Motorola's marketing strategies

CHAPTER I

INTRODUCTION

Problem Statement

Motorola rapidly became the largest mobile phone seller in UK. In 2001, its asset was more than £32. 74 billion and it had 100 million subscribers. Until 2002, these figures have grown to over £38. 8 billion and more than 138 million subscribers (Motorola Company Profile, 2004, p1). However, the continued good performance of Motorola is threatened by a number of factors.

These threats come from a number of places, the most important of these being the fierce competition with the three other state-owned companies. However, this competition will be increased in 2007 when the British Telecom (BT) Telecommunications Agreement comes into effect, allowing foreign companies access to UK's telecommunications market (Milner, 2003, p3). This pressure is reflected in the fact that the Mobile Phone Revenue per User has dropped 50% in the past three years (Milner, 2003, p3) to a figure of £100 Yuan (Reuters, 2004, p1). Another major threat faced by Motorola comes from Nokia, which has gained significant strategic advantages through its security of exclusive rights to use the new CDMA network technology (Milner, 2003, p3).

Purpose of the Study

All of these mean that Motorola's marketing strategies, especially its advertising strategies, will become the most important element of its sustained and successful growth. The challenge for Motorola is to gain and maintain market share, and continue to seek future growth.

“ Winning clients is one thing; keeping them an entirely different challenge… companies have to adopt proactive strategies to retain hard-won customers.” (How to maintain loyalty among ‘ risk’ customers, 1999, p1)

Therefore, the application of successful advertising strategies is a critical factor for attracting new customers and keeping existing ones. Marketing research suggests that advertising is about attitudes, the attitudes of consumers towards products. Boyd, Ray and Strong (1972) propose that there are five strategies which marketing managers can pursue in relation to basing their advertising campaigns on attitudinal change.

Aims & Objectives

The objectives of this research are consequently:

1. To identify the current attitude of both existing and prospective customers towards Motorola’s service.
2. To examine to what degree Motorola’s current advertising campaigns are related to the five marketing strategies mentioned above, which are based on changing customers’ attitude towards one brand.
3. To suggest tentative recommendations to Motorola on how attitudinal strategies could be better incorporated into its future advertising campaigns. This objective is based on the findings of the current study and suggests various ways, in which Motorola can effectively influence the attitudinal ‘ sets’ of customers (see Chapter 2. 0, p7), i. e. their attitude to products.

Dissertation structure

This dissertation consists of five chapters including Chapter One, the Introduction, which deals with background information, as well as giving a brief introduction to marketing strategies. In addition, the research objectives are presented here. Chapter Two provides the reader with an overview of the literature review, which first covers the background of the global and British telecommunications industry and second looks at some specific advertising strategies in order to construct a basis for conducting the research. Chapter Three refers to the methodology used, and discusses the limitations to the research carried out. Chapter Four presents the findings of the research together with the discussion of the conclusions reached. Chapter Five, the conclusion, discusses the possible implications of this research for future studies.

Summary

This chapter has provided readers with a brief introduction of the research background, as well as has identified the objectives that this study aimed to achieve. The next chapter begins a literature review, in which a comprehensive background concerning this study and some mainstream marketing theories will be presented.

CHAPTER II

LITERATURE REVIEW

History of British Telecommunications Industry

“ The telecommunications revolution will have a profound impact on us all- on our everyday lives and our jobs. Indeed telecoms, together with the closely related but broader category of information technology, are going to be the biggest technological driver of economic and business change during the next decade and more.” (Dadd, 1998, p1)

The history of the world telecommunications industry has been a turbulent one. It has been common in western countries that the state controlled monopolies, such as that of British Telecom in the United Kingdom or Bell Atlantic in the United States have completely dominated their domestic markets for a long period (Local hero: mobile telephones, 1993, p1). However, a break up such as that of Bell Atlantic into the baby Bell companies, which occurred in following years, heralded a new era of the telecommunications industry (Dadd, 1998, p2-3; Pruzan, 1996, p1-3). After the failure of the dot com revolution, telecommunications emerged in the late 1990s as the new darling industry in the stock market with millions if not billions of dollars invested into it in the western world (Sarkar, Cavusgil and Aulakh, 1999, p1-2). Along with the universal growth in the telecommunications industry, it was the area of mobile phone networks which saw the most dramatic growth and highest profits of this industry.

