

Nokia ends phone assembly in Europe, cuts jobs

February 8 2012, By MATTI HUUHTANEN , Associated Press

(AP) -- Nokia Corp. plans to stop assembling cell phones in Europe by year-end as it shifts production to Asia and will cut another 4,000 jobs, its latest attempts to cushion itself from stiff competition in the smartphone sector.

The Finnish company said Wednesday it will make the new job cuts at three plants in Finland, Mexico and Hungary this year as it reorganizes global manufacturing operations to compete better with the likes of Apple Inc.'s iPhone and handsets using Google Inc.'s Android operating software.

The cuts come on top of nearly 10,000 layoffs announced last year.

Nokia said it had increasingly shifted cell phone assembly from Europe to Asia, where the majority of component suppliers are based, to help it reach markets faster. The company said it would not close the three factories, however.

"There will be no assembling of mobile phones at our plants in Europe after this," Nokia spokesman James Etheridge said. "We plan to focus product assembly at our plants in Asia where the majority of our suppliers are based, while our facilities in Salo, Komarom and Reynosa will focus on the software-heavy aspects of the production process."

Neil Mawston from Strategy Analytics said Nokia's move "made sense" and was in line with what other cell phone makers had been doing for

years, such as Samsung Electronics Co., Motorola Inc., and Sony Ericsson, which had large assembly plants in Europe.

"It's an unstoppable trend really. Essentially, labor costs, land costs and other associated costs are so much lower in Asia," Mawston said. "Also, Asia is so much closer to the biggest pool of users now so from a supply and demand side Asia looks a lot more attractive than Europe."

Nokia said the shift to Asia would enable it to introduce innovations into the market more quickly and "ultimately be more competitive."

Once the bellwether of the industry, Nokia has lost its dominant position in the global mobile phone market, with Android phones and iPhones overtaking it in the growing smartphone segment. It's also been squeezed in the low-end by Asian manufacturers making cheaper phones, such as ZTE.

Nokia has been the leading handset maker since 1998 but after reaching its global goal of 40 percent market share in 2008, the company has gradually lost overall market share. It plummeted to below 30 percent last year.

In an attempt to remedy the slide, Nokia launched its new Windows Phone 7 in October, eight months after CEO Stephen Elop announced a partnership with Microsoft Corp. That heralded a major strategy shift for the Espoo-based company as it adopted the Windows operating system in its new phones.

But analysts have said it could take a few quarters before Nokia's success can be measured.

Last month, Nokia reported that smartphone sales plummeted 23 percent globally in the fourth quarter as net revenue fell 20 percent to euro10

billion (\$13.11 billion) compared to a year earlier.

Nokia share price closed up slightly at euro3.88 (\$5.09) on the Helsinki Stock Exchange.

Nokia, based in Espoo near the Finnish capital, employs 130,000 people - down from more than 132,000 a year ago.

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