

# Evaluation of strategies used in etisalat united arab marketing essay



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Etisalat is the market leader in telecommunications in the United Arab Emirates. The company is in a drive to expand services into many more markets. It has expanded into over 10 countries within the last seven years and the management indicates that they are looking for further opportunities to expand services. The company is also tapping the high end market in the UAE and is also seeking opportunities to provide increased enterprise level services. Due to these aspects, the company has managed to grow modestly at a time when the telecom markets globally have suffered heavy losses.

Etisalat has been expanding services as well as markets, and has been increasing service portfolios in the UAE while expanding into new markets. This allows the company to consolidate its existing market while gaining a foothold in new ones. Thus it is clear that Etisalat has been one of the most successful global companies; achieving sustainable growth. Although the company is facing concerns at the lower end of the subscriber market, it has managed to grow average revenue per user based on the changes to the nature of the subscribers.

The company has successfully used market and product development strategies simultaneously in an effective manner to achieve the objectives of the exercise. It is also evident that it has been developing customized portfolios in different locations in line with the needs each market might have. Thus Etisalat has successfully managed to gain a foothold in many markets. The company should use this experience to expand services further and ensure it gains more prominence in the market while seeking to expand into larger emerging markets.

## 1. 0 Introduction

Etisalat is a United Arab Emirates based company which has managed to expand operations successfully. The company was incorporated in 1976 and became the only telecommunications service provider in the UAE. The company has managed to improve the services it provides with the development of the UAE market. It had a monopoly in the UAE until 2006, during which time Du, another competitor, arrived in the market. Due to this competition, Etisalat has to ensure it finds suitable ways of expanding further.

The company has to ensure it selects the most suitable business models for expansion. At this time the global telecommunication market was expanding and market share was shifting from fixed line services to mobile services. There were many companies providing mobile services in the global market. Due to increased global deregulation, the prices of the industry were falling along with the profit margins.

Many European companies such as Telenor were entering the developing markets with the intention of providing low-end services. Due to the non-developed nature of these markets, low-end services were still attached with high margins. Furthermore, as the markets have low penetration levels, they offer high possibilities of growth over the long run. Another factor is that service demand for telecom is increasing and the varieties of services are also increasing. Etisalat has a state of the art network which Du does not have in the UAE context and could provide next generation services which have high margins attached.

By 2005 the company had a 100% fixed and mobile market share in the UAE. However, Du entered the market and managed to gain almost 43% of the mobile market share from Etisalat (Gulf News, 2012). This shows that competition remains very high for the company, and the picture is not encouraging in the context of the UAE. The mobile subscriber base remained flat for 2010 while fixed line subscribers dropped by 5% and internet subscribers by 1%. This indicates the company is losing subscribers gradually due to competition (Etisalat, 2012). However, the company has not let that affect both the top and bottom line. It has managed to develop the top line modestly in 2010 irrespective of the drop in the subscriber base. The profits also remained almost flat even though the company has seen a drop in the subscriber base.

## **2. 0 Theoretical Discussions and analysis of strategic marketing planning**

Strategic planning is a process that defines the strategy to make decisions on how to allocate scarce resources optimally to understand the current market position in order to create a future marketing segment.

The company has changed strategy based on the Ansoff's product and market grid. The grid indicates how companies are capable of developing products and markets to fine-tune strategies (Duke, 1994). The changes of this positioning can be indicated as follows:

Figure 1: Ansoff Product market positioning matrix (Source: Carrigan, 1998)

Prior to 2005 Etisalat was only active in the UAE market. However, the company gradually changed position with increasing competition to

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simultaneously develop products suitable to the local market as well as ensuring that new markets were explored (Vrontis, 1998). This dual strategic approach has contributed towards the development of the company and the achievement of its current success.

