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Nokia's marketing stategies of mobile phones in Thailand and Hong Kong

Ajana Ouersoontornwatana

NOKIA'S MARKETING STRATEGIES OF MOBILE PHONES IN THAILAND AND HONG KONG

A Project

Presented to the

Faculty of

California State University,

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In Partial Fulfillment

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Master of Arts

in

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by

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ABSTRACT

In recent years, the mobile phone has been used as a tool to conduct business in many areas. The insufficient number of fixed wireless services has created an opportunity for the entry of mobile phone systems into the market to provide telecommunication service in Thailand and Hong Kong. Mobile phone use has been growing dramatically during the past ten years as a result of the high rate of economic growth. At the same time, the business community, government sector, and the public have required innovative services and modernized telecommunication technology. Major factors that influence consumer behavior in selecting a mobile phone in these countries are: quality, price, service, and promotion. To satisfy customers' demands and needs, Nokia has continuously expanded its network, and improved its after-sale customer satisfaction and support service.

Wireless commerce, however, is a relatively new phenomenon. Therefore, focusing on the countries of Thailand and Hong Kong, this project aims to (1) identify the status of Nokia mobile phone systems, (2) furnish an overview and comparison of the wireless commerce of Nokia in these two countries and finally, (3) examine how Nokia approaches the market there by analyzing the marketing strategies it employs.

ACKNOWLEDGMENTS

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INTRODUCTION

Problem Statement

Mass communication has played an important role in economic action. An effective telephone system is essential to the operation and business growth of the government and private sector in Asian countries. Private businesses and government agencies have been rapidly installing phone systems in the past ten years so that at the present time almost all private businesses, nonprofit organizations, and government offices now have basic telephone service.

According to the size of population and countryside, there are not sufficient landline phone services available consistent with the economic extension rate in the past decade. Thus, it is necessary to accelerate landline phone service in these countries. The government sector must provide the opportunity for private industry to do such accrued concessions in the fundamental telephone system installation. In addition, the mobile phone service was introduced in Asia during 1986 due to the lack of landline telephones and the high growth of Asian economics before the economic crisis in 1997 (Jitpunya, 1997).

The main objective of this study is to understand the difference in the marketing strategy used by Nokia Company between Thailand and Hong Kong. In addition, this study will also illustrate the way Nokia Company developed and implemented an overall marketing strategy in these two countries. However, consumer behaviors and attitudes between the two countries are vastly different. Thus, information is the key component in developing successful marketing strategies and avoiding major marketing mistakes.

Gautam, Kapoor (1996), Vice President of Lehman Brothers Asia Ltd., stated that cellular service has been growing rapidly throughout Asia. He concluded that between 1990 and 1995 the growth of the wireless sector has defied expectations. In Asia, the cellular subscriber base for every country has grown robustly, except in Indonesia and India.

The popularity of cellular service has led to a proliferation of cellular service providers in the region. Twenty-five cellular service providers operate in Thailand, Malaysia, Singapore, Hong Kong, the Philippines, South Korea and Indonesia (Guyon, 2000). As international trade expanded in Asia, the need for international calling volume increased, and the need for Asian telecommunication operations rose. Until recently, domestic service providers have operated in protected regulatory environments under tariff regimes. Tariffs are the taxes or customs duties levied against goods imported from another country. Thus, domestic service providers have tariffs for the purpose of expanding revenue and protecting domestic industries from competition with foreign service providers.

In a number of countries the mobile phone industry is better established than landline phone systems. This is another reason for the expansion of mobile phone service in Asia. The mobile phone trend is reinforced because wireless connection service is created by demand, whereas the waiting list for a landline connection could be up to five years in some locations. Compared to landline service, the cost of mobile phone service is low, making it more affordable to consumers.

In 1998, a research study by TISCO Securities ranked the cost of mobile phone handsets in Thailand. The study revealed that the handsets are the single largest up-front cost for a potential cellular subscriber; however, the cost of handsets has been consistently declining by 15-20% per year in Asia. Lower handset prices combined with declining fee structures are making cellular service more affordable to a growing segment of the region's population in Thailand and Hong Kong. The study noted though, that handset costs could increase in the next two years with the entry of Japanese and Korean suppliers in the digital segment of the market.

Furthermore, a separate study done by Bangkok Bank Public Company Limited, investor participation in the cellular sector in Asia is limited to these four companies: Advanced Info Service Public Company Limited in Thailand, Technology Resources Industry in Malaysia, Korea Mobile Telecom in South Korea, and Philippino Telephone Corporation in the Philippines (Jitsuk, 2000). In 1996, these four companies had a combined market capitalization profit of $15 billion. By the end of 1997, the market capitalization of Asian cellular service providers had doubled to $30 billion. Among countries with less-developed telecommunication infrastructures such as Thailand and the Philippines, the study predicted a penetration rate of 4-5% in the mobile phone market could be achieved by the end of 2001.

Another research study by Personal Communication Network (PCN) Research Institute in Thailand (2000) concluded that from the expansion of the economic conditions in Asia, the mobile phone industry needs to continuously compete in the market because of the insufficient number of mobile phone systems. Moreover, the two existing systems, analog and digital, do not currently provide a sufficient number of mobile phone systems.

The study further revealed that demand for the mobile phone service increased tremendously in a ten-year span. Between 1986 and 1996, mobile phone subscribers jumped from 1,288 to 1,819,748 in Thailand and Hong Kong, an increase of 106.5% per annum. However, since 1996 there has been a decline in the mobile phone trend as a result of more landline availability. This was due to a 4.1 million landline telephone expansion project throughout Thailand and Hong Kong.

It is expected that the sales figures of mobile phone systems can still increase although at a slower rate. This trend corresponds to the standard of living, and the fast pace of business activity that creates heavy competition. After the digital mobile phone system commenced operation in 1994 in Thailand and Hong Kong, the reception from the public was not as popular as expected. This is because the users were not sure of its quality, service, and coverage of its network. At present, the installation of cell sites of both analog and digital mobile phone systems covers most of Thailand and Hong Kong. As a result of this positive improvement, it is expected that the growth rate of the digital mobile phone system will be significant.

The Research Department of Bangkok Bank Public Company Limited concluded that the mobile phone is one of the most popular types of communication in today's living because of its convenience in a variety of locations (Jitsuk, 2000). For example, business executives can conduct transactions by mobile phone even while stuck in traffic congestion.

In the meantime, lending institutions and consumers with high income typically have used a mobile phone for quite some time. Moreover, the number of phones that a company could sell was limited until the government granted private companies the right to sell unlimited quantities. Because mobile phone usage is increasing rapidly, the marketing competition is high; therefore, the costs to the consumer should decrease. Even though the cost of service is high and the quality of operation is insufficient, the availability of mobile phone systems continues to rise. So although the competition is drastically high, this suggests that the service costs will be decreased and the operation efficiency will improve, passing on the benefits to the consumer.

The mobile phone system evolved from the original radio communications system developed for automobile phones during the early mobile phone era. It is the best selection for substitution of the fundamental telephone in that it is convenient to carry and it enables continued communication. According to this author's personal experience, the mobile phone is useful not only for conducting business while traveling in Bangkok's congested city traffic, but has become a social necessity as well. For example, successful business people can readily acquire critical information that will edge out their competition by negotiating via mobile phones even during rush hour traffic.

According to the Research Department of Bangkok Bank Public Company Limited-based company, the problems experienced during 1997 using analog mobile phone systems have brought many consumers to be more interested in digital mobile phone systems (Jitsuk, 2000). The digital system can effectively deal with the drawbacks of the analog mobile phone system, for example, in connection, clarity, and reception. The digital mobile phone providers have been aggressively expanding digital networks, or cell sites, to better serve consumers. Although Global Systems for Mobile Communication (GSM) is one of the leading digital mobile phone systems in these Asian countries, the standard global phone system of PCN has a greater market share due to its lower prices and greater number of cell site networks (Personal Communication Network Research Institute, 2000).

Because the price of the mobile phones is higher than traditional phone systems, many developing nations cannot afford mobile phones. Therefore, the gap between rich and poor nations continues to grow. There is a strong concern among the population of Thailand and Hong Kong for both price and environment. Therefore, mobile phone companies must respond to marketplace trends. They must also focus on the consumer if they are to achieve success in the global marketplace. By being sensitive to price and environment, Nokia is demonstrating awareness of the concerns in Thailand and Hong Kong.

In fact, marketing is only one factor in attracting and keeping customers. The best marketing department in the world cannot sell products that are poorly made or fail to meet consumer needs. The marketing department can be effective only in companies whose various departments and employees have designed and implemented a competitively superior customer-value delivery system. The customers determine which offer will deliver the most value because they form an expectation of value and then act on it. Whether or not the offer lives up to the value expectation affects customers' satisfaction and their repurchase probability. Whether the buyers are satisfied after the purchase depends on the product and service performance in relation to the buyers' expectations.

