

NOKIA 6630

A Product Development and Launch Case Study

Discussion Issues

How would you assess the competitive position of Nokia in the market ?

What are the current and future threats for their product portfolio ?

Is Nokia's positioning clear ?

How relevant or appropriate is their NPD strategy? Give details.

What would you do differently, if anything ?

EXECUTIVE SUMMARY

This case study is about the launch of new product Nokia 6630 by Nokia Corp. on 14 June 2004. Nokia 6630 is the first 3G mobile phone of Nokia introduced to the 3G market. It marked Nokia's first steps in a new market niche.

Nokia 6630 represents the most advanced 3G mobile phone with the latest digital applications. It reflects the radical changes in mobile phone technology moving from the analogue service to the digital era. In general, the launch of Nokia 6630 is successful thanks to excellent marketing strategies. By the fourth quarter 2004, Nokia 6630 has been marketed by more than 30 3G service operator around the world. In Western Europe, Nokia 6630 has been the best selling 3G mobile phone. As a result, the sales of Nokia 6630 has significantly contributed to the increase in operating profit of 53% to EUR 164 million for the Multimedia group in the fourth quarter 2004.

The successful launch of Nokia 6630 illustrates that product innovation is the key to success in the market.

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INTRODUCTION

Product innovation has been known as a critical factor to success of a firm in the market. This case study will analyse the launch of Nokia 6630, a 3G mobile phone to illustrate the importance of product innovation.

This case study comprises 7 parts:

- analysis of the firm
- analysis of the industry that the firm is competing in
- analysis of the technology of the related product launch
- analysis of the product innovation
- analysis of the marketing strategies that the firm uses in launching new product
- analysis of the result of the launch, and
- comments on the product innovation

The data used in this case study is achieved from secondary sources such as the company's reports, professional organizations' report, industry reports on the Internet.

ABOUT THE FIRM

Established in 1865 in South-Western Finland by mining engineer Fredrik Idestam, Nokia originally operated in forestry industry. However, from the beginning of the 1980s, Nokia focused in its core business, telecommunications and consumer electronics markets through the acquisitions of Mobira, Salora, Televa and Luxor of Sweden. In 1987, Nokia acquired the consumer electronics operations and part of the component business of the German Standard Elektrik Lorenz, as well as the French consumer electronics company Oceanic. In 1987, Nokia also purchased the Swiss cable machinery company Mallefer. By the end of 1980s, Nokia became the largest Scandinavian information technology company through the acquisition of Ericsson's data systems division. In 1989, Nokia conducted a significant expansion of its cable industry into Continental Europe by acquiring the Dutch cable company NKF.

In 1987, the first NMT handportable phone, the Nokia Cityman, was launched by Nokia. Yet, the Nokia era had not come until Jorma Ollila, then President of Nokia Mobile Phones, was appointed to head the entire Nokia Group in 1992 with the sole commitment on telecommunications in the digital age.

Nokia now is the world leader in mobile communications, driving the growth and sustainability of the broader mobility industry. Nokia commits to enhancing people's lives and productivity by providing easy-to-use and innovative products like mobile phones, and solutions for imaging, games, media, mobile network operators and businesses. On this base, Nokia has focused its business in three major areas:

- Nokia Mobile phones;
- Nokia Networks; and
- Nokia Venture Organization.¹

Nokia Vision: Life goes mobile!

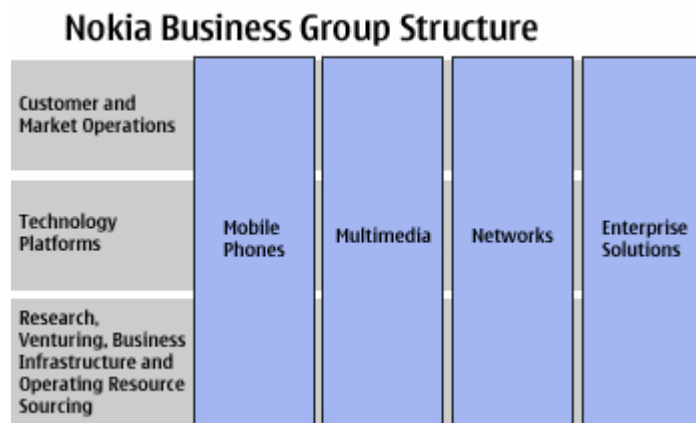
¹ www.nokia.com

Nokia's vision 10 years ago was 'Voice Goes Mobile!' As history shows this vision became true with more than 1.6 billion mobile phone subscriptions globally. The number of mobile phones exceeded the fixed-line phones.

Today, together with radical changes in digital technology Nokia sees mobility expanding into new areas such as imaging, games, entertainment, media and enterprises. These changes are creating new opportunities for the mobile phone industry.

Company structure:

Effective from January 1, 2004 Nokia decided to change its organizational structure to align with its business strategy. Nokia structure includes four business groups namely Mobile phones, Multimedia, Networks, and Enterprise Solutions. Supporting the four business groups are three horizontal groups namely Customer and Market Operations, Technology Platforms, and Research, Venturing and Business Infrastructure. The following graph describes Nokia's structure.



Source: www.nokia.com

Mobile phones:

Mobile Phones unit develops mobile phones for all major standards and customer segments. It is responsible for Nokia's current core mobile phones business, based mainly on GSM, CDMA and TDMA technologies.

Multimedia:

This new business unit focuses on mobile multimedia in the form of advanced mobile devices and applications. Its products have features and functionality such as imaging, games, music, media and a range of other attractive content.

Network:

This business unit is in charge of providing network infrastructure, service delivery platforms and related services to mobile operators and service providers. Focusing on the GSM family of technologies, the group aims at leadership in GSM, EDGE and WCDMA radio networks.

