

# Carphone warehouse | marketing analysis



## **Carphone Warehouse**

Marketing is a term that is often misunderstood to mean only selling and advertising, however, it encompasses far more than that. Armstrong et al 2000 defines marketing as a social and managerial process in which individual groups obtain what they need and want through creating and exchanging products and value with others. In other words marketing involves satisfying customers needs and wants, it looks at the product and services provided, the demand for them as well as the relationship that exist in the various markets.

This assignment will focus in depth at one of UK's most successful telecommunication business in the late 20th century. It examines how the business Carphone Warehouse came to be so successful despite the many competitors encountered, how the business environment is changing and what other markets of telecommunication it can venture into. It also look at a very important marketing term, Value Proposition and other marketing tools that Carphone Warehouse can use to ensure that they remain unique from its competitors.

### **PLAN**

- Will use tutors aid and lecture notes to gain a better understanding of subject area
- Will use the internet to do a more extensive research on various subject areas
- Will also use various books to assist in explaining marketing terms and techniques relevant to the tasks

- Will inquire for more personal and detail information from Carphone Warehouse by means of questionnaire and interview.

## HISTORY OF CARPHONE WAREHOUSE

Carphone Warehouse was first started from the balcony of its founders flat Charles Dunstone and co-founder David Ross in 1989. They started out with only six thousand pounds by selling car phones. As time goes by they form a small mobile phone shop on London's Marylebone Road, since then business grew and it has become one of the UK's most successful telecommunications businesses having a turnover of about four million pounds in 2007. It now combines a retail operation across 11 countries with an extensive and growing telecommunications services business. Currently it is Europe's leading independent mobile communications retailer, with a turnover of £2,220 million in 2005. The Carphone Warehouse has grown rapidly in its operations in recent years through its acquisitions of services companies such as Talk-Talk and Opal Telecom. In October 2007, less than 20 years since the company started it joined the FTSE 100 Index of leading shares. [http://en.wikipedia.org/wiki/Carphone\\_Warehouse.html](http://en.wikipedia.org/wiki/Carphone_Warehouse.html) viewed on 20-04-08

### 1. 2 REASONS WHY FIRM WAS ESTABLISHED

Charles Dunstone was born in Saffron Walden, Essex and was educated at Uppingham School. Even though he did not go to university Charles knew exactly what he wanted. He came to realized that their was a need for people to make telephone calls away from their homes or public telephone boxes hence he came up with the idea of creating phones whereby people

have the opportunity to use them from the vicinity of their cars, hence the name Carphone Warehouse.

### 1. 3 FACTORS THAT LEAD TO CARPHONE WAREHOUSE SUCCESS

Carphone Warehouse and its owner used a strategic approach that led to the success of the business. Because of his innovativeness being the only retailer at the time to offer customers phones from their cars this made it different from all other business in the market so for a time he was the market leader, he had little or no competition. He also had a clear objective in mind, he knew that customers are of paramount interest in any business and thus focuses attention on satisfying customers need. He had a very good relationship with his customers, staff and suppliers alike. As was shown in the company's aim and objectives and the 5 key rules that govern the business, some of these are as stated according to Charles Dun stone, " If we don't take care of the customers..... Someone else will nothing is gained by winning an argument, but losing a customer. Always treat customers as we ourselves would like to be treated".

Base on these statements Charles Dunstone demonstrates that customers' satisfaction was his main priority and he would do anything to ensure this. He allows staff to express their knowledge and understanding in the marketing propositions, which contributed to the success of the business. In the individual shops his staffs were given the opportunity to give advice to customers on the best products and payment methods that would fulfil their needs.

He also would employ more young people who does not only target the younger generation in the market to buy but is also seen by many as building the economy and investing in the future. He offers training and promote staff base on performance or merit so therefore his employees will be able to answer the questions that customers may ask and provide solutions for their needs.

Carphone Warehouse has become a well-established recognized brand and has used it to influence and as a deterrent against its competitors. It recognises that in order for them to remain competitive and successful they have to create a product/service that will be far superior to that of its competitors and that is why it is looking forward to expand further in the telecommunications market by not just offering mobile phones services but also to become one of the main providers of internet services.