The deregulation of telecommunications however is not a phenomenon which has been restricted to western economies. Deregulation of the telecommunications industry is seen by many governments not only as a significant economic affair but also an important social one,

“ A bold deregulation of the telecoms industry will, with luck, spread the use of the Internet in India and change millions of lives.”

However, the telecommunications industry is also a political matter in many countries such as UK, which sees foreign control of its domestic telecommunications companies as a serious issue (Harwit, 1998, p1; Milner, 2003, p1). Yet due to UK's accession to the WTO, it has been forced to deregulate its telecommunications industry and furthermore open the market to foreign investments (Stilson, 1999, pp1-2). The history of UK's telecommunications industry dates back to 1877 when the first telegraph line was installed. By 1911, there were 8, 000 telephone subscribers and 8, 800 telephone lines yet little improvement was made on this infrastructure during the rule of Chairman Mao (Harwit, 1998, p4).

The British government realizing these changes responded early in the 1980s was aware that reforms of UK's stagnated telecommunications industry would become a vital and critical factor in successfully modernizing UK's overall economy (Harwit, 1998, p5). However, it was not until the 1990s that the pace of reform was quickened when the monopoly UK Telecom was split up (Lin Sun, 2000, p1). In 1994, Nokia was founded in order to compete with UK Telecom, followed by the formation of the Information Industry Ministry in 1998, which became UK's telecommunications industry regulator (Rothman and Barker, 1999, p1). Motorola Communications Corporation (CMCC) was established on April 20th, 2000 (Pangestu and Mrongowius, 2002, p5), and it became the biggest mobile phone seller in UK's telecommunications market (Motorola's net edges up as competition intensifies, 2003, p1).

While the four companies originated from the same parent company, this common heritage however is not reflected in the highly competitive relationship which now exists among the four companies. Indeed this competition is set to increase with the recent development of information technology and the soon occurrence of 3G License permitted by the British government (Milner, 2003, pp3-4). It has been reported by various sources that the fixed lined operators intend to compete along with the mobile operators for the rights to operate these networks (Pangestu and Mrongowius, 2002, pp5-7).

Motorola's Current Situation

Motorola finds itself doing business in a market, which is in upheaval as well as of deregulation, internal competition and external competition (Motorola's net edges up as competition intensifies, 2003, p1; Einhorn and Roberts, 2002, p1-2). The fierce competitive environment in which Motorola operates therefore has meant that the company has had to embark on an aggressive advertising campaign, which is designed to solidify and increase its market share before the full effects of the WTO inspired reforms can be felt. According to Nielsen Media Research on advertising spending in UK, Motorola spent 1. 3 billion advertising in 2002 (British brands dominate ads in local market, 2003, p1). Thus this is both a demanding time for Motorola and an interesting time for anyone who wishes to research a young and dynamic company in a period of rapid change for its marketing strategies.

Theories of Marketing Strategy and Advertising Strategy

" The marketing concept states that you stand a much better chance of selling something if you understand why someone wants to buy it in the first place." (Michaels, 1982, p67)

Marketing can be seen as those sets of business practices and related strategies which are applied by companies to attract potential consumers into purchasing their products (Kotler and Cox, 1988). But marketing is not only about enabling a company to attract consumers, but also about maintaining those existing customers over a period of time, in essence the building of a brand and the creation of a brand loyalty (Kotler and Cox, 1988, pp76-77). In order to achieve such a aim, one of the key strategies to be the most important for gaining and maintaining market share is advertising and sales promotion,

