WOMEN'S UNIVERSITY IN AFRICA

Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

MASTERS DEGREE IN BUSINESS ADMINISTRATION

MSc STRATEGIC MARKETING MANAGEMENT

MAIN PAPER

MBA121: STRATEGIC MARKETING MANAGEMENT

INTAKES 22 & 4 : FIRST YEAR SECOND SEMESTER

TIME: 2 HOURS AFTERNOON

INSTRUCTIONS TO CANDIDATES

Answer Question **1** and any other **two.**

Question 1

NOKIA

Nokia is a company that has got its timing spectacularly right in the last decade, but the optimism it expressed last December about prospects for the mobile phone industry seems to have been one of its less successful calls.

Jorma Oilila, the company's chairman and Chief Executive, rounded off an upbeat presentation to analysts by stating that 'in the mobile world, the best is yet to come'. He may yet be right in the long term, but in the short term at least the prediction has proved wide of the mark.

Nokia has been forced to cut its projections about worldwide handsets growth and its own sales growth at least three times this year. The last occasion was last month when the group slashed earnings and sales forecasts and suggested the current industry slowdown would continue into the second half.

The result was that its share price fell by 20 per cent in a single day. Analysts say the company's credibility has been damaged, because it has generally been much more optimistic about the outlook for the mobile phone business than rival handset makers or leading telecom operators.

The shock profit warning shows that even Nokia, the world's leading maker of mobile phones, is not immune to what is going on around it, even though it is still looking stronger than many of its rivals. Nor can it necessarily predict likely market trends better than its competitors. Mobile phone makers are being hit by the economic slowdown that started in the US but which is spreading to other parts of the world, including Europe. But they are also being hit by clear signs of market saturation, which replacement phone sales not developing as well as originally hoped.

This means the market environment has changed dramatically. Whereas last December Nokia was forecasting that 550m handsets would be sold worldwide in 2001, it is now predicting sales only modestly higher than last year's 405m. Some analysts predict sales will actually be lower than 405m.

In any case, handset markers' revenues will almost certainly be down from last year because of a drop in the products' average selling prices. It is an abrupt change for an industry that had almost stopped thinking of itself as a cyclical. In 1999 the industry grew by 67 per cent, last year it grew 42 per cent.

Per Lindberg, analyst with Dresdner Kleinwort Wasserstein in London says: ‘the handset industry will be turning ex-growth for the first time in its 20-year history in 2001.

Nokia is perhaps the only handset maker anywhere to be making money. Its margins at around 20 per cent are still remarkably health - the result of the extraordinary economies of scale which the company enjoys due to its leadership position and mastery of logistics.

It is also taking full advantage of the problems being experienced by rivals such as Ericsson of Sweden and Motorola of the US to drive its market share higher. It already has about 35 per cent of the global handsets market - about three times that of Motorola, its nearest rival – and is aiming to move still higher to around 40 per cent.

But how much further can it go? Analysts suggest some operators already feel they are too dependent on Nokia, although there may be little they (the operators) can do about it, if Nokia phones are what their end customers – ordinary consumers – want. But what about those end customers? Petri Korpineva, analust at Evli Securities in Finland, says: ‘If Nokia continues to increase its share towards 50 per cent, it could well be that some consumers want to differentiate themselves by not choosing the Nokia brand’

Nokia seems already to be sensing that it is too reliant on handsets, which account for around 70 per cent of its sales. It is making a significant push to increase sales of mobile phone infrastructure in an implicit challenge to Ericsson, the world leader in this business.

Nokia has set an aggressive target of winning a 35 percent market share in the W-CDMA, the third generation mobile telephony standard. The group is also looking to build up other sources of revenue. One source that could eventually prove fruitful is Club Nokia, a virtual club that allows Nokia handset owners to download games, ring tones and other material on to their handsets from a website.

This facility is currently free, but Nokia is hoping it could prove a revenue generator in its own right, particularly when 3G takes off. This initiative takes Nokia more into the software business and analysts warn it could cause conflicts with operators who are concerned about Nokia straying on to their territory.

Many analyst belief that Nokia will struggle to maintain its margins in the long term, because they argue that mobile phones will become a commodity like personal computers and other high-tech products.

Nokia insists that this will not happen, partly because the complexities involved in making ever more sophisticated handsets are a formidable deterrent to new entrants. But not even Nokia would dispute the view that its fortunes may depend on the development of the mobile internet.

Already delayed, it is still far from certain when 3G will take off, with continuing concerns about consumer demand and technical issues like interoperability. Nokia talks of the 3G breakthrough coming towards the end of next year, with intermediate GPRS services beginning the transition to 3G already later this year.

If it is right, the current slump in market growth may indeed be as temporary as Nokia is hoping.

(Adapted from Strategic Marketing Management: Planning, Implementation & Control. 3rd ed. Richard M.S et al)

Required:

a) Explain advantages and dangers Nokia's market share relative to its competitors bestows. [7]

b) Examine the factors that have allowed Nokia to grow to its strong position in the market. [10]

c) Recommend the best strategy for the firm to build upon its unique strengths, motivate your answer. [8]

d) Suggest strategies for Nokia's competitors that Nokia could find hard to follow. [15]

Question 2

Discuss the applicability of Porter's generic strategies. [20]

Question 3

Explain the importance of marketing metrics in strategic marketing management. [20]

Question 4

Examine how risk assessment is done in an organisation of your choice and propose risk strategies to manage the identified risks. [20]

Question 5

Elaborate how a Marketing Director of an organisation evaluate a marketing plan. [20]

Question 6

Discuss the use of 6W model to a Marketing Director constructing a marketing plan.

[20]

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