**Optimising Nokia’s marketing approach based on consumer behaviour**



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**Executive Summary**

Nokia is a large mobile phone company that is struggling to keep up with other players in the emerging smartphone market. The market is very competitive and the products have a short life cycle. Furthermore, a high level of innovativeness is required. In this report the Finnish mobile phone company has been analysed based on consumer research. The main research question is: ‘How can Nokia optimise their marketing approach based on a sound understanding of consumer behaviour?’ First of all desk research has been conducted. Books and academic papers on consumer behaviour have been analysed in order to gain thorough knowledge on consumer behaviour theory. Business publications like Wall Street Journal and The Financial Times have been used to analyse the smartphone market. Regarding the field research, both quantitative and qualitative research have been conducted, including different types of consumer research, such as focus groups and a survey.

Since consumer behaviour is a very broad topic, specific subjects were looked at, such as the decision-making process and the self-concept. The self-concept that applies most to a person purchasing a smartphone is the ideal self, because people purchase a smartphone to reach their ideal state, e.g. being popular. Nokia has been analysed from 2008 until 2012, this analysis clearly illustrated its loss of market share throughout the years. Nokia’s main brand competitors are Apple, Samsung and HTC, because they possess a large amount of market share. Furthermore, when analysing the conducted consumer research their brand image is perceived higher in comparison to Nokia.

The consumer research that has been conducted consisted of two focus groups and a survey. The first focus group consisted of students in the age of 20 to 25. The second focus group consisted of employees in the age of 26 to 35. Clear differences were found between the two groups. The slightly younger generation perceived the brand as more important than the operating system when purchasing a smartphone, whereas the slightly older generation perceived the operating system as being of greater importance. Besides the brand, social influences played a larger role on a younger age. The survey that had been conducted consisted of 22 questions which were based on the focus groups, over 250 people participated. The most important source of information for the participants were family and close friends, showing the power of reference groups. Up to 29 per cent of the participants did not know the Nokia Lumia range. However, the majority that did know the smartphone range knew it from the company's advertisements. Thus, advertisements are an important tool to create awareness for a product.

To conclude, the consumers that are likely to purchase smartphones are the millennials, aged between 18 and 35, because this group is familiar with smartphones and other high-technology products. A distinction can be made between the student generation and the employed generation. The younger generation perceived the brand as more important when purchasing a smartphone, whereas the older generation perceived the operating system as being of greater importance. Nokia can make consumers become connected to their brand by using social comparison. For instance, by creating advertisements through which consumers can evaluate themselves in comparison to the people shown in the advertisement.

The answers on the sub-questions and the main question have been translated into recommendations. In short, the company should create a slick design and continue with building a lifestyle around their smartphone devices. Nokia should continue strengthening the business segment, because the company is positioned in consumers´ minds as reliable, which is a good factor when targeting businesses. Moreover, Windows is the most popular operating system on business computers. Staying innovative by using the new Windows 8 is of high importance in the emerging smartphone market. Nokia should conduct extensive consumer research analysing the innovators and early adopters of the innovation adoption curve. Nokia consumers can be reached through word-of-mouth, e.g. social media and reference groups. Furthermore, advertisements should be created emphasising the benefits superior to competing smartphones. The company will need an adaptive marketing strategy in order to succeed. Nokia should focus on regaining brand equity, because the company lost its brand equity during the evolution of mobile phones to smartphone devices. This will lead to increased financial value and customer loyalty.

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# Introduction

The mobile devices market is going through major changes, technologically, as well as in the field of consumer behaviour. The former occurred when mobile phones, step by step, were exchanged for smartphones. The latter, changed as a result of different factors coming into play when making a purchase decision. Both technological and consumer behaviour factors will be further analysed in this dissertation, by using several research methods. The mobile phone market leader Nokia, lost a huge part of their market share during the last few years. Strong competitors, such as Apple, are making the breakthrough in smartphones more difficult for Nokia. Furthermore, Nokia does not come across as the most innovative mobile devices company, since it was best known for its mobile phones and not for its smartphones.

## 1.1 Problem definition

At the moment Nokia is situated on a ‘burning platform’ (Elop, 2011, par. 2). The company is close to losing the battle of great smartphone competitors, such as Apple and Samsung. Over the past few years Nokia started to lose more and more of their market share. Nokia was the leading company in the production of mobile phones. However, since the smartphone market started to rise, the company was left behind. Kodak is an interesting example of a company that did not succeed in reading emerging markets properly. Kodak was the market leader with traditional cameras and films. However, when competition increased and digital cameras came into play, Kodak failed to anticipate consumer demand. If Nokia does not want to end up like Kodak, it has to undertake important steps. The smartphone market is an emerging market, a very profitable market for a company like Nokia. However, the company needs to boost it sales. In order to boost its sales, consumer research needs to be done. To write this dissertation, research on consumer behaviour in this market will be done. Nokia needs to get an insight into consumers’ minds to discover the key factors of success.

## 1.2 Research question

Through consumer research and applying consumer behaviour theory to the Nokia case, an answer will be given on the following central question: How can Nokia optimise their marketing approach based on a sound understanding of consumer behaviour?

To get an answer to this question several sub-questions are formulated:

* Which consumers would purchase smartphones, or more specifically, Nokia smartphones? What differentiates them from consumers who do not purchase, and how can they be reached?
* Which criteria are most important to consumers that buy smartphones (brand image, particular product attributes, price, emotional attachment)?
* How can consumers become connected to the brand?
* Who are the leading brand competitors?
* How do consumers perceive Nokia versus competitive brands? What can be accomplished to improve consumers’ attitude concerning Nokia?
* Who are the customers that competitors are targeting and what is their strategy?
* What would be a reasonable price for consumers to pay for the product whilst still being confident of enjoying good value?

## 1.3 Research method

First of all, desk research will be done in order to gain a clear overview of the past and current situation of Nokia and to gain more information concerning consumer behaviour. Desk research includes several sources. Books will be analysed, including *Consumer Behavior and Marketing Strategy*. Furthermore, academic papers on consumer behaviour and new product development will be examined, including the E-journal on consumer research. Research reports will be thoroughly analysed, particularly the annual reports of Nokia and its competitors. Last but not least, the business publications and business reports will be analysed, by using the following sources, The Economist, Wall Street Journal and The Financial Times.

The choice has been made to conduct both qualitative and quantitative research, since qualitative research is more in-depth and will give more thorough knowledge on the subject and through quantitative research the knowledge gained can be examined on representativeness. First of all, two focus groups will be conducted, to specify the subject for a more in-depth survey afterwards. Since it is not only important to determine why consumers do buy a product, but also why consumers do not buy a specific brand or product, another method will be used. Namely, the target audience will write down what they do not like about their smartphone and how they think these negative aspects could be approved. The target group that has been chosen are young adults from 18 to 35, since these people are the trend setters concerning smartphones. According to Markman and Shaw, millennials are the people a company, like Nokia, must embrace. Millennials are born between 1980 and 1995. Markman and Shaw state that, ‘their values, attitudes and demographic characteristics are different from all previous generations. They are driving digital technologies that are changing media habits’ (Markman, Shaw, par. 3, 2010). This target audience relies intensively on technology and that is why this group is very important to analyse when conducting research for Nokia.

# Chapter 1 Consumer behaviour

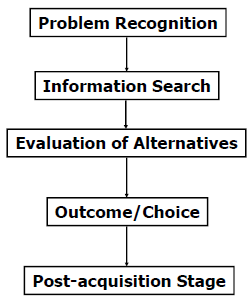
This chapter begins with a clear understanding of what consumer behaviour is and what is included when it comes to consumer behaviour. After defining the term, a review of the decision-making process will be done. This includes an examination of different types of consumer decisions and the stages in the decision making process. Hereby, important elements will be analysed when it comes to the case of Nokia. The next sub-chapter reviews the self-concept and the importance of understanding the different self-concepts that exist.

Consumer behaviour is a very broad term, including various important aspects that need to be taken into consideration. As stated by Solomon, ‘The field of consumer behaviour covers a lot of ground. It is the study of the processes involved when individuals or groups select, purchase, use and dispose of products, services, ideas or experiences to satisfy needs and desires’ (Solomon, 2006, p.6).Therefore, several topics will be discussed, in order to give a clear overview of what is included in consumer behaviour. The focus will be on theory that can help Nokia become successful. As previously cited by Solomon, consumer behaviour involves more than buying a product, it analyses the entire process. Furthermore, consumer behaviour involves more than products, it also involves services, activities and ideas. This chapter will analyse factors that could affect the company Nokia on consumer behaviour. The rapidly changing consumers and their environment show the importance of consumer research and analysing current trends on the market. Consumer research can be done in various ways, e.g. focus groups, surveys and experiments.