Enterprise Solution:

Enterprise Solutions offers businesses a range of devices and mobile connectivity solutions based on end-to-end mobility architecture, and focuses on business devices, IP network perimeter security and mobile connectivity solutions designed to help companies mobilize their workforces while ensuring the security and reliability of their networks.

Of the four business groups, Mobile phones plays an important roles accounting for more than 70% of the total revenues of the company. However, the profit from this group is declining recently due to severe competition from its rivals. In 2003, Nokia’s annual total sales was 29.5 billion Euro with the operating margin of 17%. The following chart shows the sales by business groups.

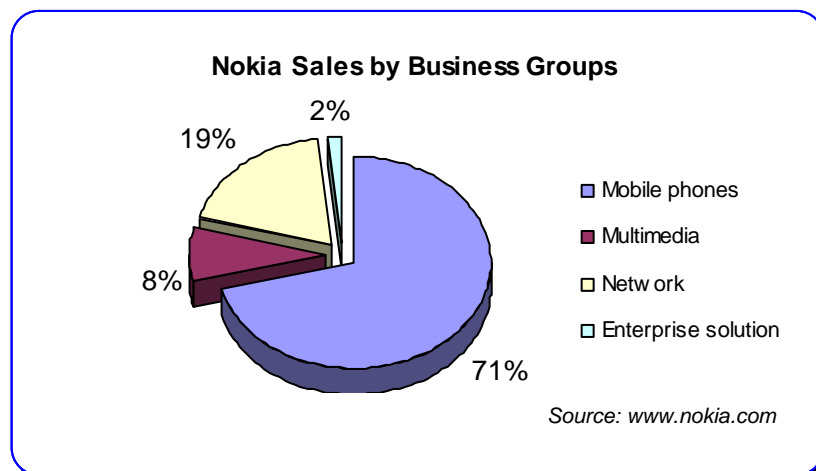


Figure 1: Nokia Sales by Business Groups

In mobile devices market, Nokia maintains its leadership of 34.7% in 2003 with 180.7 million units sold. The two closest competitors are Motorola and Samsung mobile Corp. with the market share of 14.5% and 10.5% respectively. The following chart shows the market share of main players in the mobile phone market.

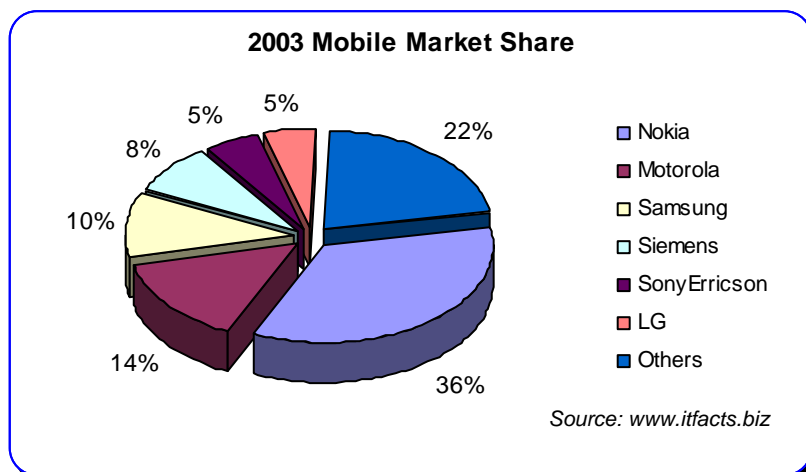


Figure 2: Mobile Market Share in 2003

The following table summaries the financial information in the last 5 years. The sales and market share indicators shows a slight decline in sales and market share in 2003.

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net sales by business group, EURm | | | | | |
| Nokia mobile phones | 23,618 | 23,211 | 23,158 | 21,887 | 13,182 |
| Nokia networks | 5,620 | 6,539 | 7,534 | 7,714 | 5,673 |
| Nokia venture organisation | 366 | 459 | 585 | 854 | 415 |
| Net Profit | 3,592 | 3,381 | 2,200 | 3,938 | 2,577 |
| Market share (mobile phone) | 34.7% | 35.1% | 35% | 30.6% | 26.9% |

Table 1: Financial highlights

Source: www.nokia.com

Nokia's personnel in 2003 includes more than 50,000 employees spreading over four market areas namely Finland, European countries, Americas and Pacific-Asia.

THE INDUSTRY

The global mobile phone industry has experienced steady growth in the last 5 years, from 284 million units sold in 1999 up to 520 million units shipped in 2003. It is expected that 650 million units will be sold in 2004. From the market perspective, there are three major markets:

- Europe / Africa / Middle East,
- Americas, and
- Asia - Pacific

While the global mobile phone industry in general is growing maturity is anticipated in the European market. On the other hand, markets in Americas and Asia – Pacific are in growing phase with some emerging sub-markets such as Brazil, India, China, Korea, and Japan². The average growth rate in the last 5 years (1999-2003) is 19%.

