

The marketing strategy of motorola marketing essay



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\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [CHAPTER I](#) \n \t
2. [INTRODUCTION](#) \n \t
3. [CHAPTER II](#) \n \t
4. [LITERATURE REVIEW](#) \n \t
5. [Motorola's Current Situation](#) \n \t
6. [Marketing Mix](#) \n \t
7. [Product Life Cycle: Motorola RAZR](#) \n \t
8. [SWOT Analysis](#) \n \t
9. [Porter's Five Forces](#) \n

\n[/toc]\n \n

This study aims to analyze and critically discuss the marketing strategy of Motorola with perspective of the UK mobile phone market. The study will analyse and focus on Motorola's SWOT analysis, market segmentation, marketing strategy; Porter Five force Model and Competition analysis. The study will explaining each of the above mentioned terms in detail and will compare Motorola's marketing strategy with that of its biggest competitor i. e. Nokia. Finally the study will conclude with recommendations as to how marketing will help Motorola to compete with its competitors (primarily Nokia) and how they can increase their market share in the UK mobile market.

CHAPTER I

INTRODUCTION

Problem Statement

Motorola rapidly became the largest mobile phone seller in UK. In 2006, its asset was more than £32. 74 billion and it had 100 million subscribers. Until 2007, these figures have grown to over £38. 8 billion and more than 138 million subscribers (Motorola Company Profile, 2009, 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 (Crane, 2008, p3). This pressure is reflected in the fact that the Mobile Phone Revenue per User has dropped 50% in the past three years (Crane, 2008, p3) to a figure of £100 Yuan (Reuters, 2009, 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 (Crane, 2008, 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, 2009, 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 (2007) 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:

To identify the current attitude of both existing and prospective customers towards Motorola’s service.

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.

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. 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

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 <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

net edges up as competition intensifies, 2008, p1; Einhorn and Roberts, 2007, 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 2007 (British brands dominate ads in local market, 2008, 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.

Marketing Mix

PRODUCT

A slick fashion handset that is a visible statement of the owners' tastes and values.

Sheer eye-catching colour (magenta) for females that love fashion and want to be noticed

Embodies all the great features of the V3 RAZR but not in boring black or silver.

Carry the same handset as your favourite Hollywood star

PRICE

£599 on launch, now in the mid-tier at £299

Most dealers offer repayment plans that allow the customer to pay off the phone over a 12 or 24 month period.

Some plans offer a free phone, or a small monthly charge provided you stay connected for a minimum period

PLACE / DISTRIBUTION

Initially limited edition (pre-order only), now readily available at all mobile dealerships

PROMOTION

Promotional samples to “cool” celebrities i. e. Paris Hilton, Mischa Barton, Kirsten Dunst, before release date

Fashion Week/ Fashion Show sponsorships

Target audience magazines : New Woman, In Style, Marie Claire

Online Competitions

Billboards and Bus Stops

Hype created on fashion forums, and web blogs* Fashion handset: whereby the consumers purchase decision is based largely on the aesthetics of the device.

The major appeal was that supply could not meet demand, i. e. if everybody had them, they would lose their cool and individuality. “IT” celebrities were photographed with the handset prior to its release. Web blogs and fashion

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forums proved that the target group was desperate to get their hands on the MVPR. They wanted to join the ranks of their favourite celebrities – Mischa Barton, Paris Hilton, Eva Longoria, and Kirsten Dunst. When this celebrity brat pack is seen with anything new and fashionable it is coveted by girls worldwide, and this strategy was very successful for Motorola.

Due to the success of the limited edition Pink RAZR V3, Motorola decided to launch another limited edition Pink RAZR V3- this time endorsed with Maria Sharapova's signature. The phone was not as successful, and not perceived as "fashionable" as those indirectly endorsed by Hollywood celebrities.

However the demand for the standard Pink RAZR V3 remained high and was soon available readily to the public, almost three months later. By December 2005 there were new entrants to the fashion handset market and the Pink RAZR was losing market share. The Pink RAZR V3's price was reduced, just before the launch of the Pink RAZR V3i.