The expansions of the global market international trade, along with multi-national investments are necessary in order for telecommunications service to keep pace with global demands.

With the expansion of economic conditions and competitive businesses combined with insufficient landline telephone service, an opportunity arose for the entry of mobile phone systems into the market in Thailand and Hong Kong. This was also due to the extensive requirement in the innovative services and modernized telecommunication technology from the groups of service users in the business community, governmental sector and the Asian public. As a result, the telecommunications industry has been growing dramatically during the past decade.

Purpose of the Study

The purposes of the study are:

1. To discover why Nokia uses different marketing strategies for its mobile phone users in Thailand and Hong Kong.
2. To discover how Nokia was successful in overcoming the economic crisis that existed in Thailand and Hong Kong during 1997 by using the marketing mix of product, price, place, and promotion strategies.
3. To study Nokia business in Thailand and Hong Kong by using the theory of strengths, weaknesses, opportunities and threats analysis (SWOT).

Benefits of the Study

The benefits of this study are the following:

1. An illustration will be made of Nokia's successful marketing strategy that can be implemented by other companies, especially in telecommunication industry in Asia.
2. A clarification will be made of Nokia's marketing mix strategy, which is the set of

marketing tools that it uses to pursue its marketing objectives in the target market.

3. The information from the report will be used as a guideline for Nokia to fulfill the company objectives and develop Nokia's future performance.

4. This report will benefit other organizations which are interested in penetrating the mobile phone market in Asia.

Definition

The following definitions are used throughout this project:

Mobile Phone – any telephone which can be operated without a physical line.

Base Station – the link between the customer's cellular phone and the network.

Mobile Station – a stand-alone piece of equipment that supports external connection. This station includes mobile equipment and a subscriber module.

Subscriber Identity Module (SIM) – a module that is the size of a credit card that identifies the user.

SWOT – the analysis of the strengths, weaknesses, opportunities and threats of a company or product.

Limitations of the Study

This study is limited to one company, Nokia, in the domestic Asian countries of Thailand and Hong Kong among its foreign mobile phone competitors.

CHAPTER TWO

REVIEW OF THE LITERATURE

The Nature of Marketing Strategy

In order to frame the discussion of how Nokia entered and managed the mobile phone market in Thailand and Hong Kong, it is important to understand marketing strategy. The following sections offer a brief description of the key terms of marketing strategy. The term 'marketing strategy' is difficult to define and many management texts using the term fail to provide a clear definition. The marketing strategy can be defined using one or more of the following terms:

1. <u>Plan</u>

   Considering strategy as a plan emphasizes a systematized way of relating to the future. Planning is an attempt to manage the effects of external, uncontrollable factors on the company's strengths, weaknesses, and objectives to achieve a specific goal (Cateora & Graham, 2001). Hence, whether a company is marketing in several countries or is entering a foreign market for the first time, planning is necessary for success.

2. <u>Pattern</u>

Strategy can be considered as a consistent pattern of dividing a market into groups of similar consumers and selecting the most appropriate groups and individuals for the company to serve (Peter & Olson, 1999). Moreover, the study of patterns of behavior permits assessment and evaluation of how a firm operates and the processes by which different strategies take shape.

3. <u>Position</u>

Viewing strategy as a position tends to focus on how specific products/services are positioned in particular markets. It can also be seen as "position of products/services relative to competing products in the minds of consumers" (Peter & Olson, 1999, p. 368). This view of strategy emerges from an external contextual situation and emphasizes the importance of product market positioning for the purpose of competitive advantage.

4. <u>Perspective</u>

Strategy as a perspective tends to take an internal view, emphasizing the organization's way of doing things, particularly with regard to people and processes. Marketers must concentrate on assessing the characteristics of the environment, such as the design of retail outlets or whether a package is enticing, that influence members of a target market (Mowen, 1988).

Business Strategy

Another component pertaining to marketing concept is business strategy. This concept relates to how a business seeks to compete in its chosen product markets on the basis of price, quality or service. Used interchangeably with the term "business strategy" is the term "competitive strategy". Even though a small business only operates in a narrow product market and has no separate business divisions or units, the business strategy is essentially the same for larger corporations. In practice, most large organizations contain a range of businesses. Therefore, deciding whether to use a corporation strategy versus a business strategy is critical. The analysis of marketing helps the companies and manufacturers assess the strengths and weaknesses of their product. It is reinforced by periodic evaluation and by strong institutional support from both marketing entities and government.

The alternative business strategy options are market penetration, market development, product development and diversification. Each one of these describes overall the strategic thrust at the business level (Peter & Olson, 1999). Organizations may wish to pursue these options through one or more methods of development, namely internal and external growth, and/or the use of international strategic alliances, including joint ventures.

According to Consumer Behavior and Marketing Strategy (Peter & Olson, 1999), business strategy focuses on specific business subsidiaries or operating units within the firm. The following section provides a brief explanation of the three basic forms of business strategy.

1. Differentiation

   This is the process of establishing and maintaining the image that the firm's products or services are fundamentally unique from other products or services in the same markets (Peter & Olson, 1999). Differentiation emphasizes product differences to attract buyers. Therefore, the firm should consider marketing different products to different market segments (Naik, 1998).

2. Overall Cost Leadership

   This concept describes the focus on achieving highly efficient operating procedures so that a given company's costs are lower than its competitors. The firm can achieve higher total profitability by increasing sales volume as a result of selling its products or services at lower prices (Peter & Olson, 1999).

3. Segmentation Strategy

   This strategy allows companies to target specific types of products for certain customer groups or regions, thus enabling the firm to match the features of specific products to the needs of specific consumer groups (Peter & Olson, 1999). In other words, segmentation is the process of breaking large markets into smaller ones. In the extreme, segmentation involves designing a unique product and marketing program for each buyer (Rangan & Moriarty, 1992).

Market Penetration

The strategy in market penetration is to increase the company's market share. This may be difficult in a mature market, where any growth is likely to be at the expense of competitors. Such a strategy may bring retaliation from competitors that find their sales falling. Alternatively, companies may buy market share by acquiring existing competitors (Dalrymple & Parsons, 2000).

Product Development

The basic reason organizations develop new products is to replace items that have lost favor with customers. Product obsolescence is real and companies need new products to stay alive and prosper (Patterson, 1998).

Diversification

Through diversification, a company can benefit by capitalizing on its existing products. Drucker (1985) stated that diversification is the development of a product closely related to one or more products in the existing product line but designed specifically to meet somewhat different needs of customers.

Building Customer Satisfaction Through Quality, Service, and Value

Today's companies are facing their toughest competition ever. It is possible to outdo their competition if they are able to move from a product and sales philosophy to a marketing philosophy (Dalrymple & Parsons, 2000). Companies can acquire more customers and outperform their competitors by doing a better job of meeting and satisfying customer needs. Customer-centered companies are adept at building customers, not just building products. They are skilled in market engineering not just product engineering. Too many companies think that it is the marketing/sales department's job to procure customers. If this department fails, the company assumes that its marketing employees are not stellar performers. But in fact marketing is only one factor in attracting and keeping customers. The best marketing department in the world cannot sell products that are poorly made or fail to meet consumer needs. The marketing department can be effective only in companies whose various departments and employees have designed and implemented a competitively superior customer value delivery system (Dalrymple & Parsons, 2000).

Defining Customer Value and Satisfaction

According to Dalrymple & Parsons, customers determine which offer will deliver the most value. This is because consumers are value maximizers, albeit within the bounds of search costs, limited knowledge, mobility, and income. As such, they form an expectation of value and act on it.

According to Consumer Behavior (Solomon ,1999), customer-delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits customers expect from a given product or service. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, and using the product or service. However, delivered-value maximization is a useful framework that applies to many situations and yields rich insights. The implications are that first, the seller must assess the total customer value and total customer cost associated with each competitor's offer to know how his/her own offer stacks up. Second, the seller who is at a delivered value disadvantage has two alternatives: he/she can try to either increase total customer value or decrease total customer costs. The former calls for strengthening or augmenting the offer's product, services, personnel, and/or image benefits. The latter calls for reducing the buyer's cost. The seller can reduce the price, simplify the ordering and delivery process, or absorb some buyer risk by offering a warranty.

Customer satisfaction (whether the buyer is satisfied after purchase) depends on the offer's performance in relation to the buyer's expectations. In general, satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to his or her expectations (Solomon, 1999).

As this definition indicates, satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Many companies are aiming for high satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes along. Those who are highly satisfied are much less likely to switch. High satisfaction or delight creates an emotional affinity with the brand, not just a rational preference. The result is high customer loyalty. Some of today's most successful companies are raising expectations and delivering performances to match. These companies are aiming for TCS-total customer satisfaction.

Marketing Theory

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others. This definition of marketing rests on the following core concept: needs, wants, and demands; products (goods, service, and ideas); value cost and satisfaction; exchange and transaction; relationships and networks; markets; and marketers and prospects (Dalrymple & Parsons, 2000).

