



**UNITEC - NEW ZEALAND
BSNS 7370 -MARKETING STRATEGY
ASSIGNMENT 3 | INDIVIDUAL REPORT
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EXECUTIVE SUMMARY

This report is an extension of the previous work that contained market audit made on the company Vodafone in regard to its current situation and possible future projections.

Among many pointed out, two of these key strategic issues from the previous report will be selected and its implications analysed in depth in order to reach the best pathway for the for corporate and business level strategic development.

In fact these two elements might be connected and probably are the dictating the shifting moment in New Zealand where new companies such as 2degrees and Skinny are becoming a concern for taking part of the market share.

Therefore on this piece of work aimed to provide solutions to some of those gaps identified in the last report with the purpose of:

1. Promote the market share retention;
2. As not cost leader, find attractiveness in other aspects of the business that not encompass call, text and plans rates
3. Explore the 'giant' and proportions that a company like Vodafone has over competitor such as media and press presence.

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1. INTRODUCTION

As stated in the last report, Vodafone is true example of what a brand and company is able to do in regard to globalization strategy operating in more countries than any other telecommunications company around the world. Vodafone in New Zealand started with an acquisition when it attached BellSouth communications in 1998 to its operations. With only 138,000 customers, the network was much smaller than New Zealand state owned network Telecom. Then it surpassed Telecom becoming market leader in New Zealand with more than 2,400 million customers (The National Business Review, 2011) nowadays.

However, aiming at taking Vodafone out of its leading position, new companies are entering into the market relying on low cost rates as their main strategies and more worrying is that has successfully worked on the target audience who are shifting from those traditional companies represented by Vodafone and Telecom to new entrants such as 2degrees and Skinny.

Therefore, an immediate part of the strategy consists of:

- Maintaining its existing market share and minimise impact coming from competitors
- Rebuilding and enhancing the relationship with consumers by improving the customer service experience and educating consumers about quality - which will be perceived in a long-run;

To critically examine these aspects it is necessary to go through the analysis developed in the last report which contains SWOT and SFAS.

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2. STRATEGIC ISSUE CHOICE AND DEVELOPMENT

The key business factor chosen to analyse is a weakness in the **lack of customer service structure** of Vodafone’s plans. Before the presentation of strategies and recommendations for the business issues picked for this analysis, it is important to review the SWOT Analysis on Vodafone as well as the Strategic Factor Analysis Summary (**SFAS**) and make some comments on that.

VODAFONE NEW ZEALAND	
<p>STRENGTHS</p> <ul style="list-style-type: none"> • Vodafone holds the majority of the market share in its industry(NZ) • Network infrastructure is strong • Large customer base • Exposed brand through advertising and sponsorship • Excellent customer service 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Perceived lack of customer service, bad experiences with customer/staff • Calling and texting rates are more expensive than other companies i.e.(2degrees and Skinny)
<p>OPPORTUNITES</p> <ul style="list-style-type: none"> • Development for 4G networking • Development for pricing plans, cheaper calling rates etc 	<p>THREATS</p> <ul style="list-style-type: none"> • New entrants into the market(Skinny mobile)(could capture market share from Vodafone) • Highly competitive market

(McLaughlin & Romero, 2012)

Looking at the Swot analysis is clear and evident that most of the facts that “challenge” the domination of Vodafone are connected or somehow related to:

- Competitors and its low rate strategies;
- Calling and texting rates are more expensive;

This argument is now more valid because the current scenario shows that this competition is going to be more complicated for Vodafone. The opposition to the company will be featured by two other companies apart from biggest rival Telecom: the emerging and crescent growth of **2degrees** and the arising of a completely new brand called **Skinny** (a company rebranded by Telecom exclusively focussed on prepaid mobiles).

Both share the same purpose and principle of **using a humorous approach while offering cheap services** such as low rate in calls and texts - which might be the aspects that will drive the

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competition towards a dangerous level for Vodafone. In other words market share - what is Vodafone’s biggest asset - is under risk and may be compromised by these radical strategies applied by these two companies.