The company analyzed what was lacking in the markets it had reached. As a player in the UAE, the company has exposure to offering new technology to emerging markets. Identifying what the markets were looking for and ensuring that these services were provided is the focus the company had in place (O'Regan and Ghobadian, 2009). The following diagram shows the sweet spot analysis the company followed to achieve this purpose:

Figure 2: Sweet spot analysis (Goldense, 1994)

Identification of the sweet spot will allow an understanding of what the markets need; the competitors do not yet offer what the customers are in need of (Chakravarthy and Coughlan, 2011). Once the markets to be entered are identified, the company will be able to develop the product values based on the above indicated sweet spot analysis. However, when the company is in multiple locations, the sweet spot analysis has to be replicated in all the locations in order to understand what the company needs to offer in a particular place.

### **3.0 Strategic Approaches Adopted By Etisalat UAE**

This success is due to the company's dual approach based on simultaneous market development. It understood that the UAE market already had a penetration level of over 100% mobile. The fixed line trend was declining

globally. This indicated that the company had to ensure growth took place as <https://assignbuster.com/evaluation-of-strategies-used-in-etisalat-united-arab-marketing-essay/>

the current market it was in was likely to decline due to competition from Du. Thus it has expanded operations in a number of other countries while ensuring that the UAE operations are also consolidated. It has developed new products in the UAE while expanding lower to medium end services to international markets.

In the UAE, it was introducing high end services such as teleconferencing, data services, and video transfer services including IPTV aspects. All these will allow the company to expand the portfolio based on the next generation fiber optic network it has in place. These new services are likely to ensure that the increasing demands for advanced services are fulfilled by the company. These high end services have higher margins attached and this will contribute towards increased AERPU while margins are enhanced. Thus the company is gaining profitable customers even though it loses low end customers to competition.

The company has expanded services to many of the emerging markets and, due to the reliance of the sweet spot analysis for identification of the products required, it is very likely that the company will know what it can offer in each market separately. This allows it to enter markets which are at different stages of development.

### **3. 1 Business Growth of Etisalat UAE in to New Business Locations**

Thus the company has managed to enter highly penetrated markets such as Sri Lanka and simple and basic services markets such as Central Africa. This allows it to diversify the risks of different markets and ensure it enjoys the

positive trends in different markets. Thus, Etisalat has managed to expand its business effectively and develop portfolios of services and different value propositions based on the exact requirements of these markets.

The result of this exercise is that the company has currently managed to expand operations to 11 countries apart from the UAE. It is likely to focus on enhancing services further by investing in a number of other locations at this time. Etisalat is the only company which has the capability to provide 4G LTE services in the UAE and this has become a considerable advantage for the company in the future. It is not likely that Du will be able to provide services of this level within the next few years. This shows that Etisalat will capitalize in the areas of high end services and service quality in UAE market.

The foreign markets have enabled the company to grow fast and ensure it develops unique values for customers in these respective emerging nations. An increase in volume will contribute towards the increasing profitability of this segment over medium to long run.

## **4.0 Conclusion and Recommendations**

Overall, the strategy adopted by the company has contributed to its growth and stability. However, it needs to enter larger emerging countries based on the expertise it has gained through the internationalization drive. Countries such as Brazil, Russia, India and China will provide it with bigger opportunities. One attempt made to enter the Indian market failed and the company had to roll back its Indian operations as a result. However, by entering a large emerging market, it can make that the engine of growth in the future.

The company has the capability of providing high end services in many of the emerging markets in which it currently operates. While the company is gradually building its position in most of these markets, introducing state of the art next generation services will propel it to build high end services and create a competitive advantage at such levels in many emerging markets. For instance, introducing 4G LTE services in the Sri Lankan market could be one such facility Etisalat could provide.

The UAE telecommunications market is a duopoly while many of the other telecom markets are more competitive. Thus the company can take strategies developed in other markets to combat competition effectively. For instance, strategies such as providing free high end phones to gain subscribers etc. can be practiced in many of the emerging markets.

Thus the above discussion shows that Etisalat has managed to modestly grow in a telecommunications market which is very competitive and hence losing profitability. It needs to ensure that growth continues and that it will be able to achieve growth targets effectively. The company is currently focused on small emerging markets. It is in a position to expand further and ensure it benefits from market trends while mitigating the risks of relying on one single market.

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