

In The Top Spot

In the highly competitive \$3 billion mobile phone market in India, Nokia has managed to make its brand the phone of choice for millions. It currently has a market share of over 70 per cent.

Abhijit Joshi tracks the Finnish company's strategy for success.



A DISTRIBUTION NETWORK DOUBLE THAT OF ITS RIVALS: Nokia's Sanjeev Sharma

When mobile phones were introduced in India in the mid-90s, US based Motorola, Sweden's Ericsson and Finland's Nokia dominated the handset market in India. Over the years, the old order has changed. Asian players like Samsung and LG, European brands Philips and Siemens now compete with Motorola and Sony-Ericsson.

However, Nokia has been able to race ahead of all other players to become the leading mobile handset maker across the world. In India its dominance is even more pronounced with a 70 per cent market share, compared to around 30 per cent globally. Its closest rival in the Indian market, Samsung, comes a poor second with less than 10 per cent market share.

Its business strategy, management style and marketing savvy have earned it the respect of its peers. In 2004, Nokia was chosen as 'the most respected consumer durables company' in India by the weekly magazine *BusinessWorld*.

The reasons for Nokia's stupendous success in India include amazing branding, a focussed marketing exercise and distribution strength, among others. Sanjeev Sharma, CEO, Nokia India, says, "An extensive product range, anticipating consumer trends early — we were the first to introduce a phone for the fashion segment, the 8210 — a retail strategy that ensures consumers across the country get a consistent experience and an excellent staff, all put together, clicked for Nokia."

Nokia's commitment to the Indian consumer was underscored when it became the first, and only, handset major to develop a model suited for Indian conditions. The company launched two models, 1100 and 1108, after intensive research on the

Indian customer's specific needs. The phones gave an integrated torch, a sheath-covered keypad for dust protection and a slip-free grip. The phones were also introduced in other markets in Asia and Africa. Nokia's first 'Made for India' model, the 1100, is the largest selling model in the Indian GSM handset market.

The five largest selling handset models in the market are all Nokia's. Besides, the company today has a substantial share of both ends of the market. It has 77 per cent of the \$66-\$88 phone market and about 68 per cent of the over \$330 phone market.

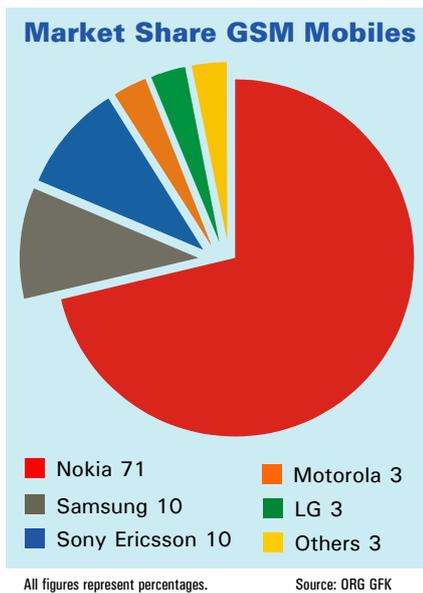
In a marketing first, in March this year Nokia opened a dedicated Concept Store which features the full range of Nokia products including handsets, mobile enhancements, ring tones, graphics, games, software and exclusive Nokia merchandise. The products allow clients to experience the newest applications such as gaming, imaging and e-mail support amongst others.

In its marketing endeavours, Nokia has ensured that its advertising ensures its phones stand out from the clutter of mobile phone advertising. "Our advertising is aimed at making communication relevant to strengthen consumer-connect with the brand," says Sanjay Behl, head of marketing, Nokia India.

Nokia has not used the pricing plank for marketing its phones. However, it did



THE LARGEST RANGE OF CELL PHONES: A Nokia store displays a gamut of accessories



adopt an aggressive pricing strategy to fight the grey market, successfully. Initially the grey market accounted for 80 per cent of the mobile phone sales due to a huge price differential between the legally imported and the grey market phones.

Even as the government slashed duties to reduce the scope of arbitrage, Nokia and other handset players too reduced their prices to induce the consumer to buy a phone from the authorised phone shops. Today, the grey market comprises less than 20 per cent of the total handset market.

As part of its distribution strategy, Nokia has ensured that it has a presence in all 2,000 cities and towns that have cellular coverage. Nokia's distribution network of over 30,000 outlets is roughly double that of its rivals, according to industry sources.

The other edge that Nokia has over its rivals is the large portfolio of phones.

Unlike other consumer durables, a mobile phone is a style statement much like the wristwatch. The design, style and colour elements play an important role when consumers are choosing a phone. Today it has the largest range of handset models to choose from. Nokia has introduced phones at all price points, right from the mass market entry-level phones to the mid-market colour and camera phones and also the high-end exclusive phones.

"Nokia empowers the consumer in that it offers a choice of more than one phone at every price point," says Kobita Desai, principal analyst, telecom, with research firm, Gartner. "Thus, in the mid-market range, you can have a phone suited for the corporate types while another would be aimed at techno-loving teenagers."

Nokia lost its edge when GSM's rival technology, CDMA, made its entry in 2003. That was because the Finnish major had concentrated on GSM technology and

was losing ground to CDMA handset makers like Samsung and LG in India. The Korean brands quickly established themselves after they tied up with CDMA operator Reliance Infocomm, which was launching its services then and making a big splash in the marketplace.

