

Orange and o2 company



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Introduction to Orange & O2

Orange & O2 Company Overviews

The current mobile phone market in the UK is worth in excess of 22 Billion GBP, accounting for approximately 2.2% of UK GDP. This is a very important growth area for the UK economy. Two of the largest mobile phone businesses in the UK are Orange and O2.

Telefónica O2 UK Limited is a leading communications company for consumers and businesses in the UK, with 21million mobile customers and over 527,126 fixed broadband customers as at 30 September 2009. On its launch in May 2002, O2 has become the largest UK mobile network based on customer numbers. O2 UK Limited is part of Telefónica Europe plc which is a business division of Telefónica S. A. and which owns O2 in the UK, Ireland, Slovakia, Germany and the Czech Republic, and has 46 million customers. O2 has the right to market and use the name that is now the O2 arena in Greenwich, London, once known as the Millenium Dome. O2 has won recognition from many leading industry awards and consumer groups for its high levels of customer satisfaction and customer service. O2's UK mobile network covers 99% of the UK's population. O2's 3G network covers over 80% of the UK population and is fully HSDPA-enabled, providing speeds of up to 3.6 Mbps for customers with an HSDPA-enabled device. Telefónica Europe also owns 50% of the Tesco Mobile and Tchibo Mobilfunk joint venture businesses in the UK and Germany. (O2: 2009).

Orange was launched on April 28th 1994 with the main idea to change the way people of the UK communicate. Orange was the fourth company to enter the UK mobile market at this time, and had to stamp its own identity in a

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crowded market place. The company introduced services like split second billing, and this innovation has continued to this day. The Orange group now serves over 175 million customers in five different continents. By 1997, Orange had gained over 1 million customers, and was the youngest company to be listed on the FTSE 100 stock index with a market value of 2.4 billion GBP at the time. Orange is the fastest growing UK based mobile company. It is the largest provider of broadband internet services in Europe, and the third largest mobile network provider in Europe. (Orange: 2009)

Referencing:

<http://mediacentre.o2.co.uk/content/detail.aspx?ReleaseID=538&NewsAreaID=22>

Orange: 2009. Website. <http://newsroom.orange.co.uk/about/>

Literature Review

Quality is highly based on perception, and the perceptions of the customer pertaining to the in store service for service based firms like the telecommunication service providers. Customers perceive and set service quality based on the difference between their expectations and their experience (Kotler et al, 2008, p609). Quality for service based products is difficult to measure, including the Telecommunication companies in the UK that have primarily service based offerings. In such scenarios alternatives like after sales service and in-store service become significant indicators of service quality. Customers ascertain quality from a number of factors including the reliability, responsiveness, competence, access, courtesy, communication, credibility, tangibles, and access as well as on the ability of the company to understand the needs of the customers (Berry et al, 1985). <https://assignbuster.com/orange-o2-company/>

In-store ambiance, atmosphere and service quality is of significant importance, specifically when it comes to service specific firms. Baker, Grewal and Parasuraman conducted a study to determine the influence that the environment of a store has on the quality and image perception by the customers of the particular store and its service. The study provided that “store environment, merchandise quality, and service quality were posited to be antecedents of store image—with the latter two serving as mediators—rather than components of store image.” (Baker et al, 2008)

The professionalism depicted by the sales representatives and staff in stores also adds to the customer perception of quality. The way the staff dress and behave depict the quality level that is ascertained by the customers. Paulins (2005) conducted research using the ServQual methodology to determine the influence of staff appearance and dress on the perception of quality. The results of the study indicated that the companies need to exceed the expectation of the customers by knowing what they want and delivering more than they expect in terms of service, behavior as well as in the dress of the staff. Blanchard and Bowles, (1993) also highlight the aspect of that retailers can attain long term customer loyalty by getting to know the perceptions of the customers and exceeding the in-store expectation of the customers, instead of just satisfying them.

Cue utilization theory (Evans, 2002, p112) depicts that the customers have extrinsic and intrinsic cues which encourage them to make perceptions about products and services. Dick et al (1994) have depicted through research that the in a retail environment the customers tend to favor extrinsic cues for quality instead of intrinsic cues and therefore established

premium brands have a higher perception of quality which effects their demand as depicted by the customers

The aim of establishing a store by service based firms is to have a point of customer interaction which can be employed to address the customer needs as well as invoke increased demand for their services. The stores as a result need to represent the quality of the service offerings through the staff, the ambiance, the layout and the behavior of the staff with the customers which act as cues of quality for the customer perception establishment process.

