Business environment of vodafone group plc marketing essay

The aim of this report is to analysis the external and internal business environment of Vodafone Group Plc, and identifies possible strategy for Vodafone to sustain growth. Vodafone existence in Europe, Middle East, Africa, Asia Pacific and United States; operated in form of subsidiary, joint venture, associated, or investment in 21 countries, and operated in form of partner market agreement in 49 countries. See Annex I for details.

To understand a company, it is best practice to begin from its Vision and Mission statement to understand the corporate direction.

“ Our Vision is to be the world’s mobile communication leader – enriching customers’ lives, helping individuals, businesses and communities be more connected in a mobile world.”

“ Our mission is to lead the industry in responding to public concerns regarding mobile phones, masts and health by demonstrating leading edge practices and encouraging others to follow.”

External analysis

PESTEL Analysis is tool used to scan the external macro-environment in which the company operates. It express in terms of Political, Economic, Social, Technological, Environmental, and Legal.

Political

Political factors including political stability, labor law, environmental law, trade restrictions, tax policy, and tariff.

Country which Vodafone operate their business are political stable, and welcome for foreign investment or joint venture with local business. China, Israel, India have tax benefit for foreign investor.

In UK, Ofcom introduced the local loop unbundling process required BT to allow other operators to install their own equipment in BT exchange; this policy lowered the entry barrier for the industry. Also more licenses was issued to new operator, competition in the market has become hot.

Economic

Economic factors including exchange rate, interest rate, inflation rate, and the economic growth.

The global financial crisis especially in Europe causes the economic growth slowly. Under this situation, customers become more price-driven than quality-driven. The bargaining power of bankers become stronger, get loan from bank become more difficult and have to pay higher interest.

Social

Social factors including population growth rate, age distribution, cultural aspects and life style.

In Vodafone's home country -UK, the population is increasing due to immigration and birth rate increase. The life style and way of using mobile phone are changing. The number of fixed line user is decreasing and the number of mobile phone user is increasing. Mobile phone is no longer using for only making phone call and text message, nowadays mobile phone is also use for web browsing, social media, and entertainment.

Technological

Technological factors including rate of technological change, automation, and technology incentives.

The way of people using mobile phone change, need of a faster data transmission rate become necessary. New technology on both hardware and software, such as IP phone and video on demand become common technology.

Environmental

Environmental factors including environmental protection regulation and non-regulated issue related to the industry.

Currently there is no environmental regulation directly related to the industry.

Legal

Legal factors referring to laws regulating businesses.

EU Roaming Regulation urges operators to lower charge on roaming service.

Internal Analysis

Resources Analysis

Tangible Resources

Vodafone Group Plc has total £139, 576 million of assets in year 2012. It has 14, 000 stores and 238, 000 base stations worldwide.

Intangible Resources

The brand of Vodafone worth US$30 billion and ranked as the number nine brand globally. It develops its network and centralization of core activities continuously by the advantage from scale of technology. Its customers receive innovative services at a low costs and great value. More services being introduced to customers from time-to-time and increase in capacity and more efficient.

Value Chain Analysis

Vodafone has invested £304 million in 2012 in research and development to ensure innovative services are being developed continuously. In Europe market, 99% of the population can make calls across its network.

It still investing about £6 billion in networks and infrastructure provide safe and stable connection to customers.

It has its own billing system and developing dual currency capability to contract customer, able to move these customers to prepaid billing method, and the related impacts to tariff structures.

Total 14, 000 own branded stores and other retails chains to guarantee services being deliver to customers at their most convenience.

It has its own portal for all global employees can learn about the product.

Centrica formed a strategic alliance with Vodafone to deliver the mobile telephone service, because of the advantage of the wide spread network of Vodafone across British.

Competitors Analysis

If Vodafone not able to provide the same services or products to the customers as their competitors, it will become its strategic incapability. Vodafone is same as some of its competitor able to provide broadband, fixed voice, and mobile services; but some other competitor able to provide TV service. Vodafone provide two services bundle and three services bundle package, but Virgin Media provide four services bundle package.

BT is investing in fibre-base super-fast network to compete with the others. O2 and Orange are investing in LLU to move aggressively into the fixed voice and broadband market.

SWOT Analysis

PESTEL analysis identified the opportunities and threats to the company in external environment. Internal analysis included resources analysis and value chain analysis; and competitor analysis identified the strengths and weaknesses of the company.

All above information are being put together as an SWOT Analysis in Annex II.

TOWS Matrix

Using consolidate information from SWOT analysis, different type of strategies can be develop for coming five years (2012-2017) and illustrated in Annex III TOWS Matrix.

Strength-Opportunity

Develop new market in developing country – Vodafone is well experienced in develop new market internationally.

Expand coverage in UK market – Expand its coverage and maintain the market share in UK by using advantage of LLU.

Develop high speed network – Strong financial background of the company able to support it to develop high speed mobile network (4G) and broadband super speed network through LLU.

Develop new product – Using the advantage of its brand name and wide coverage network might develop new product by forming strategic alliance.

Compete on price – Strengthen the price range by the benefit from economic of scale.

Strength-Threat

Focus development out of Europe – Develop in country in which the impact from economic crisis is not serious.

Develop and upgrade hardware – Strong financial support able to upgrade equipment as the market needs. Not able to be the technology leader, but at least become a fast follower.

Provide lower roaming tariff – Company operate globally can benefit it to provide a lower roaming tariff.

Weakness-Opportunity

Localize on oversea operation – CEO of oversea subsidiary may fine tune company strategy to fit with the local operation.

Lease high speed network from BT – Leasing high speed network from others to overcome the problem of does not have its own.

Expand in coverage – Expand in coverage to increase number of customer to overcome the high churn rate.

Weakness-Threat

Joint venture with other company to operate in oversea market – For country which is perfect fit for the business due to political or legal factors, joint venture can minimize the risk and overcome the control problem in related different culture.

Market Development

Develop market in developing country is one of the possible strategy for Vodafone, such as China, Russia, and South Africa.

Suitability

Economic situation in Europe especially in UK was expected to recover more slowly than other countries. Vodafone has got capability in finance; foreign investor is welcome in developing country, the market development strategy is suitable for Vodafone to working in oversea market at this time. India is a good example, it is country with largest number of Vodafone mobile customer about 150 million users.

Feasibility

Vodafone has £6. 1 billion of free cash flow available for investment, with previous experience in acquisition and joint venture in oversea. Acquisition would be the fastest way of entry, for country with investment risk; joint venture will be a more suitable choice.

Acceptability

This strategy can receive the acceptability from shareholders in financial point of view. In the customer’s point of view, foreign investment improves existing infrastructure and bring new technology to the industry.

Product Development

Product development including implement of 4G network, strategic alliance with entertainment company to deliver entertainment on mobile network and fixed line network.

Suitability

This strategy is suitable for Vodafone because Smart phone became the trend of the market, and its vision is to deliver total communication.

Feasibility

Vodafone is financially capable for this strategy. Technology of 4G network is ready, LLU enable it to lease fibre network from BT. Delivery of video became possible with high speed network.

Acceptability

This strategy can receive the acceptability from shareholders in financial point of view. Upgrading on hardware will benefit to supplier by bring in more business. Customers are looking forward to high speed network.