

A case study on motorola marketing essay



**ASSIGN
BUSTER**

Before the innovation moved from the first generation (1G) analog cellular to the second generation (2G) digital cellular, Motorola enjoyed an undisputed leadership in the mobile industry. However, the global market share captured by Motorola was below 20% in 1998. On the other hand, the global market share captured by Nokia was captured above 20%, which substituted the leading place of Motorola to become the leadership in the mobile industry. [See Exhibit 1] As a result, Motorola faces a challenge, which is how to use the company's capabilities and advantages to go back to its days of glory in China.

Investment in the China mobile industry is an attractive proposition. In the first half of year 2005, mobile phone users in China increased by around 28 millions – the subscriber base crossed 350 millions. Nearly 90% of the market was shared by GSM. Nokia remained in the leading place with 19. 7% of the market share, followed by Motorola at 12. 1% [See Exhibit 2]. Actually, the chief executive officer of Motorola, Robert Galvin, has already sensed that the mobile industry in China would have the opportunity to grow in year 1986. Thus, the company has tried to develop some universities and training centers in different areas of China. For example, people who have the knowledge about the technical skills of mobile phone would be trained in Beijing and Shanghai. Motorola was not just only focus on the core business, but it also tried to do something which was unrelated to the business sector in China such as helping flood victims, and building schools. As a result, I believe that Motorola has an enthusiasm to invest in China.

However, the Motorola failed to invest in the mobile industry of China because of the following three factors^{1/4}Underestimating their competitors,

narrow sales target in mobile market and not consider the China's people point of view to develop mobile phones. The underestimation of their competitors should be the first and foremost reason. The Motorola is confident that the domestic brands of mobile phone in China do not have the competitive ability in their local market. Jim Gradoville, vice-president of government relations in Asia Pacific, said " There is no question that China wants to develop its own domestic industry and we are not afraid of that. This is not a zero sum game." [1] However, the domestic brand of mobile phone, Ningbo Bird, TCL and Konka, were ranked as the top three positions in terms of the number of handsets sold [See Exhibit 2]. The above situation is due to four reasons^{1/4}the domestic brands of mobile phone have the idea of consumer preference in China, the domestic brands of mobile phone have the local market penetration, the domestic brands of mobile phone can have lower production cost and the domestic brands of mobile phone are protected by the government policy. [2] Although the Motorola has entered the market earlier than the domestic brands, it has low sales in China compared with the domestic brands.

Moreover, the narrow sales target is one of the important reasons. The Motorola have developed lots of ' Motorola Towns' – an open conceptual shop in which customers can utilize technology, learn about the knowledge of it and consider how does it work for them – all the above have to spend a large amount of money. The first town was opened in Chengdu, the capital of the Sichuan province, followed by Shanghai, Beijing and Guangzhau. The towns were divided into four different display zones^{1/4}Timeport Zone, which was oriented for the quality consciousness; high-end users, who wanted to

use their handsets to enhance productivity; Accompli Zone, which meant for machine lovers and internet zealots; V Zone, which was the prestigious line for those who wanted to pursue status; and Talkabout Zone, which targeted those who liked simplicity. [2] Based on the above analysis, we found that the Motorola has just covered the customers who are high-end mobile users or can buy expensive mobile phones in the early stage, not to mention overlooking the lower-end users and second tier users in cities. However, these customers have a high motivation to buy new mobile phones in the future. Thus, if the company needs to be successful in the China mobile market, it should consider these large amounts of new mobile phone users. Woefully, the Motorola did not do so. It lost the golden opportunity to expand its business in China, and did not successful in China compared with the domestic companies. On the other hand, all these consumers were finally considered by the domestic mobile phone companies. Statistics stated that the market share of Motorola was decreased to 28% by the end of year 2002, whereas the market share of a domestic company, TCL, has increased to 11.4% and Ningbo has raised to nearly 7%.[2]

Last but not least, the Motorola did not consider the China's people point of view to develop mobile phones. The Motorola offered relatively staid designs to the China's mobile phone users, but the domestic manufacturers introduced a variety of models with trendy colours and styles which were suitable for the preference of local people. The function of mobile phone produced by the Motorola could not be well compared with the domestic companies in the early stage. The domestic manufacturer, TCL, has hired 500 new engineers to work on developing greater varieties of new models.

