Following the marketing strategy of motorola

Motorola Inc. is a Fortune 100 multinational company which primarily deals in telecommunications and is based in America. It is one of the leaders in the electronics category which includes cell phones, pagers, semi-conductors, and microchips. It has always been in head to head competition with the Japanese rivals. Their logo was introduced in 1955 and is still being used today. Their slogan is ' Intelligence Everywhere' which means every place in the world has intelligent technology if it is using Motorola. In 2008, Motorola Inc. had a total of approximately 64, 000 employees and has revenue of over $ 30 billion. Even though with such high numbers, the market share of mobile handset division of Motorola has been declining and over all, the company is making a loss. Motorola is well known for being the pioneer of mass production of semi-conductors, and many other inventions in the field of wired and wireless technology which changed the world.

Past History

In 1928, Paul V. Galvin and Joseph E. Galvin started a new business of battery eliminators used in radios and called it ' Galvin Manufacturing Company'. Initially the numbers of employees were five in number and gradually expanded into the automobile industry by creating radio sets for cars and other vehicles. Since the company was expanding and dealing with major automobile dealers, Paul changed the name of the company from ' Galvin Manufacturing Company' to Motorola which is the combination of two words, ' Motor' and ' Victrola' meaning motion and radio. After Daniel E. Noble joined the company, he brought in major inventions like the less expensive semiconductor and two way responding radio-system, now known as walkie-talkie, which played a crucial role in World War 2. They released their first Initial Public offering in 1947 under the name of Motorola Inc. In 1948, Motorola entered into new business category of television sets and reached fourth place by selling more than hundred thousand sets in that year and also during this time, they supplied their radio sets to automotive companies like Chrysler and Ford to be installed in their respective vehicles (Net Industries, 2009).

It became the market leader in the product category of radios by positioning itself in terms of reliability and using aggressive marketing techniques. Motorola became the world's largest producer of semiconductors and developed a Research and Development facility with the idea of Daniel E. Noble (Saddler, 2001). By the year 1950, Motorola had become one of the major brands in the world with sales crossing $170 million and number of employees above 9, 000. It faced its first product disappointment in 1952 with the introduction of the first color television. The reasons for failure are major technical problems, very expensive, and the lack of color programming broadcasters. Due to this, the color television was removed from the market in 1956. Motorola radio equipment was used in space shuttles which started in 1958 with the launch of Explorer 1, and was a part of the 1969 moon landing (Wikipedia, 2009). In 1959, Paul V. Galvin died, and by then, Motorola became a market leader in radios for military, space exploration, and commercial reasons. Moreover, it had its own semiconductor facility and was a large producer of consumer electronics.

Motorola in well known for some of its early inventions which brought a huge change in the world. This includes ' pager' which is used to communicate using radio technology with an individual carrying it. ' Motrac' was used in automobiles which required very low power consumption and could be used without the car engine running. It was also the pioneer in the mass production of semi-conductors. It entered the automotive engine industry by creative affordable silicon rectifiers which are a part of alternators. It even created the 8-track cassette tape players for the automotive industry. In co-operation with National Video, Motorola created the first color picture tube for television sets.

Organizational Setup

As of year 2008, there are total 65, 000 employees working in Motorola worldwide, with revenues generated above $30 billion. Motorola Inc. is a global company with its products and services being sold worldwide. Due to its innovations and good product quality, it holds the position of reliable and latest technology products. Motorola has always been growing and expanding in size due to its research and development, and only during the dot-com bubble burst, the company faced huge losses. And recently, due to major competitions in the market and global crisis, the company is facing a loss. The type of market entry used by Motorola is revolutionary. Since Motorola has existed for decades, the evolution has helped Motorola to face challenges of business revolutions. Constant change in the working method is a part of Motorola's evolution. According to the belief of Paul Galvin, in order for a company to survive the battle of business, it needs to renew itself constantly. And it is this belief which the company follows and renews itself whenever there are market changes (Miraglia, 1994).