#### 1. 4 HOW IS CARPHONE WAREHOUSE DIFFERENT FROM ITS COMPETITORS?

Carphone Warehouse is UK's leading independent retailer of phones. He realize the needs of the people and has created a product that has never being present before in the market, he gave customers the opportunity of conveniently making phone calls from their cars instead of their homes. As was shown in his mission statement, he tried to become the market leader in this area of business, " our mission is to become the store people unquestionably visit when they have need for mobile communication equipment (Charles Dunstone).

In recent years Carphone Warehouse has try to remain competitive different and live up to the expectations it has created by branching out into other

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fields of telecommunication as one of their objective states, “ the reputation of the company is in the hands of every individual”. Apart from providing car phones they have also expanded into providing landline services and with the new idea of internet providers they have also started to provide super fast landline and mobile broadband services. This ensures that customers can get all their telecommunication needs in one package with one company. This also shows the ability of the company to adapt easily to changes in the market and merge both industries successfully.

Another reason why Carphone Warehouse was so different from its competitors is that it provides training to his staff and has employ specialist in this field which is very important for both the business success and the employees. He offers customers incentives to buy by means of warranties and a total freedom guarantees and options on payment tariffs. The company acted as a good intermeditory between other retailers and customers therefore it is easy to form partnership and good customer service.

## 2. CHANGE

### 2. 1 IMPORTANCE OF CHANGE IN THE BUSINESS ENVIRONMENT

Every business must face at one point or another change in their business environment in which they have no control and must adapt (Hart 1994). The environment produces both threats and opportunities and is therefore very important for businesses to analyse these factors very carefully. These may affect the ability of a company to satisfy its customers and remain competitive as in the case of Carphone Warehouse.

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Other factors include economic, political and legal, technological and ecological as well as social and cultural factors (Armstrong et al 2000).

Carphone Warehouse needs to act on the advantages that the market environment provides and its objective even in its new market should be to continue to build good customer relationship by creating customer value satisfaction. This would include reassuring suppliers, retailers and the public that it is able to provide both mobile and internet services as well as securing the companies shares since investors are becoming more concerned about company's future. They are able to form successful partnership with suppliers and other retailers. This was evident in 2006-7 when Charles Dunstone bought AOL one of UKs biggest Internet service providers.

Apart from specialising in mobile networking it has entered the landline market with Talk -Talk services. This was a very strategic move because Carphone Warehouse can now offer customers super fast internet and mobile broadband and other telecommunication services into one suitable package ([http://www. timesonline. co. uk](http://www.timesonline.co.uk)).

So even though Carphone Warehouse may have lost one of its most important retailers Vodafone, it has now entered into partnership with Virgin Mobile who is not only a very competitive provider of mobile services but also an experience provider of internet services. These changes within the business show that Carphone Warehouse is able to adapt and combat the technological changes in the business. Technological change results in

improving existing products and services, better customer services, lower prices via cost efficient operations and distribution method (Ali 2001).

Most telecommunication companies are not adversely affected by inflation because technological change makes goods of the same price more valuable. However it is mostly affected by deflation (Global Makeover on Thu, viewed on 05-05-08). Tax is another issue that Carphone Warehouse would have to be aware of, Government agencies and legal bodies have instituted taxation specifically for these companies for example, utility users tax and business and B&O taxes which are typically imposed on the telecommunications providers and a universal service fund surge charge which they are expected to comply with in providing available basic telecommunication services for all their customers at an affordable price. (<http://globalmakeover.com/?q=blog/3,6/05/08>)

Since the population is rapidly growing, technological has advance and is rapidly changing, Carphone Warehouse need to keep up with these changes and create practical and affordable packages for customers so as to remain competitively successful. The younger generation especially demands a lot more from technology and become easily bored with it, it is important for Carphone Warehouse to target this segment of the market and develop product/services that can facilitate such demand and constant change.

