

Vodafone case study

Business



Vodafone Group: Strategic Approach November 28, 2010 Leo Welch

Strategic Management Professor Brad Bridges Company Overview Vodafone Group is a global telecommunications company headquartered in Newbury, United Kingdom.

It is the world's largest mobile telecommunications company measured by revenues. Vodafone has more than 150 million proportionate subscribers operating networks in 16 countries and has partners in over 10 additional countries. Vodafone boasted a market capitalization of \$166 billion making it the eleventh most valuable company in the world. It owns 45% of Verizon Wireless, the largest mobile telecommunications company in the United States. The name Vodafone comes from voice data phone, chosen by the company to reflect the provision of voice and data services over mobile phones. Key Performance Indicators for Judging Strategic Performance To evaluate Vodafone's performance and determine the effectiveness and success of its strategy the following balanced scorecard elements must be measured and tracked.

The tracking of these elements will serve as financial and strategic controls so when performance is found to be lacking corrective action can be taken to secure a sustainable competitive advantage. * Net subscriber gain/loss (total # of subscribers) * Blended Customer Churn Rate * Average Monthly Revenue per User * Service Revenue * Non-Voice Services as a % of Service Revenue * Voice Usage Volumes * Net Acquisition Costs * Net Retention Costs * Upgrade Volumes Market conditions are challenging in the mobile telecommunication industry in particularly in the mature domestic market of the UK and the Euro zone. However, expansion possibilities exist in

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developing economies and should be explored. To capitalize on existing market dominance and share, Vodafone should cut costs and focus on customer retention. Core Competencies Vodafone has competitive advantage because it focuses its strategy to take full advantage of its resources and core competencies. Establishing strategic objectives must be established by analyzing both external and internal environment conditions.

Below are Vodafone's the core competencies: * Value added services * Marketing Expertise * Market Share and Brand Recognition * Technological Advantage Market Development * Cost Advantage (Economies of Scale) * Continuous Improvement * Business Continuity To sustain its competitive advantage, Vodafone must keep the organization focused on its vision, on their customers, and on their employees. (Vodafone, 2006) Vision * To be the world's mobile communications leader – enriching customers' lives, helping individuals, businesses and communities to be more connected in a mobile world. * To help customers use mobile communications to make their lives richer, more fulfilled, more connected. They will choose Vodafone because it is the best experience they can find. Through their leadership, scale, scope and partnerships, Vodafone will bring online mobile services to the world.

* Vodafone will lead in making the mobile the primary means of personal communications for every individual around the world. Focusing on Vodafone Customers * Vodafone customers have chosen to trust the group. * In return, Vodafone must strive to anticipate and understand their needs and delight them with the services provided. * Vodafone must value customers above everything else and aspire to make their lives richer, more fulfilled and more

connected. Vodafone must always listen and respond to each of its customers.

* Vodafone will strive to delight customers, anticipating their needs and delivering greater quality and more value, faster than anyone else. Focusing on Vodafone Employees * Outstanding people working together make Vodafone exceptionally successful. * Vodafone seeks to attract, develop, reward and retain outstanding employees. Competitive Advantage As the mobile telecommunication market leader, Vodafone has clearly demonstrated that it has established a competitive advantage. However, there are key issues and problems the organization must manage its growth and sustain its competitive advantage in the dramatically changing market environment it operates in. These key issues include the following: * Network Infrastructure * Diversified Revenue Base * Leading Market Position Vodafone's key technology is the network infrastructure that supports its operations.

Vodafone does not develop new technologies but purchases the technologies that others develop to be able to provide the best possible mobile services to its subscribers. Currently, Vodafone operates 2G networks through GSM networks offering customers services such as voice, text messaging, and basic data services including internet access. Vodafone also controls 3G network offerings its customers broadband data access. This resource is an organizational strength and if it continues to be at the forefront of the latest technology it can generate competitive parity. Vodafone has been able to diversify its revenue base through acquisitions and taking stakes in companies to enter markets around the world. This has strategically

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positioned Vodafone with ability to establish partner networks globally and thus offering its subscribers roaming capabilities globally at cost effective prices.

