

» **Print**

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: [www.reutersreprints.com](http://www.reutersreprints.com).

# Nokia to bet on Lumia's camera upgrade to overcome budget handicap

6:20am EDT

By [Ritsuko Ando](#)

HELSINKI (Reuters) - Nokia (NOK1V.HE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) is expected to unveil a new smartphone with a 41-megapixel camera on Thursday, banking on advanced optics to make up for meager marketing resources and limited phone apps.

Analysts, however, are skeptical that a new camera for the flagship Lumia smartphone will be enough for the Finnish company to regain market share from rivals Samsung (005930.KS: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Apple (AAPL.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)).

Several said that Nokia needs to market the handsets more aggressively - a tough challenge in the face of its dwindling cash reserves after years of poor sales and the decision this month to buy Siemens' (SIEGn.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) stake in their equipment joint venture.

"What I'm expecting to see is a powerful device that will differentiate it from competitors' high-end handsets. But whether this will be enough to compete with Samsung and Apple? I doubt it," said Francisco Jeronimo, of research firm IDC.

"They need to raise the level of awareness. They may have the best camera, the best maps, but if consumers don't really know what they can do, that's not enough."

Nokia Chief Executive Stephen Elop, hired in 2010 to revive the former leader in mobile phones, has bet the company's future in smartphones on Microsoft's (MSFT.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) Windows Phone operating system.

While simpler feature phones still account for the majority of Nokia's handset sales, smartphones are viewed as crucial for its survival because of their higher margins and the increasing demand for Internet access and consumers' growing tendency to switch to cheaper models made by Asian manufacturers.

While existing Lumias have won positive reviews from critics and technology blogs, they have struggled against Samsung's handsets, which use Google's Android operating system, and Apple's iPhones, which run on iOS.

IDC estimates that Android and iOS accounted for 92.3 percent of all smartphone shipments in the first quarter of this year.

Windows Phone, meanwhile, accounted for 3.2 percent, with a shortage of apps proving a major handicap. It has only 160,000 apps in store, while rivals offer about five times as many because developers prefer to make them for the higher-volume operating systems.

The new phone to be unveiled on Thursday is expected to be the most advanced of the Lumia range. Nokia already has a 41-megapixel camera on its 808 PureView phone, but that model runs on the Symbian platform, which is being phased out.

Nokia has not given details, but a source confirmed that the camera technology would be its main selling point and the company's own website promises "41 million reasons" to tune into the event in New York.

## NO SILVER BULLET

While tech industry analysts say it is crucial for Nokia to boost marketing and promotions through its carrier partners, the company is likely to keep a wary eye on its marketing expenses.

Nokia said last week that its net cash position at the end of the second quarter was between 3.7 billion euros and 4.2 billion euros (\$4.7 billion to \$5.4 billion), indicating that cash burn may have been as high as 800 million euros in the quarter.

It also said that net cash would have been 2 billion euros to 2.5 billion euros had its deal to buy Siemens' 50 percent stake in Nokia Siemens Network closed in the quarter.

Standard & Poor's downgraded Nokia by one notch on Friday to B+ from BB-, forecasting that net cash could fall as low as 1.3 billion euros at the end of the year.

One portfolio manager for one of Nokia's top 10 institutional investors, who declined to be identified, said he is not in



favor of Nokia boosting marketing spending too much and is happy with a slowly-but-surely approach.

Alandsbanken analyst Lars Soderfjell, too, said Nokia should aim for modest marketing - enough to improve sales and buy more time for a turnaround without accelerating cash burn.

"This is one of the most-anticipated models and it's important that they continue to renew their product portfolio ... but I look at this as a very gradual turnaround. I don't see there being a silver bullet model," he said.

"The most important thing, really, is to continue to gain market share from their current low level in smartphones, to achieve profitability. If it can gain a couple of percentage points in market share, then it can gradually recover."

IDC's Jeronimo suggested that Microsoft should be doing more heavy lifting to market Windows Phone handsets. Without Nokia's commitment to Windows, Microsoft would have no leading handset partner - a reason the software giant is seen as the most probable buyer if Nokia were to sell its handset business.

"I think Microsoft has relied a lot on Nokia to promote Windows Phone. That's not enough," he said. "It will be hard for Nokia to do the entire investment." (For an Interactive look at Nokia, go to: [link.reuters.com/guz42t](http://link.reuters.com/guz42t)) (\$1 = 0.7821 euros)

(Editing by David Goodman)

---

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: [www.reutersreprints.com](http://www.reutersreprints.com).