

# Business strategies of o2



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Any business involves some form of investment and sufficient number of consumer to sell the business product at profit on a consistent basis. Every business will survive, and flourish by selling its product and services more to more people. This may be selling more of your existing products or services to existing customers, or it can be selling new products or services and/or acquiring new customers or markets. In order to follow the above process organisation needs to establish some strategic plane. Those strategies will determine the direction in which the organisation should go to achieve its goals. Moreover, it allocates and defines the available resources to create a close relation between opportunities and needs of the organisation.

According to the Johnson and Scholes definition strategy is the direction and the scope of an over a long period and bring advantage in the challenging environment by using its configuration of resources and competences with the aim of fulfilling stakeholders expectation [Johnson & Scholes, 1998].

This project representing the research outcome of a UK based well-known company O2. The research involves the strategic plane, their business model, growth and future.

Nature, scope and need for strategic business management and planning in O2Cellular communication industry.

Cellular network industry

The cellular phone industry is one of UK rapidly growing industries. Since the industry came into UK market, its average per annum growth rate has been a phenomenal 85 percent. By the end of 2007, the UK cellular phone industry had over 73 million subscribers. The industry has undergone a number of

changes over the years. The National Telecom Policy and regulation was an important landmark in the development of the cellular telecom industry in UK. The tariff rationalization and policy regulation introduced in the Policy helped the industry grow at the tremendous pace, within few years this market reach to its mature level. The years 2001 and 2002 saw an increase in level of competition in the industry with more operators being given licenses, and fixed line providers also entering the mobile market [Maria, 2006]. There are five major mobile operators controlling UK market and they are VODAPHONE, TELEFONICA O2, ORANGE, T-MOBILE and 3 UK.

The quality of cellular network is changing by the appearance of the services and availability which integrates cellular communication technologies.

Different tariff and model and technology have been developed for this purpose to improve the quality of service. Therefore, this cellular industry is going through a massive strategically up gradation phase in there management department. This phase brings many open door opportunities for various players across the value chain of cellular industry.

About O2

### 2. 2. 1 History

John Carrington was founded cellnet during his service as CEO of British telecommunications mobile division. The Cellnet first launch its cellular service in 1985 and established as a subsidiary of Telecom Securicor Cellular Radio LLC which is the joint venture of British Telecommunication and Securicor. The British telecommunication hold 60% share and Securicor hold the 40% share of the Cellnet. BT brought the 40% of Securicor share in 27th

of July 1999 for 3.15 billion pound and rebrands the company as BT Cellnet. During the acquisition it has 5 million customers. The uncertainty in the European telecommunication industry and weakened financial condition of BT start to decentralize the company and the BT Cellnet group became O2 UK. Telefonica bought O2 for £18bn in 2006 and continues to trade as O2 in the UK. O2 is one of the leading providers of mobile phone services and broadband connections in the UK and Western Europe. It has gained its market share as the leader innovator of such varied services as non-voice including text, media messaging, online games, music and video [O2] [Gould, 2011].

## 2.2.2 Business principle

Every business and its employees maintain some sort of principle to protect the business reputation and the value to the shareholder, after the acquisition of O2 by Telefonica, certain business principles were defined as:

All staffs must behave in an ethical manner to their customers and dealers.

They should act according to the local and the national laws and regulations.

Avoid monopoly mentality and involve in fair competition.

Always avoid conflict of interest and abuse of power.

They should treat fairly and build respect among the colleagues.

They must manage the company with the highest standard of corporate governance and best practice.

### 2. 2. 3 Marketing strategy

Marketing is both a business philosophy and a set of tools. The aim is to discover the right product or service according to customer present and future needs. The organisation needs to have flexibility and adaptability in terms of marketing strategy to gain consumer satisfaction.

It was the one of the toughest challenge for O2 to keep face its marketing strategy with the ongoing mature cellular market where the churn is huge and challenges are growing. O2 try to use multichannel strategy to face the challenges and keep its growth trending upward. It continuously honing marketing process and technology in order to be the best to its existing base and future prospect. O2 strongly emphasizes on human contact which lead them to build more high streets store and call centre.