Product Life Cycle: Motorola RAZR

Motorola mobile phones in general have reached maturity stage in the system life cycle. However the Motorola RAZR is a new mobile phone as can be described as being in the late stages of the introductory stage and the early stages of the growth stage. This is because the Motorola RAZR has come into the market in October 2004 and therefore is quite and people including the target market know about the Motorola RAZR and more people are buying it. The sales of the Motorola RAZR expanded during the Christmas Period bringing it to the early stages of growth in the product life cycle.

Currently Motorola are trying to extend their product life cycle. At the

moment Motorola mobile phones has reached maturity stage they are trying <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

to make sure that the product does not go into decline. It can do this in several ways: -

It is promoting its product more frequently through TV, Internet, magazines, leaflets, radio and posters.

Finding new markets. Motorola have introduced their mobile phones to other countries such as Asia and other parts of Europe.

Developing new distribution channels. The Internet is a major new distribution market that Motorola are currently using. Customers can now purchase their mobile phones on their website. There is also the possibility of purchasing the new mobile phones early before they reach the retail outlets. Also Motorola distribute their phones to online mobile shops such as dial a phone, where they sell the phone at special rates.

Motorola keep updating their phone ranges. For example the RAZR will soon have an updated version of this phone called the RAZR 2, which provides an integrated camera.

Introducing new services such as Internet and picture messaging. Also new Motorola phones provide new facilities such as Radio and Games.

Provide the opportunity to upgrade their phones on their website this helps obtain brand loyalty as well as extending the PLC of Motorola phones.

Enhancements. While not everyone may be able to constantly change their mobile phones Motorola provide the ability to change covers, download games from their website and change ring tones.

SWOT Analysis

Motorola's expansion into this market can provide both social and economic development for the consumers in the bottom of the pyramid demographic.

The use of mobile technology to this market segment can provide for example, regional farmers in developing countries an ability to become more productive in farming by communicating with their suppliers and customers on a more efficient basis. This can increase profits for these farmers, removing dependence on face-to-face communication and poor transportation infrastructure in the areas they inhabit.

Strengths

Well established brand with close to 20% world market share in UK and £42.9 Million in sales in 2006 (Jaroudi, L. 2007)

The world's second largest Mobile phone manufacturer (Hunt, B. 2005)

Large factory bases to take advantage of economies of scale to produce quality mobile phones at extremely low cost (Motorola. com 2008).

Established deal with GSM Association that won the rights (out of 17 competitors) to supply low-cost mobile phone under the Emerging Markets Handset Program in 2005 to 700 million consumers in UK (Hunt, B. 2005)

Weaknesses

Lack of operation in regional areas where high percentage of target market is located

Main focus of company is to be benchmark of innovative technology, therefore company not structured to focus on low-cost and basic technology to bottom of pyramid consumer base

Company focus traditionally towards profit margins, not the low margin high volume sales which this product will drive

Reliance on service providers to create service that will be supplement Motorola's product, having an influence on sales-Marketing products to Bottom of Pyramid consumers may be considered unethical and can effect reputation of Motorola.

Opportunities

Bottom of Pyramid market consists of around 4 billion people, to which 70 million consumers will be directly focused. Represents a buying power of £14 trillion and has potential to expand Motorola to becoming market share leader ahead of rival competitor Nokia, LG and Samsung.

Opportunity to potentially satisfy market with other products in future of a low-cost fashion, where Motorola would serve as a recognizable brand and have edge over competitors.

Increased profits by expansion into this new target market can provide for more capital for R&D to become market leader in technological innovations- Low cost phones can be additionally marketed for higher age bracket consumers who require a basic phone for sole purpose of voice calls.

By lowering the price of the phone further to £20 many poorer countries would consider the product affordability increase by 43% and it would take less than a month's average income for a person to buy a phone at a cost of £30, in comparison to 1.4 months of salary if the cost was £50 (Buckman, R. 2005)

Threats

Mobile phones are not currently part of the bottom of pyramid demographics' cultures and therefore may be some inertia to this product-Service providers may not be able provide affordable service costs for bottom of pyramid consumers in their regional areas which potentially can dramatically reduce sale numbers.

