

# Nokia cuts 10,000 jobs, streamlines to save costs (Update)

June 14 2012, by MATTI HUUHTANEN

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Union steward Jarmo Talvitie talks to media as Nokia employees leave a personnel briefing in Tampere, Finland, Thursday June 14, 2012. Nokia Corp. will lay off 10,000 jobs globally and close plants by the end of 2013, the company said Thursday June 14, 2012, in a further drive to save costs. The cuts mean that it will close some research and development projects, including in Ulm, Germany, and Burnaby, Canada. (AP Photo/Lehtikuva, Jukka Toyli)  
FINLAND OUT

(AP) — Nokia says it will slash 10,000 jobs and close plants as the ailing company fights fierce competition, and gave a grim outlook for most of the year, causing its shares to plummet 18 percent to close at €1.83 (\$2.30).

The Finnish cellphone maker also on Thursday announced personnel changes and said it has agreed to sell its luxury phone brand, Vertu.

The measures, aimed at additional cost savings of €1.6 billion (\$2 billion) by the end of next year, will shut down research and development facilities in Ulm, Germany, and Burnaby, British Columbia. Nokia said it will also close its main Finnish manufacturing plant in Salo, with 850 layoffs, but will keep its research and development center there.

Nokia Corp. updated its outlook, saying that heavy competition would continue to hit its smartphone sector in the second quarter, but to a "somewhat greater extent than previously expected" and that the downturn would continue in the third quarter.

Markets were disappointed, plunging Nokia shares to below €2.00 for the first time ever on the Helsinki Stock Exchange.

Nordea analyst in Helsinki, Sami Sarkamies, said Nokia's scale of the cost cutting took many by surprise and might not help to strengthen the company.

"When you make such drastic cuts you have to abandon a lot of things," Sarkamies said. "It may be that they just can't anymore afford to come up with innovative, new things."

CEO Stephen Elop said the planned cuts were "a difficult consequence of the intended actions we believe we must take to ensure Nokia's long-term competitive strength."

"We are increasing our focus on the products and services that our consumers value most while continuing to invest in the innovation that has always defined Nokia," he added.

The loss-making company has been struggling against fierce competition from Apple Inc.'s iPhone and other makers using Google Inc.'s popular

Android software, including Samsung Electronics Co. and HTC of Taiwan. It is also being squeezed in the low-end by Asian manufacturers making cheaper phones, such as China's ZTE.

Markets had been expecting Nokia to signal some improvement in its earnings expectations for this year after it joined forces with Microsoft Corp. in 2011, launching several Windows Phone 7 models, including its sleek Lumia range.

But the new handsets have received mixed reviews and the company and made no mention of the much-anticipated Windows 8 version. Its revised outlook bodes ill for the former bellwether of the wireless industry that held the No. 1 cellphone maker spot for 14 years.

Elop said that more than a third of the global job cuts — 3,700 — will be in Finland, sending shivers through the small Nordic nation that has been intensely proud of Nokia's past success.

But he pledged to keep the company's corporate headquarters in Espoo, near the capital, Helsinki, and said much of the R &D will continue here.

"Nokia's core is in Finland. We firmly believe that at the heart of any company, the soul of a company, is something that includes its national identity," Elop said. "We continue to have significant operations in Finland. In fact, two-thirds of our Lumia team is in Finland."

The Espoo-based company said that although it plans "significant" cuts in operating expenses, it will continue to focus on smartphones as well as cheaper feature phones and intends to expand location-based services.

Nokia announced that private equity group EQT VI had agreed to acquire Vertu, its global luxury phone brand, but that the Finnish company would keep a 10 percent minority shareholding. No financial

terms were announced.

The company said it would also overhaul its management team, with two long-time members of its top leadership - Mary McDowell, the head of the struggling mobile phones unit and Niklas Savander, head of the markets sector — leaving the company at the end of June. Chief marketing officer and brand manager Jerri DeWard, who joined Nokia in January 2011 will also step down.

Chris Weber, the current head of Nokia's U.S. operations, will take over sales and marketing on July 1.

In April, Nokia announced one of its worst quarterly results ever, blaming tough competition for a €929 million net loss in the first quarter as sales plunged, especially in the smartphone market. Last year, it was still the world's top cellphone maker with annual unit sales of some 419 million devices, but in the last quarter of the year it posted a net loss of €1.07 billion, a marked reverse from the 745 million profit a year earlier.

Boston-based Strategy Analytics said Nokia had significantly lost market share in the first quarter to Samsung, which pushed it out as the world's largest seller of cellphones by volume, grabbing a 25 percent global market share against Nokia's 22 percent.

It has fared even worse in the smartphone sector against Samsung and Apple by falling to third place in the first quarter of the year with sales of 12 million units against Samsung's 44.5 million and Apple's 35 million.

"Nokia is significantly increasing its cost reduction target for devices and services in support of the streamlined strategy announced today," said CFO Timo Ihamuotila. "With these planned actions, we believe our

devices (and) services business has a clear path to profitability. Nokia intends to maintain its strong financial position while proceeding aggressively with actions aimed at creating shareholder value."

Last year, Nokia announced more than 10,000 layoffs, aimed at cutting operating expenses by €1 billion (\$1.31 billion) by 2013. Thursday's savings aims come on top of those.

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