The equity interest in mobile telecommunication companies around the world also generates interest revenue which maximizes shareholder returns. The strategy is to actively manage their portfolio by investing into markets that offer a strong local position. This approach is an organizational strength that generates a competitive advantage. Vodafone operates in Europe, the Middle East, Africa, Asia Pacific and the US by subsidiary undertakings. A strong market share with the market leader position is an extremely valuable and rare resource that improves the company's brand image and gives it a solid foundation to enter new potential markets. Competitors would face cost disadvantage in obtaining or developing this position.

For Vodafone to sustain this advantage it must be well organized and effectively manage its employees. This resource is a distinctive competitive advantage. External Environmental Factors The environmental factors to consider include, social, legal, economic, political, and technological. Social factors Marketing to under-aged mobile phone users (children) * Protecting adolescence from adult content (gambling, violent games, erotic material, etc) * Rise in crime and accidents related to mobile phones (theft, car accidents, etc) Legal factors * Legal restrictions and considerations across several markets * Seeking to exceed regulations through self-regulation Economic factors * Varying levels of economic growth across several markets * Inflation and interest rates Political factors * Government policy driving towards the mobile phone industry to create self-regulating controls* <https://assignbuster.com/vodafone-case-study/>

Government concern about unwanted contact and content Technological factors * The advent of 3G mobile phone technology * Advances in hand sets from a wide range of manufacturers * New services (internet, text messaging, email, etc) Strategic Objectives The notable environmental changes include customer ' s increasingly seeking products and services which meet their total communication needs, a greater desire for simplicity and value, the emergence of new technologies, intensifying price competition and regulatory pressure. * Reduce costs and stimulate revenues in Europe Deliver strong growth in emerging markets * Innovate and deliver on customers' total communications needs * Actively manage the portfolio to maximize returns * Align capital structure and shareholder returns policy to strategy Vodafone's objectives outlined here take into consideration the changing landscape in the mobile industry and the organization's strengths.

Acquisition ; amp; International Strategies Vodafone strives to maintain its most important competitive advantage, leading market position, and become one of the world's top brands by expanding its global presence through acquisition and dual branding. The acquisition strategy is to grow through geographic expansion by targeting the top (1 or 2) mobile telecommunication company in a respective local market. This enables Vodafone to acquire new customers, infrastructure, technology, leverage best practices and new talent (employees). In markets that the political and legal environmental factors do not allow for outright acquisition such as China, Vodafone has decided to make investments in the leading companies in an effort to build partnerships that may be beneficial in the future. The

international strategy for integrating these brands has been carefully crafted and proven to be very successful. The process involves three phases.

The initial phase involves using the locally recognized brands and the Vodafone name together. Once the Vodafone name becomes widely recognized in these markets the second phase is implemented and the Vodafone brand takes priority over the acquired brand but both brands are still used together. The third phase is to make the Vodafone brand the sole brand. The entire process can take several years but when done correctly it fully integrates Vodafone as a global brand in a local market.

Vodafone's Organizational Structure Vodafone implemented a new organizational structure in 2005 designed to focus on customers in its local markets, enhance its ability to deliver seamless services to corporations, facilitate delivery of 3G across all markets, function as an integrated company, and simplify decision-making, accountabilities and governance structure to speed up execution.

This was accomplished by simplifying its existing regional structure with major countries and business areas reporting to the Group CEO. All first line management functions in the operating companies will have a dual reporting line to the respective functions at group level. This approach enables the organization to focus on its strategic objectives while emphasizing speed to market. Strategic Entrepreneurship Group CEO, Arun Sarin, has the objective of creating an organization that is better positioned to respond to the high expectations of its customers through faster execution to extend the organization's lead within the mobile industry, which will deliver the benefits to its customers, employees and shareholders. To help drive

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entrepreneurship across the organization, Vodafone's HR department rotates top performing managers across the organization around the world to leverage best practices and to develop internal talent.

Another practice the Vodafone has adopted is that it seeks out to retain the best talent and leverage best practices, technologies, and product ; amp; service offerings from acquisition activity. To continue the momentum Vodafone has generated with attaining its market leader position, should more aggressively seek to enter emerging markets such as Brazil in South America as well as establishing a more predominant presence in established markets like the United States. References: Hitt, M. , Hoskisson, R. , ; amp; Ireland, D. (2009).

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