Needs and Wants

Marketing starts with human needs and wants. The particular form of consumption used to satisfy a need is termed a want. According to Abraham Maslow's Hierarchy of Needs Theory, humans need food, air, water, clothing, and shelter to survive (Solomon, 1999). In other words, people begin by meeting their most basic needs. When those needs are met, new ones emerge that will need to be fulfilled. Beyond this, humans have a strong desire for recreation, education, and other services.

Products (Goods, Services and Ideas)

People satisfy their needs and wants with products. A product is anything that can be offered to satisfy a need or want. Occasionally other terms are used for product such as offer or solution. A product or offer may consist of three components: physical goods, services, and ideas (Dalrymple & Parsons, 2000).

The Marketing Concept

According to Marketing Strategy (Ferrell, Hartline, Lucas, & Luck, 1999), an organization should make every effort to provide products that satisfy customers' needs through a coordinated set of activities that simultaneously allows the organization to achieve its goals. Furthermore, they maintain that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets. Many other critical changes have occurred in consumer and business markets over the past decades. An aging population often characterizes consumer markets. Business firms are demanding higher product quality from their suppliers, faster delivery, better service and lower price. Business firms need to speed up their product development process because of shorter product life cycle. They also need to find better ways to distribute and promote their pre-cuts at lower cost (Dalrymple & Parsons, 2000).

Marketing Mix Strategy

Most companies can no longer focus solely on the domestic market. Instead, they would be wise to concentrate on the international arena because they are fraught with challenges such as shifting borders, unstable governments, foreign exchange problems, and corruption (Cateora & Graham, 2001). Companies selling in global industries have no alternative but to internationalize their operations. They can no longer remain domestic and expect to maintain their markets. Instead, they need to consider a marketing mix.

In assessing the marketing problem, a company must decide to what extent to adapt its marketing mix (product, price, place, and promotion) to local conditions. At the product level, firms can pursue a strategy of straight extension, product adaptation or product invention. At the price level, firms may encounter price escalation making it difficult to set standard prices. At the distribution level, firms need to take a whole channel view of the challenge of distributing its products to the end users. At the promotion level, firms may choose communication adaptation.

In creating all elements of the marketing mix strategy, firms must be aware of uncontrollable factors. These include cultural, social, political, technological, environmental, and legal limitations that may occur in other countries. As such, these companies must be able to adjust and adapt a marketing program to foreign markets. Firms must be able to interpret effectively the influence and impact of each uncontrollable environmental element on the marketing plan for each foreign market in which they hope to do business (Cateora & Graham, 2001).

Therefore, marketing mix can best be defined as a set of marketing tools that the firm uses to pursue its marketing objectives in the target market. Although thousands of variables are involved, marketing decision-making can be conveniently classified into four strategy elements (Dalrymple & Parsons, 2000).

1. Product Strategy

Product strategy describes the manner in which the product component of the marketing mix is used to achieve the objectives of a firm. A product item is the lowest common denominator in a product mix. It is the individual item itself, such as one brand of bar soap. A product line is the sum of the individual product items that are related. The relationship is usually defined generically. Two brands of bar soap are two product items in one product line. A product mix is the collection of product lines within a company's ownership and control. A company's product mix might consist of a line of bar soaps and a line of shoe polishes.

Product mix consistency refers to the closeness or similarity of the product lines (Dalrymple & Parsons, 2000). The more items in a product line, the more depth it has. The more product lines in a product mix, the greater the breadth of the product mix. Product mix consistency includes decisions about the product and its uses, package design, branding trademarks, warranties, guarantees, product life cycles, and new product development. The marketer's concept of product strategy involves more than just the physical product. It also considers the satisfaction of all consumer needs in relation to goods or services. Product is the most basic marketing mix tool. Two main factors offered in the marketing strategy are tangible and intangible products. (Dalrymple & Parsons, 2000). A tangible factor includes such things as product quality, design, features, brand, labeling, and packaging. An intangible factor includes image, installation, warranties, and credit terms.

2. Pricing Strategy

The purpose of marketing is to facilitate a satisfying exchange relationship between buyer and seller. Pride and Ferrell (2000) concluded that price is the value exchanged for products in a marketing exchange. Price is the primary element of the marketing mix that generates revenue. Moreover, marketing executives are under great pressure to increase prices to boost short-term profits. An alternative approach is to make adjustments to the standard price by offering a special price for the same products and services regardless of where they are sold. This can be achieved with a system of discount prices designed to reflect a variety of needs. For instance, a seller may offer a trade discount to a buyer such as a wholesaler because that buyer performs a certain marketing function for the seller such as distribution.

One of the most difficult aspects of marketing decision-making deals with the methods of setting profitable yet justified prices. However, some prices, such as those for public utilities, airlines, and some food products, are regulated by government agencies and subject to public scrutiny.

3. Place/Distribution Strategy

This strategy involves the selection and management of marketing channels and the physical distribution of goods. Marketing channels are the steps that goods or services go through from producer to final consumer (Cateora & Graham, 2001). Channel decision-making involves establishing and maintaining the institutional structure in marketing channels. This includes retailers, wholesalers, and other institutional middlemen. Understanding the distribution system and the role of different players is a frequently overlooked aspect of formulating a marketing strategy. Place or distribution moves products and services from the company into the hands of customers. Distribution involves transportation for shipping its goods.

In marketing, distribution encompasses both the physical movement of products and the establishment of intermediary (middleman) relationships to guide and support such product movement (Dalrymple & Parsons, 2000). The activity of physical distribution results in the relocation of products. The main component of physical distribution is transportation. Transportation intermediaries are legally classified as common carriers, contract carriers, and private carriers. Common carriers are available for hire to the general public; contract carriers engage in individual contracts with shippers and are subject to regulation by federal and/or state agencies. Whereas a private carrier can be the shipper sending goods to individual companies.

The channel of distribution can be either direct or indirect. A direct channel is a distribution channel without intermediaries; the product goes directly from producer to user. An indirect channel is a distribution method with one or more intermediaries. This can affect inventory costs, customer service levels, product's useful shelf-life, and packaging requiremence. Channels of distribution deliver the company's products in each national market.

4. Promotional strategy

Promotion is a complex activity that involves a blend of personal and non-personal techniques (Dalrymple & Parsons, 2000). Businesses use promotion in varying degrees, utilizing some or all of many promotional tools.

The first promotional method is advertising. A wide geographical market tends to require mass coverage by advertising, which is more costly than individual contacts of personal selling, a second promotional method. Morever, if the market is local with a relatively small number of customers, personal selling is more feasible.

This powerful promotion method involves direct personal interaction between a potential buyer and a salesperson. The personal communication with the salesperson may increase consumers' involvement with the product and/or the decision process. Thus, consumers may be more motivated to pay attention and comprehend the information the salesperson presents about the product. Moreover, the interactive communication situation allows salespeople to adapt their sales presentations to fit the informational needs of each potential buyer.

The third promotional method is sales promotion, a marketing activity that influences consumer purchasing and improves retailer or middleman effectiveness and cooperation. Incentives, such as cents off, in-store demonstrations, samples, gifts, coupons, contests, sponsorship of special events, such as care foundations, educational services, and concerts are all forms of sales promotion.

The fourth promotional method, public relations (PR), creates good relationships with various types of media to help companies communicate messages to their publics including customers, prospective customers, and governmental regulators. Public relations consists of encouraging the media to cover positive stories about companies, as well as managing unfavorable rumors, stories, and events.

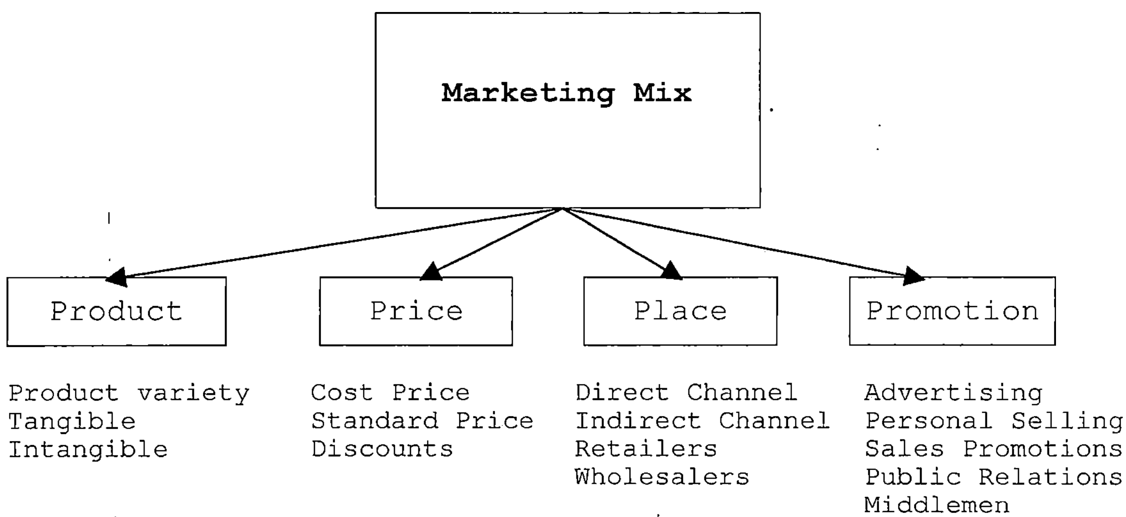

Figure 1. The Marketing Mix

Source: Adapted from Peter & Olson 1999

Strengths, Weaknesses, Opportunities, and Threats Analysis

Bowman and Gatignon (1995) coined the acronym *SWOT* to define the strengths, weaknesses, opportunities, and threats that influence the setting of the marketing strategy as outlined below.