Consumer behaviour is dynamic, because consumers’ thoughts, feelings and actions constantly change. Not just the individuals, but as well the targeted consumer groups and the society as a whole are continuously changing. For instance, the internet has played a major role, for it has changed the way people search for data about consumer goods and services. Nowadays, consumers use blogs and other web sites, where comparisons are made between high-technology products, such as smartphones. Furthermore, consumers have got the opportunity to purchase products, including smartphones, online. Because consumers and their environments change so rapidly, consumer research and analysis by marketers to monitor important trends is of high importance. The product life cycle is of shorter duration. Because of this, Nokia needs to be innovative, constantly developing new ideas, products and their accompanying strategies. This approach would be likely to create customer value, and, the most important goal of the organisation is to make profit.

## 1.1 Consumer Behaviour as a process

There are different kinds of consumer decisions. These types are categorised in extended problem-solving, limited problem-solving and habitual problem-solving. The importance of the decision depends on the involvement of consumers. Habitual problem-solving concerns purchases that are frequently bought, require low customer involvement and are low cost products. The product class and brands are familiar to the consumer and it needs little thought or search to purchase. On the other hand, there are the extensive problem-solving decisions concerning products that are more expensive and are infrequently purchased. These purchases require high customer involvement, because of the price and risk of making the wrong choice. Furthermore, extensive research and time is given to purchase. For instance, in the purchase of a car, consumers take their time to evaluate the different types based on price, quality, brands and performance. Limited problem-solving falls in between the two, consumers have a low to moderate level of involvement when a purchase decision is made. Moreover, the consumer commonly has some knowledge and experience concerning the product type (Karantinou, 2010, slide 3-7). Smartphones fall into the limited problem solving category, with consumers usually having two to three brands to choose from and some previous experience or knowledge concerning the product. Furthermore, consumers wanting to buy a smartphone consider a reasonable number of attributes when making the purchase decision, such as the quality of the screen, the design and the operating system.

First of all, a problem is created, as there is a gap between the actual and the ideal state. There are two possibilities that can create the problem, need recognition and opportunity recognition. The former means that the consumer’s actual state moved down. The latter means that the consumer’s ideal state has gone upwards. The role of marketer’s is to create either a primary or a secondary demand. Creating a primary demand means that the marketer concentrates on getting consumers to try a new product. Through creating a secondary demand marketers are encouraging consumers to select a specific brand. This is done by creating a problem situation and showing the solution to the situation. For the new Nokia Lumia, a primary demand is created, trying to trigger consumers to try out their new smartphone. Next, information search, the degree to which consumers search for information depends on the consumer´s prior knowledge and the perceived risk. The perceived risk is especially high concerning a high priced product. When buying a Nokia Lumia the perceived risk is a moderated risk, because the most expensive device costs around 400 euros. However, the perceived risk depends on the person purchasing the device: 400 euros is much more money for a student in comparison to a business professional. Through gathering further information or by discussing and asking advice from reference groups, the perceived risk can be reduced. Therefore, it is crucial that, in this case, Nokia develops a brand image and that consumers are satisfied with their (new) smartphone. Furthermore, the company should make sure that sufficient information about the smartphones is readily available, e.g. on the internet and in their stores.

Graph 1 ‘Consumer Behavior as a Process (2010)’

The third stage of the decision making process is the evaluation of alternatives. Categorisation is a very important component of how consumers evaluate a product. Because every product category, e.g. the smartphone, is represented by numerous brands, e.g. Apple, Samsung, Nokia and HTC, consumers will try to make their choice easier by categorising the different brands. Nokia should be aware of how their smartphones are categorised.

The fourth stage of the process is referred to as the outcome. In order to make a decision, several evaluative criteria are assessed. Evaluative criteria are features that are used when judging qualities of competing brands. Determinant attributes play an important role in the choice, since these are attributes that are used to distinguish between choices. Nokia should focus on the elements that differentiate its smartphone from competing brands, because criteria concerning differences between products carry more weight throughout the decision-making process than similarities. Nokia should bear in mind that consumers use mental shortcuts to make decisions, e.g. assumptions concerning the company and its products. Another indicator is the price of the product. An inexpensive smartphone could come across as being of poor quality.

Fifthly, the post-acquisition stage, consumers purchase a product with certain expectations. When the product meets or even surpasses expectations, the outcome is satisfaction, the opposite being dissatisfaction. Factors such as, word of mouth, previous buying experience, brand connotations and company regulated information could affect the decision either positively or negatively. Nokia could affect the expectations of consumers by creating advertisements and other promotional material. Furthermore, information given by competitors and their promotional activities play a role as well, so if Nokia could surpass such activities and promises, this could lead to customer satisfaction.

## 1.2 The self-concept

As stated by Solomon, ‘The self-concept refers to the beliefs a person holds about his or her own attributes, and how he or she evaluates these qualities’ (Solomon, 2006, p. 208). Consumers perceive some aspects of themselves as more positive than others. For instance, a business professional feels better about his competencies than about his masculinity. The self-concept consists of a complex structure, the reason being that it includes many different attributes. Attributes of the self can be identified along with dimensions, such as their content, for instance, appearance as opposed to intellectual skills. The fact that a person is positive about his or her self-concept implies that this person has self-esteem. Consumers compare their actual standing on a certain attribute to the ideal, which influences their self-esteem. Marketing communications have the power to influence the level of self-esteem that a consumer has, by means of social comparison. Consumers evaluate their selves in comparison to actors or role models shown in the advertisements. Nokia can use this tendency that consumers have by showing satisfied and energetic people using their smartphone. Furthermore, self-esteem advertising can be used to change consumers’ attitudes towards Nokia’s smartphones by encouraging positive feelings about oneself.

There are various types of the self-concept. First of all, the actual self, how a person actually identifies him or herself. It is a more realistic view of the qualities a person does or does not have. The ideal self refers to how a person would like to perceive him or herself. The ideal self is partly created by aspects of the consumer’s culture, including for instance, the people shown in advertisements, these people serve as role models. Nokia can either promote their smartphone as a product that is consistent with the actual self, or by helping the consumer to reach the elements set by the ideal self, e.g. being able to solve any kind of problem with their smartphone. The ideal and actual self are the most familiar two when analysing literature, however other self-concepts play a role as well. There is, for instance, the social self, how a person thinks others perceive him or her. Reference groups and opinions of others play a role when consuming high-technology products. Then there is the ideal social self, which is how a person would like others to perceive him or her and the expected self. The situational self concerns a person’s self-image in a specific situation. People have different role identities during different situations (Solomon, 2006, p. 210). A student, for instance, might also be a boyfriend, an employee and a band member. Some identities are more important than others, but in specific situations another identity might play a key role. It is important that Nokia advertises their smartphones to the suitable role identity. A way to do this can be placing the advertisement in a place where consumers are likely to be conscious of the relevant role identity, e.g. at their place of work or close to the university. The self-concept that applies most to a person purchasing a smartphone is the ideal self, because people purchase a smartphone to reach their ideal state, e.g. being popular.

# Chapter 2 Nokia throughout the years

Nokia is a multinational company producing mobile electronic devices, predominantly mobile phones, converging internet and communications industries. With sales in more than 150 countries and employees in 120 countries, Nokia is unquestionably a multinational company operating worldwide. Nokia was founded in 1871 by Frederik Idestam and Leo Mechelin in Finland (Nokia, n.d., par. 1). Nokia introduced its first handheld phone in 1987, called the Mobira Cityman. This phone was one of the first handheld phones in the world. During that year Nokia’s mobile phones publicity increased rapidly. In 2003 the company launched the Nokia 1100. Within five years, 200 million models had been sold. (Nokia, n.d., par. 4). Not only did the Nokia 1100 become popular, but also other models released during this period gained rapid fame. The company did very well economically and financially. This changed, however, when the economic crisis came about around the beginning of 2007, and the company started to lose market share.

