

Case on merger acquisition of hutch and vodafone marketing essay



**ASSIGN
BUSTER**

Vodafone Group plc is a British multinational operator headquartered in Newbury, England. Vodafone is the world's largest mobile telecommunication network company, based on revenue, and has a market value of about £71.2 billion (November 2009). It currently has operations in 31 countries and partner networks in a further 40 countries. Based on subscribers, it is the world's behind China and over Telephonic, with over 427 million subscribers in 31 markets across 5 continents as of 2009. In the UK, its home ground, Vodafone has badly underperformed in the last few years due to brisk change in administration. It has slipped from first to third largest telecom operator generating revenue of £4.9 billion from its 18.7 million customers in 2008-09. As of March 31, 2009, the company employs more than 79,000 people worldwide.

Vodafone owns 45% of Verizon Wireless, the largest wireless telecommunications network in the United States, based on number of subscribers.

VISION AND VALUES

Our Vision

“ To be the world's mobile communication leader enriching our customers' lives through the unique power of mobile communications.”

Our Values

Our values are about the way we do things.

Passion for customers: “ Our customer has chosen to trust us. In return we must try to anticipate and understand their needs and delight them with our services.”

Passion for our people: “ outstanding people working together make Vodafone exceptionally successful.”

Passion for results: “ We are action-oriented and driven by a desire to be the best.”

Passion for the world around us: “ We will help the people of the world to have fuller lives-both through the services we provide and through the impact we have on the world around us.”

HUTCH TO BECOME VODAFONE ESSAR

Vodafone and Essar have reached an agreement under which they will work to continue the growth of Hutchison Essar Limited. The partners have agreed that Hutchison Essar will be renamed Vodafone Essar and, in due course, that the business will market its products and services under the Vodafone brand.

Under the terms of the partnership, Vodafone will have operational control of Vodafone Essar and Essar will have rights consistent with its shareholding, including proportionate board representation.

Ravi Ruia was appointed by Vodafone as Chairman of Vodafone Essar and Arun Sarin will be appointed by Essar as Vice-Chairman.

Essar will have certain liquidity rights including, between the third and fourth anniversaries of completion, and subject to regulatory requirements, an option to sell its 33% shareholding in Vodafone Essar to Vodafone for US\$5 billion or an option to sell between US\$1 billion and US\$5 billion worth of Vodafone Essar shares to Vodafone at an independently appraised fair market trading value.

Arun Sarin, Chief Executive of Vodafone: “ Essar has played a key role in transforming this business into a leading Indian mobile operator. We look forward to leveraging this experience and working with our partner as the company enters its next phase of growth in the attractive Indian telecommunications market. We will be bringing the relevant range of Vodafone products and services to the Indian consumer.” With penetration levels of around 13%, both partners believe that there are substantial growth opportunities in the Indian mobile telecommunications market.

Vodafone and Essar hope to broaden Vodafone Essar’s service offering and enable it to become the leader in the Indian mobile telephony market. Ravi Ruia, Vice-Chairman of Essar, added: “ Essar was a founding partner in Hutchison Essar and played an active role in building the company, including extending network coverage into several profitable regional markets. By partnering with Vodafone we expect to create further value in the business.”

Vodafone expects to complete the acquisition of HTIL’s interest in Hutchison Essar in the coming weeks. Vodafone announced on 11 February 2007 that it had agreed to acquire Hutchison Telecommunications International Limited’s

controlling interest in Hutchison Essar, in which Essar is and will continue to be a 33% shareholder.

Hutchison Essar is a leading Indian telecommunications mobile operator with 25 million customers currently, representing a 16.4% national market share.

Vodafone is the world's leading international mobile communications group with operations in 25 countries across five continents and over 200 million proportionate customers by the end of January 2007, as well as 36 partner networks. Essar is one of India's large corporate houses with 20,000 staff and business interests spanning high growth infrastructure sectors of steel, oil & gas, power, telecommunications, shipping & logistics and construction.

The group has built a portfolio of assets with expected revenues of US\$10 billion in the year to March 2008.

Vodafone Essar

Vodafone Essar, previously Hutchison Essar is a cellular operator in India that covers 23 telecom circles in India. Despite the official name being Vodafone Essar, its products are simply branded Vodafone. It offers both prepaid and postpaid GSM cellular phone coverage throughout India with good presence in the metros.

Vodafone Essar provides 2.75G services based on 900 MHz and 1800 MHz digital GSM technology, offering voice and data services in 23 of the country's 23 license areas. It is among the top three GSM mobile operators of India.

