

REVIEW OF STP & MARKETING MIX

ON



NOKIA

Connecting People

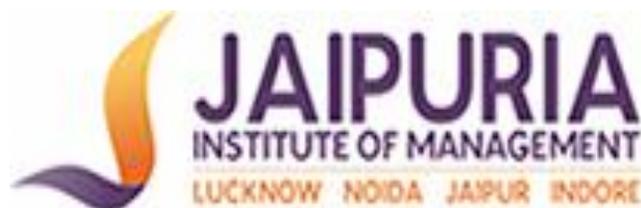
Connecting People

UNDER THE GUIDANCE OF DR. REETI AGARWAL

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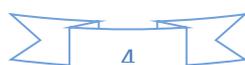
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Company Profile

Introduction to NOKIA

As of 2012, Nokia employs 101,982 people across 120 countries, conducts sales in more than 150 countries, and reports annual revenues of around €30 billion. By 2012, it was the world's second-largest mobile phone maker in terms of unit sales (after Samsung), with a global market share of 18.0% in the fourth quarter of that year. Now, Nokia only has a 3% market share in smartphone. They lost 40% of their revenue in mobile phones in Q2 2013. Nokia is a public limited-liability company listed on the Helsinki Stock Exchange and New York Stock Exchange. It is the world's 274th-largest company measured by 2013 revenues according to the Fortune Global 500. Nokia was the world's largest vendor of mobile phones from 1998 to 2012. However, over the past five years its market share declined as a result of the growing use of touchscreen smartphones from other vendors—principally the iPhone, by Apple, and devices running on Android, an operating system created by Google. The corporation's share price fell from a high of US\$40 in late 2007 to under US\$2 in mid-2012. In a bid to recover, Nokia announced a strategic partnership with Microsoft in February 2011, leading to the replacement of Symbian with Microsoft's Windows Phone operating system in all Nokia smartphones. Following the replacement of the Symbian system, Nokia's smartphone sales figures, which had previously increased, collapsed dramatically.[13] From the beginning of 2011 until 2013, Nokia fell from its position as the world's largest smartphone vendor to assume the status of tenth largest.

On 2 September 2013, Microsoft announced its intent to purchase Nokia's mobile phone business unit as part of an overall deal totaling €5.44 billion



(US\$7.17 billion). Stephen Elop, Nokia's former CEO, and several other executives will join Microsoft as part of the deal

History of NOKIA

Over the past 150 years, Nokia has evolved from a riverside paper mill in south-western Finland to a global telecommunications leader connecting over 1.3 billion people. During that time, we've made rubber boots and car tyres. They generated electricity and even manufactured TVs. By the 1960s, Finnish Cable Works - already working closely with Nokia Ab and Finnish Rubber Works - starts branching out into electronics. In 1962, it makes its first electronic device in-house: a pulse analyzer for use in nuclear power plants.

In 1963, it starts developing radio telephones for the army and emergency services - Nokia's first foray into telecommunications. In time, the company's Mikro Mikko becomes the best known computer brand in Finland. And by 1987, Nokia is the third largest TV manufacturer in Europe. Nokia sets the ball rolling in 1979, creating radio telephone company MobiraOy as a joint venture with leading Finnish TV maker Salora. 1981 then sees the launch of the Nordic Mobile Telephone (NMT) service, the world's first international cellular network and the first to allow international roaming.

The NMT standard catches on fast and the mobile phone industry begins to expand rapidly. In 1982, Nokia introduces the first car phone - the Mobira Senator - to the network. That same year, the Nokia DX200, the company's first digital telephone switch, goes into operation.

On July 1, 1991, Finnish Prime Minister Harri Holkeri makes the world's first GSM call, using Nokia equipment. And in 1992, Nokia launches its first digital handheld GSM phone, the Nokia 1011.

By 1998, Nokia is the world leader in mobile phones. The strategic decision to focus on telecommunications, plus early investment in GSM, has paid off. Between 1996 and 2001, Nokia's turnover increases almost fivefold from EUR 6.5 billion to EUR 31 billion.

In 1999, Nokia launches the Nokia 7110, a phone capable of rudimentary web-based functions, including email. Then in November 2001 Nokia launches its first phone with a built-in camera, the Nokia 7650, and in September 2002 its first video capture phone, the Nokia 3650.

Nokia launches its first Nokia with Windows Phones, the Nokia Lumia 800 and the Nokia Lumia 710, in October 2011. Fast-forward to 2013 and Nokia has a full portfolio of great Windows Phone 8 smartphones, from the Lumia 520, Lumia 920 Lumia 625 and flagship Lumia 925.

Nokia's Mission and Vision

Nokia's mission is simple: Connecting People. Their goal is to build great mobile products that enable billions of people worldwide to enjoy more of what life has to offer. Their 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 Nokia to get out of bed every day.