Through analysing the annual reports and other sources containing financial and economic information of Nokia from 2008 until 2011, the positions that Nokia has been through will be analysed. The past years have been difficult for Nokia, since competition has risen significantly. Furthermore, due to new technologies and new trends Nokia has had a hard time catching up with competitors.

The net sales of Nokia´s Devices and Services decreased by 7 % in 2008, which was a large change in comparison to 2007. During the middle of 2008 the global economic crisis and the exceptional currency instability played a key role in the pull back of consumer spending. Nokia tried to focus on new products by further strengthening its Nseries collection of mobile devices. Furthermore, the company started building out the Nokia Eseries collection. A new collection of eight mobile phones was announced, with these phones being specially designed for consumers in evolving markets. Besides the global economic recession, there were other risk factors that affected the company during this period. First of all, new communication technologies. Nokia needed to keep up with research and new communication technology trends (Nokia, 2009, p. 2-6). Secondly, the competition was intense, as other companies such as Samsung and Apple were working on smartphone concepts.

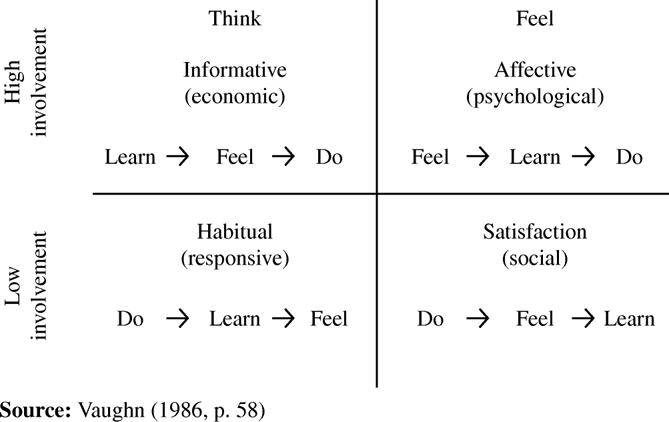
The global economic crisis set through during 2009. However, in the last quarter of 2009 Nokia’s financial situation slightly improved. The annual report of Nokia states that the net sales of the devices and services segment decreased by 21% in 2009, in comparison with 2008. Furthermore, the overall net sales decreased by 19% (Nokia, n.d., p. 2). As stated by Nokia, ‘Our sales and profitability depend on the converged mobile phone market’ (Nokia, n.d., p. 6). Nokia is essentially known for its mobile phones. Therefore, the company has got a different brand image from a company such as Apple, which is more innovative and became well-known for its iPhone. The company strengthened its assortment of smartphones with new models, including the Nokia E72, which was exclusively designed for business use and corporate email solutions. Nokia continuously concentrated on enhancing their value for consumers and on the functionalities of Nokia’s smartphones. Through the development of Ovi, easy access to applications and stores through the internet were provided to Nokia’s customers (Nokia, 2010, p. 4).

Nokia’s net sales increased by four per cent in 2010, in comparison to the previous year. Furthermore, the net sales of the devices and services segment increased by five per cent during 2010 (Nokia, n.d., p. 2). However, Nokia did lose a significant part of their market share on the converged mobile device market. The company lost seven per cent market share in the fourth quarter of 2010, in comparison to the third quarter. At the end of 2010 a thorough review was done concerning the challenges of the company. Based on the review Nokia created a new strategy, built around three pillars. First of all, regaining leadership in the converged mobile phone market. Secondly, strengthening the leadership position in mobile phones and thirdly, investing in future disruptive technologies. As shown by the actions taken by Nokia, their goal of 2011 was regaining market share, with the emphasis on the emerging smart phone market. As shown by its annual report of 2010, the company was uncertain about their future (Nokia, n.d., p. 2-13). The company stated a list of risk factors for the upcoming year. Nokia puts it this way, *‘*If we fail to finalize our partnership with Microsoft (…) we will have limited our options and more competitive alternatives may not be available to us in a timely manner, or at all’ (Nokia, 2011, par. 5). As shown by the above quote, the choice of Nokia to cooperate with Microsoft was a large step, full of risks.   
  
During the year 2011, the third quarter report of Nokia stated that the company’s net sales decreased by 13 per cent. More specifically, the devices and services segment decreased dramatically, smart devices net sales dropped by 25 per cent. Furthermore, the amount of smart devices sold decreased by 38 per cent. These results are in comparison to the third quarter results of 2010 (Nokia, 2011, par. 1). These results were published before the first smartphone was launched in cooperation with Microsoft. The expectations of the first windows phone were high, it was expected to become the key to regain profit.

As mentioned above, in 2011 Nokia made an alliance with Microsoft. Nokia produced the hardware and Microsoft the operating system, namely Windows. The Windows system will take the place of Symbian, the system that Nokia has been using persistently. The alliance is seen as an escape plan from the intense competition on the smartphone market. As Nicholas Kolawski puts it, ´Create a next-generation operation system, pair it to sophisticated hardware and hope for the best´ (Nicholas Kolawski, 2011, par. 3). By making an alliance with Microsoft, Nokia gave up on its operating system, which means that there is no differentiation going forward. Nokia, together with Microsoft, will enter a market which is crowded with smartphones, including Android, iOs and Blackberry. This will make it very difficult for Nokia to succeed with the Windows Phone.   
  
The first two Nokia Windows Phones were the Nokia Lumia 710 and the Nokia Lumia 800. Both devices are very appealing, however the design of the Nokia Lumia 800 is more attractive. Furthermore, the latter includes more features and higher quality features. The differences are reflected in the price, the Lumia 710 is 150 euros cheaper than the Lumia 800. In the beginning of 2012, The Wall Street Journal announced that Nokia became number one seller of Windows Phones in the fourth quarter of 2011 thereby overtaking HTC. As stated by Hansegard, ‘Nokia accounted for 900,000, or 33%, of the 2.7 million Windows Phone devices sold during the period’ (Hansegard, par. 2, 2012).

Nokia cannot rely any longer on the consumer group they used to target. The company needs to persuade a new generation of consumers. The company´s products should be able to comply with business and social needs. During the last quarter of 2011 and the beginning of 2012, Nokia made a small step forward, which is reflected in their sales. Over a million of Nokia Lumia phones were sold during this period. The CEO of the company stated that the company became more in harmony with the transition (‘Nokia only sells one million’, 2012, par. 2). However, when comparing Nokia Lumia sales to the sales of the new smartphones of Samsung and Apple, Nokia´s sales are limited, because ten million units were sold in five months of the Samsung Galaxy SII. Nokia is on the right track with its new smartphones. However, the company should work hard in order to compete with its competitors. Furthermore, Nokia should hold on to its successful start of the Nokia Lumia, not only to regain consumers, but also to regain investors. A drawback is that, during the announcement and the launch of the Nokia Lumia, the sales of the Symbian smartphone dropped. In the course of two quarters, sales dropped 36%, which is likely to have a larger effect on the revenue and profit of the company, in comparison with the upcoming sales of the new Lumia devices.

The new advertisements that were launched by Nokia to promote its Nokia Lumia 800, illustrate very clearly that Nokia repositioned itself. The advertisements show that Nokia targets young adults. Furthermore, the new strategy for Nokia’s smartphone is ‘the amazing every day’, which is shown in the advertisement by displaying several moments of the day with an energetic and youthful twist. The campaign uses various consumer behaviour elements, showing various personalities and attitudes that can be associated with today’s youth. Furthermore, several attributes were incorporated in the advertisement message, such as passion, innovativeness and creativity, to associate the consumer with and to attract them to the new smartphone. Emotions and feelings are used in order to enhance stimulation and association with the target group, which could bring forth loyalty. When analysing the foote-cone-belding grid, shown in graph 2.1, Nokia’s new advertisements are based on ‘feel-learn-do’ including high-involvement and psychological elements (‘feel’).

  
Graph 2.1 ‘Low-income consumers' reactions (n.d.)’

The Nokia Lumia 800 is targeted at the ideal self, by making every day amazing. Besides the ideal self, the situational self is targeted, several moments of consumers’ daily life are shown, in which they perform different roles, from employee to sports coach. On the other hand, there was an advertisement made for the Nokia Lumia 710 that was targeted at the actual self. In the advertisement an everyday problem is shown, which can be solved by a Nokia smartphone. The new name, Nokia Lumia, is not mentioned. A reason for this could be that Nokia tries to change its image, being no longer old-fashioned and seen as nostalgic.

