VODAFONE'S POSITION ON THE UK MARKET

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Vodafone found itself one of only two entrants in the United Kingdom in a virtually unregulated new industry back to the 90s. Looking forward to implementing new strategies, Vodafone was developing new devices offering faster mobile connections than most Americans had on their home PCs. Vodafone's current business strategy is to "grow through geographic expansion, acquisition of new customers, retention of existing customers, and increasing usage through innovations in technology".

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Vodafone strategy back then was focused on customers within the corporate sector, where demand and the tariffs charged were historically higher. With Mercury increasing their market share, Vodafone had to change their strategy and become more customer-focused. Therefore, the telecommunication giant introduced "Low Call". This option had lower rental costs, but higher call charges and was targeted at individuals who used their phones less frequently than business customers.

In order to remain on the first place in that competitive market, the Vodafone Group came with a new strategy and launched a couple of subsidiaries that supported or complemented the activities of Vodafone Ltd. – Vodac, Vodapage, Parknet.

Vodafone had been involved as well in a number of other specialized applications of its capabilities, being part of the new strategy of redesigning the Vodafone concept. Therefore, they introduced "SafeLink", "Call Safe", "Recall", "Vodastream", "Met Fax" and "Vodafax". All the subsidiaries mentioned above were part of Vodafone's strategy of conquering the market.

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In 1993, thanks to its growing strategy, the company was awarded a license in Australia to operate the third digital mobile telephone network. In the same year, they received similar licenses to operate in Greece and Germany. The next step in Vodafone's strategy was to operate in France, Scandinavia, Hong Kong, Fiji, Malta, and Mexico. Although start-up costs for foreign ventures were obviously high, the field was very lucrative, and Vodafone was continually on the lookout for new possibilities. Analysts predicted that Vodafone would increase its investments with the aim of acquiring more foreign associates and, eventually, subsidiaries.

As Vodafone was achieving their goal in operating in several countries, the next step was to introduce a digital system that would allow calls between the countries. The Global System for Mobile Communications (GSM), was first used by Vodafone, whose introduction of EuroDigital in 1991 allowed customers to "roam" throughout Europe and Scandinavia.

As of 1994, Vodafone operated one of the world's largest cellular networks, with over one million subscribers. The *Mail on Sunday* confidently predicted in 1993: "We're on the verge of a communications explosion. By 2000, nearly all of us will have a phone in our pocket." It was highly likely that for many, that phone would be a Vodafone.

Beginning January 1, 1999, subscribers became able to retain their phone numbers after switching providers. On the same date, 11 European countries introduced the Euro currency unit, making cross-border acquisitions theoretically more attractive.

It would be a few months before Vodafone exploited the possibilities of the redefined European financial environment. Meanwhile, it merged with U.S. West Coast cellular company AirTouch in the summer of 1999, paying $68 million.

After a spirited campaign played out in the media, in February 2000 Vodafone AirTouch acquired Mannesmann AG in the largest corporate takeover ever, surpassing even the merger of AOL and Time Warner in the preceding month. At $180 billion, the final price was nearly twice the original offer. Its market value of $314 billion made it the largest British company and the world's sixth largest, according to *Barron's.* It also entered the millennium as the only truly global wireless phone company. The post-merger Vodafone claimed more than 42 million mobile telephone subscribers in 25 countries.

With the new marketing strategy, Vodafone was showing strong customer growth in all areas. Its stock had doubled in the previous six months as investors caught on to the group's potential.

Ever looking forward in implementing new strategies, Vodafone was developing new devices offering faster mobile connections than most Americans had on their home PCs. More than one analyst expected Vodafone to become the world's largest company.

The first half of the 2000s proved to be disappointing to the global mobile telephone market, as the telecommunications sector and the high - technology market in general went into an extended slump. The potential of the new high-speed mobile telephone protocol sparked a fierce bidding war that saw most of the industry become heavily indebted. Yet Vodafone, which had maintained a relatively clean balance sheet compared to its heavily indebted competitors, successfully navigated the difficult market. Indeed, between 2000 and 2005, the company more than quintupled its global revenues and more than quadrupled its international subscriber base.

In Japan, the company appeared to have flubbed its bid to position itself in the 3G market there. Vodafone's commitment to handset standardization, which led the company to roll out a limited line of new handsets for its global operations, failed to take into account the highly specific nature of the Japanese market. As competitors launched their own, highly stylish handsets offering cutting-edge services, Vodafone's own handsets appeared quaint. At the same time, competitors' networks boasted download speeds as high as eight times faster than Vodafone's network. The result was a drop in the group's market share, down to 17.8 percent in 2005, and losses in its subscriber base.