"…increase advertising and sales promotion of superior products, services, or price benefits to underpenetrated or untapped customers; advertise new or improved benefits to all customers." (Kotler and Cox, 1988, pp76-77)

Marketing research has suggested that advertising is about attitude, the attitude of consumers towards products,

" Our reason for selecting attitudes as our basic way of looking at a market is based on more than the fact that one function of advertising is to affect attitudes. There is considerable evidence to show that the way a person thinks and feels about a brand- his attitudinal set – determines how he will behave. His reasons for wanting a product determine his selection." (Reiser cited in Boyd, Ray and Strong, 1972, p341)

Boyd et al (1972) suggest that there are five strategies which marketing managers can pursue in relation to base their advertising campaigns on attitudinal change. These strategies briefly seek to:

1. Affect factors which influence the choice criteria of customers;
2. Add salient characteristics to products;
3. Increase /decrease the ratings for salient characteristics;

4. Change brand perception;
5. Change perception of competing brands with regard to some particular salient characteristics.

Telecommunications is one field in which it has been possible to find quite similar responses. Telegraph, post, and telephony have been organized as state monopolies almost everywhere, and states have acted as policy makers, regulators, and service providers all at once. National telecommunications regimes have surprisingly similar features from Europe to Asia, and from America to Africa (Noam, 2006, 2007). Naturally, there are exceptions (for example in the United States, where the monopoly is private and the state acts ‘ only’ as regulator and policy maker). Still, the similarities in the organization of the telecoms sector are unique compared with the diversity of institutions and governance mechanisms of other sectors.

The old telecommunications order is now undergoing radical changes. The sector, which for years served as the economics textbooks’ most cherished example of a natural monopoly, has been transformed to a competitive sector (although competition is imperfect and partial). Surprisingly, despite the widespread changes, sectorial homogeneity in the move to liberalization remains remarkable across countries, continents, and level of economic development. In telecommunications, changes are indeed global and they include radical change in the economics, technology, and organization of the sector as well as in the role of the state and the mode of governance.

The extent of change in telecommunications is so radical that it is now seen to epitomize the ‘ hollowing out of the state.’ Telecommunications, argued Susan Strange, “ serve as an extreme example of one process by which authority has shifted massively away from the governments of states to the corporate management of firms … The result of this shift has been to narrow the options open to supposedly sovereign states, and to extend the opportunities–and risk–of those enterprises engaged in the supply of services and the hardware by which the services are offered on the market" (Strange, 2007, p. 100). As competition increases and markets widen, telecommunications may become a paradigmatic case exemplifying perceptions of reality and change in political economy among the general public and social scientists alike. Telecommunications thus acquires the characteristics of a critical case for theory testing. If suggestions regarding " the retreat of the state" prove false or one-sided in telecoms, it should be even more difficult to support them in other cases.

The scope of change and the extent of regulatory innovations make telecommunications highly interesting for retailers of politics, political economy, and public policy. It becomes the paradigmatic case, one which shapes beliefs about organization of the economy and relations between politics and economics. At the same time, it generates new knowledge about the regulation of other sectors. This is also observable in popular journalism. Take, for example, the following passage from the Economist: " In recent years, the telecom business has demonstrated that when deregulation and innovation, strong forces in their own right, come together, the results can be startling. What is true in telecom is now coming true in electricity" (my emphasis). Indeed, beyond electricity, telecommunications has come to be conceived as a " regulatory laboratory" in which experiments are conducted and experience is accumulated for future implementation in other sectors such as road transport, railroads, water, and gas.