# Chapter 3 Brand competitors

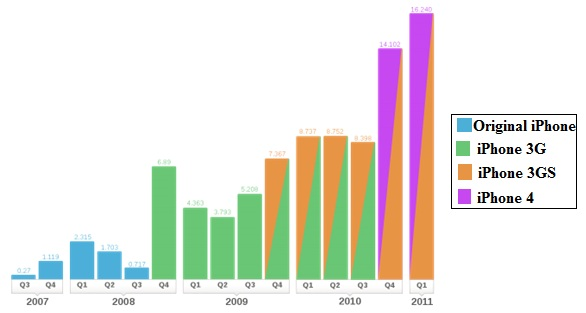
Nokia has a number of strong brand competitors on the smartphone market. The competitors need to be analysed in order to give a clear overview of Nokia´s position on the smartphone market and to discover factors that play a key role when analysing consumer behaviour. Smartphones are gaining rapid popularity, which is shown by their sales, during the year 2011, 487.7 million smartphones were shipped and sold (Canalys 2012). Smartphones outsold computers for the first time, including desktops, tablets and notebooks, of which 415 million units were sold (Neowin 2012).

## 3.1 Apple

[](http://www.google.gr/imgres?q=iPhone+4s&um=1&hl=nl&sa=N&biw=1093&bih=521&tbm=isch&tbnid=XxmPCAUvMgzmMM:&imgrefurl=http://smartphones.techcrunch.com/l/45/Apple-iPhone-4-8GB&docid=lQI5nrbgoc66sM&imgurl=http://smartphones.techcrunch.com/sites/default/files/770/media/images/Apple_iPhone_4_16GB_Smartphone.jpg&w=425&h=480&ei=CT2NT_r4AYH80QX31dWEDQ&zoom=1&iact=hc&vpx=504&vpy=162&dur=481&hovh=239&hovw=211&tx=96&ty=122&sig=106895984431456971921&page=1&tbnh=136&tbnw=123&start=0&ndsp=10&ved=1t:429,r:2,s:0,i:74)In June, 2007 Apple launched its first iPhone. In the third quarter of 2007, 270 thousand iPhones were sold, including related products and services, a revenue of five million dollars. A clear difference is shown between the third and the fourth quarter; in the fourth quarter Apple sold over one million iPhones, with a revenue of 118 million dollars (Apple, n.d.). The year after, Apple’s iPhone App Store was launched. As a result, Apple differentiated itself on the smartphone market, because the App Store allowed consumers to distinguish and personalise their iPhone. Furthermore, the variety of new software features increased. The iPhone is targeted at young people between 20 to 35. Basically, there are applications for everyone, from teenagers to business professionals.

Image 3.1 ‘Apple iPhone 4 8GB (n.d.)’

In 2009 Nokia sued Apple regarding patent infringement and from this moment it could be said that there was a war between Apple and Nokia. After almost two years of suing from both companies, the war came to an end. Nokia came out of this battle as the winner. Apple turned out to be a licensee of Nokia´s patents. Furthermore, Apple gave Nokia a one-off payment and on-going privileges.



Graph 3.2 ‘Apple iPhone Sales Q3 2007 – Q1 2011 (2011)’

As shown in graph 3.2, Apple continued to perform successfully on the smartphone market. With some ups and downs, the company reached over 16 million units sold in the first quarter of 2011, which was a unit growth of 86 per cent comparing to the first quarter of 2010. Apple stated several risk factors and uncertainties in their quarterly reports. Most importantly, how Apple would cope with economic changes and competition. Another risk factor was how Apple would deal with consumer buying decisions regarding Apple’s smartphones, which is a consumer behaviour factor, that can be studied by means of consumer research. Furthermore, the company focused on the skill to influence consumer demand for new products (Apple, 2011, par. 6).

The iPhone was not the first smartphone and some of its technologies were already established before the iPhone was launched, for instance, online shopping and mobile bar codes. However, consumers did not pay much attention to existing technology. Thus, technology did not have to change, but rather the attitudes of consumers. The look and feel of Apple’s iPhone was quickly embraced, with its magnificent large touch screen. Apple has become very successful and a solid competitor of Nokia, mainly because of its strong and flexible marketing plan, which is suitable to cope with changing trends in consumer behaviour. Consumers started to rely on their iPhone much more for information search, as well as for entertainment. Even during a period in which companies were struggling to succeed and make profit, Apple continued to do well. The company understood who their target consumers were, what they valued and how this could be delivered to them, focusing on strategic marketing, as well as on the products themselves.

Most of Apple’s advertisements are perceived as functional in comparison to the commercials of competitors, such as Samsung, Nokia and HTC who focus on emotional appeal. Competitive brands do have rational advertisements, but the majority concentrate on emotional appeal. However, functional is not the right word to describe Apple’s advertisements, because the company focuses on the experience, rather than on functionality. By demonstrating features and applications of the device, the company triggers emotional appeal in a different way from its competitors, namely through communicating with a consumer’s emotional state. The self-concept that Apple targets is the ideal self, which is clearly shown by the statements of the company, such as, ‘Think different’ and ‘There’s an app for that’ (Apple, n.d.). The slogan used to promote iPhone 4 shows that Apple targets the ideal social self as well. The slogan was: ‘If you don’t have an iPhone, well, you don’t have an iPhone’ (‘If you don’t have an iPhone’, 2011). Thereby, aiming to outplay competitors by stressing the importance of what other people think of you. Basically, you are what you consume.

## [SMARTPHONE]3.2 Samsung

As stated by Seoul in the Wall Street Journal, ‘Samsung Electronics Co., the world’s second-largest cellphone maker by revenue, is aiming to sell 380 million handsets and double sales of its smartphones this year, according to a senior executive’ (Seoul, par. 1, 2012). Samsung has got high expectations to surpass Nokia in a short period of time, to become the largest vendor of mobile phones. In the year 2011, Samsung sold 97 million smartphones. In the last quarter of 2011, Samsung had a market share of 23.5% of the smartphone market, which is slightly less than its main brand competitor, Apple. Nokia´s market share during that period consisted of 12.6%.

Samsung created a categorisation for their Samsung Galaxy smartphone range, which is used since August 2011. The categorisation is made based on letters. For instance, the Galaxy S stands for super-smart and is classified as a high-end device and the Galaxy Y is meant for youth. Samsung’s strategy is outlined by this categorisation: smartphones are meant for everyone. As stated by the president of Samsung’s handset business, ‘Samsung is committed to bringing a new smartphone experience to everyone in the world’ (Goldstein, 2010).

Image 3.3´Busy Signals (2012)’

The tension between competitors is clearly felt: a good example is the Super bowl commercial that Samsung launched this year. The commercial shows a clear jibe at Apple and its iPhone users. During the commercial there are consumers waiting in a queue for the launch of the new iPhone. There is even a consumer complaining, because he is missing the game. After which the Samsung Note is introduced, bringing happiness to the consumers. Samsung created several advertisements that show a jibe at Apple, including the following sentence: ‘No need to stay in line for the ‘next big thing’, the next big thing is already here!’ (Samsung, 2012).

## 3.3 HTC

HTC has become a noticeable competitor, the company boosted its sales from zero per cent market share in 2008 to 2.6 per cent in 2011. In three years’ time the company reached a share similar to that of Nokia. The company was the first one in the world that delivered an Android smartphone. A way to differentiate itself in the highly competitive market is investing much time in the technology of the Android system. The company gained rapid popularity on the younger market, because of its sleek design and the slightly cheaper price compared to Apple and Samsung.

