The vodafone group plc: strategic position

The Vodafone group is a mobile network operator headquartered in Newbury, England. They made their first phone call just minutes after midnight on the 1st of January in 1985. In 1987 it was already recognized as the largest mobile network in the world. Today it is the biggest telecommunications network provider in the world by turnover and has a market value of about one hundred billion pounds. It is a FTSE 100 company and is ranked 3rd overall just behind ‘ Royal Dutch Shell’ and the ‘ BP’ group. Vodafone currently has equity interests in twenty-five countries and has other partner networks with assets in another forty one countries. It is the second largest mobile telecom group in the world behind China Mobile and has more than ten million customers in the United Kingdom, Germany, India, Italy, Spain, Turkey, Egypt and the United States.

Introduction:

As part of my report for the Vodafone group I will analyse first of all their current strategic position and how these strategies will reflect their business opportunities in future. In order to this I have identified their strategies in terms of marketing objectives and also their core competencies and resources strategies. Apart from that I also conduct an internal and external analysis which will include a SWOT analysis, PESTLE analysis and Porters 5 forces model. Finally I will conclude on this and give recommendations to Vodafone’s future strategies.

Current Strategy:

Vodafone’s strategy is to remain a market leader consist of various points and targets and involves different stakeholders. Their commitment willing to improve their services through ‘ Value enhancement’ and their goal to strike and enter into new emerging markets is continuing to flow with their current values as well. Vodafone is focusing on 4 main aspects on their business as we can see from the following diagram:

(http://www. vodafone. com/start/investor_relations/strategy0. html)

Drive operational performance:

Vodafone is always trying to give the customer more value for their money through ‘ Value enhancement’ which includes reducing the cost of production without losing out on quality.

Pursue growth opportunities in total communications:

They want to focus more on their current products in their portfolio and want to enhance their services. They already had a breakthrough in Europe with their mobile data service which earned them revenue of £2. 8 billion.

Execute in merging markets:

Vodafone wants to use the opportunity to enter new markets which have significant growth levels especially in countries like India, Turkey and countries in Africa. They want to maximize the opportunity to utilize mobile data solution in countries where it is possible.

Strengthen capital:

As the company continues to grow they want to make sure that shareholder get the most return on their investments in order to keep up with their investor’s relation. This also encourages potential investors to come in and join the group as a stakeholder.

PESTLE Analysis :

Political Factors:

Regulations – mobile phones licenses are tightly controlled and are very expensive. In some cases tight measures are implemented by the government in order to decrease mobile phone use for children because of health issues.

Infrastructure – to build up an infrastructure to support the network usually requires permission from the government and other regulative bodies.

Economical Factors:

The recession has decreased the amount of money customers are willing to spend, therefore there is a price war between leading network providers to drive down costs of calls and sms to attract more customers

Cost of licensing – when the technology of 3G was introduced there was a bid war amongst leading companies which ended up in a high expenditure of acquiring this technology

Social Cultural Factors:

Fashion: in some countries especially in Europe it is in fashion to have a mobile phone. The market in Europe is so big that all kind of phones are being sold here. These days in iphone by Apple has conquered most of the market and is the best seller in the UK at the moment

Demographics – mobile phones tend to be used by the younger members of society. In a country where the population is ageing, which is the trend across the EU, the demographics may shift to a more aged population who may have less use for mobile phones.

Technological Factors:

3G – The introduction of this technology have helped Vodafone to interact easier through their phone and they were able to offer services like the mobile internet or famous social networking sites like facebook directly accessible from the phone.

It is now much easier for business customers to arrange meetings and get information directly on their handset. Vodafone also offers tailored price plans for business customers

GPS – it is now possible to get a navigation programme on the handset where supported. Instead of buying expensive navigation systems the customer can pay one off fees and use the system

The technology advancement in general will help Vodafone to cope with the growing competition all over the worked and will help them increase to attract more customers through these technology developments.

Legal Factors:

Law – There are some laws which regulates the actions of business e. g. The Sales of Goods Act 1974 stating all products must be fit for the purpose they are intended. A mobile phone must therefore work. These laws are created to regulate particular industries for example the ban on mobile phones while driving. This significantly increased the sale of headsets.

Environmental Factors:

Vodafone have established a recycling programme for phones in order to help the environment and recycle and reuse the materials used in the handset. They give incentives in terms of money to customers ho hand in their old phone in exchange for a new one.

SWOT analysis:

Strength :

The size of the organization plays an important factor when we are speaking about their strength. Their global presence and network makes it easy for them to be more competitive even on a global scale.

Vodafone is reputable company and there are famous for being the best in their field. Their brand image is very important when it comes to sales and increasing them.

Standardised customer relation management is also a feature of Vodafone. The company is developing a group-wide standard in customer relation management to ensure an awareness of its customer base and their preferences in order to help the efficient sales of its new services and products.

Weakness:

Developing new technologies can turn out very expensive. If these technologies fail to succeed in the market this could end up in a huge loss which would be hard to recover from.

They can not introduce new technologies where it is not possible this could be because they are facing the legal issues within that country

Opportunities:

Emerging markets offers Vodafone to introduce their unique services to that market where the market has high rate of growth. They can become a market leader as they are the biggest network provider in the world and their experience could help them to achieve that.