Nokia's mission in the smartphone market is to regain its leadership position. The company's vision on how it will achieve its mission seems build around the company's strategic alliance with Microsoft. Nokia seems to understand that they have lost their brand identity and bets on the partnership with Microsoft to build new ecosystem, which will compete with and surpass their rivals. Nokia's main objective is to regain its lost market share and position itself as market leader. From their vision we can see that, they recognize the need of differentiation and innovation in order to achieve these objectives. However from

the mission and vision statement it does not become clear who are Nokia's customers.

Awards and Acquisition

Awards

- Nokia scores top marks on Corporate Equality Index 2013
- Nokia named as one of world's most sustainable technology companies in 2011
- Superbrands declares Nokia the leading brand in China in 2013
- 2011 Forbes Top 10 World's Most Sustainable Companies (#4)
- Top spot in Greenpeace's Guide to Greener Electronics 2010 (eight consecutive #1 positions since September 2008)
- Universum's Top 50 World's Most Attractive Employers for Students 2011
- NASSCOM's Excellence in Gender Inclusivity in India 2010
- 2010 Best Brand Award in Bangladesh (#1 for third consecutive year)
- 2010 Bloomberg Business Week Top 25 Most Innovative Companies
- Top 50 Maclean's Socially Responsible Companies in Canada 2010
- Economic Times Most Trusted Brand in India 2010 (#1)
- UK Nordic Business award for Research and Development 2010
- Modern Consumer magazine's 2010 Brazil's "Companies that Most Respect the Consumer" (#1)

Acquisitions

- On 22 September 2003, Nokia acquired Sega.com.
- On 19 June 2006, Nokia and Siemens AG announced the companies would merge their mobile and fixed-line phone network equipment businesses to create one of the world's largest network firms.
- On 8 August 2006, Nokia and Loudeye Corp. announced that they had signed an agreement for Nokia to acquire online music distributor Loudeye Corporation for approximately US\$60 million.
- In July 2007, Nokia acquired all assets of Twango, the comprehensive media sharing solution for organizing and sharing photos, videos.
- In September 2007, Nokia announced its intention to acquire Enpocket, a supplier of mobile advertising technology and services.
- In September 2008, Nokia acquired OZ Communications.
- On 11 September 2009, Nokia announced the acquisition of "certain assets of Plum Ventures.
- On 28 March 2010, Nokia announced the acquisition of Novarra, the mobile web browser firm from Chicago.

NOKIA In India

Nokia entered the Indian market in 1994. The first ever GSM call in India was made on a Nokia2110 mobile phone on its own network in 1995.

The tariffs levied on importing mobile phones were as high as 27%, usage charges were at Rs.16 per minute and, at these high rates, consumers did not take to mobile phones.

Nokia also had to face tough competition from other powerful global players like Motorola, Sony, Siemens and Ericsson.



Market In INDIA

Initially tariff rates were extremely high in India. Later on, even though the rates were slashed considerably, mobiles were still considered to be a luxury.

The biggest breakthrough for mobile phones in India was when incoming calls became free after the launch of Airtel (GSM segment) and the CDMA segment (RIM).

When Nokia entered India, it concentrated on the high end segment because of the tariff constraints in India. Only the affluent could afford mobile phones.

Increase in purchasing power due to increase in income and standard of living thanks to outsourcing, globalization and the number of educated and skilled people in India presented a good opportunity for Nokia and others to expand.

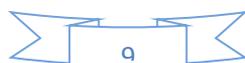
Gradually, mobile phones started becoming necessities. The mid and low-income segments also became targets for mobile phone companies.

In fact, many in India have made a direct transition that is people who never owned a landline, went straight to mobile phones.

Therefore, we saw slow growth in the initial few years and a phenomenal growth in the past few years.

Nokia chose to aim the youth market focusing on students in the range 13-21 as their market research showed that youths were receiving large amounts of pocket money and most have no real commitments to spend it on.

A good portion of the youth segment also started earning well thanks to the BPO and call centre explosion in India resulting in disposable income and need for a higher standard of living. Now, Nokia is trying to tap the potential of the lower end and rural markets as well.



SEGMENTATION TARGETING POSITIONING AND MARKETING MIX OF NOKIA

Segmentation

Market segmentation is a marketing strategy that involves dividing a broad target market into subsets of consumers who have common needs, and then designing and implementing strategies to target their needs and desires using media channels and other touch-points that best allow to reach them.