Due to the threat above, service providers may not construct cellular towers to obtain reception in such areas-Governments impose taxes for example in both Turkey and Bangladesh where anyone who purchases a new mobile phone must pay a £15 connection tax which accounts for almost half the cost of the RAZR handset making this less affordable (Unknown, 2005)

The developing-Distribution costs add a margin on top of the wholesale price of £40 for those countries where distribution channels are more developed which is evident in few developing countries (Buckman, R. 2005).

In response to seeing Motorola's growth story other phone markers are seeking to enter the market and take a share of the market (Buckman, R. 2005).

Logistical issue in distributing product due to poor roads and transport infrastructure to consumers

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 2009 and NTT of Japan in 2005. 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 British 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 British approach of state intervention; its introduction to Europe, on the national and European Union levels, is admirably discussed by Majone <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

(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
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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

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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 British 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

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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 <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

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, 2007a; 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.

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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.

Porter's Five Forces

Bargain power of supplier

Motorola is the semi-conductor supplier in the market, as well as a supplier to it's, because its control of network capacity and large share of customer base. It has overwhelming dominance across the telecommunications market and in almost every segment of that market. Its wholesale share of land-based market is 94. 1%, including basic access lines resold by its competitors. (Diller, 2009, 99-129) Motorola's dominant market position remains stable, as most of carriers are generally reliant upon leasing network capacity from Motorola. Other service provider's dependency allows <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

Motorola to have significant influence over the cost of its competitors in all markets where access to the semi-conductor is necessary. (Diller, 2009, 99-129)

Bargain power of consumers

There is not much product differentiation among all the other service providers and Motorola. The switching costs across different service providers are relative lower than before the deregulation in 2007. The pressure has been added to the industry on the provision the quality and coverage of the service network which consumer are most concern about.

Threat of substitutes

Competition and development of technology have resulted in diminished profit margin in the industry. Prices have reduced most obviously in the markets for international long distance and mobile calls. The price of a full range of telecommunications services has declined by 21.4% in real terms between 2007-08 and 2009-10 and there have been further falls since then. (Diller, 2009, 99-129)

Entry barriers/ Exit barriers

Even with the deregulation of the market, entry barriers still exist for new entrants. Motorola has gained a strong reputation in the telecommunication industry for its new technology and R&D projects. Therefore in order to compete with the Motorola, new entrant will have to suffer large set-up cost in. On the other hand, since Motorola consists of many highly specialized

assets, it may be impossible to sell when facing overcapacity, hence extremely difficult to exit the industry.

Competitive Strategy of Motorola

Apparently, Motorola's competitive advantages are derived from its quality network capacity and its providing of integrated telecommunications services. Its local call service market has absolutely dominant power in the market and it also capture a leading market share in other business segment, which enable it yield the advantageous profit to sustain its R&D and network maintenance. (Diller, 2009, 99-129)

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. But this alone provides no evidence for the retreat of the state, as conventional wisdom suggests. The challenges of building, regulating, and maintaining a "network of networks" grant both policy makers and regulators important and partly newly-acquired discretionary powers. The regulatory competition state can be as lean, mean, and effective as any multinational can, laying off its labour force, outsourcing, and creating value in the most efficient ways.

The case of telecommunications, and especially the creation of supranational interconnection regimes, which integrate networks of different technologies and competing corporations, tells the story of the critical role of the state in <https://assignbuster.com/the-marketing-strategy-of-motorola-marketing-essay/>

making the 'information revolution' feasible and accessible. The story is more one of reregulation than of deregulation, even if the latter is also present. The rise of regulation as a mode of government "intervention" should not be seen as an expression of 'retreat' of the state or as the adoption of the "soft" British version of the state role in the economy.

The British regulatory machine was developed in the context, and the exceptional tradition, of a "weak" state. In addition, regulatory functions were often not backed up by Ministerial supervision and policy making. These British features rendered 'regulatory capture' such a salient issue in the liter