The physical environment must be considered since the government is requiring that companies should strive to become environmentally friendly and keep pollution to a minimal. It is necessary that Carphone Warehouse comply with government regulation in their bid for energy efficiency



operations, biodegradable packages and ecologically safer products. Political and legal factors affect a company's marketing decisions for example, design, labels, packaging, distribution and advertisement of products/services (Hart 1994). Like the rapid changes in technology, government policies and regulations are constantly changing therefore they have to ensure that they keep up to date so as not to violate any laws or regulations set out by these governing bodies or agencies. Since Carphone Warehouse will be going into a new area of business, the internet, there are legislations that govern this area. These include privacy and confidentiality, integrity and authentication and even encryption.

The economic environment deals with the purchasing power of consumers as well as their spending pattern which is largely affected by income distribution, hence factors such as inflation rate, taxation, interest rate and wages affect the demand and sales of products and services (Meldrum et al 1995). Taking all these factors in to consideration Carphone Warehouse has to create a product and service that will capitalise on all the opportunities that change may bring.

### 3. VALUE PROPOSITION

#### 3.1 WHAT IS VALUE PROPOSITION?

A Value Proposition consists of the sum total of benefits which a vendor promises that a customer will receive in return for the customer's associated payment or other value-transfer ([http://en.wikipedia.org/wiki/Customer\\_value\\_proposition](http://en.wikipedia.org/wiki/Customer_value_proposition)). It also describes the customer's problem, the solution to these problems and how the customers feel about <https://assignbuster.com/carphone-warehouse-marketing-analysis/>

your solution to that problem. It is based on the relationship a business have with their customers.

It can be said that value proposition is based on values which includes emotions, behaviours, attitudes, beliefs and integrity. Marketers can use these to stir emotions and desires of their customers to purchase goods/services by attacking their subconscious which intern will stimulate behaviour or action.

Customer beliefs are based on assumptions and expectations and will respond if these expectations are meet. They are also affected by how they are treated and how well a business delivers what they promise. Therefore it is important for Carphone Warehouse to understand the needs of its customers and create a product/service that will capture the hearts of potential customers. One way of doing so is through customer feedback by establishing systems such as the Customer Relationship Systems Software which collects, analyze and process feedback from customers which will help a business to know what customers want or expects from a company and those customers that are most profitable to the business (tutors note - Achieving operational Excellence and Customer Intimacy pg 376).

They have also highlighted very briefly their customers' value proposition by stating, " they always deliver what they promise. If in doubt, under promise and over-deliver", as stated by Charles Dunstone. This strategy should convince customers of the need to use their services instead of their competitors.

Product quality is important since customers are conscious of what they want and how this can be satisfied at the right price. CPW would have to ensure that in their innovation of offering internet services to customers that they continuously improve their product/services so that customers will not be bored or switch to other producers offering newer and better products/services. This new product/services should offer significant benefits to customers, irresistible and so compelling and attractive that customers cannot refuse hence, no matter what the price maybe they will buy or use the product because it offers value for money. One of the propose benefit Carphone Warehouse has offered to customers is broadband service with free laptop, this would be adding value to their product and customers will be willing to use it because they are benefiting.

Single value discipline is when a company focuses on the best total cost, best product, or best total solution to give to their targeted customers.

Service and customer intimacy goes beyond the best price and product, it incorporates the right selection of product/services that will increase customer satisfaction, lower cost for acquiring and retaining customers.

([http://www.1000ventures.com/business\\_guide/crosscuttings/customer\\_vp.html](http://www.1000ventures.com/business_guide/crosscuttings/customer_vp.html) viewed on 22-04-08)

These are useful tools CPW can employ in the new market. In fact they have already have ideas and have employ some of these tools in the mobile phone industry. For example Dunstone aims and objectives are customer orientated that is, the customer always comes first.

An as for integrity, they can keep their promise in fulfilling customers expectations, thus customers will develop a sense of loyalty in the new market. They can also transfer creating customer intimacy from their mobile phone market by maintaining good relationship with their customers; offer packages that would give value for money and have well trained specialist that will be able to give customers total solutions to their telecommunication problems. By responding to customers needs, offering them outstanding services this will not only reduce customer churn but also increase sales and expansion in the new market of internet providers.

