

# The global expansion of vodafone marketing essay



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Vodafone was formed in 1982 when a Racal Electronics plc. subsidiary also known as Daughter company, meaning Racal Electronics owned 50 or more of the company's voting stock. Racal Strategic Radio Ltd (80%) came into an agreement with Millicom (15%) and the Hambros Technology Trust (5%) to create the network that would be called Racal Vodafone. This venture and agreement formed because Racal Strategic Radio Ltd had won 1 of 2 UK cellular telephone network licenses. The Vodafone name was derived from the group's goal of creating a voice and data service over cell phone networks, the VO representing voice and the DA representing data. Vodafone was finally launched on January 1, 1985, strictly operating in England. By the 26th of October 1988, Racal Electronics, having bought out the minority shareholders in Vodafone for £110 million in 1986, decided to "float" 20% of the company, meaning taking it public. After doing so, the Racal Telecom (formerly Racal Strategic Radio) was valued at £1.7 billion. On the 16th of September 1991, Racal Telecom demerged from Racal Electronics and renamed the company simply, Vodafone.

The de-merge from Racal Electronics marked the beginning of Vodafone's globalization. They began purchasing companies left and right, at first just within England, including: Talkland in July of 1996 for £30.6 million, next it went after Peoples Phone, purchasing it for £77 million on November 19th 1996, and finally it also acquired the 80% of Astec Communications that it did not already own. With the addition of another network to work with in Talkland, and 202 new stores between the acquisitions of Peoples Phone and Astec Communications, Vodafone now had a grip on a significant amount of the UK's mobile customers.

After gaining ground in the UK Vodafone began to set its eyes on the rest of Europe as well. On June 29th 1999 Vodafone completed its purchase of AirTouch Communications Inc. and promptly changed its name to Vodafone AirTouch plc. The acquisition of AirTouch also gave Vodafone 35% of the shares of another corporation, Mannesmann, who owned the largest mobile network in Germany. During 1999 Mannesmann purchased the UK mobile operator Orange which meant that Vodafone and Mannesmann were now operating in the same market. Well Vodafone would have none of that and attempted a hostile takeover of Mannesmann which brought about strong protests in Germany and Vodafone's efforts were resisted for a time.

However on February 3rd 2000 Mannesmann agreed to an increased price of £112 billion, which became at the time the largest corporate merger ever.

The European Union approved the merger in April of 2000.

Along with continued investments and acquisitions of companies, Vodafone invested heavily in new technology research and was rewarded when on April 16th 2001 Vodafone made the first ever 3G voice call on their Vodafone UK 3G network.

The early 2000's was a time of rapid global expansion for Vodafone, starting with the purchase of Eircell, a wireless network in Ireland, which they rebranded as "Vodafone Ireland". A year later Vodafone purchased Japan's 3rd largest mobile operator, J-Phone (the first operator to introduce camera phones in Japan). The biggest shift for Vodafone came on December 17th 2001 when Vodafone introduced the concept of "Partner Networks". This revolutionized the way that Vodafone would do business from that point on. Vodafone was building on something called "Corporate Restructuring" that

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started in the 1980's, which allowed companies to operate on the global market. " New corporate forms - strategic alliances, global outsourcing, captive suppliers, supplier chains, and, increasingly, transnational mergers — allowed for what the economist Bennett Harrison has called the " Concentration of control with the decentralization of production" (Barber 31). With this in mind Vodafone, instead of buying stake in local operators around the world they would simply introduce their international services to the local market, forming " Strategic alliances" with those local companies. Basically what this means is that you would buy your phone and sign your contract with your local company, but all calls and interactions that you make with your phone would actually be running on Vodafone's network instead of the local operators. The services were marketed under a dual brand scheme which looks like this, TDC Mobile-Vodafone, simply putting the Vodafone name at the end of the partner company's name.