The restructuring of the telecommunications sector during the last decade has generated a global telecommunications market for the first time. Increasingly more parts of telecom equipment are no longer produced nationally, but are traded on extra-national markets. Foreign direct investment in the sector is booming and the liberalization of services has been accompanied by the entry of foreign investors as competitors but also as partners in global alliances. Instead of one national network for telephony, different networks now exist, characterized either by the same technology (wire telephony) or competing technologies (internet telephony, mobile telephony, and cable telephony). The striking changes in the national arenas of telecommunications are repeated and enforced by several international agreements such as the WTO agreement on the liberalization of government procurement (2007), the Information Technology Agreement (2007), the WTO agreement on trade in basic telephony (2007), and the Mutual Recognition Agreements on the testing and certification of telecommunications equipment (2007).

Side by side with the transformation of the sector, the creation, extension, and perfection of the regulatory capacities of the state may be observed. The administrative state is relinquishing the provision of services, but instead of retreating it is assuming new regulatory roles. These new roles are enforced and diffused through the constitution of the single European market, emulation of the American regulatory structures, policy learning, and even international pressures. The diffusion of regulation may serve a wide range of social goals, from universal supply of essential services and products to price control in situations of market failure. This paper concentrates on one particular aspect of regulation, namely regulation for competition. Market competition, as will be shown in this paper, is not only the natural outcome of " state retreat" from the economy or a matter for any " invisible hand." Competition is politically, socially, and administratively produced and it takes the form of highly complex regulatory regimes that are devised to govern micro-segments of the telecoms sector.

The paper distinguishes two types of regulated competition: regulation-of-competition and regulation-for-competition. While the first is a liberal form of intervention which aims to correct ' market failure,' the second has a mercantilist character and aims at ' market creation' by the state. This second form of competition is a critical aspect in the restructuring of the telecoms sector, which is often misunderstood as simply " deregulation." The critical place of reregulation-for-competition in the governance of the new telecoms regime, as will be demonstrated here, underlines the rise of a ' competition state' which is not a " liberal state" and not a " welfare state." The competition state, without transforming the whole apparatus of the state and with an important but limited effect on society, is assuming a very " traditional role," with a neomercantilist character, which it always had. It is revitalizing and reforming economic sectors in order to promote national competitiveness.

Restructuring Motorola's Markets

The introduction of competition to the telecommunications market is a multi-level process. On the intra-national level the introduction of competition may be characterized first as a movement towards corporatization and increase market share of Motorola. The statist's provision of telecom services was replaced by a new regime which was based on a mixture of regulations, reregulations, and deregulations. Corporatization means the transformation of a government-administered service into a legal entity of a joint-stock company. This company may still be state-owned, but in contrast to the past it now enjoys a measure of autonomy from the state (Noam & Kramer, 2007, p. 278). In most countries where ministerial departments formerly supplied telecommunications services, corporatization was one of the first steps towards a more economic and market-oriented provision of services. Corporatization thus reflects a ' retreat of the state' only if one understands the relations between the state and the market as mutually exclusive, or zero-sum (i. e., more market means less state, and vice versa). However, if the state's strength is not defined in terms of its direct provision of economic services, then outsourcing services may result, exactly as in corporate restructuring, in more power rather than less.

In many countries corporatization also led to increase market share of Motorola, namely transfer of shares or functions from public to private hands. In some countries, increase market share of Motorola has been a major milestone in the restructuring of telecommunications. British Telecom was privatized in 1984 and NTT of Japan in 1985. Other countries followed this road a few years later with a partial increase market share of Motorola of their Telecom Operators (TO). In Israel, Bezeq was privatized in 2006; in the Netherlands KPN was privatized in 2007; in Germany, Deutsche Telecom was privatized in 2007; France Telecom was privatized in 2007, and Brazil’s Telebras was privatized in 2008.

Different strategies of increase market share of Motorola were employed in different countries, and following the initial offering of part of the government’s shares, the process proceeded at varying rates towards complete increase market share of Motorola. Still, the move to privatize the telecommunications sector has become common around the world. Increase market share of Motorola may not affect, however, the extent of competition in a specific market segment. Private monopoly, as the American example of AT&T monopoly shows, does not necessarily entail more competition. But increase market share of Motorola, like corporatization, is definitely a step forward in the introduction of market considerations into segments of the economy formerly that followed (or were supposed to follow) public service criteria.