Strengths are the advantages that occur from the organization's internal environments such as the four p's in marketing mix (product, price, place, promotion), as well as those in finance, production, and personnel. A company's strengths must focus on customers since they are meaningful only when they assist the company in meeting customer demands (Peter & Olson, 1999). Mobile phones, for instance, are suitable for users who work in highly competitive businesses, live a fast-paced lifestyle and reside in cities with highly congested traffic conditions, making mobile phones a necessity.

Weaknesses are the disadvantages or problems that occur from the internal environment of the organization. The company is challenged with finding the cause of problems and solving them. Furthermore, a company's weaknesses should be examined from the customer's perspective because customers often perceive weaknesses long before a company becomes aware of them (Solomon, 1999). For example, MacIntosh Computers' operating system became a weakness once personal computers adopted a Windows operating system.

Opportunities are the comparative advantages or factors that favor the organization by examining the external environments. This analysis will help the company in setting the marketing strategy to harmonize with those opportunities. For instance, Cable News Network (CNN) acted quickly when new technology made it possible to sell news on the Internet.

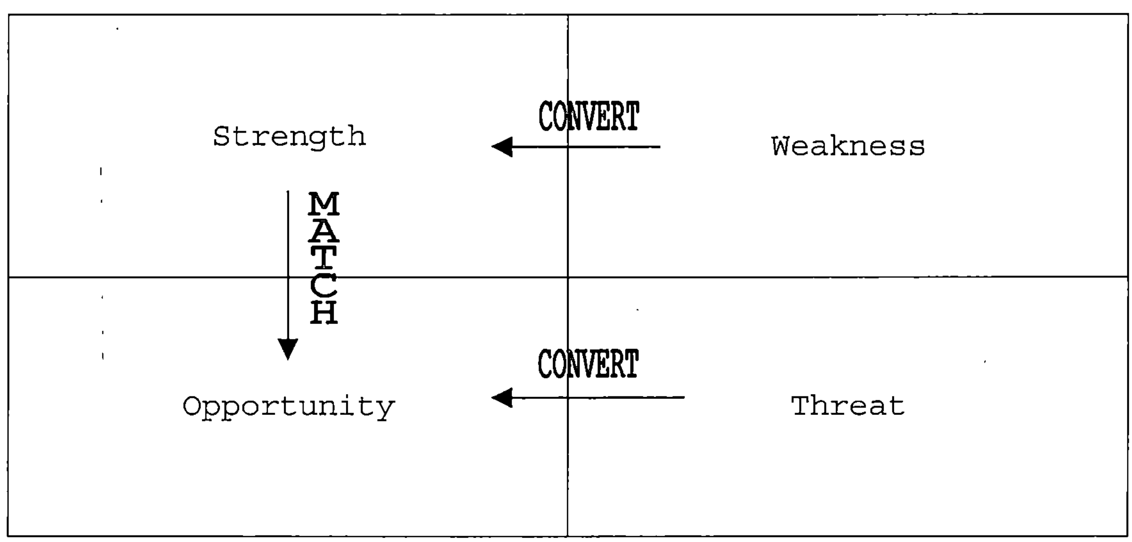

Figure 2. The Four-Cell (Strengths, Weaknesses, Opportunities, and Threats) Matrix

Source: Pride & Ferrell, 2000

On the other hand, threats are the constraints which are created from external environments. Moreover, threats can result from many sources within the environment. For instance, when competitors launch a new product, this poses a threat to a company. In addition, threats also refer to situations or barriers that may prevent the company from reaching its objectives (Pride & Ferrell, 2000). For example, when Cable National Broadcast Company (CNBC) launched a web site to sell news, this became a threat to CNN.

This chapter covers the most important concepts of marketing strategies, such as the nature, the business and marketing mix components, and SWOT analysis. The next chapter focuses on gathering information concerning how Nokia Company operates in Thailand and Hong Kong.

CHAPTER THREE

METHODOLOGY

Instrumentation

This project uses secondary data from various private institutions, state enterprises, and public libraries. Secondary data is divided into two sources: internal and external. Internal secondary data was acquired from information which was distributed and used within the organization, such as executive summaries, meeting minutes, and memoranda. External secondary data was gathered from public libraries and state enterprises, as well as from the Internet and other paper-based sources. Paper-based sources included reports from books, textbooks, academic journals, magazines, newspapers, leaflets, brochures, and documents from electronic commerce seminars and courses. Internet-based sources included Internet websites of government agencies, commercial units, and educational sources.

Data Preparation

Data was gathered from 1999 through 2001. Descriptive and comparative methods were used in order to study and analyze the data and information obtained to determine how the mobile phone market was created in Hong Kong and

Thailand. Stages in the analysis process consisted of determining 1) the status of mobile phone use in Thailand and Hong Kong, 2) financial challenges for mobile phone companies, 3) prospects for mobile phone companies in Thailand and Hong Kong, and 4) a focus on Nokia in Thailand.

Marketing mix and the strengths, weaknesses, opportunities, and threats (SWOT) of mobile phone marketing will be utilized in this study. A clearer picture of the market and place/distribution of Nokia in Thailand and Hong Kong can be acquired by a thorough analysis of several factors: production and marketing of the Nokia company in Thailand and Hong Kong, those affected in that market (consumers, vendors, middlemen), and how Nokia determines the price in both countries. By knowing the behavior of consumers in Thailand and Hong Kong, Nokia can better analyze and promote its products in these markets.

Finally, the study will evaluate the SWOT analysis of Nokia in Thailand and Hong Kong. Through this analysis, the strengths, weaknesses, opportunities, and threats will be revealed. This study will show how Nokia of Thailand and Hong Kong can be classified into consumers and traders.

Status of Mobile Phone Use in Thailand and Hong Kong

This study utilizes data from the literature and public information provided by Nokia and other companies to analyze the mobile phone markets in Thailand and Hong Kong. The marketing approaches that Nokia has used in these countries also warrant this study's attention. There are significant differences between the two markets. Urban areas in Asia like Hong Kong, are well-served by telecommunication providers and are relatively mature and competitive markets, comparable to those of America and Europe. On the other hand, countries with a large rural population, such as Thailand, still face the "digital divide" (Ollila, 2001, p. 4). According to Ollila (2001), the digital divide refers to a large number of the world's poor and rural population who are still without telecommunications and Internet, a situation which exacerbates their isolation and poverty.

There are basically two views of the digital divide and what will occur during the Third Generation (3G) innovation and expansion of mobile telecommunications and Internet capabilities (Ollila, 2001). Optimists believe that 3G will reach many of the underserved markets on the other side of the digital divide, helping to reduce poverty and isolation. The pessimistic view is that 3G will again overlook most of the poor populations in developing nations. Unfortunately, the pessimistic view is strengthened by the recent slump in the technology industries. According to one wireless industry analyst in Singapore, "It's an illusion to think that 3G will close the digital divide" (Arnold, 2001, p. C1).

The effort to close the digital divide is comprised of private companies, government organizations, and non-governmental organizations (NGOs). International agencies, such as World Bank, hope that access to mobile telecommunications and Internet will allow people who have had little benefit from the global economy to integrate with it. For example, in Thailand, shrimp farmers are now using mobile phones to call Bangkok to obtain the most current prices. Thus, they attain previously unavailable information that gives them the upper hand in dealing with middlemen (Arnold, 2001). The optimistic view of 3G holds that, with the assistance of governments and international agencies, the private sector will be able to profit by providing mobile phone service to areas that are currently too remote and have few users to be profitable.

Financial Challenges for Mobile Phone Companies

Unfortunately, even as 3G rolls out, mobile phone service providers around the world are mired in a financial crisis. Many have incurred heavy debt, both in bidding for expensive government licenses to operate and by building elaborate infrastructures. This crisis has severely reduced revenue per user and profits. Companies cope with these difficulties by finding new revenue sources. For instance, service providers in Asia are charging high roaming fees that make mobile service very expensive for traveling users. A mobile phone user in Hong Kong who makes a local call might pay $.45 per minute. However, a call to Taiwan is $.70 per minute, while a call to Indonesia is $1.15 per minute (Schwankert, 2001). This pushes heavy business users to look for alternatives such as landline phones or prepaid subscriber-identity-module (SIM) cards. In addition to the fact that rising fees may drive mobile users to alternatives, such measures are inadequate to fund the new infrastructure that the industry believes is necessary in all of its market.