Ownership

Vodafone Essar is owned by Vodafone 67% and Essar Group 33%. It is the second largest mobile phone operator in terms of revenue behind Bharti Airtel, and third largest in terms of customers

On February 11, 2007, Vodafone agreed to acquire the controlling interest of 67% held by Li Ka Shing Holdings in Hutch-Essar for US\$11.1 billion, pipping Reliance Communications, Hinduja Group, and Essar Group, which is the owner of the remaining 33%. The whole company was valued at USD 18.8 billion. The transaction closed on May 8, 2007.

Previous brands

In December 2006, Hutch Essar re-launched the “Hutch” brand nationwide, consolidating its services under a single identity. The Company entered into agreement with NTT DoCoMo to launch i-mode mobile Internet service in India during 2007.

The company used to be named Hutchison Essar, reflecting the name of its previous owner, Hutchison. However, the brand was marketed as Hutch. After getting the necessary government approvals with regards to the acquisition of a majority by the Vodafone Group, the company was rebranded as Vodafone Essar. The marketing brand was officially changed to Vodafone on 20 September 2007.

On September 20, 2007 Hutch became Vodafone in one of the biggest brand transition exercises in recent times.

Vodafone Essar is spending somewhere in the region of Rs 250 crores on this high profile transition being unveiled today. Along with the transition, cheap cell phones have been launched in the Indian market under the Vodafone brand. The company also plans to launch co-branded handsets sourced from global vendors as well.

A popular daily quoted a Vodafone Essar director as saying that “ the objective is to leverage Vodafone Group’s global scale in bringing millions of low-cost handsets from across-the-world into India.”

Incidentally, China’s ZTE, which is looking to set-up a manufacturing unit in the country, is expected to provide several Vodafone handsets in India. Earlier this year, Vodafone penned a global low-cost handset procurement deal with ZTE.

Growth of Hutchison Essar (1992-2005)

In 1992 Hutchison Whampoa and its Indian business partner established a company that in 1994 was awarded a license to provide mobile telecommunications services in Mumbai (formerly Bombay) and launched commercial service as Hutchison Max in November 1995. Analjit Singh of Max still holds 12% in company.

By the time of Hutchison Telecom’s Initial Public Offering in 2004, Hutchison Whampoa had acquired interests in six mobile telecommunications operators providing service in 13 of India’s 23 license areas and following the completion of the acquisition of BPL that number increased to 16. In 2006, it announced the acquisition of a company that held license applications for the seven remaining license areas.

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In a country growing as fast as India, a strategic and well managed business plan is critical to success. Initially, the company grew its business in the largest wireless markets in India - in cities like Mumbai, Delhi and Kolkata. In these densely populated urban areas it was able to establish a robust network, well known brand and large distribution network -all vital to long-term success in India. Then it also targeted business users and high-end post-paid customers which helped Hutchison Essar to consistently generate a higher Average Revenue Per User (" ARPU") than its competitors. By adopting this focused growth plan, it was able to establish leading positions in India's largest markets providing the resources to expand its footprint nationwide.

In February 2007, Hutchison Telecom announced that it had entered into a binding agreement with a subsidiary of Vodafone Group Plc to sell its 67% direct and indirect equity and loan interests in Hutchison Essar Limited for a total cash consideration (before costs, expenses and interests) of approximately US\$11. 1 billion or HK\$87 billion.

1992: Hutchison Whampoa and Max Group established Hutchison Max

2000: Acquisition of Delhi operations Entered Calcutta and Gujarat markets through

ESSAR acquisition

2001: Won auction for licences to operate GSM services in Karnataka, Andhra Pradesh

and Chennai

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2003: Acquired AirCel Digilink (ADIL – Essar Subsidiary) which operated in Rajasthan,

Uttar Pradesh East and Haryana telecom circles and renamed it under Hutch Brand

2004: Launched in three additional telecom circles of India namely ‘ Punjab’, ‘ Uttar

Pradesh West’ and ‘ West Bengal’

2005: Acquired BPL, another mobile service provider in India

Hutch was often praised for its award winning advertisements which all follow a clean, minimalist look. A recurrent theme is that its message Hello stands out visibly though it uses only white letters on red background. Another recent successful ad campaign in 2003 featured a pug named “ Cheeka” following a boy around in unlikely places, with the tagline, Wherever you go, our network follows. The simple yet powerful advertisement campaigns won it many admirers.

Strategic intent

For the world’s largest mobile service provider, the rationale for this deal springs from:

Emerging market focus: Vodafone has lacked a cohesive emerging market strategy, especially in India, the fastest growing mobile market. Considering that the monthly mobile subscriber addition in India, at over 6 million,

overtook China's in September 2006 and is likely to stay that way for the next few years, there was no choice for Vodafone but to place India as the centre-piece of its emerging market strategy.