Industry of Operation and Product Portfolio Analysis

Motorola provides integrated communications and electronic solutions and is a global leader. Motorola's operation is in various industries. Firstly, it manufactures wireless telephones, two way radio systems, networking & Internet access products which are software enhanced for regular consumers, commercial companies, network operators, and even governmental institutions. Secondly, for broadband network operators it provides end-to-end systems delivering high quality and speed data, voice and interactive video services. Thirdly, it produces less expensive semi-conductors which can be used in wireless communication, networking and automotive industries. Fourthly, it produces systems for aerospace, telecommunications, automotive, computing, and energy system markets. Fifthly, it had business in Biometrics which it decided to sell to a French defense firm. Lastly, it manufactures consumer electronics like cell phones, television sets and picture tubes, and radio devices. Initially, Motorola was a star according to the BCG matrix as the products had high growth rate and Motorola had a relatively high market share due to less number of competitors and always leading in technology. But as the number of competitors grew in each market, Motorola on the whole fell in the area of Problem Child as even though the market has high growth rate, the relative market share of Motorola has been decreasing in all its products.

Competencies and Distinctive Capabilities, and Organizational Vulnerabilities

Motorola had major competition from the companies in Japan whose products were flooding the American market. It had lost its leadership in the pager and wireless communications category and planned to regain it by doing extensive search. They initially learnt the working from the Japanese and then later competed with them. Motorola executives set up long term goals which involved lowering costs by reducing expenses, while improving quality, and finally by doing so, regaining the market share. Extensive study was performed by the employees of Motorola, especially Managers, in order to learn the working system of the successful Japanese companies. They also boosted their annual expenditure budget, Research and Development, and budget for training of the employees worldwide. They realized the point of Paul Galvin to renew the company, and started building new plants and closed the old plants. Employees were given new high quality and enhanced technology training and increased the level of quality in every task they performed. They achieved the perfection rate of 99. 9997% which is known as the Six Sigma and were awarded the Malcolm Baldrige National Quality Award for it.

SWOT Analysis

The strengths of Motorola were firstly, their passion to innovate and lead the market by introducing new technology. Secondly, the executives of Motorola were open minded to changes & challenges and reacted appropriately towards them. Lastly Motorola had major acquisitions, business alliances and mergers with major players in the market which made Motorola even stronger as a competitor. The weaknesses of Motorola lie in the quality of operations, business practices and the products manufactured by Motorola. Firstly, the customers were very unhappy as the customer service and relation was inadequate and they were not treated well after sales. Secondly, the products manufactured by Motorola had a large number of defects in them as they were new in the market which gave them the image of being inefficient and lacking a strategy. Thirdly, the employees of Motorola lacked motivation, morale, education, and training compared to other companies, along with their out-dated management style and this is an important aspect in the operation of the company. The opportunities available for Motorola were firstly, they could learn from the existing Japanese companies which were excelling in their business and were moving forward across the world. Secondly, they could initiate new alliances, ventures, and increase their dealings with the current partners. Lastly, they could introduce a new product category and compete in that. The threats faced by Motorola were firstly, the competitors from Japan who produced high quality products keeping the price low. Secondly, the trade connections were a major problem for Motorola and the major American companies. It was hard for the American companies to penetrate the Japanese market as they preferred using the brand originated in Japan, but on the other hand Japanese brands could enter the American market with very few obstacles as the American government did not do anything to stop the Japanese competitors from entering the market. This was the same situation with other foreign competitors entering the American market. Thirdly, Japan was well known for its high quality of product, low cost, and the friendly relationship with customers. Lastly, the market share of pagers and mobile phones was decreasing of Motorola.

Along with this, Motorola faced other problems. This includes firstly, the semi-conductor industry was declining and by 2002, it was completely over which was one of the major revenues for Motorola. Secondly, the dot-com bubble burst which caused major losses to IT and electronic related companies which included Motorola. Thirdly, recession hit the U. S. market due to the dot-com bubble burst causing reduction in spending by the consumer. Fourthly, they lagged in developing and deploying the 3G technology which was introduced by the competitors before Motorola. Fifthly, the sales kept decreasing after 2002, and in 2008, their sales only reached approximately $30 billion. Sixthly, their resizing of the entire corporation worldwide was time consuming, painful, and created lots of news, both positive and negative. Lastly, Motorola only concentrated on the wireless technology which covered only half of US market, and less than half of the worldwide market. Moreover, their mobile phone technology was outdated and lagged in many features.