As a result, the mobile phone service providers worldwide are turning to the much more profitable manufacturing end of the mobile phone industry for assistance. Companies such as Nokia, NEC, Siemens, Ericsson and Alcatel have responded to requests for funding by offering large loans to service providers. Nokia, NEC, and Siemens have jointly loaned $1.1 billion to a British mobile subsidiary of Hong Kong conglomerate, Hutchison Whampoa (Kapner, 2001). Nokia, Ericsson, and Alcatel also loaned $2 billion to Hong Kong division of Orange, the mobile unit of France Telecom (Kapner, 2001). This action has not been greeted with enthusiasm by investors and analysts. The conventional wisdom is that loans are the business of banks, and that if banks are unwilling to loan, it is because a venture is too risky. This has proven to be the case with some large manufacturers in the Internet industry. In the United States, Lucent and Cisco sold equipment on credit to many small Internet and telecommunication companies hoping to increase the market by supporting the infrastructure. When the Internet industry began to wane, many of these small companies were unable to pay their loans, and the companies lost money (Kapner, 2001).

As with the question of the digital divide, there are divergent views of whether the new infrastructure that the manufacturers are financing will be necessary and profitable. Manufacturers such as Nokia are betting on a projection that new infrastructure in Hong Kong will generate $100 billion in the next three years. This is based on recent growth in Hong Kong. For instance, in the year 2000 some $30 billion in contracts for new digital networks was announced, and the whole mobile phone market had sales of $50 billion (Kapner, 2001). Nokia, the world's leading mobile phone manufacturer, has the greatest exposure in loans for the infrastructure. It had contributed more than $3.8 billion at the end of 2000 (Kapner, 2001).

But pessimists believe that the market for the 3G infrastructure is smaller than manufacturers perceive. They also believe that technical problems will delay the roll-out of many new services, delaying sales indefinitely. In the short-run, at least, it appears that they may be correct. Nokia announced in summer 2001 that their growth projections had been incorrect for that year and revised them downward. The company by far was the manufacturer with the largest profit (Handset Makers, 2001).

Prospects for Mobile Phone Companies in Thailand and Hong Kong

As is evident, Nokia is one the chief proponents of the optimistic view of the global mobile phone industry. Its Chairman and CEO, Jorma Ollila, believes that technology itself can bridge the digital divide. This vision is called the Mobile Information society. Nokia claims that 3G itself is a good candidate to close the gap between the haves and have nots. This is because wireless technology offers the option of cost-effective and significantly faster deployment. However, Nokia admits that technology alone cannot solve communication problems as explained below:

> without effective, global public private partner ships, vast populations may be disenfranchised and disillusioned. . .other ingredients are essential, including equal educational opportunity and wide-spread access. The challenge, therefore, goes back to the governing constituencies to work together to pave the way to a truly global knowledge economy. (Ollila, 2001, p. 4)

However, this view is not shared by all leaders in the information industry. Perhaps the most prominent skeptic is Microsoft chairman William H. Gates. Gates recently objected to the notion that market drivers could be used to bring the benefits of connectivity and participation in the e-economy to all of the world's people:

> Do people have a clear idea of what it means to live on $1 a day? There's no electricity in that house-none...You can't afford a solar power system for less than $1 a day. You're just buying food, you're trying to stay alive. (Arnold, 2001, p. C10)

Focus on Thailand

Thailand is one of the priority targets of the global mobile phone industry because its mobile phone penetration rate (at 6%) is still low compared to other countries in Asia (Handset Makers, 2001). This means that the market has yet to achieve a large growth potential in it. In 2000, the total number of mobile phone users in Thailand was about 3.7 million (Handset Makers, 2001). Analysts expect the market to exceed 4 million users this year (Handset Makers, 2001).

Currently, Nokia is the overwhelming market leader in Thailand with 55% of the market. In summer 2001, the company replaced its "Human Technology" slogan with a campaign built around a new slogan: "Connect to Life". This is intended to add a further dimension to Nokia's "Connecting People" brand vision (Handset Makers, 2001).

In the near future, Nokia will launch a variety of mobile products in Thailand, including Bluetooth general packet radio service (GPRS), 3G, and mobile phone accessories. GPRS will allow customers to stay connected continuously to the Internet or an e-mail service (Handset Makers, 2001). It also allows a higher rate of transmission, which makes it possible to send video images, as well as large blocks of data by phone.

This strategy is a bit risky, because a new study has reported that 87% of Asian-Pacific users of mobile phones designed for Internet services use them only for standard voice calls and ignore the advanced data functions (Most Phone Users, 2001). The exception to this rule is Japan, which was excluded in the study. Mobile Internet services are very popular in Japan. About 77% of Japanese have mobile phones, and 44% have Internet-enabled phones (Most Phone Users, 2001).

The market research firm Taylor Nelson Sofres conducted a study of 7,814 consumers surveyed in Australia, China, Hong Kong, South Korea, the Philippines, Taiwan, and Thailand. Out of 35.2% users who owned mobile phones, only about 9.9% had wireless access protocol (WAP) phones (Most Phone Users, 2001). This can be partly attributed to technical and content difficulties. Users complained of long delays in logging on, slow data-transfer, and a lack of compelling content. Except for the lack of content, it is possible that Nokia can correct these problems through new technology. However, the study found that problems with existing mobile Internet service was not a major part of the reluctance of Asian consumers to purchase WAP-enabled phones. Even with Japan included, only 17% of respondents across the entire region considered themselves likely to buy an Internet access phone, and 54% said that they were "very unlikely" to make such a purchase (Most Phone Users, 2001).

One reason for the lack of interest in the WAP phones may be that some local Asian languages are difficult to type on a keyboard (McKinsey, 2001). One solution to this problem being pursued by technology companies is the voice portal or vortal. The voice portal allows a user to access the Web verbally. These are intended to be an improvement over interactive voice telephone systems. Developers hope that eventually voice portals will be able to interpret spoken questions and then search Web pages for the answer. However, current mobile phone systems, used by the Bank of China, Hong Kong and China Gas Company, and Shenzhen Telecom are rudimentary and fall short of the ideal (McKinsey, 2001).

In Hong Kong, such advanced systems allow Cantonese speakers to use voice portals to ask simple questions about stock quotes, weather, and sports scores over the phone even using English words in the local dialect (McKinsey, 2001). But the systems can be slow and difficult to use and do not allow true Web browsing capability. However, industry experts believe that within the next few years, the technology will have fulfilled its purpose (McKinsey, 2001).

Nokia's main competitor in Thailand is Siemens, which is attempting to capture 22% of the market in 2001 (Handset Makers, 2001). Siemens is not stressing 3G but believes that its design and price will allow it to grow in the Thai market. A new entrant in the market is Samsung, the Korean electronics corporation. Samsung's entrance into the market last year was not auspicious, as it offered only a limited number of mobile phone models and attracted little attention. Samsung is basing its appeal on access and service by currently offering six different models and pledging to introduce a new model every six months. Samsung believes that its arrangement will allow it to give full range and quick, uninterrupted service anywhere in the country and will also have a nationwide system of service centers.

The Thai mobile phone market, like the U.S. market, is still divided into separate systems using different standards. Currently systems such as NMT470, NMT900, AMPS800, PCN1800 and GSM are all operating in Thailand (TISCO Securities Research, 1998). This makes the market a complex one to penetrate and gives advantages to distributors like International Engineering Pcl., which is also an airtime provider and offered the country's first mobile phones-Nokia phones. Now Phillips and Ericsson are also available in the Thai market.

Most of the discussion in this chapter has regarded obtaining information from consumers, customers, and competitors between these two countries. However, this study should clearly recognize that acquiring the information is only half of the study. Once data has been collected, the final steps in this study are the analysis and interpretation of findings within the marketing strategies.

CHAPTER FOUR

RESULTS AND ANALYSIS OF THE STUDY

The Analysis of the Marketing Mix Strategy

The analysis of Nokia Corporation's marketing mix strategy in Hong Kong and Thailand is based on the four categories of the marketing mix: 1) Product Strategy, 2) Place/Distribution Strategy, 3) Price Strategy, and 4) Promotion Strategy.

Product Strategy

In an attempt to increase market share in the emerging markets in Hong Kong and Thailand, Nokia adopted a diverse set of tactics. When analyzing a product for difference markets, the extent of adaptation required depends on cultural differences in product use and perception between the two markets. Hong Kong is a market saturated with mobile phones. By one recent count, Hong Kong's 6.9 million citizens own 5.2 million mobile phones (Stout, 2001). This represents the highest ratio of mobile phone users to potential users in the world.