In outlining Vodafone's strategic priorities in May 2006, Mr Sarin had highlighted that it would pursue "selective opportunities to extend footprint" in the emerging markets. Following up on this strategy, Vodafone has snapped up Hutchison Essar, which opens the gateway into the Indian market.

Fourth largest player: The acquisition of Hutchison Essar will make Vodafone the fourth largest operator in the Indian mobile sweepstakes. Since mobile penetration in India, at 13 per cent, is likely to exceed 50 per cent (at 500 million subscribers) by 2012, the sector is probably at the starting block of a serious battle for mobile market share.

Hutchison Essar's subscriber base, at 24 million, is only 1.5-2 million lower than the state-owned Bharat Sanchar Nigam (BSNL) and 7-9 million lower than Bharti Airtel and Reliance Communications. Considering the four-fold rise in market opportunity and 6-7 million subscribers expected to be added every month, the competition, which will ride on scale economies and innovative value-added services, will be keenly watched.

High growth strategy

Vodafone, the world's largest mobile phone operator by revenue, has unveiled an India-focussed, high-growth strategy for the next five years that will include bringing ultra-low-cost handsets and wireless connectivity in the vast hinterland and "being a good corporate citizen" now that it has

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acquired its greatly-fancied 67 per cent stake in Hutchison Essar, India's fourth-largest mobile operator.

STRATEGIC GOALS

The aim of the company is to become the no. 1 mobile communication in the world. For this the company has six strategic goals:

1. To provide superior shareholder returns.
2. To delights it customer.
3. To leverage global scale and scope, especially in delivering 3G services.
4. To expand market boundaries.
5. To build the best global Vodafone team.
6. To be a responsible business and manage its impact on society, the environment and economy.

Synergies Claimed

Vodafone gets access to the fastest growing mobile phone market in the world that is expected to touch 500 million subscribers by 2010.

Cellular penetration in rural India is below 2%, but 67% of India's population lives in rural India

Hutchison-Essar is not just the #4 player, but also one of the better-run companies with higher average revenue per subscribers.

3G is set to take off in India, allowing data and video to ride on cellular networks. Vodafone already offers 3G elsewhere in the world.

India is key to Vodafone strengthening its presence in Asia, a region seen as the big telecom story.

VODAFONE MAREKETING TIMELINE

23 November 2007 - Vodafone Surprise winners take home Rs. 1 lakh talktime Vodafone Essar, one of India's leading telecom service providers, announced the winners of talktime worth Rs 1 lakh through its Vodafone Surprise offer for customers in Haryana. Mr. Pardeep Kumar and Mr. Hajari were declared winners in the first two weeks of the offer. Each of the winners gets free talktime worth Rs 1 lakh.

28 November 2007 - New Vodafone Store launched in Baroda Vodafone Essar, one of India's leading cellular service providers has announced the launch of its fifth Vodafone Store in Baroda. The new store aims to deliver a complete Vodafone experience to our customers.

03 December 2007 - Vodafone launches Sambhav Card for special customers on World Disability Day Vodafone Essar, one of India's leading cellular service providers, today on the occasion of World Disability Day, announced a unique prepaid Sambhav Card at Rs. 151 for customers with hearing and speech disability. This card enables them to use the phone purely for SMS purposes.

10 December 2007 - Vodafone Essar agrees to IT outsourcing deal with IBM Vodafone Essar is to outsource the management of all its back office IT

operations to IBM India in a deal designed to boost efficiency and further enhance its service to customers.

12 December 2007 - Vodafone launches extended validity for Rs 199 customers in Andhra Pradesh Vodafone Essar, one of India's leading cellular service providers, has announced extended validity at Rs 199 for its new and existing prepaid customers in Andhra Pradesh. With this offer, Vodafone customers in the state can avail of seven months validity as against the earlier two months validity on recharging with Rs 199.

18 December 2007 - Vodafone crosses four million subscribers in West Bengal Vodafone Essar, the largest cellular service provider in West Bengal, today announced that it has crossed the landmark of four million subscribers in the state and has maintained its position of being the largest operator in West Bengal. Vodafone has maintained a high subscriber growth rate along with extensive penetration in the

interiors of West Bengal.

20 December 2007 - Vodafone offers special benefits for Sabarimala pilgrims from Tamil Nadu Vodafone Essar, one of India's leading cellular service providers, has announced special services for its prepaid customers in Tamil Nadu traveling to Sabarimala.

26 December 2007 - New Vodafone Store launched in Purulia Vodafone Essar, one of India's leading cellular service providers has announced the launch of its Vodafone Store in Purulia district in West Bengal. The new store

located at B. T. Sarkar Road Bhyawani Complex, aims to deliver a complete Vodafone experience to customers.

31 December 2007 - Vodafone offers two unique prepaid recharge options for the festive season Vodafone Essar, one of India's leading cellular service providers has announced two special prepaid recharge offers for its customers in Chennai and Tamil Nadu, to celebrate the festive season.

