EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Final Year/First Semester Examination in Business Administration – Specialization in Marketing 2006/2007

(Proper September 2008)

MKT 4113 Strategic Marketing Management

Answer all five (5) questions Time: 03 hours

Q1) Read the following case study and answer the questions given below

Nokia and the Global Mobile Phone Industry

Positive Signs

The announcement of Nokia Corporation's (Nokia) quarterly results in April 2005 was a much awaited event as far as the global mobile phone industry was concerned. The company, which had emerged as an industry leader in the late 1990s, had run into rough weather in 2003-2004, with sales and earnings falling below expected levels. So much so that when the company announced poor results in the first quarter of 2004, several analysts declared that it was the beginning of the end of Nokia's dominance in the industry.

However, Nokia was not ready to throw in the towel quite so easily. The company put up a tough fight over the second half of 2004 to recapture its lost position in the market.

It introduced several new models, modified designs, and aggressively promoted products with a view to increasing its market share, which had fallen to a low of around 28 percent in early 2004 from an average of 35 percent over the previous three years.

Nokia's efforts started paying off by late 2004. The company announced satisfactory results for the fourth quarter of 2004 and market share for the year 2004 also stabilized at 32 percent by the end of the year. Jorma Ollila (Ollila), Nokia's CEO, while acknowledging that 2004 had been a challenging year, declared that the company was poised to recover in 2005. Ollila's prediction came true when the company announced better than expected results for the first quarter of 2005, ending March 31.

In the first quarter of 2005, Nokia's sales increased 17 percent over the corresponding quarter of the previous year to $9.65 billion.

Net profit rose 18 percent to $1.1 billion. Global handset sales rose 11 percent, prompting Nokia to increase its estimate of the size of the global handset market in 2005 by 100 million to 740 million.Commenting on Nokia's improved performance, Jussi Hyoty (Hyoty), an analyst at securities firm FIM Securities, said, "Nokia's result was definitely better than expected, and it shows that it's a growth company again."

However, despite these positive signs, several analysts wondered whether Nokia would ever be able to dominate the industry as it did in the late 1990s and the first two years of the new century, especially in light of the aggressive competition posed by several new Asian companies as well as more established players like Motorola and Sony Ericsson.

Background

Despite the relatively recent emergence of the mobile phone industry globally, Nokia's company history goes back to the 1800s.

The company was first set up on the banks of the river Nokia (after which it was named) in southwestern Finland in 1865 by Fredrik Idestam, who was a mining engineer. The original Nokia was a forest industry enterprise that primarily manufactured paper.

In 1898, Carl Henrik Lampen, a shopkeeper, and J.E. Segerberg, an engineer, set up the Finnish Rubber Works Ltd. (FRW) to manufacture rubber and associated chemicals. In 1912, Konstantin Wikstrom, an engineer, set up the Finnish Cable Works (FCW) to manufacture electrical cables for lighting purposes. These three companies had business dealings with each other through the early 1900s and eventually merged in 1967 to form the Nokia Corporation. The new company had four major businesses - forestry, rubber, cable and electronics.

By 1980, Nokia was a large business conglomerate with several businesses ranging from tires to televisions and computers to telecommunications.

The Rise to the Top

Nokia drew on its experience of setting up Nordic cellular networks (which were more advanced than those used by Japan, the rest of Europe, and the US at that time) to successfully adopt the GSM standard. The company was listed on the New York Stock Exchange in 1994. Over the 1990s, Nokia became one of the most successful mobile phone manufacturers in the world and began to enter non-Scandinavian markets as well.

Nokia was also one of the first mobile manufacturers to realize the importance of the design element in mobile phones and its phones were more aesthetically designed than those of competitors. In 1998, Nokia overtook Motorola to become the largest mobile manufacturer in the world...

Designed for Innovation

Nokia was the first mobile phone manufacturer to realize in the late 1990s that phones no longer played only a functional role; they were also becoming fashion symbols.

Until Nokia began emphasizing the design aspect, mobile phones were bulky, bricklike devices with an external antenna and a standard keypad. Manufacturers emphasized functionality over aesthetic appeal.

Nokia broke new ground in 1999, when it launched its 8200 handset on the catwalk at a Paris fashion week...