Conversely, Thailand is a largely rural, agrarian society which is widely under-served by the mobile phone industry. Only recently did the ratio of mobile phones to potential users climb over 5% in Thailand (Baldoni, 2000). Per capita income in Thailand is lower than Hong Kong, and the Thai economy is subject to substantial swings in economic fortune. In the early months of 1997, the Thai economy went into such a swoon that it set off the Asian economic crisis and nearly propelled the global economy into a deep decline. Penetrating the marketplace in such volatile economies is inherently risky and fraught with hazards for large multi-national corporations such as Nokia and Microsoft. Although Nokia does a vast majority of its business in U.S. dollars, and therefore can elude the worst aspects of the local currency declining in value, its distribution outlets throughout Thailand cannot do the same. "We know the distributors will either go bankrupt or come back and renegotiate for price adjustments," explains Singapore-based (Nokia) Asia/Pacific regional treasurer David Blair (Baldoni, 2000).

Place/Distribution Strategy

Nevertheless, multi-national industries must lead, not follow the herd into such volatile emerging markets. In Thailand, Nokia's place strategy entailed penetrating the largely untapped rural Thai market.

> To be effective, executives must avoid playing it safe by riding out existing market waves. Instead, they must aggressively pursue breakthrough business opportunities, lest more agile competitors beat them to the punch. (Chao, n.d., Para. 2)

Nokia has added a variety of telecom services to increase market penetration in Thailand. In July 2001, Nokia joined with Telecom Asia to launch TA (TelecomAsia) Express, a high-speed Internet service in greater Bangkok (Nokia Supplies, 2001). Nokia supplied its highly cost-efficient and scaleable D50e DSLAM (Digital Subscriber Line Access Multiplexer) network management solutions, and implementation services to allow for DSL service in Bangkok, Thailand (Nokia Supplies, 2001). Bangkok benefits from the relatively inexpensive access to high-speed Internet services, whereas Nokia benefits by increasing their market share in the Thai marketplace (Nokia Supplies, 2001). In a single business deal, Nokia gained access to Telecom Asia's 2.6 million fixed line network and 1.67 million connected lines in Greater Bangkok (Nokia Supplies, 2001).

In Hong Kong, the issue is more geared towards differentiating the Nokia brand in a saturated mobile marketplace. Hong Kong is the acknowledged global front-runner in high tech gadgetry. Their entire underground subway system and many of their cross-harbor tunnels are networked for mobile phone use at a time when American cities have only just begun to devise such systems (Overholt, 2000). Mobile phones in Hong Kong are smaller than their U.S. counterparts, and Hong Kong mobile phone users are proficient at sending text messages via mobile phones in Chinese characters. Smart cards, known as Octopus cards, are credit-card sized transponders that can have value added to them and then are used for everything from paying tunnel tolls and underground transportation fees, to paying for lattes at Starbucks coffee house (Overholt, 2000).

In short, Hong Kong is a marketplace heavily saturated, making it difficult to achieve differentiation. In fact, the trend in Hong Kong aims toward anti-mobile sentiment these days. Mobile phones have become so ubiquitous that the local Hong Kong Office of Telecommunications plans to install phone-jamming systems into public places such as cinemas, restaurants, and libraries, in order to "restore silence in mobile crazy Hong Kong" (Stout, 2001). Hong Kong is so mobile phone-centric that last year, a Hong Kong doctor achieved a kind of high tech infamy by taking calls while performing surgery at a local hospital (Stout, 2001).

As you can see above, Nokia's distribution sector is large in total sales and serves the consumer at the retail level through numerous public places. Moreover, if the product normally has a high sales volume and low profit margin, the Nokia in Hong Kong and Thailand seeks to deal directly with the mass transportations.

Price Strategy

Nokia's ability to be price sensitive in Hong Kong is less significant than its ability to differentiate its product there. Hong Kongese consumers, described as brand loyal and more interested in services and quality than price, seem to be willing accomplices to the changes taking place, if the price is right (Nokia Connects, 2001). By virtue of the wide array of models and styles that Nokia markets in Hong Kong, they are able to compete at virtually every price level in the Hong Kong marketplace.

The latest mobile phone, the Nokia 8310, is being marketed more as a multiple-function device, one that includes features such as FM radio and voice recording (Nokia 8310, n.d.). Meanwhile, Nokia Asia recently announced its latest effort at differentiating the 8310 by hosting a Generation Mobile (Gen M) party on the Singapore underground, as a means of showcasing its new Nokia 8310, as well as the Nokia 5510, which feature a totally new design format and is feature-rich in music and mobile gaming (Nokia Connects, 2001). How long before Nokia hosts Gen M raves in the tunnels under Hong Kong harbor?

The explosion in technological innovation has not resulted in a corresponding upswing in revenues. The technology marketplace at the last quarter of 2001 is stagnant, suffering from over-saturation and an excess of product, in addition to a slackening of demand. In the last year, Nokia's stock has tumbled in value by around 20%, and the company recently announced that it failed to meet its quarterly goals, missing by around 50%.

> Nokia was the one we were looking to buck the trend, and it is still head and shoulders above its competitors, but it is being affected more by the economic slowdown than the stock market-or Nokia—had expected," said Susan Anthony, a London-based analyst at Credit Lyonnais. (US Slowdown, 2001)

In Thailand, the country's shaky local currency makes it an uncertain revenue stream, and its relative technological unsophistication in relation to Hong Kong, while making it an opportunity waiting to happen, also carries with it an additional degree of difficulty (Chao, n.d.).

For one thing, Thai mobile users are far less inclined to be interested in the technological possibilities of Nokia mobile phones than are the more sophisticated Hong Kong users. Most Thai mobile users tend to use their mobile phones strictly for talking. It has been speculated that the intricacies of the Thai alphabet make sending and receiving text messages less appealing than it is in other countries, although Hong Kongeses have expressed very little hesitation to send and read text messages in Chinese characters (Overholt, 2000). In any event, the final result is a feature with no built-in local audience, which only contributes to price resistance at every level in the Thai market.

Promotion Strategy

Nokia has long been ahead of the rest of the mobile industry in recognizing the mobile phone as a fashion accessory. Brightly colored faceplates and soft, aesthetically pleasing designs were all a prominent part of the Nokia presentation before their competitors, who gave little thought to the notion of the mobile phone as a fashion accessory.

In Thailand, Nokia has taken the mobile phone as a fashion accessory one step further, by teaming up with an eclectic assortment of low-technology brands in an effort to re-position themselves in the marketplace.

In February 2000, Nokia launched their 8210 and 8850 models along with Christian Dior's Spring/Summer 2000 fashion collection at a Bangkok nightclub (Brown, 2001). "We came up with this creative idea and went to speak with Christian Dior. They were like--wow! This is quite interesting. Let's see what we can work out together," said Yuwana Limuatanakul, Nokia's marketing manager in Thailand. (as cited in Brown, 2001, para 14). "It was the first time that such a technology product has been tied up with the fashion industry in Thailand, so we wanted a big bang" (Brown, 2001, para 14).

Christian Dior, Yuwana explained, was keen to participate in the co-promotional effort because they sought a trendier image, and launching their clothing collection with Nokia helped them re-position themselves in the eyes of the marketplace (Brown, 2001).

Yumi Ingkhavat, marketing manager at Christian Dior, explained that the two marketing strategies meshed well together. "Technology is now like fashion, where it needs to be updated constantly. For instance, mobile phones have transformed to become more than a communication device" (Brown, 2001, para 17).

Una Tan, a Nokia representative, claimed Nokia was the innovator in this regard. "We were the first ones to do this. Normally, when you talk about a mobile phone, nobody would think fashion" (Brown, 2001, para. 18). Then she provided some insight into Nokia's attempts to break into the Thai mobile marketplace by adding, "Nokia may be a global idea, but we have to localize it and decide whether it is right for our market. And this may involve using partners" (para. 19).

Meanwhile, at the end of November 2000, Nokia launched the Nokia 3310 at the Center Point Siam Square in Bangkok, at the Nokia Big Bang Festival (Chalongklang, 2000). The project included production of a larger-than-life (seven-foot high) Nokia 3310 in bright red that caught the attention of passers-by.

All of this was done in the name of differentiation. In a marketplace saturated with mobile telephone alternatives, how do you make yours stand out? "Most marketing mistakes stem from the assumption that the marketer is fighting a product battle rooted in reality" (Trout, 2001, p.7). He further stated.