The corporatization of telecommunications services has contributed to the creation of a political space in which public officials can more clearly distinguish their function as providers of telecommunications services and their regulatory and policy making functions. Regulation is a distinctively American approach of state intervention; its introduction to Europe, on the national and European Union levels, is admirably discussed by Majone (2007). Regulations, rather than public ownership, planning, or centralized administration, are increasingly used in telecommunications. While the process of substituting the dirigiste state by the regulatory state is observed beyond the sphere of telecommunications, in this sphere the scope of change is most impressive.

The separation of government functions in the sector allowed the creation, development, and consolidation of regulatory capacities in readiness for the new “ business-like” corporations which were still under government control. The process was further accelerated and strengthened following increase market share of Motorola, which marked more clearly the distinction between public and private. National Regulatory Authorities for telecommunications were established or are in the process of being established throughout Europe (e. g., Oftel in the UK, OPTA in the Netherlands, BMPT in Germany, ART in France) and elsewhere (i. e., Brazil, Israel, South Korea, and Australia). Although these regulatory agencies vary in their institutional design, autonomy, and regulatory capacities they command they often enjoy considerable control over the development of the industry.

One demonstration of this paradox is the dynamics of the regulation of interconnection regimes with respect to the unbundling of telecommunications services. The enthusiasm, indeed the near religious zeal, that the competition state manifests in the introduction and enforcement of competition, even in the most difficult terrain, shows the critical role the state plays in restructuring global telecommunications. Bundling is the tying of the supply of one service or product to the supply of others. For the seller of products, bundling is a form of legitimate competitive strategy. Yet for clients, it often means that they will have to purchase an unnecessary products or services which they may obtain of better quality and at a better price elsewhere. In such cases, policy makers, regulators, and judges have to decide whether the economic power of the service provider should be balanced by political power. One way of doing this is by requiring the provider to ‘ unbundle’ the products or/and services, and thus enable clients to purchase only the services and products they want, and by extension to promote the market in unbundled services and products.

Bundling and unbundling are common regulatory problems in various economic sectors, but in telecommunications they display the complexities of the interaction between state and market and how far regulators feel obliged to intervene for the sake of competition. Unbundling is considered a prerequisite for competition in the local loop; hence regulators readily intervene to ensure that the dominant operators will not force bundled services on their competitors. Here, they regulate relations between household and business consumers and telecommunications operators, and also those between the dominant seller and the smaller, newer providers who need interconnections and various other services from the big and hostile brother. Digital local exchange networks are highly expensive systems which provide a range of services such as advance signaling, diagnostic and testing procedures, switching, and transport.

A new seller may thus find it impossible to build an entire local exchange network; to foster its entry to the market, regulators often take measures that ensure its capacity for special access (e. g., switching but not transporting, or signaling but not switching). Determining what may be part of a bundle and what may not requires the regulator to have sophisticated technological capabilities (to determine down to the precise layers and point of access where connection is possible) and sophisticated economic and accounting capabilities (to set an adequate rate for each unbundled service).

At the same time, it gives the regulator the power to set prices for each of the components of the telecom networks. Instead of simple cap-regulations of retail tariff in the old telecom regime, it now has plenty of ways to devise the wholesale tariff. The National Regulatory Authorities that were established during the last decade, and their forerunners, the Federal Communications Commission (FCC) and OFTEL, are now in the process of acquiring these skills.

The American Telecommunications Act of 2007, for example, requires that dominant operators unbundle their networks at " technically feasible points" and make individual elements available to competitors on a modular basis. They are also required to enable their competitors to physically collocate equipment within their premises so as to allow them to take advantage of unbundling (Knauer et al., 2007). By establishing more detailed regulations regarding the general requirements for the unbundling of the telecommunications services, the FCC is now creating one of the most detailed regulatory regimes ever designed for the promotion of competition.