Market Analysis

Overall Market Analysis

According to the Porter's Five Forces analysis, the threat of substitute products, threat of new entrants, bargaining power of customers, bargaining power of suppliers, and the competitive rivalry within the industry play an important role. The threat of substitute products can be seen as the quality of semiconductors keeps changing constantly. It gets smaller, cheaper or faster. The price and the functionality changes in few months and therefore the price can fall nearly 50% of its original value (Investopeida, 2009). Moreover, the cell phone industry is so dense and demanding, that people are shifting to substitute products due to functionality, price or size. Moreover, the excessive demand which is ahead of supply creating shortage and people switching to competitors. The threat of new entrants always exists in the market for any industry, but specifically for Motorola, new entrants like Apple, LG, Samsung and other companies which were first dealing in consumer electronics have now entered the mobile phone category to compete with Motorola. Therefore, increase in new competitors and the pressure of existing competitors has reduced the market share of Motorola in all the product categories. The bargaining power of consumers is strong as the market is consumer driven and since Motorola is not a monopoly business, the consumers do have strong bargaining power as they might shift to the competitors. The bargaining power of suppliers is very less in the case of Motorola as it has created a strong and robust operation system with its suppliers globally over the Internet. In order to reduce costs and at the same time increase productivity, Motorola had to reduce the time frame and the efforts required to negotiate with the suppliers, organize the process and to increase efficiency while saving costs. The most convenient way was via the Internet. The suppliers were connected with Motorola over the Internet and various functions like bidding, negotiating, and purchasing can be done between the suppliers. Motorola also issued awards towards the suppliers for their efforts and excellent service which created competition amongst suppliers (Informs, 2005). The competitive rivalry within the industry is prominent as technology evolves rapidly and innovative products are launched by the existing competitors. Motorola’s main competitors in the area of mobile phones were Nokia, Erickson, Lucent and Nortel. Nokia crossed Motorola in terms of sales and became the world leader. Erickson joined Sony and Sony-Erickson was formed which took over the second position of Motorola.

Marketing Mix

The 4 P’s involved with a communications giant like Motorola is very important as they are directly linked to the customer’s preference.

Product

For a successful marketing mix, creating the product according to the demand in the market is very important. The major products in the portfolio of Motorola include mobile phones whose technology changes frequently with new features added every time, Internet services which include video phones and TV through broadband cables, wired and wireless networking equipment to link different networks worldwide, and to provide solutions to businesses, industries, and government in areas of information technology and communication.

Price

The price is an important factor as it decides the level of interest of the consumer towards the product. Higher prices than required will not attract adequate consumers, and lower prices will be considered as cheap quality products. Usually in the technology sector, the prices are directly linked with the product life cycle. During the introduction phase, prices are comparatively high as the product is new in the market and there is no direct competition. Therefore to skim the market and cover up the Research and Development cost, the prices are set high. To initiate the growth stage, the prices are reduced which results in increase in sales. During maturity stage, promotional offers are added to increase the sales. And during decline stage, either a newly advanced technology product is introduced as its successor or only few changes are made and a new variant is introduced. Depending on the technology and the ease of imitation, the product enjoys high pricing. If the product is highly advanced and hard to imitate, then it enjoys high prices for a long time.

Place

The place of distribution is very important as it should be convenient for the consumer to access it and should be available at various locations. Motorola has several distributors around the globe which form the medium of retailers for the consumers. In every country, there are certain retailers where Motorola products are available. Like Dubai has Cellucom, Plugins, Carrefour, etc. Similarly, the network providers in respective countries provide Motorola products too.

Promotion

Motorola performs both above the line and below the line forms of advertising. The type of promotion mix used directly depends on the product life cycle as during the launch of the product extensive promotion is done throughout the globe. During growth stage the budget is reduced but not cut completely. During maturity stage, the budget for promotion is increased in order to recall the consumers of the product and the brand in general. During the decline phase promotions like offers and discounts are introduced.

