

Nokia

How Nokia went from iPhone victim to \$1bn Nvidia deal

Finnish company that brought the world the 3310 has reinvented itself for the AI revolution

Kieran Smith in London

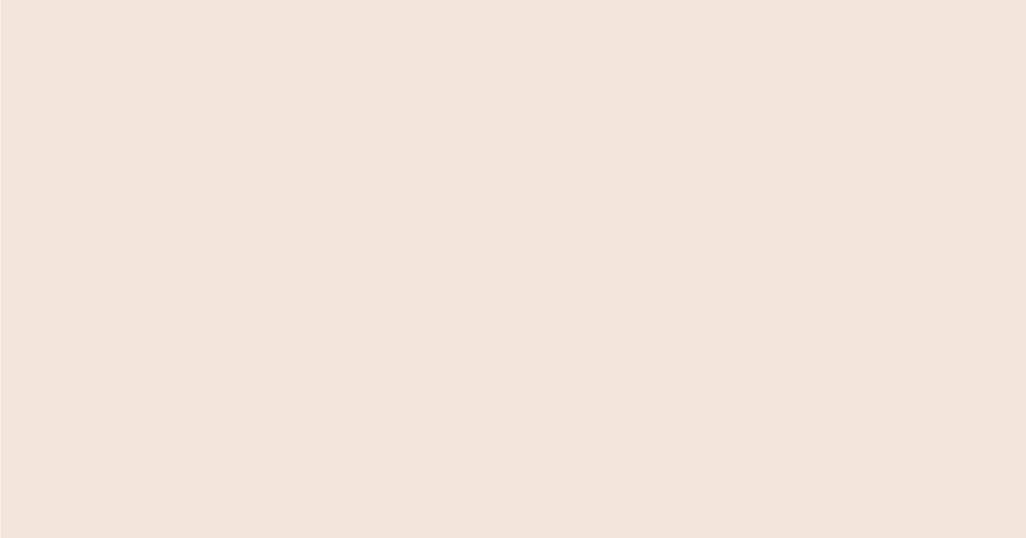
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Few digital sounds have burrowed into the human brain like the Nokia ringtone.

By 2009 the Finnish mobile phone giant's signature tune was ubiquitous: being played an estimated 1.8bn times a day across the world — equivalent to 20,000 times every second.

The [ringtone](#) — derived from Francisco Tárrega's classical guitar work "Gran Vals" — had become synonymous with the company that dominated the mobile phone revolution from the mid-1990s until its 2008 peak.

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Then the music stopped. The arrival of the iPhone and cheaper, Android-based smartphones sparked a collapse in Nokia's sales and appeared to put the company behind the wildly popular 3310 handset on the path to irrelevance, along with other early mobile pioneers such as BlackBerry.

Yet in 2025, [Nokia](#) reinvented itself once more. The company's latest pivot, into providing the hardware needed to connect cloud services and data centres, was endorsed in October by Nvidia, which unveiled plans to invest \$1bn into Nokia. The two companies have entered into a strategic partnership to incorporate artificial intelligence into telecoms networks.

Nokia's ability to overhaul its business had become a part of its identity, according to its latest chief executive Justin Hotard.

Nokia CEO Justin Hotard, left, with his Nvidia counterpart Jensen Huang © Kent Nishimura/Bloomberg

“There’s a great legacy of doing this,” he told the Financial Times. “That ability to kind of say: ‘oh, this was the problem we were solving yesterday, this is the one we need to go solve today’ . . . is just really natural [for Nokia].”

The Finnish group’s evolution from a single paper mill in 1865 to an important player in the AI revolution — via stints selling rubber boots, televisions and world-beating mobile phones — has garnered admiration from analysts and industry figures.

“The Nokia journey is something to behold,” said CCS Insight’s chief analyst Ben Wood.

Nokia's nearly two-decade domination of the mobile phone business was enabled by its quick adoption of the global system for mobile communications, or GSM — a set of standards for 2G networks that became the foundation for modern connectivity.

Its phones, which featured a keyboard and a small screen, ushered in text messaging and became a cultural staple, featuring in films from *The Matrix* to *Charlie's Angels*.

Jorma Ollila, Nokia's chief executive from 1992 until 2006, said the popularity of the company's phones was because the business was led by marketeers, while rivals were run by people focused on the underlying technology.

“We had a very particular way of . . . designing the phones so that they were user-friendly,” he told the FT.

A Nokia 5610 in a Helsinki shop in 2002. At its peak in 2000, amid the mania of the dotcom bubble, Nokia was worth about €286bn © Markku Ulander/AFP/Getty Images

By 2000, Nokia had 26.4 per cent of the global handset market, according to CCS Insight. At its peak in 2000, amid the mania of the dotcom bubble, Nokia was worth about €286bn and was estimated to be contributing about 4 per cent of Finland's GDP.