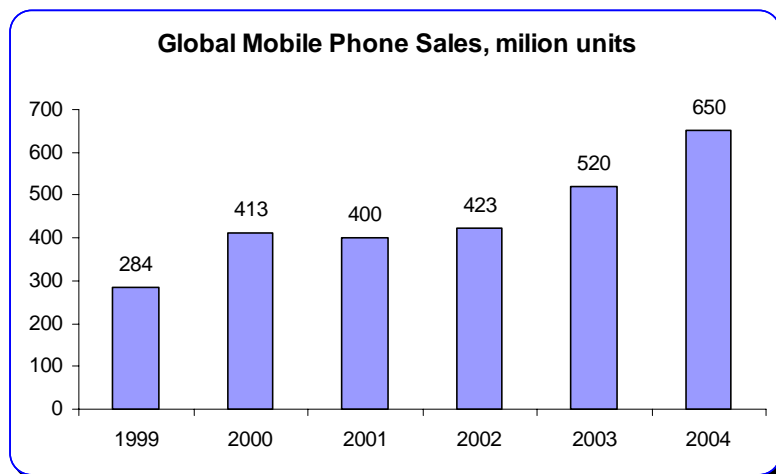


Figure 3: Global Mobile Phone Sales

Source: www.itfacts.biz

² www.itfacts.biz

On the product life cycle curve, it is observed that the mobile phone market is now in the end of the growth stage.

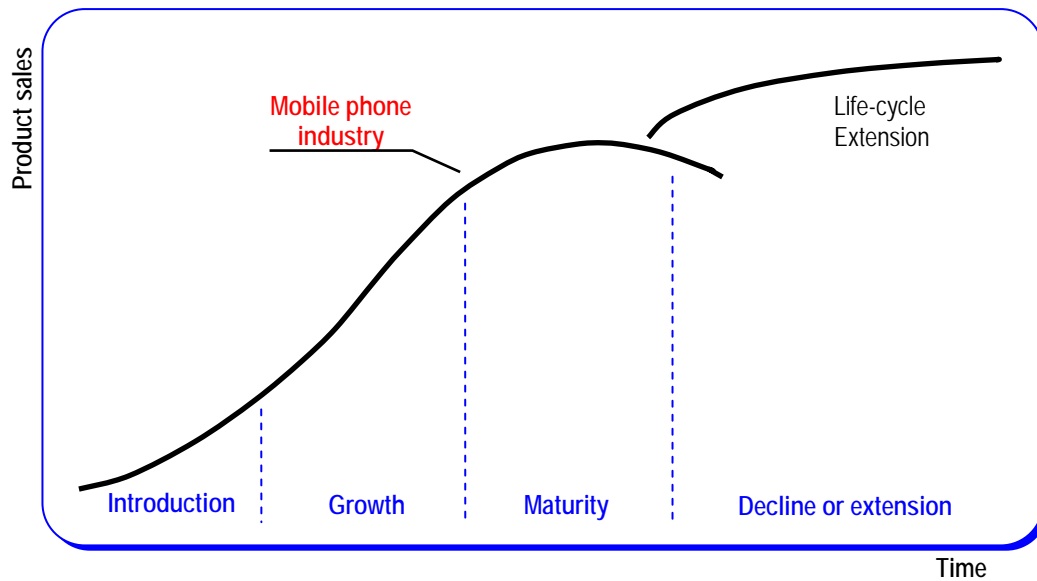


Figure 4: Product Life Cycle of Mobile phone industry

Source: Reed, 2003

The global mobile phone market is currently led by Nokia Corp. with the market share of 35%. The followers include Motorola, Samsung, Siemens, and SonyEricsson. The following graph shows the market shares of those competitors in the last 5 years, 1999-2003.