#### 4. MARKETING TOOLS AND TECHNIQUES

To maintain competitiveness and market recognition even in this new industry of Internet providers CPW can apply some of the tools and techniques used in their mobile networking business. However since there is other competitive Internet providers CPW will have to consider how to create a service and packaging that will be superior, uniquely different and attract customers thus maintaining the same mission statement as their original business but with the number one provider of Internet services instead.

They have already started using some of the marketing tools and techniques such as gaining publicity through sponsorship of television programmes such as X Factor and Big Brother and entering into partnership with other Internet providers such as Virgin Mobile.

Since this area is new to CPW it would be best to get some ideas or knowledge about this new market by studying the markets of its rivals since they have more experience in this area. It is important for them to know who

their customers are and their buying habits, what kind of service they are expecting to receive, so that they will know how to create a suitable package, the best time to promote their services and the easiest and most effective selling strategy to use (Ali 2001).

Carphone Warehouse could locate their rival's publicity material through advertisements or journals and adapt or transfer ideas that can help to improve services and gain competitive advantage by developing superior product/ services. They also need to keep monitoring the strategies their competitors are using, what they deliver to their customers and which ones prove to be more successful (Hart 1994).

The marketing mix is the most effective tool to use in this regard. It helps to convince customers why they should buy or use your services. It is based on the place or distribution of your product/services (Meldrum et al 1995). Base on research Carphone Warehouse has numerous shops at different locations; however distribution also includes employing specialist for service maintenance and trains their staff so as to offer good customer service in this new market of internet providers.

They also need to ensure that product/services are fully functional that is, no technical malfunctions will occur when using their services. They should be able to deliver to customers what they promise, for example, by providing workable, scalable systems so that customers are not left without internet services this would also help in their success. ([http://en.wikipedia.org/wiki/Carphone\\_Warehouse](http://en.wikipedia.org/wiki/Carphone_Warehouse) – 20-04-08)

Promotion and pricing plays an integral part in business success. It helps to inform, persuade and influence customers to buy or utilize a service. They can do this by telling potential customers about the benefits they expect to receive and promotional offers by means of television advert, press release, radio broadcast, posters, flyers and magazines. When they are advertising their mobile phone deals CPW can also add that they have become a provider of internet services along with the other promotional activities that comes with it. One of such offer is free broadband as part of a package; whereby the user signs up for a talk package Talk Talk3 and a line rental package directly from CPW instead of through an intermediary.

They can also attract customers by establishing loyalty schemes, free trials for a specified period; personalize service from trained staff and on site repairs. These techniques will reflect your commitment to the customers' which will make them more willing to use your product/services.

Price can pose a challenge since customers seeks value for money and cheaper alternatives. Carphone Warehouse will have to create a pricing strategy that will offer customers value for money but at the same time be able to cover company's cost and make a profit. It is important for Carphone Warehouse to study other company's pricing strategy since customers will compare prices and then decide were to buy and whose service to utilize. They should be flexible and have the ability to negotiate pricing especially to other retailers.

Another important technique CPW could use is customer feedback. Since the company has already form established clientele they could use

questionnaires, comment cards, focus groups or customer panels for their opinion on the new services offered through internet networking emphasising the benefits expected to receive( Ali 2001). Customers should feel competent in using their services thus forming a trustworthy relationship with the company so by writing, telephoning or even emailing them about the new services would be just like telling them about a new promotional offer or an enhancement to a product.

Endorsements and testimonials can be very helpful. People tend to believe in what others say or think about your product/services especially if it is recommended by celebrities (Baker 1989).

## CONCLUSION

Based on the extensive research done on Carphone Warehouse it can be said that in order for it to remain a success and at a competitive advantage to that of its rivals, a business that people unquestionably visit for mobile communication equipments and in extension internet services, it is important that they capitalize on the advantages changes may bring to the technological market and create a value propositions that customers will find very challenging to refuse.

Effective marketing tools and techniques are the key in ensuring that Carphone Warehouse is a success even in its new venture of internet providers. It is their responsibility to create stronger product/services that will make customers happier and ensure larger profits.

From this research I have come to the understanding that marketing as was introduced from the beginning involves a lot more than just advertising and selling but rather it look at people's behaviour, values and attitudes and manipulate these in some instances to satisfy their desire.

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