

Essay on verizon communications: strategy analysis

[Business](#), [Company](#)



Verizon Communications (VZ) is a New York based company with worldwide operations. The company was incorporated in 1983 as Bell Atlantic Corporation and later changed to Verizon Communications in 2000, following a merger with GTE Corporation and contributions from Vodafone (Verizon, 2011). This paper analyses Verizon's corporate and business-level strategies and its competitive advantages in the ensuing sections.

Corporate-level strategies

Verizon is a multi-market corporation with an elaborate mix of businesses in which it has been aggressive. VZ deals with a wide spectrum of services in the telecommunications industry. These include wireline and wireless voice communications and data solutions, video and content delivery. Therefore the company has a multi-business corporate strategy (Furrer, 2010). It covers various markets with its different business units. The competition and dynamic nature of this industry call for a multi-business strategy from players.

Diversification has been an important strategy in Verizon as it relentlessly thrives to increase its presence across the globe. Verizon considers its business under two categories namely: the Wireless segment and the Wireline segment. Verizon Wireless segment provides a wide range of services and devices that meet the needs of several markets in the telecommunications industry. The wireless services include voice and data services such as phone internet, mobile broadband, messaging, multimedia offerings, business-focused offerings and global data services (Verizon, n. d). Product offerings include smart phones, basic phones and tablets. The Wireline segment offers services and products such as voice, IP network and

network access to consumers, small businesses and governments. VZ's diversification is clearly based on related services and product offerings, a strategy that Schermerhorn (2010) referred to as concentric diversification and regards a firm's portfolio strategy. The Wireless segment has yielded most of VZ's revenues and is the company's most profitable business currently. According to its annual report filed under sec-filings form 10-k (Verizon, 2011), VZ wireless segment is the market leader in the U. S in providing wireless solutions to the ever changing market, and satisfying their equally changing needs amid a declining Wireline market.

Verizon is also characterized by other corporate strategies associated with expansion besides diversification. It has actively participated in the industry's merger formation over the years, having merged with GTE Corporation in 2000 and MCI in early 2006 (Verizon). The merger with GTE was a blowout because Verizon grew considerably to become one of the world's largest industry players. These strategies have seen the company's wireless market grow from just over 25 million in 2000 to over 94 million at the end of 2012 (Verizon). Its growth strategies have also involved expansion of the distribution of services to many new geographical locations in a relatively short time period. A recent surge in the percentage of the U. S wireless market being served by VZ, as well as the early expansion into other areas after the 2000 merger have been some of the achievements under this strategy. On the global scene, Verizon operates in over 150 countries (Verizon 2011). This worldwide reach is an indicator of VZ's internationalization strategy, which is a key contributor to its market share. VZ has a companywide strategy synchronizing various level strategies into a

uniform effort directed towards achieving its vision. Its business units are organized as two segments: the Wireless and Wireline segments that are strategically coordinated by the company's headquarters located in New York.

Verizon's multi-business approach is its most important corporate-level strategy as regards its long-term success. There have been mixed trends reported in the Wireline market in the industry, with a general decline in figures on some occasions. However, the outburst of the wireless market cannot be underscored especially with respect to VZ. The company's merger of 2000 that saw the formation of this segment was the key to its market growth from about 25 million to an excess of 94 million in a decade.

Supposing the company had been stuck in the Wireline business solely, an exit would have been an option. The ever promising Wireline trend and the trend in the business concerning smart devices in which VZ participates is an indicator of a favorable future for the company. According to Verizon (n. d), the wireless market is the future of business in this industry, at least to a significant degree. The implication is that despite the retarded wireline market, the wireless segment will only leave Verizon in a better condition in the industry. This multi-business corporate strategy is strength for Verizon.

Business-level strategies

Innovation has been at the heart of Verizon's business. The company's networks have over the years been the most expensive in the U. S, which is an indicator of quality. Verizon Wireless fourth generation Long Term Evolution (4G LTE) Network was launched in late 2010 and became the first

wireless provider to develop and operate this network in the world (Verizon, 2011). The company has recently developed innovative smart devices including smart phones and apparatus. Hefty financial investment in technology and innovation in the wireless business has set Verizon as the industry's technology leader. Verizon Communications has innovatively edged ahead to capitalize on this opportunities through an open development program that has called for collaboration from leaders from various industries including Google and Apple.

Verizon Wireless offers the most reliable network to the American people, a network that consumers have in the recent past rated above any other. This differentiates Verizon from the industry and positions it as a quality leader in the U. S wireless market. According to its Website, a national research survey has ranked it top in quality for the past several years. Its consistency in quality has seen some of the consumers move from AT&T, who was initially the sole provider of wireless network to Apple phone users to its network (Verizon, 2011). Its network coverage of the revolutionary 4G LTE Network is way ahead of any of the competitors. This constitutes U. S. A's largest market in the industry, having reached 476 markets in January 2013 (Verizon, n. d). The quality of the network and this widespread coverage gives the company an edge in reliability in the telecom industry.