In the meantime, with few large-scale acquisition prospects available, at least in the short term, Vodafone's growth prospects appeared to depend on the development of its 3G business. The company launched an aggressive rollout of its new 3G-capable handsets, as well as a range of non-voice services, such as photo messaging, video and music downloads, and the first transmissions of new mobile television programming. Yet, the company faced increased competition for the market, as a new range of 3G competitors, including Hong Kong's Hutchison Whampoa, entered the European market. At the same time, a number of other players, notably France Telecom's Orange, began a drive to build up scale in order to create a true rival to Vodafone.

With 165 million subscribers and sales of more than £31.5 billion ($64 billion), Vodafone was the outright global leader in the mobile communications market at mid-decade. The company remained interested in further acquisition opportunities. Some analysts suggested that, having failed in its bid to acquire AT&T Wireless, Vodafone might instead launch an effort to take over the combined AT&T and Cingular business. As one of the world's largest companies, Vodafone expected to continue setting the pace for the global telecommunications industry.

Vodafone's current business strategy is to "grow through geographic expansion, acquisition of new customers, retention of existing customers, and increasing usage through innovations in technology". (vodafone.co.uk) In

May 2006, the company formulated a five point strategy. Among the strategies, Vodafone had to broadly maintain and improve share against their largest competitors in most of their markets and deliver on their key cost targets. If they had increased the share in revenue, than they would have increased the exposure to higher growth markets as well.

Vodafone's strategic *macro environment* is determined by:

1. Political Factors:

- Regulations – mobile phone licences are tightly controlled and access to the spectrum is limited.
- Infrastructure - it usually requires permission from the government and statutory bodies in order to use their lands.
- Health issues – there is still no definitive public opinion on the effect of mobile phone usage by people and also the possible health effects of the closeness of phone masts to schools.

Other political factors include tax policy, labour law, environmental law, trade restrictions, tariff and political stability.

2. Economical Factors:

- Cost of licences – the cost of acquiring mobile phone licences is very high.
- 3G – the bidding war for 3G licences happened at the height of an economic boom and consequently the price paid for them was extreme.
- Cost of calls being driven down – there are constant price wars between the providers and there are very few markets where there is monopoly controlling the mobile market. The pricing factors strategy the company normally uses is giving the consumers a right and justly cost so that everybody can avail or purchase their products in a broad sense.

3. Socio-cultural Factors:

- Health issues – if mobile phones are shown to be harmful both with the masts and handsets, there may be a move away from their use and a campaign to ban the masts.
- Demographics – mobile phones tend to be used by the younger members of society
- Social trends – if a trend of not having a phone was to occur this could seriously impact on their usage, although unlikely to happen.

4. Technological Factors:

- The mobile phone industry has seen a great deal of technological change and will continue to do so.
- The introduction of 3rd generation (3G) mobile phone technology is bringing with it a better mix of content and providing more services. The technological advancement enables Vodafone to make customer relationships stronger because of their customers' trust that was built over the years.

The following *SWOT analysis* shows Vodafone's internal strengths and weaknesses, along with its external opportunities and threats:

Strength:

- Global experience and Vodafone's ability to set up across many countries.
- The strong bond of the company towards the customer and valuing them most as they craft another product.
- They offer data services that a customer can access using the highly evolved third generation network that has rolled out in many markets.
- The reputation of the business in the local market because of the product in long run.

Weaknesses:

- Exploring new technology needs research, development and infrastructural costs. If the take-up of the service is not as expected, these costs cannot be recovered.
- Vodafone is facing legal issues in terms of differentiation as the sector of telecommunications is still immature to be receptive to the rapid changes.
- Meeting the customers' demand is sometimes hard to cope.

Opportunities:

- Third Generation Mobile Phone is expected to be one of the major products of the telecommunications industry as it will allow faster and higher quality data transmissions which will facilitate videophones, mobile Internet and multimedia messaging.
- Mobile phones have now entered the popular perception as a 'must have', providing Vodafone with an opportunity to continue to increase the size of the market as well as their share of the market.

Threats:

- Mobile telecoms companies have to accept decisions that may be made for political or social reasons, without taking into account the effect on the companies in the industry.
- If the trend towards the use of mobile phones was to be reversed for any reason, Vodafone would suffer.
- Competition - O2, Orange, T-Mobile etc have extremely good services and offers.

The future carries risks, but it also carries opportunities. The evidence suggests that companies which take steps to embrace the future before it arrives, and rehearse the implications of change, are more likely both to manage the risks and seize the opportunities. Rehearsal improves anticipation and the speed of the organisational response. To be successful, the literature suggests, an organisation needs a ‘memory of the future’.

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