

## **Nokia Launches China Smartphone**

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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Joe McDonald, AP Business Writer

BEIJING (AP) — Struggling cellphone maker Nokia Corp. launched its first smartphone for China on Wednesday, looking to the world's biggest mobile market to help drive its 1-year-old turnaround effort.

Nokia said its Lumia 800C will be supported by China Telecom Ltd., one of the country's three major state-owned carriers.

The Finnish company, once the global industry leader, launched a corporate turnaround effort after falling behind Apple Inc. and other competitors in tapping into the popularity of smartphones.

China is the world's biggest mobile phone market with about 900 million accounts, and is Nokia's biggest market. Nokia is one of China's most prominent brands but its market share has slipped amid intense competition from Apple's iPhone and phones made by South Korea's Samsung and other rivals.

"China is critically important for Nokia," CEO Stephen Elop said at a product debut held in an aircraft hangar-size tent with pop music and dancers. He was joined on stage by the China Telecom chairman, Wang Xiaochu.

Colin Giles, Nokia's executive vice president for global sales, pointed to the rollout of four Lumia models over the past year as evidence of the company's revival.

"We've been demonstrating innovation and some leadership as well," Giles told reporters after the event. "We are changing and transforming ourselves as we go."

Chinese consumers are increasingly important to global electronics and other brands as their spending rises at a time of economic malaise in the United States, Japan and Europe.

Free-spending Chinese gadget lovers bought 70 million smartphones last year and sales are forecast to rise by 45 percent this year, according to Analysys International, a research firm in Beijing.

"Even a part of that would make a substantial market for any of these players," said David Wolf, a technology marketing consultant in Beijing. "It could be the one factor that ensures survival."

Globally, Nokia also has been squeezed by phones running Google Inc.'s Android system and by lower-end Asian manufacturers. Its market share plummeted to below 30 percent last year from 40 percent in 2008.

Nokia announced this year it would stop assembling phones in Europe by year-end

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and shift production to Asia. It announced 4,000 job cuts on top of nearly 10,000 layoffs last year.

In China, the Lumia 800C will go on sale in early April for 3,599 yuan (\$570), according to Elop.

Nokia and China Telecom plan to release a lower-priced model, the 610C, aimed at students and other budget users, according to Elop. He said the Lumia 900C and the 710C sold in other markets also will be brought to China over time.

Nokia also will roll out Lumia models for the networks of China's two other major carriers, China Mobile Ltd. and China Unicom Ltd., said Colin Giles, Nokia's executive vice president for global sales and manager of its China unit until 2010.

The Lumia 800C will run on Microsoft Corp.'s Windows Phone, giving that system its first major exposure in a Chinese market dominated by iPhones and Android.

In the United States, AT&T Inc. announced Monday it will sell the Lumia 900 running Windows Phone for \$100 with a two-year contract.

Giles expressed confidence Nokia can make up for its late entry into China's smartphone market on the strength of an extensive retail presence and close ties with local developers of services that form a large part of the appeal of smartphones.

Nokia has formed partnerships with leading Chinese Web companies such as search engine Baidu and portals Sina, Sohu and Tencent to create services. The company says it and Microsoft will provide financing for entrepreneurs to develop Windows Phone-based applications.

"We're creating innovation in China for China, which some of our competitors are not doing," Giles said.

Nokia phones are sold in some 200,000 retail outlets in China including the company's own stores and other distributors, according to Anna Shipley, its communications director for China, Japan and Korea.

Giles said the company plans an extensive marketing campaign on television and online.

Nokia has a stronger brand in China than it does in the United States but will need to revitalize sales and relations with retailers who have seen demand for its products falter, said Wolf, chairman of Wolf Group Asia.

"They've got a lot of work ahead of them," he said.

**Source URL (retrieved on 07/22/2014 - 5:03pm):**

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