

Vodafone is a uk  
based  
telecommunications  
marketing essay



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In this case report we will provide two detailed strategic options for Vodafone as a telecommunications provider to sustain its growth internationally. We will give reason for our recommendations and evaluate the VRIO Framework of the organization and provide a clear Five Forces Analysis.

Vodafone is a UK based telecommunications giant that has been a part of shaping the wireless phone industry as we know it today. Vodafone is present in most European and Asian markets. The company failed in Japan and has yet to enter the American market successfully as an independent company.

We have developed two strategies for management to consider. Our first option is highly innovative and requires the company to utilize technology that already exists by forming alliances with providers of internet connections and with phone manufacturers. Our second option suggests that Vodafone should enter the American market as soon as possible providing wireless phone service in the American market place using many aspects of its existing business model.

Suggesting the first option involves higher risk than option two. There is however room for sustainable growth with both options.

Case 3-11: Vodafone; E Pluribus Enum

### **Mission and objectives of Vodafone:**

Vodafone is the world's largest provider of voice and data communication services to consumers and enterprise customers. The company employs about 66, 000 people around the world. The company headquarter is

situated in Berkshire, UK. Vodafone operates through single reportable business segment: supply of communications services and products. At the end of March 2007, the company had 206 million customers world wide.

(Vodafone, 2007)

Vodafone's strategic objectives:

Revenue stimulation and cost reduction in Europe

Innovate and deliver on our customers' total communication needs

Deliver strong growth in emerging markets

Actively manage our portfolio to maximize returns

Align capital structure and shareholder returns policy to strategy

Key issues and problems;

Key issues and problems for Vodafone include how the company manages to coordinate its growth and to maintain its competitive advantage in the dramatically changing market environment of the dynamic telecommunication sector.

## **VRIO:**

### **Table 1. 1 The VRIO framework**

**Value**

**Rarity**

**Imitability**

**Organization**

**Competitive implications**

**Network infrastructure**

Yes

No

No

Yes

Competitive parity

**Diversified revenue base**

Yes

Yes

No

Yes

Temporary competitive advantage

## **Leading market position**

Yes

Yes

Yes

Yes

Sustained competitive advantage

## **Network infrastructure**

One of Vodafone's key technologies and resources is the strong network infrastructure that supports its operations. To be able to provide mobile services, a strong network infrastructure is fundamental for the company. Vodafone operates 2G networks, through GSM networks, in all its mobile operating subsidiaries, offering its customers services such as voice, text messaging and basic data services. All the networks operate GPRS or 2.5G as well, which enables wireless access with mobile devices to data networks like the internet. Vodafone also controls 3G networks offering its customers mobile broadband data access services allowing data download speeds of up to 384 kilobits per second. 2006 launched High Speed Downlink Packet Access (HSDPA) technology shortens download times significantly with data transmission speeds of up to 3.6 megabits per second and makes the usage of mobile broadband services much more pleasant for the customers. HSDPA is enabled in the existing 3G network with after software updates. (Vodafone, 2007) The strong network infrastructure is a valuable resource and enables the company to respond to the growing customer needs with high quality

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services now and in the future. This valuable resource is not a rarity in the wireless telecommunication industry and therefore it cannot be costly for the competitors to imitate. Many of the world's large mobile operators have the same access to the same technology as Vodafone and a control over massive networks. Vodafone is very well organized to exploit the full competitive potential of the network infrastructure by providing the employees a productive and safe working environment with attractive performance based incentives. This resource is an organizational strength and generates a competitive parity.

### **Diversified revenue base**

By acquisitions, stakes in companies, and partner networks Vodafone has strategically expanded its presence to consider the whole world. The company has equity interests in 25 countries. Vodafone's partner network arrangements extend to a further 38 countries. (Vodafone, 2007) Vodafone has significant mobile operations in countries such as Germany, Italy, Spain, UK, Egypt, Kenya, South Africa, Australia and New Zealand. In 2007 the largest geographic region was Germany with a contribution of 17.1% to the total revenue, followed by UK 16.3%, Spain 14.1%, Italy 13.5%, and other Europe 13.5%. Arcor and Pacific contributed 9%, Middle East, Africa and Asia 8.2%, and Eastern Europe the rest 9% of the revenues. (Datamonitor, 2007) Vodafone's global reach and geographically diversified revenue base is a valuable resource for the company. This valuable resource helps the company to compensate its risks and losses. As diversified as Vodafone's revenue base is it is a rarity within the wireless telecommunication industry. Vodafone's strategy is to actively manage their portfolio by investing into