O2 has segmented its consumer according to their payment type. They have pre-pay, post-pay and business subscriber. Business customer split into category one is small to medium enterprise user and corporate user (more than 200 set). Corporate users are directly dealt by O2 sales team and encourage increasing their consumption by striking offer perhaps the SME customer are segmented according to their value.

O2 has been accepting a serious of packages from Chordiant to enhance the existing infrastructure. The Chordiant application assists to build predictive models from the customer transaction and demographic data. Combining the complex business rules and the above two information O2 brings a predictive conclusion about the next best action to take with the caller in real time.

All O2 agents are trained and educate to answer customer enquiry and needs. They are trained to set a bullet-pointed recommendation with the help of the Chordiant application. O2 always open door to accept upcoming Chordiant modelling tools to allocate the best offer to its customer [Lawson, 2006].

#### 2. 2. 4 Proximity marketing

Pushing messages to customer who have requested to receive offers from O2 and enter geo-fences (location based alert) placed around specified location such as newsagent, to deliver timely, location based offers to customers in the right mindset.

#### 2. 2. 5 Business Model of O2

A business model is the operational framework of a business by which it create, deliver and capture the economical and social or any other forms of values. It represents the core aspects, purpose, infrastructure and operational process and policies of business [Osterwalder & Pigneur, 2010]

A new Operating Business ModelAs a part of Telephonica group O2 has leverage the extent of its parent by applying the core business model with the consideration of the local market difference. The model consists of operational business model.

#### Operational Activity Commercial Activity

O2 try to focus on all its operational activities and commercial activities embedded with one a unique multi-access network to enable its growth and

efficiency. New IT application and strategy will added for the transformation process. O2 want to build itself as online superpower which will help to build a rigid relationship with its customer, employees and third parties. Its commercial efficiency will adapt according to the local market condition [Telefonica, 2010].

Appraisal of O2's business goal and values

### 3. 1 Goals

O2 promise wants to be a recognized sustainability telecommunication giant by 2012. O2 set a range of goals and value in front of them to begin the journey. Their goals have a time frame to complete [O2, 2009].

O2 wants to bring sustainable living by offering greener devices

O2 will provide environmental friendly services.

O2 will bring the people together by offering social event.

It will work on to establish Simple and efficient with mission full and vision full business operation.

Set up a culture with clear thought.

### 3. 2 Values

O2 values are bold, open, trusted and Crystal clear and customer demand driven. These values support to fabricate their customer royalty and the trust of the society. O2 utilize their employees to convey their message and endorse brand and reputation to the consumer. The employees are aware of

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conduct standard and the integrity of the company. O2 has kept an ample of responsibility and right to [O2, 2009]:

Offer the customer friendly and fairly priced technology.

Carefully consider stakeholder opinion and comments.

Take seriously the social, environmental, ethical and political concern and issues.

Create safe and balanced workplace.

Respect local community.

Analysis of impact of O2 in the Market

O2 continuously experienced their customer the most affective, meaningful, valuable and elegant products and services. End-user satisfaction and desire contract Churn make the O2 highly competitive flourish strong growth in the UK market. O2 has been focusing on the optimization of acquisition investment and retention activity in order to achieve the market growth.

Smart phone and other high-end devices and technology of O2 give the subscriber the best end-user experience. O2 has been successfully promoted and improved the number of channel to gain the 22 million customers in UK at the end of 2010 which is up 4. 8% year-on-year. It able to add 352 thousand mobile customers base during the 1st quarter of 2010. The contract segment customer has the major growth and it is the 67% of total net addition. Moreover, the Pre-paid customer segment adds 115 thousand. The striking arrangement in Churn is another reason for the customer

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growth. In the contract segment the Churn was up 1. 1% of total 2. 6% for the first 9 month of 2010. In the third quarter it increases to 1. 2% of the total 2. 7%.

Mobile Traffic has grown up to 7. 3% with passage of time and furthermore around 43067 million minute is used by the users.

Average revenue per user (ARPU) has been increased by 1. 4% year-on-year in the first nine month of 2010 in local currency. Due to the raise of the use of Smartphone and mobile broadband the Voice ARPU[1] decline compare to Data ARPU[2]. O2 has gained 0. 7 million broadband internet line which is 25. 9% year-on-year increase from the previous year.