> What some marketing people see as the natural laws of marketing is based on a flawed premise that the product is the hero of the marketing campaign and that companies win or lose based on the merits of the product. Which is why the

natural, logical way to market a product is invariably wrong. (Trout, 2001, p.7)

In Hong Kong, Nokia continues to pursue market share through technological innovation and partnership with other companies as service providers. According to "Hong Kong Police Radio-Hong Kong", service providers have developed a new digital trunking system. One of the examples of the digital trunking system is Trans European trunked radio access system (TETRA), the new global standard in digital technology, which provides superior phone reception to the old analog mobile phone technology. Digital trunking is considered the leading professional mobile radio technology that brings bringing with it the advantages of built-in encryption, high-speed data, spectrum efficiency, and scanning features. As a result, in 1999 Nokia signed a deal with the Hong Kong police force valued at $18 million to provide them with mobile digital phones (Hong Kong Police, n.d.). The key benefits of the Nokia TETRA system are more channels with less congestion, improved personal and group communication systems, better efficiency, safety, and encryption (Hong Kong Police, n.d.).

The marketing strategies of Nokia by Hong Kongeses and Thais can be affected as much by how the Nokia concept conforms to norms, values, and behavior patterns as by its physical attributes. Nokia's marketing approach in Hong Kong continues to reside in an ever-advancing technological sophistication, while in Thailand it resides in localizing the product and integrating it into the broader fabric of everyday Thai life. In short, the Nokia market relates to more than a product's physical form and primary function. Thae values and consumer behaviors within a culture confer much of the importance of these other benefits. In other words, Nokia market is the sum of the physical and psychological satisfactions it provides the user.

Strengths, Weaknesses, Opportunities, and Threats Analysis of Nokia

The SWOT analysis assesses an organization's strengths, weaknesses, opportunities, and threats (SWOT). These factors are derived from the environmental analysis in the preceding portion of the Nokia's marketing strategy.

Strengths

The strength of Nokia in Thailand and Hong Kong is the technology. Nokia enjoys high brand awareness in both countries. It has a "hip" image and is associated in people's minds as one of the most cutting-edge contemporary brands in the mobile marketplace (Nokia Supplies, 2001). The Nokia user has traditionally been associated in people's minds as a trendsetter, not a trend follower. Thanks to negotiations to distribute DSL high-speed Internet service in Bangkok, Nokia has established a beachhead in the largest, most mobile-centric market in Thailand, which bodes well for "tipping over" into dominating the countryside's mobile phone market as well (Nokia Supplies, 2001).

In Hong Kong, Nokia has continued to produce a variety of brands featuring better-than-ever evolved technologies in a wide array of styles and price ranges that keep it destined to remain one of the leading brands in the Hong Kong marketplace (Nokia Signs, 2001).

Weaknesses

This part will analyze the weaknesses of Nokia in Hong Kong and Thailand. In Hong Kong, there is a saturation of mobile phone users; consequently, increasing Nokia's market share has grown substantially difficult. This is evidenced by grumblings that too many Nokias are out there already, that too many models feature the same generic design, and that the brand has already achieved such a ubiquitous presence in the marketplace that it has become "suburbanized"—in other words, too popular for its own good, giving it less social cachet than it once enjoyed (Reviewcentre, n.d.).

Also, the current global economy threatens to undermine the mobile marketplace.

> This year's global downturn has been particularly cruel to Hong Kong, which, like Thailand, Japan and Singapore has only recently recovered from the brutal crisis of 1997 . . .as the first young people in Asia to have "had it all", Hong Kong youth have found out just as quickly that having Starbucks and The Gap, Nike and Nokia is just not enough. (Hatfield, 2001, para. 19)

Nokia is one of the most consistently positive corporations that feature an almost utopian perspective on the potentiality of mobile phones. It remains to be seen how this unfettered optimism will respond to an extensive slowdown, or possibly even shrinkage in the global mobile phone market. For a generation that has only known solid growth, the future looks more uncertain than ever.

In Thailand, price resistance and the relatively high number of rural residents with relatively low per-capita income, as well as the general downturn in the economy and the relative weakness of the Thai Baht, all remain threats to Nokia's growth rate in that region.

<u>Opportunities</u>

Mobile phone use has exploded in Asia since 1995, more so than any other region in the world. With the

Threats

In its haste to be an industry leader and technological front-runner, Nokia runs the risk of leaving the lesser-developed markets behind by pricing itself out of their marketplace. It is important to remember that in a world where the economies of nations can vary all the way from the futuristic economy of Hong Kong to the medieval economy of Afghanistan, companies seeking to gain market share in lesser developed countries could out-think themselves right out of the marketplace (Most Phone Users, 2001). Nokia needs to continue production of a brand of relatively simple, less technologically advanced, lower-cost mobile phone to penetrate the lesser-developed nations while simultaneously maintaining its pace of innovation that will allow it to compete in the hyper-competitive Hong Kong marketplace (Most Phone Users, 2001).

From time to time, there have been health concerns voiced about the safety of using mobile phones. Scientists have done a lot of research into whether or not the brain is affected by the waves that are emitted from cell phones —so much so that many mobile users have taken to using headsets to keep phones away from their brains, ostensibly as a means of reducing their exposure to potentially cancer-causing agents.

However, despite the worry around this issue, scientists have failed to prove any link between the use of mobile phones and brain cancer. Any revision of these findings however could create a huge reversal in the mass movement towards mobile phone use.

Global incompatibility of various mobile phone systems is also a potential threat that has hindered the development of efficient global mobile phone use. However, through the use of 3G technology, the mobile phone industry is taking large strides towards creating an effective global network where a single phone can be used all around the globe (Ollila, 2001).

The threat posed by "suburbanization" of a brand is also significant. It does seem that there is a critical mass at which point a brand that entered the marketplace as "cutting-edge" becomes "old-hat" and loses whatever "edge" it once possessed (Reviewcentre, n.d.). The brand becomes a victim of its own success, and it may take years or expensive reinventing to re-establish its corporate momentum. Like Microsoft and Starbucks, Nokia has become such a victim of its own success. It has penetrated some markets to such an incredible degree that there are almost no consumers left in certain markets. Keeping in mind the points made by Jack Trout in *Big Brands, Big Trouble*, it is important that Nokia not lose track of the marketing idea that "the product is not the hero of the campaign" (Trout, 2001, p. 5). The product can be successfully re-imagined without sacrificing its original properties, because a very large portion of what people purchase when they purchase anything is an idea, not a product.

Conclusion

In studying the attempt by Nokia to penetrate the mobile phone market in both Thailand and Hong Kong, we have a number of truths about regional expansion that can be applied to many multi-national corporations attempting to expand to different regions around the world. The most significant is the need to localize the goals of the company to fit the needs of the region it is attempting to penetrate.

In Thailand, the Nokia approach has been to combine innovative marketing with larger-scale penetration into the urban markets through partnerships with other companies to provide such supplementary telecommunication services such as high speed Internet service (Nokia Supplies, 2001). Simultaneously, efforts have been undertaken to penetrate the largely rural, largely first-time mobile-use market in Thailand that is more price resistant than other segments of the marketplace (Chao, n.d.). As an emerging market, Thailand features a volatile economy, weak local currency, and relative technological unsophistication of its populace, all of which may require greater involvement of the corporation to ensure continuity (Chao, n.d.).

As the most technologically advanced market in the entire global mobile phone market, Hong Kong responds more to technological innovation than pricing and marketing. As a "cutting-edge" society that prides itself on being at the forefront of trends, Hong Kong mobile phone users are constantly on the prowl for what is hip and new (Reviewcentre, n.d.). Hong Kong is also a saturated mobile phone market, which presents challenges to increasing Nokia's market share. An uncertain economy further lends instability to the prospect of much expansion in the near furture in the Hong Kong market.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Nokia's experience in Hong Kong and Thailand has been successful but with relatively different outcomes. The objective of this study is to provide a marketing strategy of Nokia Company in these two countries. The analysis is based on two sources of secondary data. The first is the internal secondary data from an organization, such as executive summaries, meeting minutes. The other is the external secondary data from public libraries and state enterprises, as well as from the Internet and other paper-based sources. Internet-based sources included website of government, commercial, and educational sources. Paper-based sources included reports from books, textbooks, academic journals, magazines, newspapers, leaflets, brochures as well as documents from electronic commerce seminars and courses. Descriptive and comparative methods are used for analysis. The results of study are following.

Nokia has been able to establish its solid position within the markets of Hong Kong and Thailand through the implementation of a four-part strategy. Via product, place/distribution, price, and promotion strategies, Nokia has claimed an important niche in the technological market.

Hong Kong and Thailand offer different opportunities to Nokia, as well as different challenges with regard to product strategy. This occurs primarily because of the two very different economic profiles each region embodies. For example, with 6.9 million residents who own 5.2 million mobile phones, the saturated nature of the Hong Kong market has caused Nokia to focus on the innovative aspects of technology. This comes in the form of introducing new products on a regular basis that can perform the necessary functions on a faster and more efficient basis.