[](http://www.google.gr/imgres?q=HTC+one+x&um=1&hl=nl&biw=1093&bih=521&tbm=isch&tbnid=nE5Az5ppE-ZUDM:&imgrefurl=http://www.htcone-x.com/&docid=6QZwPcLBCjBQyM&imgurl=http://www.htcone-x.com/wp-content/gallery/htc-one-x-officieel/htc-one-x-black.jpg&w=550&h=440&ei=dz2NT_HRHqrT0QXUm-z0DA&zoom=1&iact=hc&vpx=94&vpy=176&dur=1791&hovh=201&hovw=251&tx=164&ty=96&sig=106895984431456971921&page=1&tbnh=126&tbnw=162&start=0&ndsp=11&ved=1t:429,r:0,s:0,i:65)HTC changed its strategy in 2012, the company used to have multiple device brands, such as Sensation and Thunderbolt, but the company came up with a unifying brand strategy. The new strategy focuses on one brand, namely the HTC One, with the aim being able to purchase this specific brand all over the world (Shimpi, 2012). The HTC One is a range of smartphones like the Nokia Lumia range. One of the devices is the HTC One X. This new device differentiates itself among other smartphones by focusing on the camera of the smartphone. Consumers capture many moments of their daily life with their camera and it is therefore a very important feature of the smartphone. The new device includes the latest Android technology. The strategy of the new device is the idea of sharing images with friends, since the idea of sociability is very important to the brand (Rooney, 2012). HTC was the first brand to co-operate with Windows, and launched a Windows phone. Thus, the company is a large competitor for Nokia’s Windows phones. However, HTC also produces smartphones with an Android operating system. The company’s advertisements focus on emotional appeal, typically without showing any technical advances of the smartphone. A few examples are the commercials of the HTC Sensation XL and the HTC Rezound, in which music plays a key role.

Image 3. 4‘htc-one-x-black (2012)’

## 3.4 Discussion

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | HTC | Apple | Samsung | Nokia |
| Usability | 4 | 5 | 4 | 3 |
| Value for money | 4 | 3 | 4 | 3 |
| Design | 3 | 5 | 4 | 3 |
| Brand image | 3 | 5 | 4 | 3 |
| Total | 14 | 18 | 16 | 12 |

Table 3.5 Consumer satisfaction

In table 3.5 consumers’ satisfaction is displayed based on four criteria, namely, usability, value for money, design and brand image. The brands and their smartphones are rated on a scale from one to five, whereby five is perceived as best and one is perceived as poorest. This evaluation is based on the survey that has been conducted. To summarise, Apple scores best on consumers’ satisfaction. The brands’ design and usability are of high quality. These are aspects that Nokia should work on, in order to keep up with its largest competitor. As shown in table 3.1, Nokia scores least on all four criteria. HTC scores slightly better than Nokia on usability and value for money and therefore becomes third.

# Chapter 4 Research analysis

In this chapter the consumer research that has been conducted will be analysed. In the first sub-chapter the focus group will be studied. Focusing on what consumers actually value when purchasing a smartphone and which factors influence them when choosing one device over another. Moreover, the way that Nokia is positioned in consumers’ minds will be analysed, why consumers’ do or do not choose for Nokia and how their image can be approved. In the second sub-chapter the survey will be analysed. The survey was filled in by over 250 participants ranging from 18 to 45 years old. The most valuable results will be analysed. Last but not least, a comparison will be made, highlighting the most valuable findings of the focus groups and the survey.

## 4.1 Focus groups

On the 27th of March the first focus group was conducted. Six students took part in the focus group, aged between 20 and 25. The second focus group was conducted on the 4th of April. Seven employees took part in the focus group aged between 26 and 35. Several questions were discussed during the focus groups, with the aim of gaining consumer insights on the way that consumers think of Nokia (in comparison with competitors), which elements are important to consumers and how Nokia can improve its smartphones. The most valuable results of the focus groups will be discussed. A more detailed version of both focus groups can be found in appendix 1 and 2.

A clear difference was found on what the main reasons were for the participants to buy a smartphone. The participants aged between 20 and 25 agreed upon the fact that social media, Whatsapp and the ability to check e-mails were the most important features on a smartphone device. The slightly older and employed participants perceived features, such as an agenda and fast internet, as most important. A more professional view towards the usage of a smartphone. Another interesting difference between the two groups was the fact that the employees, were not as attached to a brand as the younger, students were. The functionality of the smartphone is more important to the employees. Remarkably, the students suggested Nokia to focus on employees/business professionals with a certain smartphone range. Whereas, an employee stated the following, ´I do not think that Nokia is a brand for business people or serious students, who need more benefits from the smartphone, than graphic usage’. To conclude, the brand is perceived differently by different age groups. Interestingly, the majority of both focus groups had not heard about the new smartphone range. Showing the lack of marketing of Nokia’s Lumia range on the Dutch smartphone market.

The past experience that consumers have with a certain brand is of high importance when purchasing a new product, for both age groups. For instance, consumers that have purchased an iMac and have got good experiences with this laptop, are more easily persuaded to buy an iPhone in comparison to other smartphone brands. The same applies to Nokia. Consumers trust the brand, because of past purchase experiences. However, Nokia repeatedly comes across as old-fashioned and has been less innovative in comparison to other brands, such as Apple which did not manufacture mobile phones.

As stated by Solomon, ´Meanings are communicated on the visual channel through a product´s color, size, and styling´ (Solomon, 2004, p. 50). Colour has a great impact on consumer behaviour. As mentioned by the participants aged between 20 and 25, coloured phones are less attractive than black and white phones. Colour is very important to appeal to a potential customer. Nokia tries to give its smartphone devices a younger feel by making them colourful and thinner. Colour is a very important element to take into consideration when creating advertisements and other marketing material. Every colour expresses a certain meaning. The main colour used by Nokia is blue, accompanied by white and black. Blue is equivalent to the image of the company, since this colour is associated with secure and trustworthy. Solomon states the following concerning the colour blue, ‘the color of the new millennium because people associate it with sky and water, providing a sense of limitlessness and peace’ (Solomon, 2004, p.50). Black is a neutral colour, which is seen as powerful and is mostly used for expensive products. However, colour connotations are learned from associations, depending on the country the consumer lives in. The above mentioned connotations are based on Western associations.

Solomon puts it this way, ‘People use an individual’s consumption behaviors to help them make judgments about that person’s social identity’ (Solomon, p. 154, 2004). During the focus group, a student mentioned the popular image of buying a smartphone. When a consumer decides to choose a Nokia smartphone over an iPhone, people make certain judgments about this person and his or her personality. Thus, consumers not only influence others’ perceptions with the use of a product, this product can also help to determine the consumers’ personal self-concept and social identity. Congruity can be found when some aspects of the self, match with attributes of the product, including attributes such as, rational/emotional and formal/informal (Solomon, 2004, p. 156). If Nokia would focus on a business-to-business segment, the company could emphasise on certain attributes when marketing their smartphone, such as formal and calm. However, when targeting students, the company could focus on other elements, such as, emotional, energetic and informal.

When analysing Solomon’s model on how reference groups influence the intention to purchase a product, a categorisation can be made between the influence of the product and the brand. A smartphone is a public necessity, which means that the influence is weak concerning the device itself and strong for the choice of the brand (Bearden & Etzel, p. 185, 2001). A large amount of people possess a smartphone. However, the brand of the smartphone differs, from Apple to, for instance, Nokia. During the focus group, participants mentioned that they chose a specific brand, because many people talked about this brand or because everyone in their surroundings chose this specific brand. Which shows the power that reference groups have over individuals. Solomon describes referent power as, ‘if a person admires the qualities of a person or a group, he or she will try to imitate those qualities by copying the referent’s behaviors’ (Solomon, 2004, p. 367). Therefore, it is very important for Nokia to understand which reference groups exert the largest power over individuals and how Nokia cannot only influence individual buyers, but also their reference groups. This can be done by stimulating reference group influence, through for instance, offering free apps if a friend purchases a Nokia smartphone. Power can be exerted over individuals by means of, for instance, reward power, such as social acceptance which is exchanged when an individual purchases a smartphone which he or she is expected to purchase. In order for Nokia to promote its business segment aspirational reference group could be used, containing idealised figures, such as prosperous business people.

As mentioned above, consumers exchange product information from individual to individual, which is called word-of-mouth. Word-of-mouth can be very influential, because the information received is from a familiar person and as a result is considered more reliable and trustworthy, in comparison to recommendations received from marketing channels. Nokia should try to control and promote word-of-mouth concerning its smartphones. Especially in the adoption process, word-of-mouth plays a key role, including social media such as, Facebook and Twitter.

## 4.2 Survey

In order to gain qualitative research a survey was conducted. The survey contained 22 questions which were based on the results from the focus groups. By posting the link of the survey on smartphone blogs and social media 292 people participated. In this sub-chapter the mostvaluable results will be presented and analysed, remaining results can be found in appendix 3. The survey can be found in appendix 4.