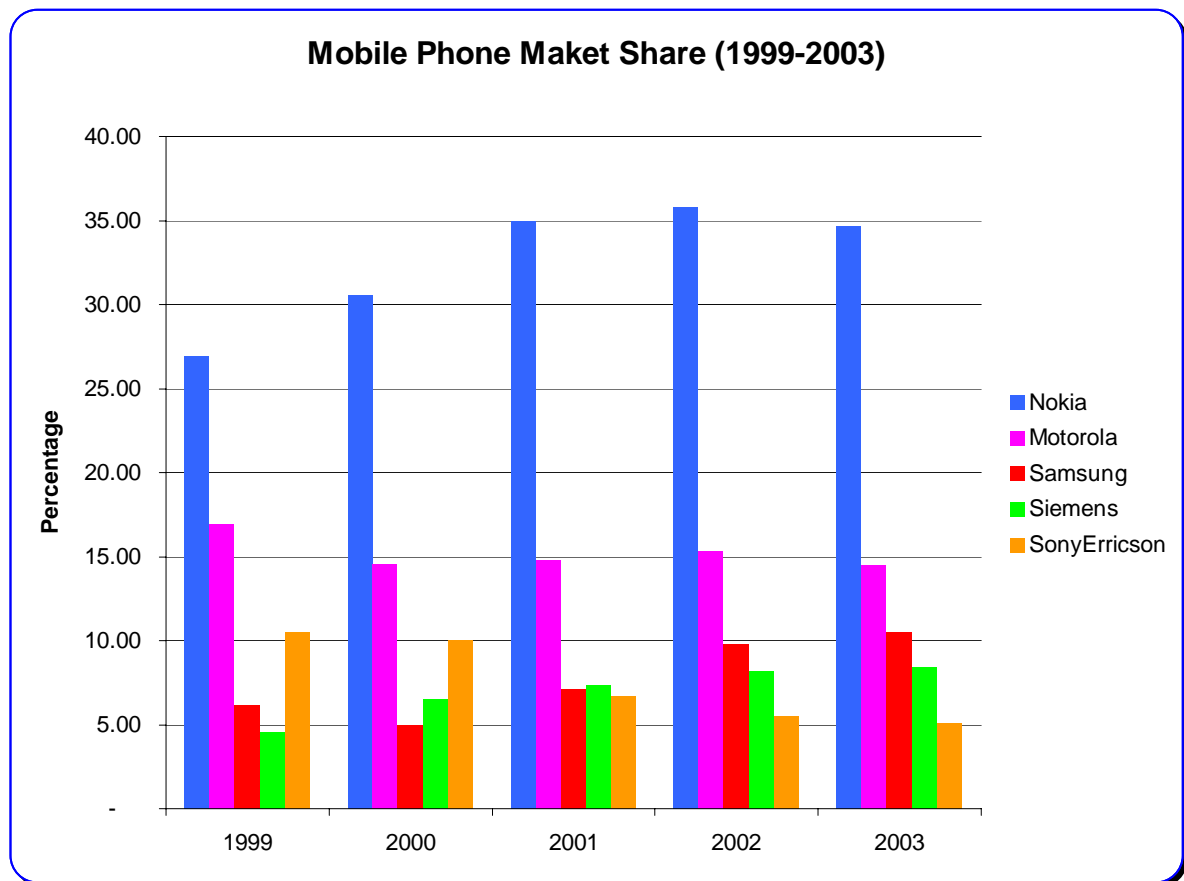


Figure 5: Mobile Phone Market Share (1999-2003)

Source: www.itfacts.biz

Though the global mobile phone sales increase by 19% annually Nokia's and Motorola's sales slightly decline in the last few years. This is the result of strong competition from the Korean mobile phone maker Samsung and the German maker Siemens. While the technological differences between the competitors are minimal they compete mainly on price and especially on design innovation³. This urges those main competitors adopting price cut strategy and focusing on improvement and renewal throughout their product portfolios.

Nokia, under high pressure of competition, has implemented worldwide low price strategy for most of its product portfolios to protect its market share. In 2003, Nokia introduced more than 40 new models on all products portfolios to consolidate its leadership position⁴.

³ www.telecomasia.net

⁴ www.silicon.com

A new trend

With a strong support from the digital technology the mobile phones industry is expanding from voice-based communications toward new, data-driven areas and applications in the realm of consumer multimedia and enterprise solutions. As evidence of growing demand for advanced products and services, annual sales of mobile camera phones clearly outsold digital cameras for the first time in 2003. Global mobile camera phone growth was supported by strong sales in Asia, particularly in Japan and Korea. According to In-Stat/MDR, the camera phone market will be skyrocketing with worldwide annual shipments up more than 200% in 2004⁵. Additionally, devices are becoming more computer-like in terms of functionality, while phones with color screens have become increasingly common.

Market Attractiveness

Porter's five-force model is employed to analyse the market attractiveness. Such attractiveness will reveal the competitive intensity and industry profitability.

Threat of new entrants:

Entering the mobile phone industry requires enormous financial investments and strong technical capability. Most of established mobile phone makers have strong history in electronic and digital technology. They are spending billions of dollars for R&D and marketing to consolidate their positions in the market⁶. Moreover, as mentioned above the mobile phone market is dominated by 5 major players namely Nokia, Motorola, Samsung, Siemens and SonnyEricsson with the collective market share of over 60%. The new entrants will face strong reaction from these players. As a result, the threat of new entrants is low.

Threat of substitutes:

The mobile voice communication is unique and perceived as the most convenient way for communication. There are several substitutes such as transportation, portal service, fixed phone, email and online chatting. The disadvantages of these substitutes are costly, time-consuming and inconvenient. Today, with the 3G mobile phones people can enjoy integrated services such as video communication,

⁵ www.itfacts.biz

⁶ www.gartner.com

multimedia messaging, video recording, digital camera with a reasonable cost. Therefore, the threat of substitutes is considered low.

Bargaining power of buyers:

With more than 520 million mobile phones sold in 2003, mobile phones now are considered a commodity item. Users have a wide range of choices regarding styles and functions from many mobile phone makers who are competing on price and continuous innovations. In general, the bargaining power of buyers is perceived high.

Bargaining power of suppliers:

Suppliers of mobile phone makers include software suppliers, semiconductors suppliers, and lens suppliers. These suppliers are highly professional and specialized. Though a mobile phone maker have alternatives of suppliers it usually maintains strategic relations with particular suppliers in order to optimize its supply chain management. The success of a mobile phone maker and its suppliers is highly interdependent. In general, the bargaining power of suppliers is medium.

Competitive rivalry

The competition in the mobile phone industry is perceived high. Though there are many mobile phone makers in the world the market is dominated by the 5 biggest makers as mentioned earlier. The competition is mainly based on price and product innovation. With the aids of digital technology mobile phone makers are trying to launch new products with new functions and stylish design to win new customers.

The Porter's five-force model can be generalized in the following graph.