Even applying similar approaches, the idea is to reach the ‘youngster public’ similarly to the strategy used by Nike during early 2000’s to expand its market share into Adidas’ dominance. At that time, besides strongly investing in the world’s most popular sport (football) Nike wisely identified and perceived this public as having less **brand loyalty**, so that was the triumph to beat Adidas and become the number 1 and major brand in traded clothing, footwear, sportswear,. The reason why *2degrees* and *Skinny* are however doing so well might be connected to the relationship they are trying to build up with this market segment and it culminates in the shifting between brands.

By using **secondary research** (on their websites) it is possible to check how these companies want to differentiate their products in the market. The following table sets out the main features to well distinguish these two competitors.



(Google Images, 2012)

The first to change the reality around after many years of competition between Vodafone and Telecom.	Very delimited target market prepaid – containing, for e.g. Tertiary students
Explore aspects such as “freedom, communication with everyone, for less, and closeness to the ones loved and cared about.”	Explores ‘new, cool, social’ aspects
Innovated when defended the portability of the	Promotions heavily based on Free Calls, X

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<p>same phone number when shifting mobile companies</p>	<p>number of texts for very low price - but with limited time to sign up.</p>
<p>Diverse market, including Prepaid, Post-paid and Business plans. Prepaid offering \$19 combo, beating Vodafone minimum top-up by \$1.</p>	<p>Weekly plans of \$4 (\$16 monthly) that offer different emphasis either on calls, texts or data.</p>
<p>Association with other companies such as <i>Fly-Buys</i>, exploring the cross-selling element with credit cards.</p>	<p>Application of <i>Auto Top-ups and Skinny dollars</i> – fictional currency earned by frequency of top-ups and usage; when accumulated might be used to use other services or products.</p>
<p style="text-align: center;">Coverage</p> 	<p style="text-align: center;">Coverage</p> 

(2degrees website, 2012)

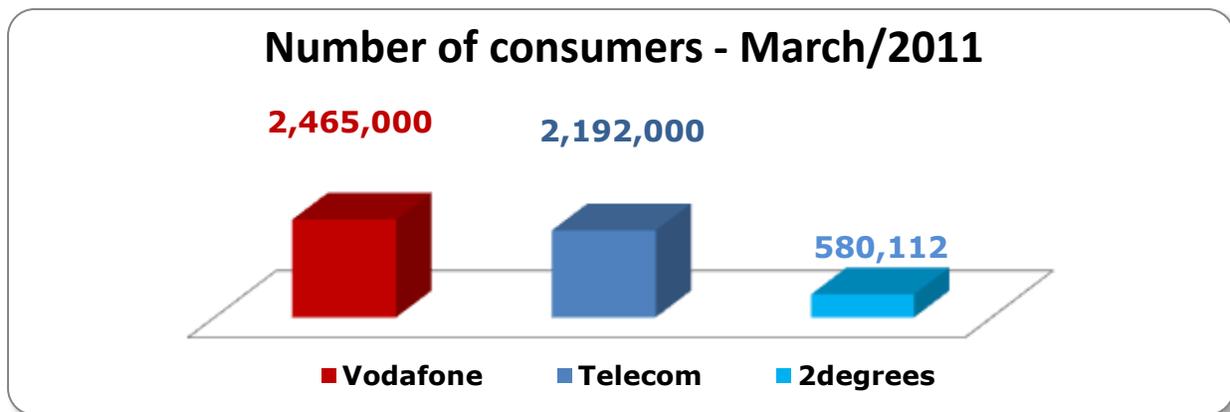
(Skinny website, 2012)

It was determined that the most valuable characteristic of these brands is based on the low cost offerings, aiming only at expanding their number of accounts and their appeal is either grounded on ‘freedom, new ways of communicating’ or ‘new age, social, cool’ which are effective marketing communication strategies used by them. Another thing important factor is the role of humour in their adverts - already mentioned – in hope to gain attention, guide consumers comprehension of product claims, influence attitudes, enhance recall of advertised claims and, ultimately, create customer actions. (Chitty, 2008).