At the moment having a mobile phone is a necessity for many people and the trend is going up that people are tending to have one or more mobile phone. This could turn out positive for Vodafone as the market tends to increase by size and volume in terms of sales.

Threats:

Competition could be a threat organization as more different products and services are being offered by different companies. The ‘ iphone’ for example introduced by o2 has significantly decreased sales of other products and services because they reserved the rights to be the only distributor of the phone in the UK.

The effect of rules and regulation by the government can also be threat to Vodafone as they could ban or set price regulations.

Marketing Mix:

Vodafone uses its advantage as being a large global organization and implements differentiation and cost leadership strategy as they benefit from economies of scale. This allows them to have a competitive advantage and adding more value to their range of services to the customers compared to other competitors.

The marketing mix consists of many different factors, which are grouped together into four main categories: product, place, price and promotion.

Product – Vodafone offers different type of products to different type of customers and so can segment their market in this field. Since the introduction of 3g services they can offer more than just voice calls and messaging. Customers are able to access he internet and other multimedia applications on the go and can benefit from the unique quality of Vodafone.

Price – They are able to offer different services for different customers like pre pay phones, pay monthly contracts and business solutions for businesses. This allows them structure their pricing method towards different needs of the customer.

Place – Vodafone operates mainly through their retail stores all over the UK. There are over 300 retail outlets and they also offer their services through independent retailer like ' Phones4u'.

Promotion – Vodafone affectively operated a solid marketing structure which includes advertising poster on the street, TV campaign and also use famous celebrities like David Beckham to advertise their products. This ensures people are aware of their special offers and discounts.

Boston Matrix Structure:

The Boston Matrix Structure will illustrate us which products in Vodafone's portfolio stand in terms of market share and growth.

Stars – The star of their products which is the main product they offer are the monthly contracts they offer as these are very popular amongst the customers.

Cash Cows – this is the product which generated revenue but is at a stage where it does not grow. The messaging services they offer generate good revenue for them and as there is no opportunity to expand as that this service is their cash cow.

Dogs – This would be their analogue services as they do not really generate revenue because of too much competition.

Question Mark – This product is the one with high growth potential and low market share. In this case it would be the 3g serves they offer. As there are other companies offering the same services it hard to gain a higher market share.

Porters 5 forces:

By using the five forces model of completion, competitor analysis network by understanding how the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitutes and the competition of other firms and how they affect the company directly.

Competitive Rivalry – The competition in the UK for example is very much intense and big organizations like o2, Orange and T-Mobile have a significant impact on revenues.

Buying Power – Customers have the choice of many different type of product at present time due to the high level of competition. In terms of different type of packages and different prices people tend to go for other companies and buy their product.

Power of suppliers – Vodafone is one of the largest network providers in the world and therefore they are able to use the benefits of economies of scale and reduce their production costs. This allows them to increase their profit margin compared to other companies and offer better a price to value ratio to the customer.

Threat of substitute – There is a low risk of substitutes for Vodafone as they have established a good brand image. Apart from that as they benefit from economies of scale they can sell their services at the same price like their competitors.

Threat of entry – As there is no threat for other companies to enter the market because of rules and regulations and the high cost of licenses required to operate a network, Vodafone has to continue being efficient and reducing costs in order to price match their competitors.

Conclusion:

Vodafone which is the largest mobile network retailer in the world in terms of turnover, has to continue to grow as other companies are following up and develop more products and services. . In order to maintain a sustainable competitive advantage Vodafone will have to continuously update their service with the ever changing technology that exists in the mobile market in order to survive the ever changing environment of the mobile phone industry.

Technology is a an ever changing aspect in the mobile phone industry so in order to sustain their market leadership they will have to invest in new technologies and developments. Each company in the market has special range of services and technologies which will give Vodafone a tough competition. As a result they will need to keep updating their range of services to gain competitive advantage.

The market in Europe at present is at the maturity stage which means there is no more growth potential compared to other emerging markets. Vodafone current strategy already involves merging into markets like India and Turkey where the economy is growing at a fast rate. Vodafone should also consider entering markets where technology is not available too such extend. This would allow them to build up an infrastructure in the country’s network and in future they could become a market leader or even a monopoly. This income could be utilized to cover or back up a loss of another project where they failed to succeed.

Vodafone’s strongest resources are their intangibles assets like their human resources which are the most vital resource for them to stay ahead of their competitors and are the main supply of competitive advantage. However these resources are more expensive and harder to copy as these resources are set deep in the company’s history by staying persistent in mobile markets and not expanding into other technologies that would lose the company’s primary focus through its core competencies.

Vodafone’s managerial goals appear to be in row with their company goals. Managerial experience is central and leads to numerous flourishing acquisitions and mergers. Vodafone has a very detailed and experienced awareness of the market and technology that it is implicated in. They have practised this knowledge to the many markets it has entered and has proven successful. Vodafone has an edge on improving its relation with customers because it does not have other businesses to rely on to bring in the business like Internet services or fixed-line systems. Vodafone's most valuable insubstantial resource is their knowledge and knowledge in the mobile phone industry and their international existence and these things identify the company as a great investment and a name you can trust.