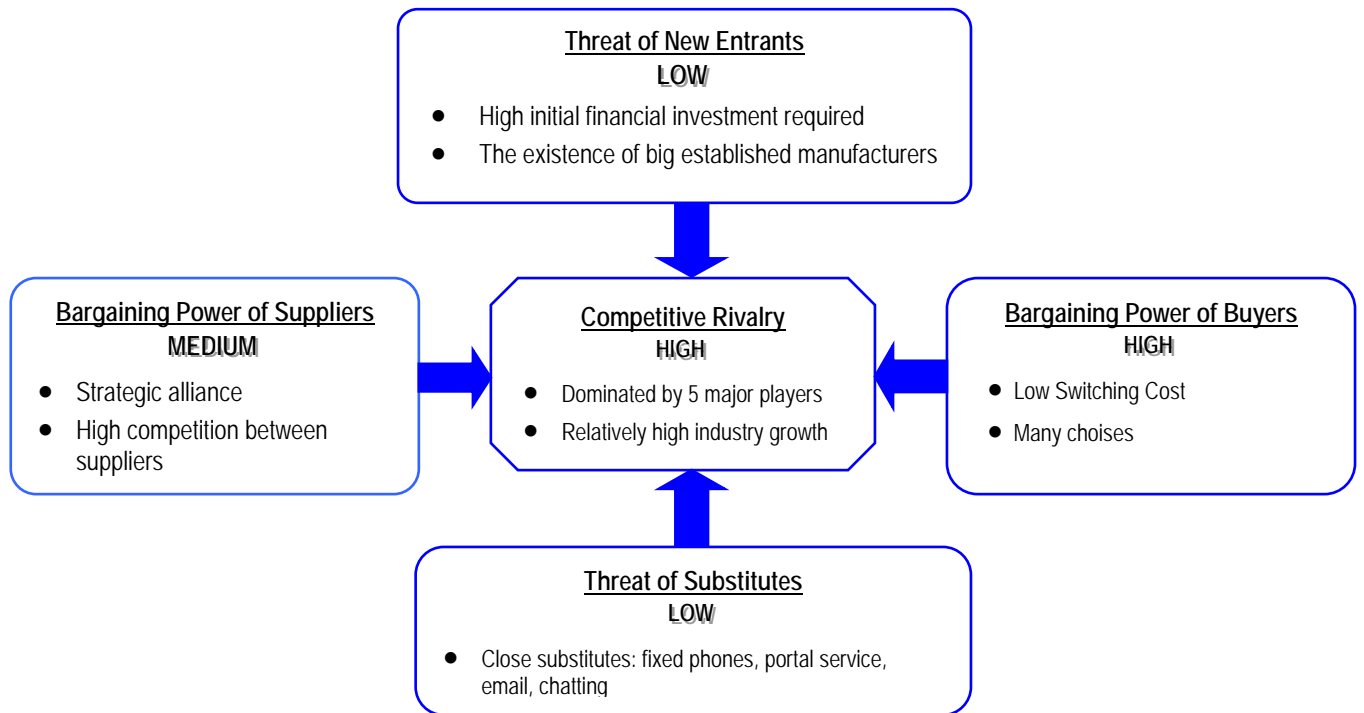


Figure 6: Porter's five forces model

Source: Baker & Hart, 1999

THE TECHNOLOGY

The history of mobile phone technology goes back to 1947 when researchers looked at crude mobile (car) phones and realized that by using small cells (range of service area) with frequency reuse they could increase the traffic capacity of mobile phones substantially. The mobile phone technology has experienced two major wireless standards: Analogue service and Digital service⁷.

Analog Service: A method of modulating radio signals so that they can carry information such as voice or data. Analog cellular phones work like a FM radio. The receiver and transmitter are tuned to the same frequency, and the voice transmitted is varied within a small band to create a pattern that the receiver reconstructs, amplifies and sends to a speaker. The drawback of analog is the limitation on the number of channels that can be used.

Digital Service: A method of encoding information using a binary code of 0s and 1s. Most newer wireless phones and networks use digital technology. In digital, the analog voice signal is converted into binary code and transmitted as a series of on and off transmissions. There are three digital wireless technologies: CDMA, TDMA and GSM.

CDMA (Code Division Multiple Access) is based on a form of spread spectrum technology that separates voice signals by assigning them digital codes within the same broad spectrum. CDMA was developed in the late 1980s and was accepted as a standard in 1993 and went into operation by 1996. CDMA also exists at both the 800 MHz and 1900 MHz bands.

TDMA (Time Division Multiple Access) is also called Digital AMPS or D-AMPS. Released in 1994, TDMA IS-136 uses the frequency bands available to the wireless network and divides them into time slots with each phone user having access to one time slot at regular intervals. TDMA IS-136 exists in North America at both the 800 MHz and 1900 MHz bands.

⁷ www.inventors.about.com

GSM (Global System for Mobile Communications) is based on an improved version of TDMA technology. In 1982, the Conference of European Posts and Telecommunications (CEPT) began the process of creating a digital cellular standard that would allow users to roam from country to country in Europe. By 1987, the GSM standard was created based on a hybrid of FDMA (analog) and TDMA (digital) technologies. GSM engineers decided to use wider 200 kHz channels instead of the 30 kHz channels that TDMA used, and instead of having only 3 slots like TDMA, GSM channels had 8 slots. This allowed for fast bit rates and more natural-sounding voice-compression algorithms. GSM is currently the only one of the three technologies that provide data services such as email, fax, internet browsing, and intranet/LAN wireless access, and it's also the only service that permits users to place a call from either North America or Europe. The GSM standard was accepted in the United States in 1995.

With the advances of technology the mobile phones today are classified into 4 generations. The first generation (1G) was the analogue mobile phones, which operated on the technology called AMPS (Advanced Mobile Phone Service). The only function of the analogue mobile phones is voice transmission. The second generation (2G) was the digital mobile phones, which used mainly CDMA and TDMA technologies. 2G mobile phones were featured with higher voice capacity, text messaging and games. The third generation (3G) is the latest digital mobile phones, which offer cost-effective voice service, mobile data services such as video streaming news, mobile email, Internet browsing, and familiar things like ring tones and wallpapers. Speed is the essence of 3G phones which is underpinned by a technology called Wideband CDMA, which is much faster than GSM and GPRS - the 'always-on' packet-switched service often described as 2.5G. Also, WCDMA has capacities that can ensure enough bandwidth is available for data-hungry users, with lower cost per bit. But even WCDMA is about to be upgraded with the introduction of new software into existing base stations. An upgrade to High Speed Downlink Packet Access (HSDPA) will give 3G users speeds similar to fixed broadband. Between the 2G and 3G is the 2.5G phones which use GSM and GPRS technologies. With 2.5G mobile phones users can enjoy multimedia messaging, gaming, web-browsing and digital camera. The 4 generations of mobile phone technology can be generalised in the following table.

