
Nokia: General Business Environment and Value Chain Analysis

Nokia General Business Environment from the Perspective of Each of the Five Components of Porter's Competitive Forces Model

The Porter's competitive force model will help in analyzing the competition in the market and apparently the profitability for a company.

Competitive Rivalry

Nokia was one of the premium sellers around the globe when the concept of mobile phones was introduced. Nokia introduced variety of handsets from low budget to high end variants as per their specifications. Mobile phones with unique design were launched and they had immediate appreciation in the market. Being one of the oldest organisations, Nokia has majority of the market shares. But, as the market for Smartphone's evolved way much faster, the competition also rose up and companies like Apple with their operating system as iOS are making a huge positive impact in the market and it is expected that the market shares for Nokia will continue to fall. Also, with the change in time and to meet the new requirements advance models are being designed by the competitors which again adds to negative side of Nokia. Thus, the threat of competitive rivalry is high for Nokia.

Bargaining Power of Suppliers

The reputation of Nokia has earned them a lot of suppliers and because of this Nokia holds the bargaining power over their suppliers. Many suppliers are keen to sell their parts to Nokia as per their requirement. If any supplier wants to bargain with Nokia then Nokia can easily switch to other supplier. Therefore, no suppliers are in a position to bargain with them. Few of the hardware suppliers for Nokia are Cisco systems and Ericsson. For software supplies, Nokia came to terms with Microsoft for operating system. Due to the fact that Nokia will have more profit than Microsoft, so here Nokia is at the lower end and thus Microsoft holds the bargaining power over Nokia. So, in terms of hardware supply the threat is almost scratched off but it has a significant threat when it comes to software supply.

Bargaining Power of Buyers

The market for Smartphone's has seen a tremendous growth in the last 5 years and also development in the field of mobile phone technology has been vastly explored and is implemented as per the new requirements. The current market is very competitive and thus provides a lot of options for the buyers. Customers are not only relying on their own specifications but also they are focused to buy a Smartphone which will support the current and future technology. Major problem which Nokia faced is that it did not have 'Android' as their operating system. 'Windows' operating system was implemented in Nokia's Smartphone's and

many of the applications are not present on Windows app store thus making it less affectionate to customers. So, customers have a higher bargaining power over Nokia.

Threat of Substitute

Mobile phones in today's world offer more than just only calls and texts. They are used to click images, listen to music, to play games. Mobile phones have evolved so much that user can enjoy all these benefits in a single device where previously user would have to carry individual devices for all these things. So, substitution threat for Nokia is low.

Threat of New Entrants

Despite many mobile phone industries already established, new entrants are still making it to the league as they offer mobile phones of same specification with lower price. But the threat is still moderate as it requires high investment, new technology and advanced knowledge in order to sustain in market. During the era of Smartphone's, many new companies such as Xiaomi, Oppo entered the market with huge investments and low product cost. Also, these companies used 'Android' as their Smartphone's operating system. Because of these reason's they became successful and eventually became a threat to Nokia. As Nokia is unable to meet up with the customer requirements so the threat of new entrants is high for Nokia.

Nokia Value Chain Analysis

Every product is valued during the process of its production. Value chain is a set of activities of creating value on a product during each phase till its complete production.

Based on this analysis, the profitable business is structured. Value chain is categorized into primary and secondary activities.

Primary Activities

Operations: Nokia operated in licensed and company owned store models. Online Nokia purchasers are provided with discounts through Nokia discount coupons or coupon codes.

Inbound Logistics: The hardware part were bought from companies like Cisco systems and Ericsson and the software was on terms with Microsoft.

Outbound Logistics: Nokia products are sold in company owned stores, licensed stores and on E-commerce websites such as Amazon, E-bay etc. The revenue is generated through stores or through mobile payments.

Services: Nokia is known as the premium cell phone makers. They have established a good customer base by providing quality services.

Marketing and Sales: Marketing strategy team of Nokia has done a remarkable job. They have implemented these strategies geographically, demographically and as per consumer segments.

Support Activities

Firm Infrastructure: The company has legal, financial and a remarkable management team for the proper functioning of the stores as well as the e-commerce websites. Nokia has well designed offices throughout the globe.

Human Resource Management: The HR management in Nokia maintains a good, healthy environment for its employees. Their main aim is to create an environment for all the employees to enhance their skills even more further.

Technology Development: Nokia being the oldest mobile manufacturer company has provided wireless technologies throughout the globe. They have provided fiber to home services and many mobile based platforms.

How Is the Company Making an Impact in Practice?

Nokia has grown big from what it started. Initially it was founded as pulp mill and was the manufacturer of rubbers and cables. Later it advanced its roots to digital technology and contributed in the field of mobile networks, digital health etc. Further Nokia networks were expanded to Nokia technologies and this subsidiary looked after consumer products and licensed technology. It mainly focused on sensing, wireless, imaging and radio implementation. In 2014, Nokia technologies expanded its development through the Invent with Nokia program. Nokia was the big name in manufacturing mobile phones after motorola's invention. Nokia controlled 41 percent of the market in 2007. Over the past 6 years the company has seen a steady downward slide and its reign over the cell phone market has degraded. Till end year, Nokia's market share was steady at 15 percent. Nokia has to keep-up with the current technologies and has to meet the customer requirements.

Conclusion

Where Nokia is right now is a lesson in branding. It is a conclusion that shouts out loud for everyone to hear. It is an aftertaste. It is the scent after a romance, and even when the current experience is over, the memory still lingers. In Nokia's language, it is the irresistible personal experience that a customer feels when he grips that instrument of communication close to his ear. (DRS Research).

My Recommendations

Everyone is aware of the capability which Nokia owns. It was a world leader in mobile phone industry and continued for several years until some decisions turned the tables otherwise for it. The major issue for the fall of this huge giant was the platform selection. The legacy should have continued if Nokia Smartphone's were introduced with 'Android' platform. They lost a big customer base because of this reason. Also, they could not compete with their competitors which were Samsung, Apple in advanced technology. Technology is upgrading day by day and keeping that in mind these companies should be well aware of the present as well as of the future technologies and implementing their design as per the scope. So, it should be a complete blend of the latest technology, user friendly operating system and also pocket friendly to the customers.

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