

# Free spain's telefonica case study sample

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## **Introduction**

Telefonica is one of the largest wireless service providers in the world. It has operations in three different continents. It is the number one player in many markets including Spain, Chile and Argentina. Telefonica was originally a state owned company in Spain. However, after the deregulation of state ownership, Telefonica completely revamped its operation and started expanding in new geographies. Telefonica successfully expanded its operation in Latin American countries during 1990s but after the turn of the century faced a lot of competition from other wireless service providers. Currently, it is planning to expand in the European market. This essay will discuss the current state of affairs of Telefonica and what it should do to continue to grow in the wireless market.

## **About Telefonica**

One of the leading operators in the telecommunication market, Telefonica, a Spanish organization, has its presence in about 24 countries in the world. A provider of communication, information and entertainment solutions, Telefonica has about 320. 2 million customers to its credit. The company conducts over 77% of its business operation outside its home market in Spain (Telefonica). The company has over 1. 5 million direct shareholders with its capital traded continuously on the Spanish Stock Exchanges and those of Buenos Aires, New York, London and Lima. The company owns about 217. 9 million customers in Latin America, thus, emerging as the leader operator in the Latin market and serves over 101. 9 million customers in Europe (Telefonica).

## **Growth Problem**

Growth is the major problem faced by Telefonica. Telefonica already commands a lion's share of the market in Spain, and hence its chances of growth in that market are small. After its early success in the Latin American market, Telefonica has seen stiff competition from America Movil. These two companies along with Vodafone capture the top three spots in the whole of Latin American market. The market penetration of wireless customers being very high, the growth rate is also slow in the Latin American market. Additionally, Latin American market is not very profitable because of fierce price competitiveness. Telefonica never tried to expand in the European market beyond Spain, and that can be a good avenue for growth for the company.

## **Goal of the Company**

Telefonica always wanted to be the number one service provider in all the markets of its operation. It is the number one service provider in Argentina, Spain and Peru. It is also leading the market of wireless mobile service providers in most of the Latin American countries. Apart from being the leading service provider, Telefonica also wants to grow at a healthy rate. Telefonica has done that successfully in the past through its expansion in new markets and acquisition of other companies.

## **Constraints**

Telefonica wants to grow at a healthy rate. Telefonica is trying to expand its operation in the European market. However, there is a tacit agreement among the European telecommunication players to operate in only their own

regions. This agreement started breaking down in 2005, but still there was uncertainty over how a foreign player be accepted. Telefonica acquired O2 of the United Kingdom for a large sum of money. The company was not sure if with that acquisition of O2, it would be able to expand into other European nations easily and get back the money it has invested.

### **Alternative**

Telefonica was trying to grow at a fast rate inorganically. It acquired O2 to grow beyond its conventional operating countries in Europe. However, another way of expansion could have been through an organic growth. Telefonica could have tried to expand on its own to other European nations. This growth alternative would have given Telefonica a lot of flexibility. However, it is not easy to grow in a new country where established players are already present. Another way Telefonica could have grown is by partnering with the telecommunication firms of other countries. For example, Telefonica could have partnered with O2 to expand into other European markets. This way both could have used their strong points to expand more effectively. However, this kind of partnership often does not provide much flexibility.

### **Best Alternative**

If we look at the international business theory and try to discuss the situation of Telefonica based on that theory, we can see that there are many players involved in the decision making process of Telefonica (Behrman and Grosse, 1992). There are three primary stakeholders in the whole process: Telefonica stakeholders, rival telecommunication companies and the government of

different countries. Every government seeks economic development and investment in their country. They will be willing to allow Telefonica enter their countries if that creates new job opportunities and helps grow the economy at a faster rate. However, Telefonica would like to expand to regions where it can acquire resources at a cheaper rate and generate a lot of revenue. Rivals would also like to do the same. If a mobile operator in some country is not doing well, then Telefonica can acquire that company. This will give Telefonica access to resources at a cheaper rate in the new country of operation. The ruling government of that country will also be interested as by acquiring a poor-performing company Telefonica will create additional jobs. Evaluating the bargaining arguments purely from the perspective of the International Business Theory, it appears that inorganic expansion into countries, where the national wireless carriers are not doing well, is the best option for Telefonica (Casson and Cox, 1993)

## **Implementation Plan**

Telefonica can use a waterfall implementation approach to its business strategy. Upon acquiring a company, it can first try to establish its footprint in the country of origin of the acquired company. Once Telefonica successfully does that, it can then try to expand into other high growth and profitable markets in which the newly acquired entity used to operate.

## **Conclusion**

Telefonica is one of the largest players in the world. It has shown resilience against all odds in the past and grown at a high rate. However, the growth rate has died down in the past few years because of the high market

penetration of wireless service and fierce competition. Telefonica is planning to expand into European market inorganically. It seems it is the right move. Acquisition of poorly performing telecommunication operators from other countries will provide Telefonica with an easy entry to that country. It will also give the company an access to resources at a cheaper cost. This will improve the growth rate of Telefonica again.

## References

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