O2 regularly adopting or introducing new Smartphone and improving mobile services has driven them to gain the great outcome in terms of revenue growth. In the first nine month of 2010 it gain the revenue of 5317 million Euros which is 5. 6% increase year-on-year in local currency. In the third quarter the revenue accelerate to 8. 5% year-on-year.

According the 2009 report O2 has contribute to the UK market by bringing 5962 million pound revenue. It was responsible for 0. 2% of total UK gross domestic product, £2, 760 million – supplier spend. O2 has paid 515 million pound salary to its employee and 522 million pound income tax. The capital expenditure was 621 million pound and invest 353 million pound for new technology.

O2 ICT department has brought one-fifth of all productivity growth in the Europe market. It has increase business efficiency via anytime, anywhere

mobile and internet services. Moreover, by reducing travelling hassle, it supports low-carbon growth [O2, 2010].

### **Franchising:**

Franchising is the practice of using another firm's successful business model. For the franchisor, the franchise is an alternative to building 'chain stores' to distribute goods and avoid investment and liability over a chain. The franchisor's success is the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Franchising is the supreme way to broadcast the strength of company brand, system and products. It creates a very close communication to reach the potential consumer and it expands the retail estate. Therefore, O2 has chosen franchising technique for its marketing advertisement purpose. It creates an impact and innovative advertisement and echo's the company message to its consumer. By franchising road map the O2 brings the following impact to the UK market.

It creates vital business intelligence.

Expand the job market as well as O2 market

Maximize the investment in local market.

Inject the UK economy growth upward.

Pest analysis of O2

The PEST delves externally to look at political, economical, social and technology driven factors.

Political- O2 has a governance framework to guide their operation efficiently and performance complies with or exceeds legal and regulatory requirements. It takes seriously any current or future risk of social and environmental and ethical nature [O2, 2010].

Social factors- there is a strong sense of community spirit within O2 and encourages active involvement in all regions, at all levels. O2 provides information and advice on potential health risk of mobile user and contributes fully to the debate. It is running a research centre for its mobile telephone technology and its effects on human health. It also offers advices on issue such as child protection and customer safety and leaflets explaining the current scientific thinking [O2, 2010].

Technological- O2 is the first company in the world to launch and rollout a commercial medium speed GPRS mobile data network. O2 provides 4G connection using LTE technology supplied by Huawei technology co. Ltd. O2 began trial of NFC (Near Field Communication) in 2007. O2 launched Europe's First High Speed Downlink Packet Access Services (HSDPA) which is three times faster than 3G. It also provide multi channel TV to mobile handsets [O2, 2010].

Environmental factors- O2 is the first certified mobile telecommunication provider with the carbon trust standard because of its commitment to reduce carbon footprint. It distributes smart metering technology across the

company's cell sites, offices and retail stores. O2 is a voluntary participant in the 10: 10 (10% reduction in carbon emissions in 2010) [O2, 2010].

Legal factors- O2 have the commitment to high ethical standards to everyone working for the company. It works systematically to live within the law and comply with voluntary standards and regulatory guidelines. The Telefonica Europe board monitor and enforce its O2 Company to abide by local legal and regulatory requirements. The Ofcom, phonepayplus (known as ICSTIS) and ICO (Information Commissioner's office) is O2 Company's Government watchdog. It has abided by the international standards (ISO, OHSAS) to ensure it product quality and health and safety and high environmental management [O2, 2010].

## Conclusion

The demand in Cellular network service is growing and become more sophisticated. It has created ample of opportunities and open door competition. The valid organizational structure, innovative products and services, smooth and sound external partnership polices formulate O2 to keep their business in right track where the business environment evolving very rapidly and continuously. Its vision, innovation, will of change, leadership, and management capacity make O2 solid and long standing competitors locally and globally. In the last few years it has leave behind the other company to become the leading mobile phone and internet operator in the UK with 22 million active customers. In this increasingly commoditiser market, O2 has successfully stood out from the competition with an award-winning marketing strategy that has not only made existing customers more

loyal but also helped to get hold of more new users than competitors. As successful business organization O2 acquire the leading crown of the UK cellular empire.