markets that offer a strong local position. With strict financial investment criteria Vodafone maximizes its and its shareholders returns. (Vodafone, 2007) Vodafone's competitors would not face a cost disadvantage in trying to imitate this resource. It is more about the strategy that a company implements than about the financial resources. Vodafone is well organized to exploit the full competitive potential of this valuable and rare resource. The Board's goal is to make sure that the company's employees are aware of Vodafone's strategic goals and mutual obligations. This resource is an organizational strength and distinctive competence and generates a temporary competitive advantage.

### **Leading market position**

Vodafone is the world's leading mobile telecommunications company. Vodafone operates in Europe, the Middle East, Africa, Asia Pacific and the US by subsidiary undertakings, associated undertakings and investments. In countries with significant operations Vodafone's market shares are impressive; Germany 36%, Italy 33%, Spain 31%, UK 26%, South Africa 58%, US 25%, Egypt 48%, and Australia 18%. (Datamonitor, 2007) A strong market share with the market leader position is an extremely valuable and rare resource which improves the company's brand image and gives it a solid foundation to enter new potential markets. This resource is imperfectly imitable and the competitors would face a cost disadvantage in obtaining or developing it. Vodafone's market leader position is based on the passion and effort of the company's employees. The company is well organized to manage effectively its employees to reach their full potential and benefiting them selves and the company. This resource is an organizational strength

and sustainable distinctive competence and generates a sustained competitive advantage.

## **5 Forces Vodafone:**

### **Rivalry:**

The threat of rivalry in this business is impacted by the low number of big firms in the market. There are a few numbers of large firms worldwide that competes for the market share; this lowers the threat of rivalry. The firms that are in the business however are very competitive and because of a relative slow market growth in this industry the firms fight over the market shares that are out there and that increase the threat. There is also a low level of switching costs to the consumer and a low level of product differentiation and this further brings the threat level of rivalry up. So in the mobile network industry the threat of rivalry is fairly high.

### **Substitutes:**

The threat of substitutes for voice and data communication over the traditional network is moderate. People calling over long distances could instead of picking up a phone go to a computer and call through that. The low costs of computer calling could potentially take over most long distance calling. The more local calls and business calls would be more secure for the mobile market, although cell phones with the ability to use the internet to make calls are being made available and will soon take a considerable market share of calls made. The threat of substitutes can be reasonable high in this industry.



**Buyers:**

The threat of buyers in this industry can be considered fairly low. The individual buyer has no impact on the price of the products offered.

**Suppliers:**

Supplier's power in some aspects of this industry is high. In the cell phone part of the business the suppliers of the phones can have a big impact on the price of products and the condition of the deal they make with the provider. One clear example of this is when apple launched their new I-phone. They made an exclusive contract with AT&T so they had the exclusive right to be the service provider to their phone in America. So the supplier's power in this industry is high.

**New Entry:**

The threat of entry is highly influenced by the economy of scale of the existing companies. The large well established companies that have a strong foothold in the market and a known brand name would make entry for a new company costly. Although there are some new arrivals the larger firms control the market and will put pressure on any new entries. The threat of new entries is fairly low for the bigger companies.

**Table 2. 1 Market Positioning Grid:**

High

Tele2

TeliaSonera

Low DKSonofon

Coverage

BT Vodafone

VirginMobile

AT&T

High

Market Share

Low

Market Share

Coverage

## **Main Problem Statement: How can WE revolutionize the wireless telecom industry?**

### **Strategic Option 1:**

There is a lot of buzz in the telecommunication market about 2G and 3G networks. It was the dream of the CEO of Vodafone to bring the 3G network into the hands of the American consumers a few years back, but Vodafone's partner in America did not want to invest in the new 3rd generation network.

The new technologies that are out in the market now can give Vodafone the opportunity to be in front of all the competition in the American market.

What we propose that Vodafone enters the American market with a 6th

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generation phone and phone service for cell phones. The type of phone is a phone that not only works on the regular network used to day in America but can also use the internet to make calls, not only to other Vodafone customers but to all networks.

