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UPDATE 2-Nokia strengthens basic range with 15 euro phone

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- * Unveils entry level 15 euro device
- * Launches 139 euro Lumia smartphone
- * Says targeted at markets such as China

By Paul Sandle

BARCELONA, Feb 25 (Reuters) - Nokia launched a 15-euro (\$20) phone to shore up its position in the basic handset market, where it has lost share while it focused on developing expensive smartphones.

It also unveiled a 65-euro phone with some Internet access and lower-priced versions of its Lumia smartphones, filling the gaps in its product line-up between its high-end Lumia devices that run Microsoft software and mid-tier Asha feature phones.

The Finnish company hopes the new phones will increase sales in emerging markets and help it regain its once-solid footing at the cheaper end of the market, where it makes the bulk of its handset revenue. Sales of basic phones fell over 20 percent in 2012 to 9.4 billion euros.

"That is a key part of our approach to competition, particularly in a country like China," said Chief Executive Stephen Elop at the Mobile World Congress in Barcelona.

"There's a very large number of inexpensive and largely undifferentiated devices. We believe we have to offer differentiation at each price point."

The entry-level Nokia 105, its lowest priced ever device with a colour screen, was aimed at first-time buyers in markets such as South America, Africa, Russia and Asia-Pacific, he said.

The phone shows Nokia, once the undisputed leader in the mobile phone industry, trying to fend off growing competition at the low end from Asian rivals such as Huawei and ZTE.

IDC research director Francisco Jeronimo said it would probably be the cheapest phone available in the world from a major brand when it goes on sale later this quarter.

"The pressure is now on the Chinese vendors. Why will any consumer in the world buy a cheap Chinese phone when they can have the same price with better quality from a well known brand?" he said.

LOWER LUMIA ENTRY POINT

The Finnish phonemaker also lowered the entry point of its Lumia smartphones with a new model, the Lumia 520, priced at 139 euros (\$180).

Most other Lumia phones cost over \$200, and the top-of-the-range 920 can retail at over \$600 without a carrier contract in the United States and some European markets.

The 920 model was launched last November and has won plaudits from industry analysts for features such as photography and mapping. Sales, however, have been dwarfed by devices from the likes of Samsung running Google's Android and Apple's iPhone.

Nokia's market share in smartphones has fallen to around 5 percent, while Apple and Samsung together control over half the market.

A new lower entry point for the Lumia 520 would enable Nokia to better compete with some mid-tier Android devices, analysts said.

Feature phones, in the middle market between high-end smartphones and cheaper basic phones, are seen increasingly crucial even though many consumers in developed markets are moving on to smartphones.

"In short, Nokia can still cash the feature phone market with around 5 percent margins even though it is shrinking," said Inderes analyst Mikael Rautanen.

IDC's Jeronimo said the new products, which included the Lumia 720 smartphone with the same camera lens as the 920, gave Nokia a comprehensive range, leaving little excuse for poor sales.

"If Nokia does not improve its market performance with these devices, then they will never do without a radical change in its portfolio strategy," he said.

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