In 2002-2004 Vodafone began to implement its " Partner Network" all across Europe, partnering with companies in: Finland, Estonia, Austria, Croatia, Jersey, Bulgaria, Slovenia, Iceland, Italy, Romania, Czechoslovakia Lithuania, Cyprus, and many others. Additionally in 2004 Vodafone purchased Singlepoint airtime provider and added 1. 5 million more people to its customer base. In October of 2005 Vodafone sold Vodafone-Sweden to Telenor for € 1 billion. After the sale Vodafone signed Vodafone-Sweden to become a partner network. In December of 2005 Vodafone won an auction to purchase Turkey's second largest mobile phone operator for \$4. 5billion.

At the same time as Vodafone is expanding through Europe it is also working on partnerships and purchasing other companies all throughout Asia and the <https://assignbuster.com/the-global-expansion-of-vodafone-marketing-essay/>

Pacific. Its first market there was Australia quickly followed by the launch of Vodafone Fiji. It later purchased Bell South New Zealand which became re-branded as Vodafone-New Zealand. Vodafone partnered with companies in Hong Kong, India, Indonesia, Malaysia, Sri Lanka and Samoa.

Similarly Vodafone was also launching into Africa lead by Vodafone Egypt and a partnership with Telecom Egypt, which would later turn into a 55%-45% Vodafone control of Vodafone Egypt. Vodafone also partnered with the MTC group of Kuwait and re-branded them as MTC-Vodafone. Vodafone also bought out 50% share of South African affiliate Vodacom.

It wasn't until 2005 that Vodafone expanded into the market of the Américas, but it did so in a big way. Vodafone announced a group wide Co-Op with América Móvil of Mexico. This Co-Op gave Vodafone access to 13 new networks in the Américas. In 2007 Vodafone expanded again by signing a three year partnership agreement with Digicel group in the Caribbean and became preferred roaming partners.

Finally we get to Vodafone and its involvement in the United States.

Vodafone entered the U. S market in 1999 when it merged operations with Air Touch Communications, forming Vodafone Air Touch Plc. Vodafone Air Touch then went into a joint venture with Bell Atlantic Corp for the sum of \$70 billion. Naming the company Verizon Wireless it became the first wireless business with a nationwide market within the U. S. Vodafone however is a minority owner of Verizon Wireless and was not able to get them to use the Vodafone brand in any way. The company has grown increasingly frustrated with its lack of control in the United States. Vodafone

strives to be a household name when it comes to wireless and mobile communications however its in-ability to make itself known to the highly sought after U. S market is a large annoyance for a company that hopes to expand its network all around the globe. Vodafone has tried many times to get more deeply into the U. S market but has come up unsuccessful.

Vodafone first tried to buy AT&T when it was up for sale in 2004, but was ultimately out bid by Cingular Wireless. Next Vodafone attempted to buy out Nextel, but again was outbid by Sprint. Vodafone has also repeatedly voiced its desire to buy out Verizon Wireless of its 55% share in the company, but Verizon is equally as interested in buying Vodafone out of its 45% share and doing away with the joint partnership that started the company. Vodafone and the Verizon Wireless's animosity toward one another has actually caused a fair amount of problems for the company and its employees. I spoke with Joy from my P. I. G group who used to work for Verizon and she gave me some insights into the effect that Vodafone's 45% stake in the company has for employees. She told me Verizon put a ton of pressure on employees to "increase sales of equipment, apps, data services, and accessories." There was also huge "Pressure on the call center, especially financial services (loss prevention), quotas were raised in order to increase company revenue in order to make profit", because no matter how much they made they still had to give 45% to Vodafone. Finally Verizon opted to realign its business "In an attempt to cut costs in order to buy out Vodafone. Employees were relocated or took severance package (Joy's choice) under certain conditions." This caused huge numbers on unemployment and business center closures nationwide for Verizon.

Here is a map of Vodafone's operations throughout the world including their " Partner Networks".

Vodafone's expansion and globalization was done and continues to be done in order to reach as many customers as they possibly can. Currently the second largest telecommunications company in the world serving 439 million people without truly having a stake in the U. S market is impressive, but not enough for a company that aspires to be a household name across the globe. Vodafone continues to look for opportunity of expansion and partnerships that will bring more and more people into the Vodafone network, and it looks like they will continue to do so until the Vodafone name truly is a household name.