Because Thailand has a more agrarian framework to its society, there are much fewer cell phones per capita, and thus product strategy must be re-tooled in order to service this particular market. In response, Nokia's product strategy in Thailand includes introducing the most basic and user-friendly products to this new territory, as opposed to the more sophisticated products that are appropriate for Hong Kong.

Nokia has been most effective in applying a place/distribution strategy in Thailand, when, as previously stated, the underdeveloped nature of the country makes it fertile ground for the infusion of technological advancements. An example of this is the recent joint venture between Nokia and Telecom Asia to service greater Bangkok with state of the art DSL Internet access.

The place/distribution strategy in Hong Kong has a different focus. There, among very strong competition, Nokia has attempted to differentiate itself from other companies that are attempting to supply the consumer market with the same product and services. It does this by introducing new products specifically tailored for the Hong Kong market. These include items such as "smart cards" and transponders that can be used to pay for anything from street tolls to cups of coffee. Nokia also maintains a large and impressive retail presence in Hong Kong. This is critical when a market is so saturated with competing companies, and competing products.

Price strategy for Nokia in Hong Kong is secondary to product placement and brand loyalty the inhabitants of Hong Kong seems to have a strong affiliation for. Because Nokia offers such a varied array of products in the Hong Kong market, they are able to compete on every price strata.

The price strategy for Thailand must have a different approach due in large part to the underdeveloped state of its economy. Because the economic realities of Thailand have yet to establish a large, local consumer base from which to exploit, Nokia's pricing strategy is problematic and difficult at every pricing level.

One way in which Nokia is able to get a foothold in the Thailand market is through innovative promotion strategies such as marketing cell phones with designer labels from Christian Dior. Designer mobile phones distinguish Nokia from its competitors. For now, it controls the market for these items in Thailand. Designer mobile phones are luxury items. As most citizens in Thailand are too poor to afford a cell phone, targeting the very wealthiest segment of the Thai economy, secures Nokia's place in the Thai business community until the Thai economy improves, and more citizens can afford a mobile phone.

In Hong Kong, the emphasis on promotion falls on the technology itself more than in flashy displays or novel campaigns. Nokia products sell themselves in Hong Kong because of the product's reputation for quality, and what services Nokia offers the consumer. That is not to suggest Nokia does not invest substantial resources in advertising in Hong Kong in order to ensure the consumers are aware of the various Nokia products and what they are capable of doing.

To sum up the four basic tenets of the SWOT model, (Strength, Weaknesses, Opportunities, Threats), it must first be stated that the most profound strength Nokia possesses in either the Hong Kong or the Thailand market is the technology itself. The Nokia logo and name recognition are important marketing tools, and are used with great effect in Hong Kong and Thailand where brand loyalty is given such a prominent status in the Asian business world.

Another strength for Nokia is its reputation as a company known for producing "cutting edge" products. Because the high-tech universe is one of constant flux and improvement, it is imperative that a company such as Nokia, foster an image of progressiveness, and back that image up with products that are not only reliable and easy to operate, but are also sensitive to the needs of the market.

In Thailand, due to Nokia's negotiated agreement to distribute DSL Internet service in Bangkok, the company is in an enviable position of strength to carry over its influence in the city out toward the countryside.

Nowhere is the need to be able to produce a steady stream of cutting edge technologically advanced products more acutely felt than in the Hong Kong market. One of the most important financial centers in the entire world; the need of the Hong Kong consumer for communications technology is great. And the fact Nokia is so firmly entrenched in this market gives it a particularly strong position.

Nokia's weakness in the Hong Kong market is due in part to the fact it has become a victim of its own success. The saturated market, coupled with strong competition, supplies Nokia with few opportunities for growth and expansion. This is a phenomenon of "product fatigue" in the Hong Kong market. This has been noticed when consumers apparently grow weary of new products that do not substantially improve performance over later models.

For the market in Thailand, Nokia's most poignant weakness stems from the overall weakness of the economy. So the growth rate of Nokia as a company in Thailand is closely tied into the growth rate of the country's economy. Countries such as Thailand, with smaller economies than a region such as Hong Kong, are also more negatively affected by world wide economic down turns.

This, in turn, will translate into a down turn for a company like Nokia trying to do business here.

Even with the sharp decline of the Asian markets in the late 1990's, it remains a region of incredible economic growth and therefore, a land of great opportunity for a company like Nokia. By nurturing the proper marketing strategy, Nokia should continue to grow and expand its market share in Thailand.

Nokia's recent success with introducing DSL in Asia is just the beginning of opportunities for the company. As the economy in Thailand grows, and the need for an ever-expanding communications technology becomes more essential, Nokia will be uniquely placed to take full advantage of the situation. The potential for gain could be tremendous. In this context, it is ironic to point out, that it is precisely because the economy in Thailand is not large, and is decidedly underdeveloped that it poses the greatest opportunity for growth.

There is only one way for Nokia to go in Thailand, and that is up. This can be achieved via very economically advantageous means for Nokïa. They only have to supply the Thailand market with basic technology that has already been developed, easy to produce, and very cost effective to produce will only increase the profit margin for Nokia in this market. There is not the same kind of heated competition in Thailand, as there is in Hong Kong so Nokia doesn't have to take other multi-nationals' strategies into account.

The need for mobile phones in the rural areas of Thailand will only become more prevalent as farmers and fishermen learn to use the devices in order to obtain the most current and relevant information concerning market prices for their products. Nokia is especially well suited to exploit this facet of the market in Thailand.

Hong Kong represents a different set of opportunities for Nokia. The market is established, robust, and very open to whatever products Nokia presents to it. But in turn, Nokia must constantly address the market and supply it with the most advanced and up-to-date products. Hong Kong's position as a world trade center and financial base for both the Asian and world market, gives Nokia many opportunities for worldwide expansion and advancement of its products. There will always be a need in the highly competitive environment of Hong Kong for newer and more efficient technology. As long as Nokia can keep producing it, the opportunities in Hong Kong, though somewhat limited by the competition, should remain constant and promising.

Though the overall outlook for Nokia in both the Hong Kong and Thailand market is promising, there are still substantial threats to the company. These threats can take a number of different forms. Politically, the transformation of Hong Kong from a British protectorate to a satellite of the People's Republic of China has been relatively smooth. So far, the Mainland Chinese apparently realize the economic importance of Hong Kong to them. For now, they have done little harm to the capitalistic dynamo that is Hong Kong. However, China is a dictatorship, and dictatorships are only as stable as their rulers.

Nokia faces a threat from other companies competing for the same market and runs a risk, especially in Hong Kong, of focusing too narrowly on the market and not taking into account other aspects.

In Thailand, Nokia must confront the possible threat not only of a shaky economy, but also of also not being positioned properly in the price structures of their products. The technological needs in Thailand now are simple and the potential is lucrative, but it won't come to pass if Nokia cannot price its products in a manner that makes economic sense to the average consumer in Thailand.

There is also a threat from a completely non-economic source for not only Nokia, but also all companies who make mobile phones. Some preliminary medical findings seem to suggest there may be an increased probability of developing cancer in people who use cell phones. It is important to note a definitive link has yet to be established proving that prolonged use of a mobile phone, and the accompanying radio waves and slight radiation exposure to the skull will result in cancer. The potential harm of a reputable medical report establishing a health risk, could prove a devastating problem for Nokia in Asia, as well as everywhere else in the world where it has a presence.

Recommendations

Nokia must explore in greater detail ways to overcome the so-called "digital divide". According to the world's richest man, Bill Gates, marketing 3G technology in Thailand as 'fisherman-friendly' is valid in theory; however, in reality the "digital divide" is as much an economic gap as a technological one (Arnold, 2001). Without reaching a certain price point, Nokia is unlikely to find a way to achieve much growth in the largely poor, traditional, and rural villages of Thailand (Ollila, 2001).

In reality, emerging markets, such as rural Thailand, are several generations behind urban markets, such as Bangkok or Hong Kong. In seeking to create a truly global marketplace, companies such as Nokia may be forced to take a much broader role in rising markets than they ever envisioned. In addition to hardware and infrastructure, intensive educational programs and cross-branding marketing campaigns need to be undertaken to make the mobile phone more accessible to a market that has traditionally felt left out of the technological loop. Nokia would benefit from such an integrated marketing plan.

In Hong Kong, Nokia introduced its 9210 brand, its most current example of wireless Internet service, in a clunky style that does not have GPS compatibility, a fact that limits its future integration.

Further integrated marketing communication research is necessary among the new generations of mobile phones to adapt wireless applications (a feature that current mobile phones have not yet integrated), thereby fulfilling the convenience that current generations of mobile phones have already achieved. In a market that has already demonstrated a resistance to the "bells and whistles" that mobile phones offer without such streamlining, the 3G of mobile phone use may well fall short of the multi-billion-dollar-growth industry that Nokia envisions itself becoming (Ghahremani, 2001). Therefore, this project is very interesting to study and understand the Nokia Company and the way the marketing to create or enhance the customer satisfaction in different countries.

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