Working towards becoming the 'Rolex' of mobile phone, it launched a series of diamond encrusted handsets which were a runaway success. It was also the first manufacturer to introduce the nanometer technology in making handset resistance to fog and scratch on the screen, as well as the first manufacturer to launch the dual-screen mobile phones. Another domestic manufacturer, Eastcom, also have a number of fashionable items: a cell phone covered special treated fish skin, having Chinese songs as ring tones and having Chinese-character keypads. The successful story of Ningbo Bird, which has started operation as late as year 1999, was largely attributed to the launch of camera mobile phones well ahead of the Motorola. However, the Motorola has just launched models with Chinese text messages, picture messages and built-in cameras in year 2002.[2] Based on the above analysis, we found that the Motorola did not consider the China's people point of view to develop the mobile phones in the early stage, thus Motorola also did not successful in China compared with the domestic companies.

In conclusion, I believe Motorola is failure in the China mobile phone industry compared with other companies. It's because they did not plan well for the business strategies; they underestimated their competitors; they have narrow sales target in mobile market and they did not consider the China's people point of view to develop mobile phones. If they can grasp all the opportunities in the early stage, it is true that they can capture most of the China mobile phone users and become the leader of the mobile phone industry in China.

Reference^{1/4}§

[1] Roberts, D. “ WAP Phones May Lure Millions”, Financial Times, September 11th 2000, [www document] <http://specials.ft.com/telecoms/sep00/FT3WZ1G29DC.html> (accessed 11 August 2005)

[2] ALI FARHOOMAND. “ MOTOROLA IN CHINA: FAILURE OF SUCCESS?” , The Asia Case Research Centre, The University of Hong Kong, 2005

Appendix 1/4

Exhibit 1 — WORLDWIDE MOBILE PHONE SALES 1998-2004

1998

1999

2000

Unit sales

Market Share (%)

Unit Sales

Market Share (%)

Growth (%)

Unit Sales

Market Share (%)

Growth

Total market

162, 856

100

283, 581

100

74. 1

412, 731

100

45. 5

Nokia

37, 374

22. 9

76, 335

26. 9

104. 2

126, 369

30. 6

65. 5

Motorola

32, 319

19. 8

47, 818

16. 9

47. 9

60, 094

14. 6

25. 7

Ericsson*

23, 827

14. 6

29, 785

10. 5

25. 0

41, 467

10. 0

39. 2

Panasonic

13, 397

8. 2

15, 581

5. 5

16. 3

21, 511

5. 2

38. 1

Siemens

n/a

n/a

12, 982

4. 6

n/a

26, 989

6. 6

107. 9

Samsung

n/a

n/a

17, 687

6. 2

n/a

20, 639

5. 0

16. 7

LG

n/a

n/a

n/a

n/a

n/a

n/a

n/a

n/a

Others

55, 939

34. 5

83, 393

29. 4

49. 0

115, 662

28. 0

38. 7

Note: Figures in the table have been rounded off for consistency of presentation.

Where individual data is not available, it is included in ‘ Others’.

Source: Compiled from industry reports (data from Gartner Dataquest and IDC).

**Exhibit 2 — MOBILE HANDSET MARKET SHARE
(CHINA)**

1998

1999

2000

2001

2002

2003

2004

June 2005

Nokia

25. 0%

29. 0%

30. 0%

28. 0%

23. 0%

11. 6%

16.9%

19.7%

Motorola

29.0%

30.0%

33.0%

32.0%

28.0%

14.2%

14.5%

12.1%

Sony Ericsson

22.0%

18.0%

10.4%

10.0%

6%

5%

3. 9%

4. 1%

Samsung

n/a

3. 0%

3. 2%

6. 8%

7. 0%

6. 3%

8. 4%

10. 4%

Bird

n/a

1. 0%

2. 2%

6. 0%

7. 0%

12. 1%

8. 2%

8. 8%

Konka

n/a

n/a

n/a

n/a

n/a

6. 6%

4. 1%

5. 0%

TCL

n/a

n/a

0. 4%

2. 8%

11. 4%

9. 1%

6. 9%

4. 6%

Amoi

n/a

n/a

n/a

n/a

3. 0%

4. 6%

4. 4%

3. 5%

Others

24. 0%

19. 0%

20. 8%

14. 4%

16. 6%

33. 2%

34. 9%

31. 8%

Note: Where individual company data is not listed, the market share is included in ' Others'.

Figures have been rounded off for consistency of presentation.

Source: Compiled from various press and industry reports.