The Decline

In mid-2004, The Economist wrote, "When a firm dominates its market, especially one that is driven by constant technological advances, it risks becoming so fixated with trying to ward off what it reckons to be its most powerful challenger that it leaves itself vulnerable to attack from other directions." Analysts said this statement accurately characterized what happened with Nokia.

In the early 2000s, Microsoft Corp (Microsoft) announced its decision to enter the mobile phones market. The announcement set alarm bells ringing in Nokia as Microsoft had the reputation of being an aggressive competitor...

Efforts at Recovery

Soon after announcing disappointing results in the first quarter of 2004, Nokia realized that it was in trouble and began to take steps to correct matters. The company not only cut prices on certain handsets to increase market share, but also fine-tuned its portfolio to adjust products to meet market needs. It killed some outmoded models and brought forward the launch of several others, including a number of clamshell phones.

In June 2004, Nokia launched five new models of phones, out of which three were clamshells. Nokia's new models were the 6260 model, a clamshell whose cover not only flipped open but also swiveled, the 6630, which Nokia claimed was the world's smallest camera phone, designed for 3G networks, another clamshell, the 6170, and two low end models, the 2650 and 2600. Several other models were also marketed aggressively.

For instance, the low end 1100 model for emerging markets and the 6230 mid range model became very popular in 2004. (The 6230 was so popular in some markets that at times, Nokia was not able to meet the demand)...

A Challenging Future

Despite Nokia's laudable efforts in the direction of recapturing its lost market position the opinions of analysts on its turnaround were mixed.

While the company's detractors believed that Nokia had lost its competitive advantage in the mobile phone market, its supporters said the company's inherent strengths and stable financial position would help it sail through the difficulties it had faced in 2003-2004 to recover in the future. However, most of them agreed that the mobile phone industry was undergoing a vast change.

In the early 2000s, mobile phones were expected to perform a variety of functions in addition to looking stylish and being easy to operate. Nokia's competitors had understood this and were in the process of launching several models that were style statements in themselves...

Questions:

(a) In the late 1990s, Nokia emerged as the leader of the global mobile phone industry. However, by 2003, the company faced several problems. Discuss Nokia's rise to the top and its eventual downfall.

(10 Marks)

(b) In its glory days, Nokia was well known and recognized for its innovativeness and rapidity in introducing new products. However, one of the main reasons for its troubles in the early 2000s was that it had failed to read market signals and lagged behind in product development. What were the reasons for the company's problems? Do you agree that complacency had taken its toll on Nokia?

(10 Marks)

(c) Comment on Nokia's efforts to recover its lost market share. Do you think that the company will be able to recapture its position in the mobile phone market? Discuss in light of Nokia's future plans.

(08 Marks)

(Total 28 Marks)

Q2) **(a)** The Strategic Marketing planning and the structure of the marketing plan moves through a **management process** which consist of **five stages** for which the first two stages in a sequence reflect a problem-solving routine. Briefly describe those five stages.

(06 Marks)

(b) Identification of **customers' needs**, the definition of **target segments** and the creation of a **differential advantage** within the target market are said to be essential requirements of marketing. Justify this by using an example.

(06 Marks)

(c) Identify and list out the **factors** that contribute for problems of **Marketing planning.**

(06 Marks)

(Total 18 Marks)

Q3) (a) Describe the major **four influences** on establishing **objectives** for an organization and list out the **eight areas** Peter Drucker has identified for setting **primary and secondary objectives.**

(08 Marks)

(b) In **competitor analysis**, developing a **general picture of the competition** is based on four aspects. Briefly explain those four aspects.

(06 Marks)

(c) Identify the five **types of industry** for which an organization could enter for their business

(04Marks)

(Total 18 Marks)

Q4) (a) Describe to what extent does the management team appears to be aware of the causes of **new product success and failure**

(06 Marks)

(b) What are the **bases** on which **consumer markets** and **Business markets** are segmented?

(06 Marks)

(c) Briefly explain the role played by "**Value Chain**" in attaining competitive advantage by any organization.

(06 Marks)

(Total 18 Marks)

Q5) (a) When developing the **communications programme**, the marketing planner needs to take account of **eight areas**, list out and briefly explain those areas

(08 Marks)

(b) What are the **factors** which need to be taken into account when setting a **price**?

(05 Marks)

(c) What are the ways in which the level of **customer service** is improved which are cost effective?

(05 Marks)

(Total 18 Marks)