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Nokia's U.S. Effort in Doubt as iPhone Crushes Lumia

By Adam Ewing on January 25, 2013

<http://www.businessweek.com/news/2013-01-24/iphone-beating-nokia-20-to-1-leaves-u-dot-s-dot-effort-in-doubt>

Nokia Oyj (NOK1V)'s attempt to spearhead its comeback via the U.S. is falling short as its Lumia smartphones are failing to stop consumers from snapping up Apple Inc. ([AAPL](#)) iPhones and handsets running Google Inc. ([GOOG](#))'s Android software.

Nokia shares fell for a second day after the Espoo, Finland-based company said yesterday it sold about 700,000 handsets in North America in the holiday quarter, a fraction of the tens of millions of iPhones and Android handsets sold in the period. Francisco Jeronimo of research firm IDC in London was among analysts projecting a figure of at least 1 million Lumias.

Chief Executive Officer Stephen Elop has identified the U.S. as a key market in Nokia's global turnaround, and last year lined up AT&T Inc. ([T](#)), the second-largest U.S. carrier, to sell its flagship Lumia 920. So far Nokia has failed to communicate why people should switch from Apple and Android handsets, said Louis Landeman, a credit analyst at Danske Bank A/S (DANSKE) in Stockholm.

"Customers just don't have a natural attraction to the name," Landeman said in an interview. "The 700,000 unit sales in North America needs to improve if Nokia is ever going to have a chance to boost its market share."

Nokia also reported a seventh straight drop in quarterly sales and omitted a dividend for the first time in at least 143 years to retain cash for its comeback attempt.

'Very Weak'

Nokia shares declined 4.2 percent to 3.16 euros at 10:24 a.m. in Helsinki after falling 5.5 percent yesterday. They have lost more than half their value since February 2011, when Nokia said its phones would run Microsoft Corp.'s Windows. Still, the stock has recovered from July's low of 1.37 euros as investors reassessed Nokia's chances of recovery.

Elop said yesterday that Nokia has added Verizon Communications Inc.'s mobile-phone business, the largest wireless carrier in the U.S., as a customer and is working to overcome supply constraints that held back Lumia sales.

Lumia unit sales globally rose to 4.4 million in the fourth quarter. Apple said this week it sold 47.8 million iPhones during the period. Android shipments climbed to 136 million units in the third quarter, according to researcher IDC.

"U.S. volumes are very weak," Mikko Ervasti, an Evli Bank analyst in Helsinki who predicted North America sales of 1.2 million Lumias, said in a note to clients. "U.S. ramp-up is not going as expected."

'Too Early'

Smartphones running Windows Phone, including the Lumia, probably accounted for 3.6 percent of purchases at AT&T during the year-end holiday quarter, according to researcher Kantar. The iPhone accounted for 75 percent, or 20 times more. Android devices and the iPhone make up 95 percent of the U.S. smartphone market as a whole, according to Kantar.

"They need to boost sales and get consumers to buy more Lumias," said Morten Imsgard, an analyst at Sydbank A/S. (SYDB) "It's still too early to see how well they will succeed."

AT&T said yesterday it sold 8.6 million iPhones in the fourth quarter. AT&T Chief Financial Officer John Stephens, who carries a white Lumia 920, declined in an interview to comment on the total number of Lumias sold. The 920, one of the newest versions of Lumia, went on sale on Nov. 9, after the quarter had started.

On a conference call, AT&T CEO Randall Stephenson said there were more Windows phones coming, which would provide more competition.

Apple Slows

While Apple is maintaining its lead over Nokia in smartphones, shares of the Cupertino, California-based company have declined about a third from a September high on concern its growth is slowing. This week, the iPhone maker posted the slowest profit growth since 2003 and the weakest sales increase in 14 quarters.

Competition to the iPhone from Android handsets, and the lack of a new breakthrough product since the iPad's 2010 debut, has led Daniel Morris, chief investment officer of Morris Capital Advisors LLC, to reduce his holdings in Apple.

"It does raise some red flags," said Morris, who first bought Apple before the iPhone was introduced.

Once the world's largest smartphone maker, Nokia had more than 50 percent of the market before the iPhone and Android were introduced about five years ago. Nokia has lost more than 80 percent of its market value since then and fallen outside the top-five smartphone makers.

Elop, who joined from Microsoft ([MSFT](#)) in 2010, started betting on his former employer's operating system

after Nokia's homegrown Symbian software fell out of favor among consumers.

Nokia with Windows is trailing competitors in the number of applications available, making it more difficult to convince users to switch, Jeronimo said.

"Customers just don't know what they can get," Jeronimo said. "They're not familiar with the apps, services or what the phone can do. This is something Nokia must change."

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