Nokia soon introduced several CDMA models and it now has eight CDMA models out of its total of 40 models. The lack of CDMA phones had seen Nokia's market share falling from 50 per cent in 2002 to just 22 per cent in 2003, the year Reliance Infocomm launched its services in a big way. It was only after Nokia gave a push to CDMA phones in the Indian market did its market share roll upwards again to 60 per cent in 2004 and an estimated 74 per

cent in 2005.

Shortly thereafter, Nokia was again under siege, but this time it was international. Nokia had concentrated on the candy bar type of phones which were perceived as 'boring' compared to the flip type 'clamshell' designed phones of rivals like Samsung. Because of its innovative designs, Samsung seemed to be gaining ground as the mobile of choice when it came to high-end colour and camera phones. Around 2003, Samsung became the highest selling phone in India in the colour segment.

Industry analysts felt that the company

On the Web
Nokia India: www.nokia.co.in

could only go down globally as it lost market share to the newer players. The scene looked bleak for Nokia. "We had a gap in our product portfolio," admitted Sharma.

However, the subsequent quick turnaround of the mobile giant by the launch of new clamshell models globally is probably what legends are made of. A year on, and the picture has changed totally. Nokia has increased its market share in India from around 55 per cent in October 2004 to around 74 per cent in March 2005. It has also become the number one player in the colour phone segment.

With net sales of \$1.6 billion in 2004, India contributes 4.5 per cent to Nokia's revenues worldwide and is its fifth largest market after the US, China, UK and Germany. India's mobile market is growing at the breakneck rate of over two million mobiles a month and is widely expected to cross 80 million customers by December. According to estimates by analysts, 30 to 35 million handsets would be sold in the \$3 billion Indian cell phone market in 2005, compared to the 17 million phones that were sold in 2004.

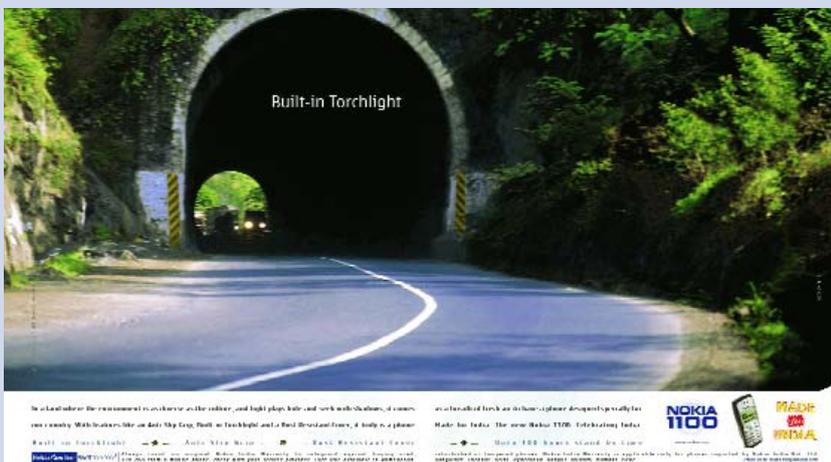
India has emerged as a hot spot for global handset and telecom gear manufacturers as low wireless penetration and the cheapest call rates in the world are pulling in users. "The market has seen tremendous growth in the last three years. Compared to net additions of 300,000 subscribers a month in early 2002, we at Nokia are now seeing additions of about 1.5 to 1.8 million subscribers a month," points out Sharma.

The growing importance of India led to setting up a facility for handsets as well as telecom infrastructure in India. Nokia has announced an investment of approximately \$150 million for the Sriperumbudur handset facility in Tamil Nadu, the tenth Nokia facility globally. It will be Nokia's second largest production site in Asia, after the China plant.

With less than 25 per cent of India having cellular coverage, increasing the geographical coverage is the next step for Sharma and his team at Nokia.

The telephone had not even been invented when Fredrik Idestam first started his toilet paper and rubber boot business on the banks of the river Nokia in Finland. He could hardly have guessed that over a century later the company he started would be synonymous with a futuristic gadget. 

AIMED AT THE MASS MARKET



THE MARKET LEADER AS EDUCATOR: Advertising the human angle of mobile technology

UNLIKE MOST OTHER mobile phone makers, Nokia's advertising strategies are often aimed at the low end consumer. For instance, the Made For India advertisement for the Nokia 1100 is targeted at the entry-level phone user. It showed the mobile tied to the fender of a truck that traverses the length of India. The implicit message is that phone still works at the end of the long, hot, dusty, journey.

Nokia's advertisements have dwelt on the human angle of mobile technology, rather than emphasise their technical aspects. Localised communications has helped reinforce the core brand strength of "human technology that appeals to consumers," admits Sanjeev Sharma, CEO, Nokia. The *Har Jeb Mein Rang* (colour in

every pocket) advertisement was created keeping in mind a market aspiring to go for colour displays.

As a market leader, Nokia's advertising has also had to play the role of educator. During the days when phones in the grey market sold much more than legal phones, Nokia undertook a campaign to educate people about the advantages of going legit.

Through its astute advertising, Nokia has sometimes been perceived as being the innovator even when it is not. It is not the first handset maker to have Hindi text display for SMS, but its hardsell campaign showing the Hindi text on a display has enabled it to usurp this position in the minds of the general consumer.