Verizon also took to knowledge management as a business-level strategy to further cement its position in the market. A news release by the company in 2010 announced that the company's employee training programs were ranked among the top four leaders in the U. S. Verizon has increasingly invested in employee training and development as well as other knowledge-

based initiatives. According to its Website, VZ invested over \$450 million in the development, training and education of its employees. VZ's knowledge practices are among the best available in the U. S as is shown by such rankings. A knowledge management strategy will see Verizon continue to expand its multi-business strategy in the future and adapt to changes more easily.

Verizon's strategy as a leader in innovation is arguably the most important to its long term success. The industry in which this company operates is unique in a number of ways, whereby innovation is the key winning strategy with focus on the long term. The telecom industry has been considered saturated in some aspects a little while ago according to Verizon (2011). However, innovation in the wireless business and other developments in the industry have revived growth in the past decade (Verizon, 2011). Since success in this industry seems to lie in innovation, leadership in new technology will be a major determinant of the long term success. The availability of resources and a robust knowledge management strategy will complement this strategy and see Verizon survive the completion in the long term.

Competitive environment

Verizon's direct competitors in the local market include AT&T Inc, Spring Nextel Corp and T-Mobile USA. AT&T has many subsidiaries with which it offers innovative telecommunications services to the global market. The company has a century of experience in the industry and has focused on its innovation business model for a long time (AT&T, n. d). Its services cut

across the Wireline segment, the Wireless segment and advertising solutions segment. AT&T's global presence is an important strategy as it an opportunity to rapidly expand new technology through this networks. AT&T was the second company to roll out the 4G LTE Network in the U. S. The company's large resources and global presence makes it a big threat to Verizon. AT&T has invested large resources in its expansion plan introduced in 2012 (AT&T, 2011).

Sprint Nextel has also been in the industry for over a century. Together with its subsidiaries, Sprint Nextel offers wireless and wireline services to various markets in the U. S (Sprint, n. d). The company offers its voice and data transmission services under different brands that consist of Sprint, Nextel, Boost Mobile, Virgin Mobile and Assurance Wireless. It also operates its business across the border in Puerto Rico and Virgin Islands. Together with its subsidiaries, Sprint Nextel offers wireless and wireline services to various markets in the U. S and in the two islands. Sprint Nextel has been late with its innovation strategy, trailing AT&T and Verizon in many technologies including the 4G LTE Network (Verizon, n. d). The other competitor, T-Mobile USA, is a subsidiary of the German-based Deutsche Telekom and has one of the largest wireless voice and data communications services coverage in the U. S (Yahoo Finance, 2013). While in Europe, its users can flexibly connect with the compatible parent company. It enjoys parenting support from its able and willing parent company. Its resources are therefore subject to influence from Deutsche Telekom. Deutsche Telekom is one of the largest telecommunications companies in Europe and the world. This company has invested immensely in innovation and provides world class solutions to major

markets across the globe. Its strength is a strategic advantage to T-Mobile because it benefits in various ways including management, technology and financially.

AT&T is Verizon's most significant competitor. AT&T is more diversified at the corporate level because in addition to wireless and wireline segments, it offers advertising solutions through a third business segment. It has many subsidiaries than AT&T but has been focused with its expansion strategy into the international market. Although VZ has outpaced it with cutting-edge innovation in the wireless solutions, AT&T has a reputable innovation strategy that leads in business telecommunication solutions. Verizon is set to be more successful in the long term than AT&T. Verizon has been more aggressive with both its innovation and growth strategies in the recent past than AT&T, and as a result has experienced more growth in market share. Quality differentiation has also been in favor of Verizon Communications.

Slow-cycle and fast-cycle markets

In a slow- cycle market, Verizon would still be the most successful in the long term. Its innovative technological advantage would be shielded from imitation for a long time, and therefore keep it sustainable (Furrer, 2010). Consequently, its quality advantage would be even more profound in the slow-cycle market. However, in a fast-cycle market, AT&T would be the successful firm in the long-term. With its resources, AT&T would be able to keep its closest competitor at bay through quick and inexpensive imitation, and be able to protect its eroding quality perception and declining market leadership in the wireless segment.

The telecom industry in the U. S continues to experience a change in the mix of businesses as rapid advances in technology transform it. Verizon Communications operates in two business segments: wireless and the wireline segment. It is the industry leader in the wireless segment through its innovative strategy and quality differentiation. Diversification and innovation are Verizon's most significant strategies at the corporate and business levels respectively. AT&T is its closest competitor, and operates in three segments. AT&T leads the market for business solutions but trails AT&T in innovation especially in the wireless segment. VZ is likely to be successful in the long-term.

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