The technology is not new and exists today in America, but not in the mobile phone market. Vonage and Comcast offer their customers a phone service based over digital networks and not over standard phone lines. The way Vodafone is going to differ themselves from the existing firms is to offer this to cell phones.

The way that this system works is that instead of the cell phone using the regular network to connect the calls it makes, it uses any wireless internet access that it can connect to. This means that calling people from you cell is virtually free and you would only pay a monthly charge on you cell phone to Vodafone. If you cannot find a wireless network to connect to, the phone can use a regular phone network as a backup.

With a strategy to enter and take a market share in America like this one, you do not have to make large fixed investments in the hardware. Instead you have a 6th generation phone that can be operated on both the old networks and on digital networks.

To get these phones and plans out to a large customer group, Vodafone should concentrate on the big cities first, making a encrypted wireless network available in the city that only their phones can access. This way the company can see how the customers like being connected to a faster and

better network with a more advanced phone then available in the American market.

The latest hype in the American cell phone market is the Iphone; this phone is locked into one carrier and can over the carriers network connect to the internet. The phone is locked to one carrier (AT&T) but can be hacked and used by others. The Vodafone would be configured so that you cannot hack it by the software allowing the consumer to connect and call for free to any phone in the world by simply not connecting that person to the Vodafone network. The phone could be free for all providers to sell but some functions on the phone like IP communication would be useless. Since this is one of the biggest selling points for the product you basically lock the customer in to your carrier.

To be able to make money of you customers you set a fixed monthly payment for the plan and no extra charges for calling people over the wireless networks, but standard charges for regular charges made from the phones.

## **Strategic Option 2:**

It is hard to try to develop a strategic option to revolutionize the telecom industry for a company that has already been involved in shaping the industry for many years. Option 2 will differ from Option 1 in multiple areas. For option 2 we propose that Vodafone enters the American market place as soon as possible as Vodafone the company instead of through subsidiaries. Vodafone has always focused their marketing efforts mainly through sponsorships of large sports teams such as Manchester United Football Club

and McLaren Mercedes Benz Formula 1 team along with hundreds of others. We believe that Vodafone can copy many of the elements that European customers have been satisfied with directly over to the American market which is currently lagging behind by almost five years compared to Asia and almost two years compared to Europe. Providing 3G service in the United States is needed and we believe that Vodafone could successfully gain market share in the United States. Vodafone has very high brand equity world wide and we believe that it is time to establish a grip on the US market.

### **Recommendation & Implementation:**

It is easy to see similarities between Vodafone and Sir Richard Branson's Virgin Corporation, other than the fact that the logos look similar. They are both UK based companies that are very dynamic and the company cultures are similar. Both companies are not afraid to be innovative and to move in new directions. We therefore recommend that Vodafone choose to move forwards with Option 1. This option involves the most risk, but we firmly believe that the industry is moving more and more towards telecommunication via wireless broadband connections. Just take a look at the Apple iPhone which with just one push on the touch screen switches from WI-FI to pure telephone mode. The iPhone does not provide IP-voice communication yet but we firmly believe that it is just a matter of time before it and others will.

Implementing Option 1 we recommend that Vodafone establish strategic alliances with certain US based companies to be able to provide WI-FI hotspots that the handheld devices connect to. Also establish alliances or <https://assignbuster.com/vodafone-is-a-uk-based-telecommunications-marketing-essay/>

strengthen alliances with the phone manufacturers. We recognize that there are some privacy issues with Option 1 that needs to be solved, but this could not be done overnight and those issues will apply to the Vodafone's competitors, such as AT&T as well. We choose to recommend Option 1 because we have identified an opportunity for Vodafone to become the industry innovator and leader also in the United States over time. And we believe that it is possible due to the fact that the company is dynamic and it is not afraid to explore new opportunities. The same level of brand equity can be achieved in the US as in Europe and Asia.

### **Lessons Learned:**

There are many valuable lessons in this case. First lesson is that in order to sustain growth in an industry as rapidly changing as technology companies always has to look for ways to be innovative and renew themselves in order to stay competitive and current. Another lesson is that a dynamic company without too many constraints to change can be extremely successful in rapid paced industries. We therefore identify a significant opportunity for Vodafone to emerge into new markets in the future.

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