Primary research

Our research was conducted to compare the level of service operation between two major mobile operators in the UK; orange and O2. An experimental research was developed to examine the needs of service customers when going into mobile shops whether to purchase a new phone, to enquire about their services, or to report any problems encountered.

We visited the two stores in two different locations, Staines and Kingston. The research was carried on a Saturday noon time to ensure the shops were busy, the observations and conclusions obtained were objective and based on sound evidence. We played the mystery shopper part in order to assess the customer role in service delivery. Mystery shopping is a form of participant behavior where researchers act as customers or potential customers to monitor the process and procedures used in the delivery of a service (Hogg and Gabbot, 1998). Different factors were considered in the evaluation process; the layout of the shop, the number of staff serving the

customers, their attitude toward the customers, and the queuing time needed.

Both O2 stores in Staines and Kingston have similar stores layout, theme, and operational procedure. The O2 store is larger than the orange store, and no staff was available on the floor to help people out. (See Figure 1) The procedure is more of a self-service one where people can check the offers available on display in the side of the store. People have to queue if any further assistance is needed. The queuing time varied between 30 minutes in Kingston to 45 minutes in Staines. There were two tills with two members of staff serving them. If any further assistance was required regarding choosing a phone or a contract, or reporting a problem, the customer is directed to one of two seating areas with one member of staff to help out (total of four employees in both locations). The staff, once available, was very helpful and gave the time needed in answering the questions, some of which deliberately came as stupid and annoying: "Is Blackberry from Nokia?" the employee was very patient and did his best to explain everything as clearly as possible.

The level of participation of the customer in this process is very high. The whole process should go more smoothly. Less queuing time and more staff should be available in such a busy shop like O2.

The orange experience was a very different one. The shop layout was smaller, with one seating area in the Kingston shop and none in Staines, and with the same number of employees (four). The staff would come up and ask if assistance was needed, which was very comforting especially after having

to queue for 45 minutes to get served. There were two staff members on the tills and two on the floor in order to offer help in case any customer comes in immediately. If people needed help, and the service staff available was busy, he would call for help so that people would not wait for long. It is always a good gesture to make people feel that they were seen instead of standing for too long waiting to be noticed.

The level of service of both O2 and orange was the same in terms of staff willingness and help. A major source of frustration was the length of time needed to get served. Customers in the O2 store would actually start queuing and leave in the middle of the way.

A recommendation to O2 is to pay more attention to this detail and try to decrease the amount of time a customer has to spend waiting in the store. It is important for a customer to feel seen and heard. On the other hand, O2 offers premium services, and up to date options that no other network has, which probably makes people willing to wait in a long queue; to get a more premium service in the end.

ServQual Analysis

The following is the ServQual model (Ziethaml, Parasuraman & Berry 1985) for O2 and Orange

Servqual Gaps for O2:

Gap	Gap	Gap
1	2	3

Tangibles

Reliability

Responsiveness

Assurance

Empathy

Service Gaps for O2 Orange:

Gap	Gap	Gap
1	2	3

Tangibles

Reliability

Responsiveness

Assurance

Empathy

Porter's Diamond model and SWOT analysis on O2 and Orange

(Michael Porter 1998 cited in Johnson, Scholes and Whittington, 2009)

Factor Conditions: Orange and O2's factor conditions are quite different. O2's store format is predominantly self service. o2 invest on staff training to maintain their brand image. (Telefonica O2 UK ltd) . On the other hand Orange concentrates more on staff serving customers (Orange plc) . Both

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have spent lot of money in infrastructure and both were keen in opening outlets in the heart of major cities.

Demand Conditions: Demand for O2 is high compared to orange as the former always provides latest technology to customers faster than anyone else in the market. The revenue generated by O2 and Orange clearly defines the same. O2's EBITDA in the financial year 2008-2009 was 26.1 percent which is higher than its rivals (Parker, 2009). Considering the financial performance we could say that Orange stands behind O2. O2 creates a demand for its products with its first mover strategy towards the newer technology (Orange plc) (Telefonica O2 UK Ltd) (Pearse, 2005)

Related and Supporting Industries: O2 and Orange try to maintain long term supplier relationships. Both have risk management programmes in place which continuously works on identifying and resolving issues that suppliers faces like political, social and environmental; which helps strengthening their relationships. O2 aims to reduce the time to market gaining a competitive advantage over Orange. O2's business strategy creates a mutual dependency between O2 and its key suppliers (Orange plc) (Telefonica O2 UK Ltd).