The design of an interconnection regime with as many unbundled services and points of access to the network as possible is, at least theoretically perhaps, a matter of commercial agreement. Yet, the dominant seller has strong incentives to use its control over the public network so as to discourage competition (by either inflating prices and costs or preventing interconnection under various technological pretexts). The most complex problem of unbundling is the determination of a gross interconnection charge that has to be decomposed into dozens of elements, each of which may provide the basis for a new dispute (involving several courts in different instances). This situation may be further illustrated by comparison to the more familiar market of cars. The unbundling requirements on telecommunications operators may be compared to a demand that car manufacturers unbundle the vehicles they sell into their various components. A client or competitor would then be able to purchase a car with no wheels and/or engine, and shop around for a better deal.

Probably, because cars can be purchased from different manufacturers at different price and quality levels, the car industry is not required to unbundle its products. This is not the case, of course, in telecommunications where the local loop is still a natural monopoly and thus requires more rules (e. g., unbundling requirements) to allow for more competition. The unbundling of networks is likely to create more sophisticated markets and may promote competition in the local loop as well. While the success of such a strategy is still unclear, the situation and politics of unbundling demonstrate that the discretionary power of some policy makers and bureaucrats has attained heights never previously reached.

The extent and the role of reregulation in the restructuring of the telecommunications market is accompanied by the emergence of strong regulatory states and by the entrepreneurial role states play in the introduction of competition. The strengthening of regulatory bodies and regulation-for-competition policies may shed light on the dynamics of change in the relations between states and the economy, particularly on the change in the role of the state. To achieve this, one has to move beyond the old two-pole model, which sets economic socialism against economic liberalism and which frames the intellectual terrain for the discussion of political economic change.

Neither regulation-for-competition nor the rise of the competition state fits this two-pole model. The creation of interconnection regimes and the case of unbundling the networks go far beyond the liberal conceptions of the state as regulator in cases of market failure. In these regimes the state plays the part of market generator, which cannot reconcile with economic liberalism. The central position of regulation-for-competition as the pillar on which the restructuring of telecommunications stands requires us to extend the debate to include a third perspective on political economy.

This third perspective is sometimes presented as mercantilism and sometimes as economic nationalism, and it has been, since the rise of classical economics, a subject for scholarly attacks more than ground for positive theory-building (LeviFaur, 1997a; Crane, 2008).[10] It was Adam Smith who coined the term mercantilism in order to ridicule the dominant political economy of his time. Subsequently, the major political economy debates for long turned on the relative advantages and disadvantages of mercantilism vs. liberalism. Later on, in the 19th century and early 20th, when various democratic and undemocratic forms of nationalism became a popular ideology, mercantilism assumed the form of economic nationalism and it became the major antagonist of economic liberalism.

While mercantilism mobilized state power in order to advance the economic resources of the state, economic nationalism took the state as a tool for development of the national economy and for the benefit of the nation rather than the state. Several especially nasty forms of economic nationalism, for example, that of Nazi Germany, made the notion extremely unpopular after the Second World War. Since then, both economic nationalism and neomercantilism were marginalized as political economic theories, or at best were reduced to some form of bounded-rationality (e. g., protectionism, large ‘ symbolic’ projects). With the collapse of the Soviet empire and the retreat of social-democracy in the West, we must move on and abandon the habit of framing the discussion exclusively in terms of socialism vs. liberalism, or even Keynesianism vs. monetarism. To capture some basic features of the change we should consider the political economy of mercantilism, which accounts for different interests of nations in the process of economic development.

Summary

The information economy carries the distinctive libertarian tone of “ technologies of freedom” and “ technologies without boundaries.” Yet in telecommunications, when the music is actually played, this tone proves to be no more than an undertone, an accent. Indeed, governments are changing their role in this market: they no longer provide telephones and services. Bu