“There was a belief in Nokia which was much stronger than in most companies that the mobile technology will be a big one,” Ollila said. “But it turned out to be even bigger [than we had envisaged].”

The company sold 126mn of its most popular model, the 3310, also known as the “brick”. Nokia’s handsets came preloaded with the addictive game *Snake*, in which players manoeuvred an ever-growing snake around a tiny screen using the phone’s keypad.

However, Nokia’s failure to grasp the significance of the smartphone era, ushered in with the release of the first iPhone in 2007, ultimately cost it dearly.

“Nokia resisted the shift, reacted too slowly and failed to redesign its software platform [to compete with Android and iOS],” said New Street Research analyst Ben Harwood.

In a last-ditch attempt to gain a foothold in the rapidly growing smartphone market, Nokia adopted Microsoft’s Windows phone system in 2011 to produce a series of handsets under the Lumia brand. The phones flopped and the decision proved to be a “nail in the coffin” for the business, said Wood.

With the writing on the wall, Nokia sold its devices and services division — which housed its once world-beating mobile phone business — to Microsoft for €5.4bn in 2014. Its revenues had fallen from a peak of €37.7bn in 2007 to just €10.7bn by the time it was sold.

In 2008 Nokia was “knocking on the door of 40 per cent market share worldwide”, said Wood, adding that “they never thought they would see the kind of catastrophic share loss that ended up happening”.

With the Nokia brand rapidly disappearing from consumers’ minds, it fell to new chief executive Rajeiv Suri to chart a new course for the company.

Nokia’s €1.7bn acquisition of Siemens’ stake in a networks joint venture in 2013 suddenly made up about 90 per cent of Nokia’s revenues after it got out of the handset business.

“That had to be the foundation because you cannot invent a company on a weak core,” Suri, who left Nokia in 2020, told the FT, adding that his “first priority” was to “remove any ambiguity about what Nokia was going to be”.

To turn Nokia into a major player in the networks business. Suri made the biggest acquisition in Nokia’s history: a contentious €15.6bn deal for French network provider Alcatel-Lucent in 2015.

“Acquiring Alcatel was one of the boldest decisions that we took,” Suri said. “I remember coming off the stage at the extraordinary general meeting [for the deal] and some of the retail shareholders said ‘don’t do this’. But I said, ‘you’ll be grateful for this in a few years’ time’.”

However, the growing strength of Chinese vendors Huawei and ZTE, which were perceived as offering more advanced mobile network technology, ate into Nokia’s enlarged market share.

Despite wariness from some governments over the national security implications of giving Chinese firms key roles in critical infrastructure, the two vendors won contracts from some of Europe’s largest [telecoms](#) companies — including BT, Telefónica and Deutsche Telekom.

With Nokia's core business under threat once more, the company changed direction for the second time in a decade.

Under then-chief executive Pekka Lundmark, the company pushed further into newer technologies such as cloud services, data centres and optical networks, acquiring optical network specialist Infinera for \$2.3bn in February.

Shaz Ansari, professor of strategy and innovation at Cambridge university, said a company's capacity for successful reinvention "derives from business-specific agility: the way it handles failure, the way it reallocates resources".

"Nokia has got the rare ability to cut off businesses when they're not working," he added. "It has been able to pivot not [just] across products, but across industries."

[Hotard, who succeeded Lundmark](#) in April, has sought to position Nokia to capitalise on the "AI supercycle" that is catalysing hundreds of billions of dollars of data centre spending each year. Nokia's optical technology enables information to be passed between data centres, and it produces routers that enable cloud-based services.

The latest transformation caught the interest of chipmaker Nvidia, widely seen as the kingmaker of the AI revolution. News of the investment from the world's most valuable company sent Nokia's shares up by 25 per cent. Today the group is valued at about €32bn, albeit that is still a fraction of the dizzy heights scaled during the heyday of the 3310.

However, some analysts have raised concerns that the new strategy could leave Nokia exposed to the highly volatile AI investment landscape, which is attracting a plethora of potential rivals, such as Ciena and Cisco, eager to claim their slice of the spending pie.

PP Foresight analyst Paolo Pescatore said there were “significant concerns” over future returns from AI investment for network operators, given “customers’ reluctance to rely too heavily on a single provider”.

Yet Hotard is undeterred: “There’s a mindset here . . . some talk about it as this willingness to just keep fighting. But I think there’s also a recognition here that the path to survival is not always going to be linear; we’re going to have to just pivot.”

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