03 January 2008 - Vodafone announces the winner of Jhumo aney Jeeto contest Vodafone Essar, one of India's leading telecom service providers, announced Mr Vishal Ruparel from Junagarh as the winner of its Jhumo aney Jeeto contest. The winner took home an Alto car as the grand prize.

Vodafone had organised this contest during the festive season of Navratri for its prepaid and postpaid customers in Gujarat.

03 January 2008 - Vodafone customers can get bonus recharges through SMS Vodafone Essar, one of India's leading cellular service providers, has launched bonus recharge through SMS facility for its customers in Tamil Nadu. Vodafone is the first service provider to launch this service in the state.

08 January 2008 - New Vodafone Store launched in Kukatpally Vodafone Essar, one of India's leading cellular service providers has announced the launch of one more

Vodafone Store in Hyderabad. The new store at Kukatpally aims to deliver a complete

Vodafone experience to customers. This takes the strength of Vodafone stores in the

city to 24.

14 January 2008 - Vodafone offers all local calls at Re1/minute Vodafone Essar, one of

Indias leading cellular service providers, today announced that its customers can now

make local calls at Re 1/minute within their circle.

14 January 2008 - Vodafone Self Service Kiosk launched in Kannur Vodafone Essar,

one of India's leading cellular service providers has announced the launch of its first

Self Service Kiosk in Kannur. The new kiosk is a first-of-its-kind, easy to use kiosk, with

a touch screen device and will provide a 24X7 customer service interface to all

Vodafone customers.

24 January 2008 - Vodafone Classic Film Festival 2008 premieres in Ahmedabad

Vodafone, one of India's leading cellular service providers, brings to you the Vodafone

Classic Film Festival in Ahmedabad at Fun Cinemas from January 25 to 28, 2008. The

theme for this year's festival is classic comedy.

25 January 2008 - Take off on a Holiday with Vodafone Vodafone Essar, one of India's

leading cellular service providers has announced its tie up with Travel Port, one of

India's largest networks of travel brands, content and service offerings. This exclusive

offer Holiday with Vodafone is for new postpaid customers in Andhra Pradesh.

31 January 2008 - Vodafone Classic Film Festival 2008 premieres in Surat Vodafone,

one of India's leading cellular service providers, brings to you the Vodafone Classic Film

Festival in Surat at Valentine from February 1 to 3, 2008. The theme for this year's

festival is classic comedy.

11 February 2008 - Vodafone launches Vodafone Tuesdays Vodafone, one of India's

leading cellular service providers introduces Vodafone Tuesdays wherein Vodafone

customers can enjoy the exclusive scheme of getting two movie tickets for the price of

one.

14 February 2008 - Vodafone organises a karaoke festival in Hyderabad this Valentine's

Vodafone Essar, one of India's leading cellular service providers, will organise a live

karaoke festival this year on Valentine's Day in Hyderabad. With this initiative, Vodafone

will make the day special for all participants by giving them a chance to sing to their

Valentine. The event is being organised in association with 93.5 FM.

18 March 2008 - New Vodafone Store launched in Barackpore Vodafone Essar, one of India's leading cellular service providers has announced the launch of its Vodafone Store in Barackpore, The new store located at Shop No. 22 and 23, 56/27 S. N. Banerjee Road, aims to deliver a complete Vodafone experience to customers.

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Future Vision

The future is unfolding around us. Over the next decade we will be able to see all sorts of differences that we can barely imagine today.

The future might look like, experience some of the changes we believe will happen, and tell us what you think of them.

Vodafone is working hard to mobilize tomorrow's world, but we need your input. You are our partners in innovation, helping to shape a future that offers the mobile services we want, and brings us closer to the people we care about, wherever they are in the world. Together we can build a future that turns this vision into reality.

Vodafone motto

“ We will be the communications leader in an increasingly connected world.”

GOALS

“ We will be the communications leader in an increasingly connected world.”

Vodafone Group Plc is the world's leading mobile telecommunications company, with a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States through the Company's subsidiary undertakings, joint ventures, associated undertakings and investments.

The Group's mobile subsidiaries operate under the brand name 'Vodafone'. In the United States the Group's associated undertaking operates as Verizon Wireless. During the last two financial years, the Group has also entered into

arrangements with network operators in countries where the Group does not hold an equity stake. Under the terms of these Partner Network Agreements, the Group and its partner networks co-operate in the development and marketing of global services under dual brand logos.

At 31 March 2008, based on the registered customers of mobile telecommunications ventures in which it had ownership interests at that date, the Group had 260 million customers, excluding paging customers, calculated on a proportionate basis in accordance with the Company's percentage interest in these ventures.

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