

Nokia Tries to Undo Blunders in U.S.

By Kevin J. O'Brien

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Nokia, the Finnish company that is the world's biggest maker of mobile phones, is an undisputed powerhouse in Europe, Asia and Latin America, with market shares regularly topping 30 percent.

But in the United States, Nokia's signal has faded. As recently as March 2002, it led the American market with a 35 percent share. By last year, though, it slipped to 10 percent and by June of this year the most recent figure available Nokia's share was only 7 percent.

Now the company is struggling to make amends in America, and its comeback effort has started to make some headway. And yet, going into the crucial Christmas shopping season in the United States, Nokia does not have a strong offering for the American smartphone market, the only part of the mobile industry that is growing. Three years after Apple introduced the iPhone, Nokia still has no alternative.

Many other players are struggling to compete with the iPhone, too. But because of a decade of mistakes, Nokia's product line in the United States has also been surpassed by LG, Motorola, Samsung and Research In Motion.

Among its biggest blunders, analysts and former Nokia executives say, the company failed to design many of its phones to the tastes of American consumers, instead mass producing devices for the global market to save on production costs.

Nokia did not anticipate changes in American consumer tastes, like flip phones and touch screens, said Neil Mawston, an analyst in London with Strategy Analytics. More crucially, perhaps, it also based its models on a European communications standard called GSM when roughly half the United States market including the customers of Verizon Wireless and Sprint Nextel uses the CDMA format.

"Nokia, at the height of its success, decided not to adapt its phones for the U.S. market. That was a mistake," said Ari Hakkarainen, a Nokia business development executive from 1999 to 2007. "They are still trying to recover from this."



Mark Louison, president of Nokia's North American unit, says the company is laying the groundwork for long-term success.

Kirsten Luce for The New York Times

An executive at a North American network operator, who declined to be identified because he was not authorized to speak publicly, summed it up: “The attitude at Nokia was basically: ‘Here is a phone. Do you want it?’ Nokia wouldn’t play by the rules here, and they have paid a price.”

Nokia must also contend with a global economic slowdown that has hurt its sales and earnings. Last week, Nokia reported a third-quarter loss of \$1.36 billion as sales fell 20 percent globally and 25 percent in North America from a year earlier.

Nokia has recently revamped its United States operations to collaborate more closely with the major American operators AT&T Mobility, AT&T’s wireless unit, Verizon, T-Mobile USA and Sprint Nextel. Together, they control 96 percent of United States sales of mobile devices, according to the International Data Corporation, a research firm.

The strategy is beginning to show results: AT&T this year will begin billing customers who use Nokia services branded as Ovi. Those customers will no longer receive a second bill from Nokia. And in Canada, the network leader, Rogers Communications, is making it easier to access Ovi Maps and N-Gage game services on two Nokia models.

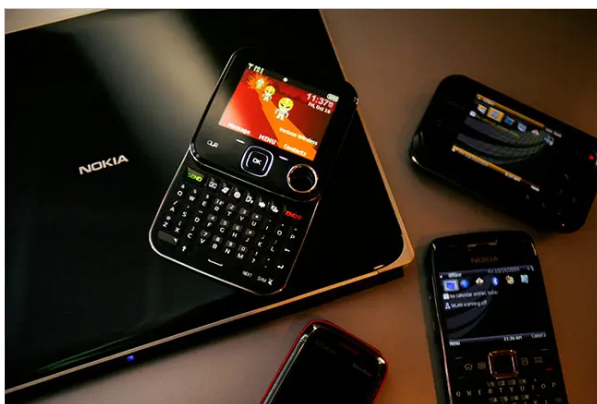
Starting in mid-November at the Best Buy retail chain, Nokia will sell a netbook, the Nokia Booklet 3G, which is a model for its new collaborative strategy. The \$300 minilaptop will come with a \$60 monthly contract at AT&T Mobility and run on a Microsoft Windows 7 operating system.

“Nokia’s mobile device leadership, together with AT&T’s mobile broadband network leadership, Best Buy’s retail reach and Windows 7, is a very strong lineup,” Microsoft’s chief executive, Steven A. Ballmer, said last week.

But some industry executives say Nokia faces a battle to regain its lost stature. The business and cellphones were simpler when Nokia overtook Motorola to climb to the top of the American market in 2000. And Apple, Research In Motion and Google were not yet in the cellphone business.

“They claim they get it and understand the U.S. market,” said Ramon Llamas, a senior analyst at IDC in Framingham, Mass. “It’s the story we have heard for the past couple of years. But the execution still is not there.”

In Europe, a competitive marketplace with more than 230 operators, Nokia could always find one or more operators in every domestic market willing to sell its portfolio of phones.



Nokia's new products include the Nokia Booklet 3G, a mini laptop, and, clockwise from center, the Nokia Twist, Nokia Surge, Nokia E71X and Nokia 5130 Xpress Music.

Kirsten Luce for The New York Times

But in the United States, where a small number of operators rule most of the market, the network companies can command design changes to promote and sell their own wireless services. They place their own brand names on every model they sell and make sure their revenue-raising wireless services are prominently displayed and easy to use.

In March 2007, Nokia appointed an American, Mark Louison, president of the company’s North American unit and gave him a seat on Nokia’s global management board. Mr. Louison, in an interview, said Nokia recognized that its former strategy had not worked in North America and was now busy laying the groundwork for long-term success.

Under Mr. Louison, Nokia has set up liaison offices in Atlanta, Dallas, Seattle and Parsippany, N.J. cities where the top American operators have big business units. Nokia also has an office in Toronto near Rogers Communications.

And Nokia has struck potentially important deals over the last year. One was with Qualcomm, the biggest maker of mobile phone chips for CDMA devices in the United States. The other was with Microsoft to design Windows Office Mobile software applications for phones that use Nokia’s Symbian operating system.

Nokia has based its global chief financial officer, Rick Simonson, at its United States headquarters in White Plains, which has 350 people. He will head Nokia’s cellphone business that is other than smartphones. Also based there is Nokia’s global chief development officer, Mary McDowell.

“In the past, we had a one-size-fits-all mentality that worked well on a global basis but did

not help us in this market,” Mr. Louison said. “That has changed now, and there is a recognition within the company that we have had to change our attitude about how we approach this market.”

The migration of wireless technology to higher-speed networks that are based on the GSM standard used by Nokia should also help the Finnish company sell phones. The company’s decision to convert Symbian to an open-source software could also help spread its presence on smartphones.

“Nokia is about open systems, big markets, taking the products to the masses,” Mr. Louison said. “The smartphone business has grown very quickly, and most of the solutions out there are closed systems.”

After Nokia said it would make Symbian open source, AT&T Mobility joined Symbian’s board. “Everything you see us doing,” Mr. Louison said, “is to build the broad set of capabilities to take us broader and deeper into the U.S. market.”

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