The majority of the partakers were male, namely 226 and 66 were female. 267 participants were part of the target audience, namely the millennials, aged between 18 and 35. 60 participants were aged between 25 and 35 and 206 participants between 18 and 24. The majority of the participants were students, namely 66 per cent, followed up by workers, 21 per cent, and a relatively small amount of participants were working and studying at the same time.

As shown by graph 4.2, most participants possessed an Apple or a Samsung smartphone. These two brands are the main competitors of Nokia, since these two brands own a large amount of market share. Moreover, their perceived quality is higher than the perceived quality of Nokia.

The most important source of information for the participants are family and close friends. The internet is perceived as more important than colleagues and acquaintances. Followed up by stores and sales people, who are perceived as a not very important source of information when purchasing a smartphone. Advertisements are seen as the least important source of information. As shown by research, advertisements have a great impact on consumers’, e.g. self-esteem and buying behaviour (Chen and Lee, 2005). However, this often works unconscious and is therefore stated as least important by the participants. The impact of advertisements was confirmed by the paragraph below, stating that most consumers know the Lumia range from advertisements. These results show the power of reference groups, this group is able to influence consumers’ purchase decision concerning smartphones. Furthermore, social media and other web sites are very important tools to influence consumers and create awareness for smartphones. Last but not least, advertisements can reach the unconscious of consumers and is therefore very influential.

Graph 4.2 Smartphone brands

Up to 29 per cent of the participants did not know the Nokia Lumia range. However, when analysing the answers of the participants that did know the Lumia range, the majority, 51 per cent, knew it from the company’s advertisements. 31 per cent of the partakers knew the smartphone range from the internet. As much as 18 per cent of the participants knew the Nokia Lumia from family and close friends. As a result, advertisements are essential to create awareness of a new smartphone. Furthermore, the internet is an important tool to promote and share information concerning new smartphones. Last but not least, word of mouth is a good way of creating awareness for a new smartphone. However, word of mouth does not always have to be positive. Nokia is seen as an old-fashioned brand, which is trustworthy and slightly nostalgic. Furthermore, 31 per cent of the participants perceive the brand as unoriginal and lacking technology as opposed to original and innovative.

Graph 4.3 Nokia Lumia range

When analysing the different age groups a difference was found, the younger participants perceived the brand as more important than the operating system, whereas the older generation perceived the operating system as being of greater importance. Besides the brand, social influences played a larger role on a younger age.

As shown in graph 4.4, 14 per cent of the participants would consider purchasing a Nokia smartphone. Up to 28 per cent answered maybe. The majority of the participants would not consider purchasing a Nokia smartphone. The main reason was the fact that people were attached to their current smartphone and brand. Another reason was that they did not have faith on the Windows operating system. In short, Nokia’s brand image is perceived as lacking quality concerning its smartphones, mainly because of the lack of experience on the smartphone market.

Graph 4.4 Buying a Nokia smartphone

The design of a smartphone is perceived as an important criteria on whether to buy a certain smartphone. In the survey four different designs of smartphones were shown to the participants without the brand name. The most favoured design was the design of the iPhone. The design of the Nokia Lumia was least favoured. When asking the participants what colour their smartphone should be, the majority answered black, followed by white. Other colours were only mentioned by few.

The survey confirmed that both trustworthiness and innovativeness play a key role when coming up with a unique selling proposition for Nokia. As stated by a participant, ‘Before the smartphones existed, I would have chosen a Nokia when buying a new mobile phone. If Nokia’s smartphones would be more reliable, I would consider buying one’. Emphasising on the importance of trustworthiness. However, at the moment innovativeness is more important for Nokia. The Windows operating system is seen as a system that is falling behind on other systems, like iOS and Android. Innovativeness is what separates a brand from another when aiming at the high-end and early adopters market. Furthermore, price is an important tool to influence consumers to choose a different brand. The Lumia 710, which is cheaper than the Lumia 800, has got more potential in a cluttered smartphone market.

## 4.3 Discussion

In this sub-chapter the similarities and differences between the focus groups and the survey that has been conducted will be analysed.

After conducting the focus groups it was clear that the Nokia Lumia range was not a well-known smartphone range. This was confirmed by the survey, because up to 29 per cent of the participants did not know the smartphone range. The survey also confirmed the fact that the slightly older generation, perceived the operating system as more important. Whereas, the younger generation perceive the brand as more important. To conclude, the older the participants are the less important brands are and the more important the operating system becomes. The results from both focus groups and the survey state that black and white were the most favoured colours. Currently, Nokia focuses on colourful smartphones, including, cyan, pink and green. A difference was found concerning the importance of planning tools. The younger focus group perceived planning tools as not very important, whereas the younger survey participants perceived planning tools as being an important product attribute.

# Chapter 5 Conclusions and recommendations

Throughout this report the company, Nokia, and its competitors have been thoroughly analysed in order to get an answer to the main research question and the supporting sub-questions. In this chapter the outcomes of the research that has been conducted will be analysed. Firstly, the sub-questions will be answered, after which a clear answer can be given on the main research question, followed by recommendations for Nokia based on the consumer research that has been conducted.

## 5.1 Conclusions

* Which consumers would purchase smartphones, or more specifically, Nokia smartphones? What differentiates them from consumers who do not purchase, and how can they be reached?

Several differences have been found between Nokia consumers and consumers who do not want to purchase a Nokia smartphone. First of all, there is the question of brand loyalty, with many participants reporting that they would not buy a Nokia smartphone, because they have had good experiences with their current smartphone brand. It appears that iPhone users are particularly attached to their brand, showing that Apple understands their consumers very well and invests a great deal of time in conducting consumer research. Secondly, the iOs and Android are perceived as better operating systems by non-Nokia buyers. Moreover, brand image plays a large role: participants that did not want to purchase a Nokia smartphone stated the fact that the brand’s image was not very appealing, because of its lack of innovativeness. The consumers that are likely to purchase smartphones are the millennials, aged between 18 and 35, because this group is familiar with smartphones and other high-technology products. A distinction can be made between the slightly younger, student generation and the slightly older, employed generation. The main difference being the fact that the younger generation perceive the brand as more important when purchasing a smartphone, whereas the older generation perceive the operating system as being of greater importance.

* Which criteria are most important to consumers that buy smartphones (brand image, particular product attributes, price, emotional attachment)?

The participants aged between 18 and 25 perceive the brand as most important, including the opinions of reference groups concerning the brand and the past purchase experiences with a brand, followed by the product attributes and the operating system of the smartphone. The participants aged between 26 and 35 perceive the operating system as most important, followed by the product attributes of the smartphone. The most important product attributes are accessibility to the internet and Whatsapp. Furthermore, planning tools, e.g. an agenda, are perceived as important as well. This could affect Nokia positively, while the company has already made progress by using Windows as their operating system. This system differentiates the brand from competitive brands, such as Samsung and Apple. However, the brand and the accompanying system should continuously focus on innovation. By the end of this year Windows 8.0 will be released and this system has great potential.

* How can consumers become connected to the brand?

The desk research that has been conducted shows the importance of understanding consumer behaviour. As stated in chapter 1, the fact that a person is positive about his or her self-concept implies that this person has self-esteem. Consumers compare their actual standing on a certain attribute to the ideal, which influences their self-esteem. Marketing communications have the power to influence the level of self-esteem that a consumer has, by means of social comparison. There are several kinds of self-concepts, including the actual and the ideal self. The actual self is how a person perceives him or herself. The ideal self is how a person would like to perceive him or herself. The self-concept that applies most to a person purchasing a smartphone is the ideal self, because people purchase a smartphone to reach their ideal state, e.g. being popular.

* Who are the leading brand competitors?

As stated in chapter 3, the leading brand competitors are Apple, Samsung and HTC. These three brands are Nokia’s largest competitors, because they possess a large amount of market share. Furthermore, when analysing the conducted consumer research their brand image is perceived higher in comparison to Nokia. Competitors also score higher on other criteria, such as, usability, design and value for money.

* How do consumers perceive Nokia versus competitive brands? What can be accomplished to improve consumers’ attitude concerning Nokia?

