

How tech giants like Nokia were overtaken by Apple

As Nokia battles to regain ground from Apple and Samsung, Channel 4 News asks if established brands have any hope in the future consumer electronics market.

Back in the days when mobile phones lasted for days rather than hours before needing to be charged, Finland's [Nokia](#) was the market leader. Its 6100 model was the go-to phone of choice. But after a difficult couple of years, Nokia announced this week that it predicted £104m (125m euros) of losses in the first half of 2012, resulting in a 16 per cent drop in the company's share price. Adding insult to injury, South Korean company Samsung on Thursday knocked [Nokia](#) from its 14-year-reign at the top of the global mobile phone market.

On the same day, Sony - makers of the much loved Walkman - forecast a record annual loss of £4bn and said it would lose 10,000 staff in attempt to cut costs.

How can companies that for years hold pride of place in consumers' hearts, take such a drastic fall from grace? And is there any hope of a comeback?

'Period of crisis'

The story of the Finnish company reveals a "period of crisis" within the consumer electronics industry, Ben Wood, Chief of Research at [CCS Insight](#) told **Channel 4 News**.

"In the old days, it was all about volume - now it's all about value," he says. "And you have the dominant players like Apple and Samsung extracting around 80 per cent of the margin of value."

It took until 2010 for Nokia to change course after the introduction of the iPhone to the market in 2007. Before then, Nokia invested in its "legacy" programme, attempting to adapt the Symbian software it already had.

But with a new chief executive came a new strategy, and following his famous comparison of the ageing software to a "burning platform" that the company urgently needed to abandon, in February 2011 Nokia unveiled a new strategy, pairing with Microsoft Windows on the new Lumia phone.

Phones sold

Oct-Dec 2011

Nokia Lumia 800

1m

Apple iPhone 4S

35m



Nokia market share

All mobiles

40%

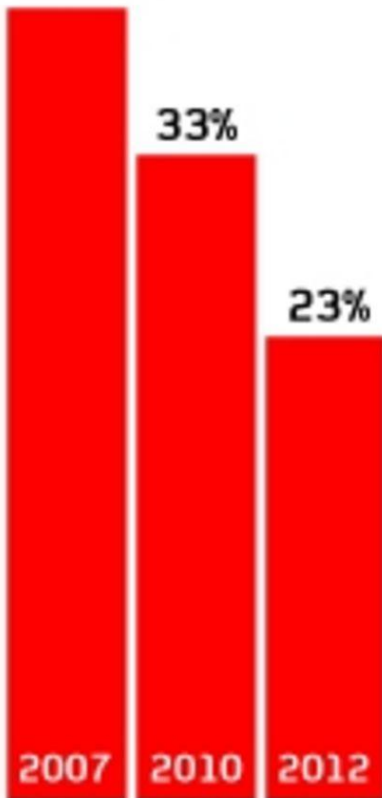
33%

23%

2007

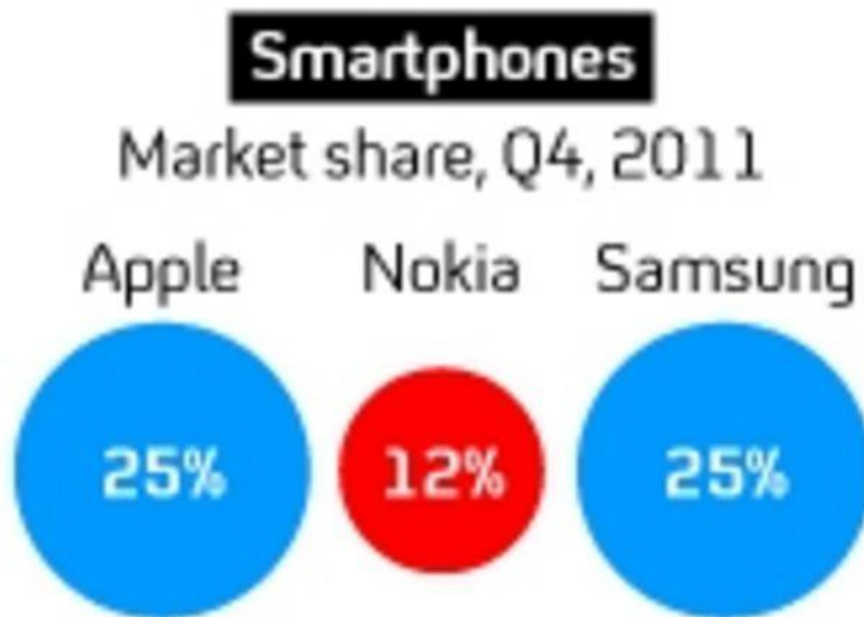
2010

2012



A "hugely controversial" strategy, says Mr Wood. "But it was a good approach - the fact that Nokia has got four Windows phone devices, [branded as Lumia] in the market is nothing short of a miracle. The problem is, that's all very well in isolation, but Nokia is playing catch-up."

The same could be said for Sony, which on paper has huge potential to invest in the future of a multi-screen user experience with an abundance of web, television, tablet products, as well as Sony Music and Film.



Branding and 'hype'

While Nokia is rolling out smartphones a few years after they have become popular, Apple creates products that consumers cannot even predict that they want. Nokia sold a respectable one million Lumia 800 phones in the last quarter of 2011 - but Apple sold 1 million iPhone 4s models in one day after its release, and 35 million in the same three-month period.

Nokia has been engaging with developers for years and has assets, such as maps, that companies like Samsung do not have, which puts the company in good stead and shows that it understands the ecosystem, Carolina Milanesi, Research VP at Gartner told **Channel 4 News**. But there are still obstacles ahead.

"Nokia's biggest issues today are the hype around Android, which makes some users disregard Lumia," she said. "And the second is branding. Nokia needs to get the sexy back in their brand and Microsoft, and this is not an easy job even when you have great products."

"The relationship consumers have with brand is very visceral not reasoned."

This is a factor that Apple has a firm handle on. So does Samsung, which has pumped huge investment into marketing and become a sponsor of the Olympics.

"The only thing that the other companies can hope for is that Apple makes a mishap," adds Mr Woods. "But it's a pretty risky strategy."