Criteria For Segmentation

An ideal market segment meets all of the following criteria:

- It is possible to measure.
- It must be large enough to earn profit.
- It is possible to reach potential customers via the organization's promotion and distribution channel.
- It responds consistently to a given market stimulus.
- It can be reached by market intervention in a cost-effective manner.
- It is useful in deciding on the marketing mix.

segmentation

Nokia engages in the following levels of market segment:

Segment Marketing

Nokia offers designs, features and functionality that cater to the demands of the market segment. E.g. Nokia Ngage (gamers)

Niche Marketing

Nokia also has products for customer groups seeking a distinctive mix of benefits and are ready to pay a premium price for it. E.g. Nokia Lumia 925, Lumia 920.

Demographic Segmentation

High Income Group

Caters to the upper segment of the society with high purchasing power .e.g. Nokia Asha501, Lumia925, Lumia920, Lumia625, Lumia720, etc.

Medium Income Group

Caters to the segments which give more importance to the value for money. Example of phone for this segment are Nokia Asha 206, Asha 205, etc.

Low Income Group

Caters to this segment which have very low income and use mobile phones only for calling purpose. Example of offering for this segment are Nokia 106, Nokia 111, Nokia 112, Nokia 103, Nokia 113, Nokia 100, Nokia 101 etc.

Psychographic Segmentation

Lifestyle

Achievers- Looking for design and style, followers of trends and fashion and have active lifestyle- Nokia Lumia1020.

Strivers- Combination of ease of use and elegant looks. Want seamlessly connected and in best possible way Nokia 6110 Navigator.

Survivors- Smart business people wanting smartest tools for balancing work and life. Nokia 111, Nokia 112, Nokia 103, Nokia 113, Nokia 100, Nokia 101 etc.

Explore Customer- Want cutting edge technology for their stylish life-styles - Nokia Lumia 520 with 8 GB chip with multimedia devices, that snap, record, browse and share contents all via internet. There exists another segment of consumers who rank price and functionality of the phone above the aesthetics and enhanced features. For these segments we have products like Ngage (gamers), Xpress music (music lovers), etc and Asha 305, Asha 210 etc.

Behavioral Segmentation

Occasions- Nokia launches new phones on special occasion like Diwali, Christmas and many more regional festivals and special occasion.

Benefits- Nokia launches various phones for benefit seekers who look for quality and better service but within reasonable price. Like phone with good camera, memory and display. So Nokia offers various Asha series phones for this category.

Market Targeting

After segmentation the firm evaluates various segments and decide how many and which segment to serve.

Evaluating Market Segments

In evaluating different market segments firm must look at three factors:

- 1) Segment size and growth
- 2) Segment structural attractiveness

3) Company's objective and resources

Nokia Target Market Selection

Selective Specialization

Nokia has selected a number of segments and has come out with products for each of them thereby ensuring its presence in the complete market.

M1 M2 M3

| | | | |
|----|--|--|--|
| P1 | | | |
| P2 | | | |
| P3 | | | |

P = Product

M = Market

Nokia's Pricing Strategy

Penetration Pricing

1. Used to gain instant market share in a new market.
2. Well known companies like Nokia do it with new products that carry new technologies to take more market share from competitors.

Competitor - Based Pricing

1. Used when there is a lot of competition in the market.
2. When a company is looking to take another company's market share by offering similar products at a lower price.

Nokia Marketing Strategies

As a big company Nokia is able to afford more promoting and advertising than smaller, less successful companies.

Mass marketing by sponsoring events that will be viewed by large amounts of people in their chosen market segment.

Effective use of print media : Advertisements for businessphones found in Economic Times. High end phoneadvertisements found in magazines such as Lifestyle.

Effective use of television : Advertisements that Indians can identify with. Using Shahrukh Khan as Brand Ambassador.

Differentiated Marketing

Nokia uses differentiated marketing targeting strategy because they target several market segments and design separate products for each. Nokia tries to manufacture products for every “PURSE, PURPOSE and PERSONALITY”.

Nokia Microsoft Partnership

The Nokia-Microsoft partnership brings together two global businesses with highly complementary sets of assets and competencies. But what will it actually mean for Nokia smartphone products?

First and foremost, Nokia is adopting Windows Phone as its primary smartphone platform. Working with Microsoft, we'll help to drive and define the future of the platform by leveraging our expertise in hardware optimization, software customization, and language support.

Nokia and Microsoft are also combining services assets to drive innovation. Nokia Maps, for example, will soon be at the heart of key Microsoft assets such as Bing and AdCenter, and Nokia's application and content store will be integrated into Microsoft Marketplace. Similarly, Microsoft will provide developer tools, making it easier for application developers to leverage Nokia's global scale.

Differentiation and Positioning

Beyond deciding which segments of the market it will target, the company must decide on a value proposition- on how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. A product's position is the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products. "Products are created in the factory, brands are created in the mind," says a positioning expert.