Related industries to mobile phones are Laptops, PC, softwares which are becoming highly competitive. we could see that O2 and Orange is making use of its related industries to a great extent.

Firm Strategy, Structure, and Rivalry: Telefonica O2 europe is the parent company of O2 which incorporates fixed and mobile business in the UK and many other countries like Slovakia, Germany, Czech Republic, and Ireland.

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O2's strategy is to deliver innovative solutions based on ICT to people their by enhancing their lives with their performance and letting the community progress where they run their business (Parker, 2009) (Telefonica O2 UK Ltd).

France Telecom Group is the parent company of Orange . It operates in UK, France and Switzerland. Orange's focuses on profitability , sustainability and innovation through cost effective management in business sticking on to high standards. Friendly, dynamic, straightforward, refreshing and honest are Orange's brand value which make them a trusted, responsible and innovative firm (Orange plc) (Market Watch: Global Round Up, 2005).

O2 is always ahead of orange in technology. They are always fast in bringing new technology handsets to the market. O2 was ranked as 6th best place to work in the Best Companies to Work for 2008 List and has been awarded a three-star accreditation denoting an ' extraordinary' company (Telefonica O2UK Ltd) (Parker, 2009).

O2 has come up with the iPhone Total Connectivity Bolt On program, which gives the new and existing iPhone customers the standard O2 Home Broadband package for free when they buy the iPhone Internet Tethering bolt-on . they managed to launch the program on the very same day as Orange launched iPhone (Telefonica O2 UK Ltd) (Dudley, Dominic, 2006).

They have come up with the same to compete with its rival Orange. Orange's iPhone tariff didn't give any competitive advantage over its rival as it didn't give customers any additional benefits

Orange is looking forward to conquer the UK market with their joint venture with T mobile by focusing on giving the customers the best (Parker, Financial Times, 2009)

SWOT analysis

SWOT	Orange	O2
Strength	Broad Customer base in UK and Europe Strong Brand image Strong presence in UK market	Broad Customer base in UK and Europe number of other European countries Strong brand name Strong presence in the UK market

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MARKET PENETRATION:

- Both Orange and O2 are good at market penetration as they both keep re-inventing their products and coming up with new attractive schemes and offers to attract customers and influence them to opt for their services.
- For instance, both orange and o2 have special student offers wherein they offer students with special discounts on mobile phones and tariffs. Also, to attract a group of friends, they have “ magic plans” wherein there are unlimited calls between the “ magic plan” numbers for a nominal monthly charge.

PRODUCT DEVELOPMENT:

- In, Product Development, companies try and improve their existing products so as to improve market sales and simultaneously they try and develop new and innovative products for the current market.

- As compared to orange, O2 is far ahead in the product development segment, as O2 constantly keeps re-inventing itself by bringing in new and latest mobile phones to its customers.
- Example, O2 was the first mobile network in U. K. to offer i-phone to its customers. Even now, they are the first ones to offer the latest version of the i-phone, which is the i-phone 3GS.
- This shows that O2 is a very risk taking organisation and Orange seems to be a risk-averse in comparison to O2

MARKET DEVELOPMENT:

“ In market development, current products are sold into newer markets via exporting or other means.” (Global Marketing Management by Lee & Carter, Page 292, 2nd Edition.)

- This is a very expensive proposition for the organisations.
- The major concerning issue here is, standardisation v/s adaption, that is, it is very important for an organisation to always offer their few “ standard” and most popular products and services but at the same time, to survive in the new market and to gain a competitive advantage over its competitors, it equally important to adapt to the new environment and make some alterations or add necessary products suiting to the new customer needs.
- O2’s Parent Company, Telefonica O2 Europe, provide mobile and fixed line services to many European countries such as Slovakia, Germany, Czech Republic and Ireland.

DIVERSIFICATION:

- Here, unlike product development, new products are developed for new markets. Diversification is believed to be the most costly and risky strategy of all.
- O2 has diversified by bringing into the market “ o2” mobile phones. They are exclusive mobile phones, that is, they are compatible with all global mobile networks and are readily available readily in the market. Their main target market is “ working professionals” as they are most popular for their PDA mobile phones (PDA = Personal Digital Assistant)
- Both Orange and O2 have also diversified into high speed broadband services.

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