Customer Value and Analysis

Providing best value to the Consumer is very important as the consumers always expect higher perceived benefits and comparatively low price. Since Motorola has large number of competitors and the boom in the product category of mobile phones, it is very important for Motorola to segment the market, understand the needs of the different type of consumers and provide products accordingly. Currently, mobile phones and other forms of wireless communications have become very common and available to everyone. Therefore, every consumer belongs to the target market of Motorola. But it can be segmented into two groups, Casual segment and Business Segment. The requirements and the expectations of both these segments differ widely from each other and the customer value depends on the segment. The casual segment includes consumers of both genders, all age groups, and people who use the mobile phone for regular usage like calling, messaging, listening to music, taking photographs, etc. It typically includes teenagers, students, professionals excluding businessmen, housewives, etc who use the mobile phone for recreational purposes only. They comprise of 30% of the total mobile phone consumer market. Their use of the mobile phone is comparatively less when compared to the other segment. Their main criteria's of concern are the cost, ease of use, the type of technology, the recreational features offered, the durability of the product, and the overall value of the product. Motorola has introduced many products like Razr and Pebl collection of mobile phones which cater this segment. Whereas the other segment, that is the business segment comprises of the remaining 70% of the total mobile phone user population. Their main criteria's of concern are the ability to use business functions like email and internet connectivity, organizers, synchronization with computers, reminder function, maximum coverage, battery life and voice clarity, and other functional uses. Price is not an important issue for them as they don’t mind paying premium price for a good quality product which is technological advanced.

Marketing Strategy

Motorola Inc. is renewing itself once again by concentrating and focusing on the consumer’s needs and expectations from the products. Their previous products were customer oriented but did not completely satisfy the customer’s expectation leading to the decrease in the market share of mobile phones from the year 2007 onwards. The products were repetitive and did not have any latest technology advancement. Many workers were laid off and the mobile phone division posted a loss of $1. 4 billion. Motorola tried selling their mobile phone division, but there were no potential buyers. The market share decreased from 18. 4% in 2007 to 9. 7 in 2008 (Wikipedia, 2009). According to the chief marketing officer of Motorola, the company was not changing its products in terms of colors, functions, design, etc, but whereas it was changing on the whole in terms of the experience of the consumers with the Motorola products. For people interested in using the mobile phone device as a music player, a new series was introduced known as the Rokr series which had advanced music features, better sound output, easy to use and advanced music software, and a special Bluetooth wireless headphone for the ease of listening to music. It even formed an alliance with Napster to ease the use of loading the songs through the computer and to download them, similar to iTunes and Apple iPhone. This series is specially created to cater the niche of music lovers. It is even launching the new Z8 mobile phone which will have advanced features like mobile TV, music, and movie playing. Along with the new releases, it will continue its tagline known as ‘ Hello Moto’ as it has proved to be a major success (Cuneo, 2007).

Motorola previously was working with 180 advertising agencies across the globe. This way, the agencies could not understand the company with its past history and the present statistics, and therefore their marketing campaigns did not follow an integrated pattern. Therefore, Motorola decided to cut off mostly all the agencies and continue working with a couple of them and form a long term bond with them, so that they can focus on the company. This way, they will be able to have an Integrated Marketing Campaign around the globe and not separate campaigns which do not relate to each other (Cuneo, 2007).

The investors of Motorola are expecting profits from the company by changing its pricing strategy. Motorola cannot win in price war against Nokia, as Nokia has numerous varieties of phones catering each segment in the market. Therefore the only way to increase profit is to reduce cost. Currently, Motorola outsources more than 50% of its production of mobile phones which increases costs. Moreover, their staff salaries and numbers are comparatively higher than its competitors. So in order to reduce cost, Motorola must shift the production of cell phones in-house in order to control costs and to react to the market demand, and lower the wages of the staff or lay off some employees. Moreover, the research and development cost is very high but the rivals are introducing better technology earlier than Motorola. Therefore it requires revision in that area. If the costs are reduced, the rate of profit will increase and this way Motorola can introduce more models in the market (Carew, 2007).

Conclusion

Motorola Inc. has a history over decades and was once a market leader in its business. Its major strengths were research and development in terms of technology, and the position of extreme reliability of the product. Due to various factors during the dot-com bubble burst, the company is finding hard to lead in its business. Moreover, earlier Motorola was able to compete head-to-head with its Japanese rivals, but recently, Motorola is finding it hard to compete against rivals like Nokia, Sony-Erickson, etc. This is due to old-fashioned management style, lagging in terms of technology advancements, and various other factors. Motorola Inc. must restructure itself and be focused towards its consumers, understand their needs and expectations from the products and provide maximum Customer Value.