Nokia is clearly using Differentiation strategy, which is a combination of differentiation competitive advantage and broad target scope. Differentiation in the marketing mix for the Lumia 920 occurs in the Product and Price components of the marketing mix. Lumia 820 is also differentiated, but only in the product component of the marketing mix. However the price of the 820 is lower and mid-ranged for the market, it is not differentiated.

The smartphones are differentiated from its rivals in the Product component of the marketing mix with their physical and non-physical characteristics. The physical characteristics of the 920 and 820 are the design of the product as well as the multiple colors that are available to the customers. The colors offer customization for the devices and differentiate the products from rivals such as Samsung and Apple. The two companies often offer their smartphones in only two colors.

The devices are differentiated in a non-physical way through the company's partnership with Microsoft. Nokia is first to manufacture a smartphone running Windows software, and at present it is offering more Windows phones than any of its rivals. The Lumia 1020 is also differentiated by its innovative technologies such as its revolutionary camera. Nokia 820 and 920 both offer wireless charging, which is a new and innovative offering for the Indian market.

Positioning Map

In planning their differentiation and positioning strategies, marketers often prepare perceptual positioning maps, which show consumer perceptions of their brands versus competing products on important buying dimensions.

| | |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <p>Value for Price</p>  | <p>Business</p>  |
| <p>Performance</p>  | <p>Family Reliable</p>  |

Positioning statement

A statement that summarizes company or brand positioning - it takes this form: To (target segment and need) our (brand) is (concept) that (point-of-difference).
Nokia's Positioning statement is "CONNECTING PEOPLE"

Marketing mix

In order to understand which strategy Nokia has used to achieve its objectives of regaining lost ground in the smartphone market, we will look at the marketing mix of the company. As marketing strategy shapes the marketing mix for the products, the marketing mix will point to the strategic choice of the company.

The marketing mix is a synonym for 4Ps, which is constructed of the four most important components of every product's strategy - Product, Price, Promotion and Place. These components hold the opportunities for the company to differentiate.

Product

Nokia's products vary a lot because the company has a number of series of Smartphone such as Nokia Lumia, Nokia Asha, as well as feature phone series.

Product design also varies, the company has touch screen products, classic buttonphones, as well as slide sets. Nokia's products have some great features that vary from product to product. Nokia is known for great quality of its devices, and often offers technologically advanced cameras and great maps for its smartphones.

Price

The prices of the smartphone series vary between Rs 5000 and Rs 39000. There is high price variability of the products, so that the prices meet every social class needs.

Promotion

Nokia makes use of advertising on television, newspapers, radio and billboards. There is no information on any current or near past promotional campaigns.

Place

Nokia is getting its products to the market through distributors. It mainly sells its smartphones and feature phones through Mobile operators and retailers,

which is common for the industry. The company does not own shops in most of the part of country. According to the marketing mix analysis for Nokia, the company mainly focuses on product component of the marketing mix. Nokia offers great variety of product at a different price levels. Given the variability in products and series, at this point it is hard to understand the strategic choices of the company. It is even impossible to assess the decisions regarding the new series Nokia Lumia.

Conclusion

Nokia's mission is to regain its leadership position in the smartphone market. The company sees greatest potential for achieving its objective in the partnership with Microsoft. According to the environment analysis the most serious problem for the company is the threat from existing rivals. Nokia has built some interesting products in the Lumia series, with very impressive technologies and beautiful designs. However the market success of these products has not been so great and Nokia did not achieve its goal of becoming a market leader in India. Nokia has introduced its flagship device at a high price with very innovative technology and has positioned it in the high-end costly Smartphone market. The product is introduced by implementing differentiation strategy. According to the analysis the reason for this is wrong implementation of marketing strategy and specifically problems with the positioning of the products. This strategy implementation is correct according to the analysis, as the product is introduced with aggressive marketing mix, targeting the mass market. Lumia 925 has seen great interest in the Smartphone market in India.

Suggestion

A company has to choose among those market segments and build products suitable for the chosen segments. Customers have to be aware that the products recognize their needs, so positioning is important for the success of such strategic decision. However when analyzing Nokia's segmentation strategy, it does not become clear what the segmentation actually is. The products are not positioned well in the market, and customers may have hard time choosing among Lumia series. This problem could be making customers to turn to one of Nokia's rivals such as Samsung, which have positioned well their products and are letting their customers know that their company provides what they need. We believe this is really harmful for the company as the Lumia phones are important strategic point for Nokia in its journey of regaining its lost ground in the Indian Smartphone market.

If Nokia introduce other products in the Lumia series, it would be useful for the company to follow a simple framework for segmentation strategy formulation. Also it should use the promotion part of the marketing mix to position its products, and inform the customer of what Nokia offers and for whom.

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