When analysing the survey that has been conducted, Apple scores best on consumer satisfaction. The only negative aspect concerning Apple's smartphones is the value for money. Consumers' perceive the brand as being expensive. Samsung is ranked second best concerning consumer satisfaction. Nokia scores least on all criteria. Consumers find Nokia's design unappealing. Furthermore, the brand does not score good on usability. When the participants were asked how they perceived Nokia, 31 per cent of the participants answered that it was unoriginal and lacking technology.Innovativeness is perceived as very important by participants in order for a company to succeed. Nokia has been focusing too long on trustworthiness and fell behind competitors.

* Who are the customers that competitors are targeting and what is their strategy?

Originally Apple targeted successful young men. However, the company changed their target audience to young people between 20 to 35, including both teenagers and business professionals. Apple differentiates itself by focusing on innovation, the company created an unique operating system and hardware. HTC used to have multiple device brands, e.g. Sensation and Desire. However, the company recently changed its strategy by coming up with a unifying brand strategy, focused on one brand, the HTC One. With the aim of being able to purchase the HTC One in any place all over the world. The target audience of HTC is similar to the one of Apple, namely young consumers. Samsung created a categorisation for their Samsung Galaxy smartphone range. The categorisation outlines their strategy: creating a smartphone for everyone all over the world. The different categories are targeted at different audiences. For instance, the Galaxy Y is meant for youth. The Galaxy S is a high-end device and stands for super-smart, which is aimed at business professionals.

* What would be a reasonable price for consumers to pay for the product whilst still being confident of enjoying good value?

The survey participants perceived the price as an important factor on whether to purchase a smartphone or not. Nokia launched the Lumia smartphone range, including different devices with different features and designs, with differences reflected in the price. The Nokia Lumia 710 is slightly cheaper than the Nokia Lumia 800, which includes, for instance, a better camera and a more slick design.

* How can Nokia optimise their marketing approach based on a sound understanding of consumer behaviour?

The main research question is very broad, and therefore many answers can be given, as shown above. In sub-chapter 5.2 the answers on the sub-questions and the main question will be translated into recommendations.

When analysing the survey and focus group results an apparent discrepancy was found. The participants were asked to rate the influence of advertisements on their purchase decision. The majority answered that it was limited. However, advertisements play a key role when purchasing a smartphone, as shown by the results, which suggest that most consumers know the smartphone through advertisements. Thus, unconscious associations play a key role in determining consumer behaviour, in this case, concerning the purchase of a smartphone.

## 5.2 Recommendations

### 5.2.1 Look and feel

An important criteria for consumers to buy a particular smartphone is the look and feel of the device. However, as stated by Nicholas Kolawski, ‘Nokia’s problem is about building sexy goods’ (Nicholas Kolawski, 2011, par. 6). Smartphones produced by Nokia were not as attractive as the designs made by competitors. As stated by Datamonitor, one of the main factors of Nokia’s market share loss is the ‘unexciting touchphone portfolio’ (Datamonitor, 2011, par. 6). The survey that has been conducted confirms Nokia’s lacking design. The design of competitive brands are preferred over Nokia’s smartphone design. The company should focus on creating an attractive design, taking into consideration which elements consumers find attractive. Furthermore, consumers value the experience rather than the functionality of the smartphone, and therefore consumers should be able to personalise their smartphone in order for the device to suit their lifestyle. Apple has been building a lifestyle around its iPhone for the last couple of years. The brand does this very well by making consumers experience the advantages of technology woven in their daily lives. Nokia is lagging behind, with the brand just starting to create a lifestyle around their new smartphone range. To conclude, Nokia should create a slick design and continue with building a lifestyle around their devices.

### 5.2.2 Business-to-business

Since Nokia launched its first Windows phones in 2011, the company has also tried to focus on the business-to-business market. Nokia has faith on Microsoft to help them enter the business-to-business market (Jones, 2011, par. 2). By focusing more on businesses, the company cannot only regain trust, but also gain more attention for its new product line. Nokia should continue strengthening the business segment, because the company is positioned in consumers’ minds as reliable, which is a good factor when targeting businesses. The Windows phone includes several software applications, which are very useful for business users. Moreover, Windows is the most popular operating system for business computers. Business professionals will be able to easily transfer information from their computer.

### 5.2.3 Innovation

If Nokia wants to keep pace with competitive brands and operating systems it should focus on innovativeness, rather than trustworthiness. Staying innovative is of high importance in the emerging smartphone market. However, innovativeness does not stand on its own, consumer behaviour should also be analysed in order to understand consumers’ values. When analysing the innovation adoption curve developed by Rogers, it is important to bear in mind that Nokia should focus on the innovators and early adopters, instead of on the mass. Innovators are usually higher educated and younger. Furthermore, innovators dare to take risks and are active social participants. The early adopters are able to influence the early majority, which could lead to widespread use of the smartphone. The innovators and early adopters account for 16 per cent of the adoption curve. Nokia should conduct extensive consumer research analysing this 16 per cent of adopters in order to be able to influence them.

### 5.2.4 Reaching consumers

The (potential) Nokia consumers can be reached through word-of-mouth, e.g. social media and reference groups. Promotion and information about the product can be shared by using the internet.This could be supplemented by the creation of advertisements that emphasise benefits superior to competing smartphones. Nokia should create a buzz around their smartphones, in order for consumers to become aware of their products and take Nokia, as a brand, in consideration when choosing a new smartphone. The advertising campaigns will enhance brand equity and long-term loyalty. Nokia can influence consumers and make consumers become connected to their brand by using social comparison. This way, Nokia can influence a consumer´s self-esteem. A way to do this is to create advertisements through which consumers can evaluate themselves in comparison to the people shown in the advertisement by, for instance, showing energetic and satisfied people using a Nokia smartphone. Furthermore, by targeting the ideal or situational self, the company can increase connectedness. By targeting the ideal self, the brand can focus on aspects such as being fashionable and popular, aspects that individuals want to achieve. Moreover, the brand could focus on the fact that the Nokia Lumia is able to solve all kinds of daily life problems, e.g. finding your way to a restaurant.

### 5.2.4 Strategy advice

In order to succeed in a smartphone market consisting of consumers with frequently changing attitudes and behaviour, an adaptive marketing strategy is needed. Nokia should develop a strategy with the aim to increase sales and thereby, to increase market share (Peter and Olson, 2005, p. 250). In order to achieve this objective, the company should concentrate on influencing consumers’ affect, cognition, and behaviour (Peter and Olson, 2005, p. 250). To change customers’ perceptions of Nokia as being a nostalgic brand associated with the past. Nokia should aim to influence long-term sales and set long-term strategies. For instance, by building brand equity. Nokia did develop strong brand equity. However, the company lost it, during the evolution of mobile phones to smartphones. Thus, Nokia’s strategy should be regaining brand equity and increase innovativeness, which increases financial value and customer loyalty.

As discovered by conducting consumer research, consumers do not know much about Nokia’s smartphones. Consumers are satisfied with the smartphones of competitive brands. These facts are reasons why Nokia’s smartphones are not repeatedly purchased. Nokia should attract its slightly older consumers through its operating system, differentiating itself by means of innovation, whereas, the company can attract younger consumers by improving its brand image. Furthermore, the price should be proportionate to the degree of innovation. Thus, for now, the company should offer their smartphone at a lower price in comparison to competitive smartphones, because they are still improving on innovativeness. In the future Nokia could offer their smartphones with a comparable or higher price to competitive brands, when for instance using Windows 8.

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# Appendices

## 1. Focus group 1

**Purchasing decisions**  
First of all, the participants were asked to give their opinion about the main reasons to buy a smartphone. The features that were most important to them were, the internet, in order to check their e-mail accounts and to use Facebook. Another feature that is seen as important is Whatsapp, this feature is used to keep in contact with friends. Whatsapp is seen as very useful, because it is a free application, so less money is spend on sending text messages. Besides the internet and Whatsapp, the ‘popular image’ was mentioned by one of the participants: ‘a couple of years ago there were no smartphones, or at least I did not know about them, they gained popularity in a really small period of time, so yes the awareness, that they exists and that they have this unique selling propositions. That is important when making your decision to buy a smartphone’. Social status is seen as a factor that plays a larger role at a younger age. For instance, for teenagers around the age of 18, who like to share with others which brand they bought. Another participant mentioned that she barely calls with her smartphone, because of the other possibilities to reach friends and family, Whatsapp and the internet. The office package was highly valued by one of the participants, when travelling to school, homework could be done on the smartphone. Interestingly, it was the first participant that actually mentioned the brand of her smartphone, namely an iPhone. Another important element that was mentioned was a nice and large screen, because of travelling the smartphone was used to watch movies. The choice of the colour played a key role, because a white frame would be too destructive. One of the participants did not have a smartphone. She was asked what would be important for her to purchase a smartphone, the answer she gave was, ‘maybe internet, but I also have internet on my computer’. Furthermore, she would consider to buy a smartphone, because it might be cheaper for her to use what’s up, instead of texting. However, she would wait till her mobile phone would be broken and then she would prefer buying a smartphone, she explicitly mentioned the iPhone.

