple's iOS cultists." So welcome, Stephen Elop. You've got a big bundle of problems and everyone's going to be watching you. Something tells us it's going to be very different from running Adobe's sales operation, Juniper Networks, or Microsoft's Business division - the one that cranks out Office and Sharepoint.

Source:

<http://www.guardian.co.uk/technology/files/2010/04/10/nokia-profits-falling-explanatio>

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maybe more to log and
you better info.

Supporting document 3:

Nokia and Microsoft's tieup: some of the fine detail emerges

Who gets to chance Windows Phone 7, the fate of Symbian and Meego, what happens to Qt, tablets and more

At Friday's announcement at its strategic analysis briefing, Stephen Elop expanded some more on quite how the Microsoft-Nokia tieup is going to pan out.

- he expects another 150m Symbian devices to be sold. Symbian is being killed off - a graphic was shown which shows "mobile phones" continuing as about 50% of Nokia sales, and Windows Phone 7 emerging at the top and squashing Symbian to zero.

Given that Nokia sold about 100m Symbian devices last year, that would equate to between four and six quarters - ie 12 to 18 months - for the platform. Why, though, would you ever buy a Symbian app (or develop a Symbian app) knowing that it will be dead money in a year or less, which you won't be able to transfer to your next phone?

- the problem with Android was that it would have to be Google services. (This may come as news to the Chinese vendors and Verizon which have tweaked Android to use other services.) The benefit of WP7 is that it can lead to mutual exchange of value between Nokia and Microsoft on offerings such as Navteq (Nokia owns it, Bing uses it), location-based services and advertising; Microsoft can offer Bing search, Xbox Live and Zune Music (which explains the death of Ovi Music).

- changes to WP7 that Nokia introduces will be available to other handset vendors.

- lots of jobs are going to go at Nokia and bureaucracy is going to be shaken up. Staff were briefed at the start of the day. Numbers of job losses haven't been decided, Elop said.

- Elop and other Nokia executives mentioned Symbian, Meego, Android. Apple but not even once RIM, despite it being a significant competitor in the US and in markets such as India and the Middle East. That's quite peculiar, though as some people suggested on Twitter, it might be to try to make WP7 look like the third horse in a three-horse race rather than the fifth in a five-horse race.

- Qt "will be a platform for Symbian.. we will evaluate Qt for the low end. We aren't proposing to put Qt on Windows Phone 7 or to abstract Nokia devices via Qt on Windows Phone because that could fork development." In other words, Qt is as dead (or zombified) as Symbian.
- on tablets, "we aren't announcing *today* a specific tablet strategy." (Elop put the emphasis himself on that "today".) But he says that "we could see the advantages of a family [of devices] that uses the Microsoft ecosystem." He was very lairy of being in any way definitive about tablets, and dodged the question when I asked him about it in the morning press session.
- Meego (its coordinated effort with Intel) is going to be part of a "future disruption" effort which will look at, well, future mobile disruptions. Since he seemed to be saying that it won't be used on tablets, it's hard not to think that this will somehow be to do with home automation, which Meego grew out of and where there is still plenty of headroom.
- Elop wouldn't promise that Nokia will remain profitable while the Symbian-to-Windows Phone transition takes place.
- Nokia Windows Phone devices will start shipping in volume in 2012.
- tough job of the day: Rafe Blandford of the website All About Symbian, who was greeted with laughter when he announced his affiliation while asking a question. But it's OK: he had the foresight to create Allaboutwindowsphone.com last March. It's not live yet but all it will take is a one-line rewrite in Apache. That's an easier task than repurposing an operating system...
The most interesting question you might be able to answer: is it easier for a Symbian developer to retrain in the skills needed to write code for Windows Phone 7, for Android, or Apple's iOS, or RIM's QNX, or what? (Saying "HTML + CSS" isn't an answer - even Google is recruiting people to write apps because it's discovered people don't want web apps.)

Source:

<http://www.guardian.co.uk/technology/blog/2011/feb/11/nokia-microsoft-details?intcmp=230>

John

Supporting document 4:**Our vision and strategy**

Nokia's mission is simple: Connecting People. Our goal is to build great mobile products that enable billions of people worldwide to enjoy more of what life has to offer. Our challenge is to achieve this in an increasingly dynamic and competitive environment.

Ideas. Energy. Excitement. Opportunities. In today's mobile world, it feels like anything is possible - and that's what inspires us to get out of bed every day.

Moving with rapidly changing times

From Rio de Janeiro to Nairobi, Berlin to Mumbai, mobile technology is changing our world. How can we make the most of the opportunities in our everyday lives? How can we keep a sense of identity as societies, economies and governments change all around us? We found people everywhere connected by a shared excitement for its potential. Watch our film to find out more.

Regaining leadership in the smartphone space

To help us achieve our mission, Nokia has formed a strategic partnership with Microsoft that will, we hope, see us regain lost ground in the smartphone market. Together, we intend to build a global ecosystem that surpasses anything currently in existence. The Nokia-Microsoft ecosystem will deliver differentiated and innovative products with unrivalled scale in terms of product breadth, geographical reach and brand identity.

Connecting the next billion

In feature phones, Nokia's strategy is to leverage its innovation and strength in growth markets to connect even more people to their first internet and application experience. By providing compelling, affordable and localised mobile experiences, particularly to emerging markets, our ambition is to bring the next billion online.

We will continue the renewal of our Series 40 platform in QWERTY, touch & type, dual SIM, Nokia services, including Maps, Browser, Life Tools, Web apps and Money. We are also investing in the future; developing assets (platform, software, apps), which will bring a modern mobile experience to consumers and enable business opportunities for developers.

Driving change

Our new strategy is supported by changes in Nokia's leadership, operational structure and approach. The renewed governance will expedite decision-making

and improve time-to-market of products and innovations, placing a heavy focus on results, speed and accountability.

Nokia's strategy is about investing in and ensuring Nokia's future. "I have incredible optimism," said Stephen Elop, Nokia President and CEO, "because I can see fresh opportunity for us to innovate, to differentiate, to build great mobile products, like never before, and at a speed that will surpass what we have accomplished in the past."

Source: <http://www.nokia.com/global/about-nokia/about-us/about-us/>

*Recent source of
SAMA's.*

Appendix:**Appendix 1: SWOT Analysis****Strengths:**

- Strong brand name
- Good customer base in Europe and South Asia
- Known for cell phone's durability and long battery life
- One of the biggest phone producer after Samsung

Weakness:

- User-unfriendly operating system

Opportunity:

- Smartphone market with new operating system
- 2 operating system, Android and iOS
- Smartphone with long battery life and durability
- Smartphone market is a rapidly growing market

Threats:

- Apple and Samsung's dominance of the market, meaning that it will be difficult to get into it
- Since they need to use the similar features compared to other company, it would mean that they have to be careful about the patents.

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