| Generation | Technology continuum | Functionality |
|------------|----------------------|---|
| 1G | AMPS | <ul style="list-style-type: none"> • Voice service |
| 2G | CDMA and TDMA | <ul style="list-style-type: none"> • Voice service • Text message • Games |
| 2.5G | GSM and GPRS | <ul style="list-style-type: none"> • Voice service • Multimedia message • Web-browsing • Games • Digital camera |
| 3G | WCDMA and HSDPA | <ul style="list-style-type: none"> • Voice service • Multimedia message • Web-browsing • Video streams • Digital camera • Online game |

Many countries have already made the necessary investments for upgrading their networks to 3G. However, in some countries, the build-out of new 3G networks still presents challenges because of the wide area to be covered and the site acquisition involved. According to Wireless World Forum, the global 3G subscribers will grow from an estimated 45 million at the end of 2004 to 85 million in 2005⁸.

⁸ www.itfacts.biz

THE INNOVATION

On 14th June 2004, Nokia launched its first 3G mobile phone Nokia 6630, the world's first mobile phone to combine the benefits of 3G, EDGE and the leading smartphone platform series 60. Nokia 6630 offers always-connected Internet, mobile broadband access to multimedia contents, living video streaming and video conferencing. Nokia 6630 is the only 3G phone introduced to date that is designed to work on 3G, EDGE and 2G networks around the world⁹.

With the 1.23 million effective pixels camera and many digital imaging features Nokia 6630 is the most advanced camera phone to date. Its imaging features include 6x digital zoom, up to 1 hour video recording, wireless direct printing from the handset, 74 MB of memory on MultiMediaCard. For those seeking entertainment, Nokia 6630 offers MP3 music player and real time video streaming on its bright color display.

More than a 3G phone, Nokia 6630 is even a portable office, which has become an essential element of modern business life. Users can download email directly to Nokia 6630 smartphone and view important documents in formats like Microsoft Word and PowerPoint while being away from the office.

Nokia 6630's key features are:

- 3G speed with Series 60: WCDMA+EDGE broadband access
- Quad -band phone for use on five continents
- Improved 1.23 megapixel image capture with 6x smooth zoom and sequence mode
- Video recording time up to 1 hour per clip
- Video editing with Nokia Video Editor
- Movie Director application for automated fun video production
- Web browser with improved HTML support
- Direct printing at home, office, retail kiosks
- Hot swap Reduced Size MultiMediaCard (MMC) for data storage
- Multimedia Messaging (MMS)
- Enhanced Media Gallery for storing photos and videos
- Help application for usage tips and hints
- Data Transfer application for moving contacts, calendar, images, videos and voice clips

⁹ www.nokia.com

Though Nokia is not the first 3G maker the Nokia 6630 is considered the best 3G phone which is integrated the most advanced technologies to date. Nokia, however, faces intense competition from the likes of Samsung, LG and NEC, which have already introduced video handsets and have valuable experience in the Japanese and Korean markets with advanced services.

In order to assess how Nokia 6630 to be accepted by the innovators it is useful to adopt Roger's five factors¹⁰.

Relative Advantage: HIGH

As mentioned above, Nokia 6630 is integrated the most advanced features that its rivals do not have. It is truly a modern media and portable office. With the Nokia 6630 smartphone users can surf the Web with the integrated Web browser, download files fast, play favorite music with the built-in MP3 player, enjoy high-quality video streaming. In general, Nokia 6630 can offer the most cost-effective communication service to end-users.

Compatibility and Complexity: HIGH

Using the Series 60 platform, Nokia 6630 can automatically roam between 2G and 3G networks around the world. Series 60 platform includes support for GSM/GPRS/EDGE, CDMA and dual-mode WCDMA-GSM configurations. Dual-mode WCDMA –GSM offers full support for operators' 3G services and paves the way for video telephony and advanced streaming & browsing capabilities on mobile devices.

Unlike the PDA, Nokia 6630 is based on a normal telephone keypad approach. The Series 60 concept originally came from maximizing a relatively small screen size to deliver e-mail, Web browsing, Intranet access, messaging, sharp pictures and personalized screens and icons.

In general, Nokia 6630 can be considered an effective substitute for a normal mobile phone, a PDA, a digital camera, and more.

¹⁰ Baker & Hart, 1999

Simplicity: HIGH

Though being integrated with the most sophisticated technology Nokia 6630 is designed for simple and friendly using. The Series 60 platform enables easy-to-use and friendly interface that allows users learning while using.

Divisibility: HIGH

Aside the full information about the product innovation on the net users can easily assess the Nokia retail outlets worldwide to trial Nokia 6630 without any cost. Moreover, Nokia's staff are always available to answer any questions of the users.

Communicability: HIGH

Being the most advanced communication tool Nokia 6630 itself communicates very well the benefits it brings to the users. Nokia 6630 is born to satisfy the changing needs of people.

THE MARKETING STRATEGIES

Product Strategy

The Ansoff product-market matrix shown below can be used to consider the potential of four strategic options for products and markets¹¹.

| | | Products | |
|---------|----------|--|---|
| | | Existing | New |
| Markets | Existing | <u>Market penetration</u> Nokia 2G & 2.5G phones | <u>New product development</u> Nokia 6630 |
| | New | <u>Market development</u> | <u>Diversification</u> |

Figure 7: Ansoff product-market matrix

Source: Reed, 2003

According to Ansoff product-market matrix, while Nokia is adopting the market penetration strategy for its current portfolios of 2G and 2.5G mobile phones to maintain growth and protect market share, it applies a new product development strategy for Nokia 6630.