**Colour**  
Colour plays an important role when purchasing a smartphone. The participants agreed that they would choose either a black or a white smartphone. White would be preferred because it is feministic and black because of its timeliness. Smartphones with a coloured frame are seen as childish, the participants would prefer to buy a coloured case for their phone that they could change when they want. Another element that played an important role is the size of the screen, the screen of the blackberry is perceived as too small. A large screen is favoured most, like the screen of the iPhone.

**Brands**  
The iPhone is seen as the most attractive smartphone, because of its design and applications. Samsung is perceived as a very good brand as well. However, if participants could choose they would choose for an iPhone, but because of the high price, most participants bought a Samsung smartphone. As mentioned by a participant, ‘I think for a while I preferred Nokia, but I’ve heard that Nokia is not the best company anymore, especially to buy a smartphone. So that could be a reason to switch to another brand’. Apple, HTC and Samsung were seen as the best brands on the field of smartphones. An argument used by a participant preferring Apple above other brands was, ‘because a lot of people have one, so it must be good’. Friends and family do play a role when selecting the brand, ‘I used to have a blackberry and all of the sudden my young cousins had a Blackberry and it became really childish and irritating, so I had to step up my game and buy something different. I could have chosen for a Samsung, but the iPhone, I do not know, everyone was talking about the new iPhone and had different apps and that is basically why I chose for an iPhone’. Bad, as well as good experiences from friends and family could play a role in the purchasing decision. However, to a certain extent.

**Nokia Lumia**  
Surprisingly, only some participants knew the Nokia Lumia. Furthermore, the once that did know the new device, only knew the name of it. One participant had seen the commercial before but did not remember what was shown in the commercial. The participants would consider buying a Nokia Lumia if it would be offered for a reasonable price. Nokia is seen as a trustable brand with phones of good quality. However, a participant did have doubts about whether to buy a Nokia Lumia, because there are many other brands to choose from. The participant stated that, ‘maybe if they would launch a big media campaign, to introduce their smartphone, maybe I will be persuaded’. A reason not to buy a Nokia smartphone would the uncertainty concerning the technology advancement of the smartphone. Regarding the image of Nokia a participant mentioned, ‘the old-fashion part plays a role, but it is not as important as the design and the price. If the design was really nice and a good price, I would not mind’. Several elements were mentioned, of how Nokia could improve its image. Some participants were more optimistic than others concerning the improvement that Nokia could undertake. A participant puts it this way, ‘I think a media campaign is the only option. Because they are not positioned well in our minds. So they should come up with a big campaign, ‘here we are’, scream at the top of their lunges. And prove their advantages of the product’. A participant with another viewpoint stated that, ‘I do not think it would make a big difference, because there are many strong competitors. For instance, the iPhone, everyone wants an iPhone. if they launch a big campaign I do not think it would really make a difference’. However, most participants did not agree with this statement, they mentioned that other brands, such as HTC and Samsung succeeded as well. Therefore, Nokia should be compatible in order to succeed.

**Target group**All participants agreed upon the fact that Nokia should focus on business people. The main reason here fore was that Nokia is a reliable brand. A participant stated, ´starting from young professionals and those are usually the people that also have more to spend´. To summarise, Nokia should target young business professionals, without excluding other segments, such as students and the slightly older generation.

## 2. Focus group 2

On the 4th of April the second focus group was conducted. Seven employees participated in the focus group, aged between 26 and 35. Several questions were discussed, with the aim of gaining consumer insights on the way that consumers think of Nokia (in comparison with competitors), which elements are important to consumers and how Nokia could improve its smartphone.

The main reasons for the participants to buy a new smartphone were differing. However, the reasons that were mentioned by most participants were: the agenda tools/apps, faster internet and a variety in functionalities. As mentioned by a participant, ‘it makes my busy life easier, faster and more functional’. The most important features that would influence the participants to choose a certain brand over another were a fast and powerful operating system, specifications, such as a camera and Wi-Fi and simplicity.

The majority of the participants did not have a preference for a certain smartphone brand. For these participants the functionality of the smartphone was perceived as most important. The partakers that did have preferences for a certain brand mentioned different brands. As mentioned by a participant, ‘Apple, because it is one of the most custom-oriented brands till now’. Someone else mentioned Blackberry, because of the variety of services the brand offers. Another participant that possessed a Blackberry mentioned two brands, HTC and Samsung, either one of these brand would be chosen when buying a new smartphone, because these two were seen as the best brands in Android technology.

The participants would consider buying a Nokia smartphone if it included some important elements, such as, a quality camera, a reasonable price and a nice design. As stated by a participant, ´it must be better than an iPhone. I think the battery problem is one of the biggest problems´. Furthermore, the user experience of past buyers is of relevance as well. Two participants mentioned that they would not consider buying a Nokia smartphone, because they were attached to the brand Blackberry.

Reasons to not buy a Nokia smartphone would be the old name of the company and a not popular image. Moreover, bad reviews and high pricing would make the participant to choose for another brand. As stated by a participant, ´I do not think that Nokia is a brand for business people or (serious) students, who need more benefits from the smartphone, than graphic usage’. A partaker considered to buy a Nokia smartphone if his current smartphone would stop working.

Remarkably, only two out of seven had heard about the Nokia Lumia range. One participant knew the brand from advertisements and the other participant saw the new Lumia range on the news. Apparently, both age groups have not heard much about the new smartphone range. Interestingly, four out of seven participants stated that the way for Nokia to improve its brand image regarding its smartphones is to imitate other brands, such as Blackberry, Samsung and Apple. However, a key criteria when boosting a brands’ image, like Nokia, is to differentiate, to create a unique brand identity. Another participant mentioned that Nokia could improve its image in regard to its smartphones by increasing the variety of devices, create better designs and launch catchy commercial campaigns.

Various unconscious factors play a role when purchasing a smartphone. The participants mentioned a few, such as ‘everyone has it so it must be good’. Basically, following the crowd, in consumer behaviour this is referred to as referent power. Past experiences with a device or brand play a key role as well. A participant puts it this way, ‘Nokia’s old phones (3310) were solid, but solid is a term that you would not directly link to a smartphone with a funky/slick design’. The perceived brand image that some consumers have of Nokia does not fit with its new smartphones.

## 3. Additional survey results

As much as 54 per cent of the participants were very satisfied with their current smartphone. The minority, 5 per cent, was dissatisfied with their current smartphone. When asking the participants if they would choose the same brand when purchasing a new smartphone, the majority answered ‘very likely’, indicating that these participants were loyal to the brand. As shown in graph 6.3, 13 per cent of the participants answered the question with ‘unlikely’. Interestingly, the majority of the participants that possessed a Blackberry smartphone, filled in ‘unlikely’ and ‘very unlikely’. To conclude, most Blackberry consumers would choose for a different brand, when purchasing a new smartphone.

Graph 6.3Would you choose the same brand?

Up to 14 per cent of the participants purchased their smartphone because friends/acquaintances recommended them to purchase one, showing the impact of reference groups. 7 per cent of the partakers purchased a smartphone because everyone in their surroundings possessed one. Basically, these participants followed the crowd. However, 9 per cent of the partakers purchased their smartphone to distinguish themselves among others. The remaining participants did not answer this question, because the answers did not apply to them.

As stated in sub-chapter 4.2, 14 per cent of the participants would consider buying a Nokia smartphone. The majority of this 14 per cent possessed a Samsung smartphone, namely 35 per cent, followed by HTC and other brands, e.g. Blackberry and LG. The minority, five per cent, possessed an iPhone. As a result, the majority of the participants that possessed an iPhone would not take Nokia, as a brand, in consideration when purchasing a new smartphone, whereas, consumers that possessed a Samsung smartphone would.

## 4. Survey