New product development may be product line extensions or new-to-world products for existing market segments (Reed, 2003). The objective of new product development is to meet the changing customer needs and to adopt the technological development and innovation. The ultimate objective is to increase market share and wealth maximization.

Target Market

Nokia 6630 is obviously targeting the innovators and early adopters segments of the existing mobile phone market. According to Roy Morgan Values Segments¹², the users of Nokia 6630 can be categorized into 2 segments, New generation and Premium seekers.

¹¹ Reed, 2003

¹² www.roymorgan.com

The new generation falls under the Look at Me and Young Optimism. They are males and females at 18 to 30 years old who are mainly single. They want to try everything, work hard and play hard. They are innovative and interested in technology. They are always on the move, very socially active, preferring a party to staying at home. They like to be seen as "outrageous" and taking part in "cool" or "hip" activities. Sport, music and fun are important to them. They are time conscious. They are very heavy readers of magazines covering a wide range of titles orientated towards the younger market such as Girlfriend, Dolly, and Cleo. They are heavy viewers of music based television programmes including Rage and Video Hits.

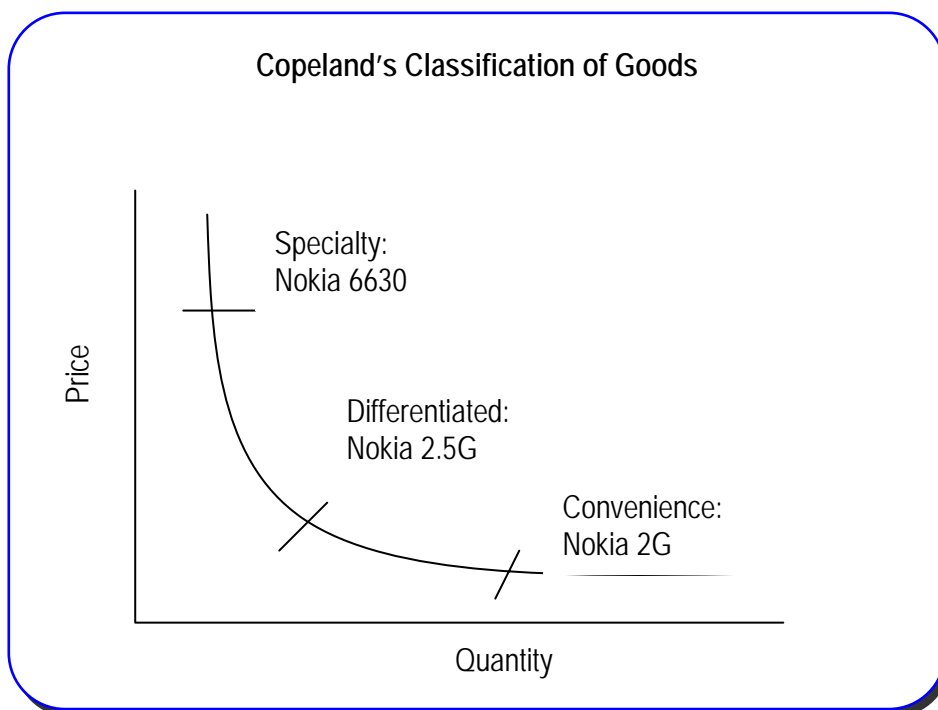
The premium seekers segment falls under the Something Better and Real Conservatism. Customers consist of men and women age over 30 years old who have successful achievement in their careers and demand high standard of living. They have relatively high level of incomes and thus want something bigger, better. They tend to be competitive, individualist and ambitious people who are seeking more out of their life. They want more than they've got and more than others have. They are very concern about their image, such as wearing the right clothes, driving the right car. They are also health conscious and therefore willing to pay more for products that guarantee consistent value and superior quality. High brand loyalty is a feature of this segment, seldom do they switch brands easily.

People in this segment tend to be slightly heavier readers of newspapers, magazines. They are also medium to heavy television viewing. Their favourite programmes include American style comedies and sit-coms such as Married with Children, Roseanne, Murphy Browne and Home Improvement; information programmes on improving their life such as Our House; and programmes which offer the opportunity to see the amusing failings and gullibility of others such as Funniest People, Just Kidding and Australia's Funniest Home Videos.

Price Strategy

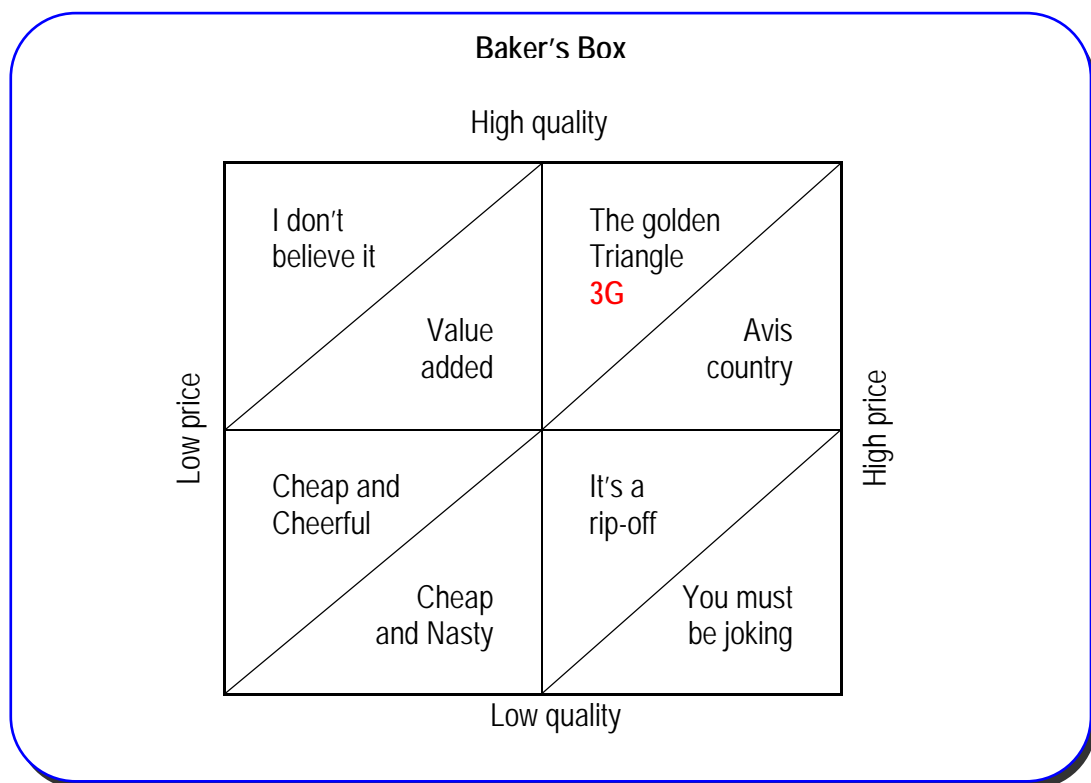
In line with the product strategy, while implementing the penetration pricing strategy for the 2G and 2.5G product portfolios, Nokia is adopting skimming pricing strategy for this highly innovative and differentiated product, Nokia 6630. As Nokia 6630 has unique features that other brands could not offer, the high price strategy implies high quality.

Using Melvin Copeland's classification of goods it is clear that Nokia 6630 is perceived as a Specialty.



Source: Baker and Hart 1999

In terms of price and quality analysis, it is useful to Baker's Box to better evaluate the price strategy for Nokia 6630. According to Baker's Box, Nokia 6630 is positioned in the Golden Triangle, which has high quality and reasonably high price. However, Nokia will soon lower the price if its competitors are able to introduce the same or better products than Nokia 6630. With the fast changing technology the product life cycle of mobile phone becomes shorter.



Source: Baker 2004

Promotion

Following the launch of Nokia 6630 on 14 June 2004 in Singapore for the Asia-Pacific region and in Helsinki for the Europe market Nokia has generated all distribution channels and promotion activities to make Nokia 6630 reachable to users.

Besides the demonstration in all existing Nokia outlets Nokia has established strategic co-operation with major 3G service providers such as Vodaphones, Optus, Hutchison 3 to market its product. These service providers will act accordingly with promotional activities for both the product Nokia 6630 and the 3G services.

The integrated marketing communication campaigns were launched in mass media, including:

- Television advertising
- Radio advertising
- Newspapers and magazines advertising
- Internet advertising
- Publicity: concerts, etc.

THE RESULT

By the fourth quarter 2004 there have been more than 30 3G service operators including Nokia 6630 in their offering. In Western Europe, Nokia 6630 was the top-selling smartphone in the fourth quarter. This result made Nokia becoming the leader in 3G market

Though concrete data on sales of Nokia 6630 has not been available to date, it is said that Nokia 6630 has received positive response from the market. According to Jorma Ollila, Chairman & CEO Nokia has "received very good feedback" from operators including 3, O2, Orange, T-Mobile, TeliaSonera, TIM and Vodafone on the 6630, its newest 3G handset featuring a 1.3 megapixel camera and a six-picture sequence mode. The Multimedia fourth-quarter operating profit increased 53% to EUR 164 million with an operating margin 13.3% due to the strong performance in imaging smartphones sales including Nokia 6630¹³.

According to Wireless World Forum, global 3G subscribers will grow from an estimated 45 million at the end of 2004 to 85 million in 2005. Japanese operators have managed to subscribe 1 in every 6 of the population, compared to 1.3% in Europe¹⁴. With the strong integrated marketing communication strategies Nokia can expect high sales of Nokia 6630 in 2005.

From the product perspective, though Nokia is not the first mobile phone maker to introduce 3G phones it has set out industry benchmark with the Nokia 6630 and became the market niche leader. Nokia 6630 has successfully started a new race in the mobile phone market.

¹³ www.phonecontent.com

¹⁴ www.telecom.paper.nl

COMMENTARY

Moving away from its traditional mass-market focus, Nokia has its sights set on creating niche markets in the steadily growing mobile multimedia arena. The company has managed gearing up to roll out a range of multimedia handsets including Nokia 6630.

The roll out of Nokia 6630 reflects strong market orientation. Nokia knows that essence of the future mobile phone is all about Speed and Capacity and has successfully implemented new technology called Wideband CDMA in its new 3G products.

The case of Nokia 6630 also reflects the fact that product innovation is the key to Nokia's success. As confirmed by the CEO of Nokia, Ollila said: "We want a strong product portfolio at all times, covering all categories and price points"¹⁵. Nokia has maintained its leader position in the mobile phone market during the last five years due to continuous product innovation. Nokia introduces about 40 new products annually covering all product portfolios. For 3G niche, Nokia is to launch around 10 new 3G handsets during 2005 following the success of the company's first 3G product, the Nokia 6630 smartphone¹⁶.

The success of Nokia in the market to date is also the result of appropriate organizational change. Being aware of the potential of the 3G market, Nokia has changed its structure from 3 business groups: Mobile phones, Networks and Enterprise solution to 4 business groups so as the Mobile phones was divided into Mobile phones and Multimedia. This change enables new focus on the smartphones sector.

¹⁵ www.nokia.com

¹⁶ www.gartner.com

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