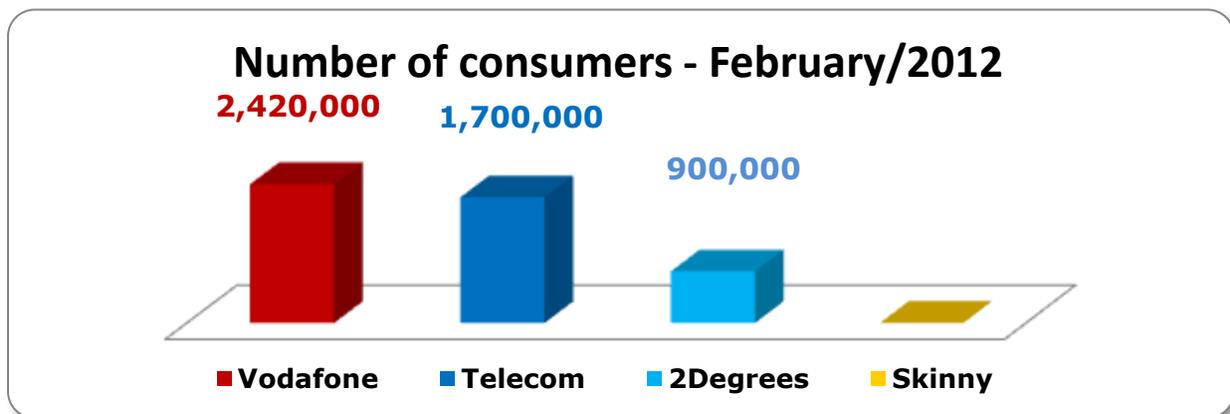
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So the point of attention for Vodafone is to determine a strategy that will contest these growing threats coming from competitors and at the same time keep the company competitive and relevant to its consumers as the telecommunication market in New Zealand is becoming more and more penetrated.

In addition, the current market share scenario is not promising for Vodafone regarding that throughout one saw its market share decrease while its competitor were activating new subscribers. Within one year, numbers (see the following graphs) show that both Vodafone and Telecom have lost nearly 400,000 consumers that migrated to the competitors, especially *2degrees* whose market share almost doubled in this period. Numbers of *Skinny* has not been released in the press media, so it is difficult to determine its current market share.



(The National Business Review, 2011)



(McLaughlin & Romero, 2012)

3. HOW TO REACT? – Strategy Objectives

By being **Price Taker** which means following the trend set by others, it is not going to help Vodafone in keeping its market share and it will lead to a not-beneficial dispute among companies driven by low prices, which is just another component when judging the effectiveness of a telecommunication company. Besides, Vodafone is multinational company known as an outstanding and leading service provider therefore these qualities must be contained in any strategy the company intends to use in order to maintain its global position. It means



Markets where Vodafone operates
(Vodafone Group Plc, 2011)

concentrating on alternative strategies by being **innovative, pioneering and trend-launcher** (aspects already mentioned in the last report) rather than competing for customers only based on call, texts or plan rates. As said, such tactics just aim at the **market share expansion** and are defined by short term goals which might be a problem in a long run as other aspects such as coverage, quality in service, range of options,

technology used are going to be sought by consumers.

In addition, according to Maslow (Maslow, 1987) as the individual goes up the hierarchy of needs, they tend to try something new and more suitable to their current position, as lower needs are reasonably well met. In this case means that price and other cost elements are not that high priority as the individual has achieved more in their life and now they can afford more to goods and possessions as their motivations are going beyond the previous level.

So, elaborating a strategy for Vodafone in order to remain competitive in essential as the crescent competition is rapidly taking over its market share. By using a focused strategy Vodafone must concentrate on maintaining and enhancing their value proposition in what competitors would have more difficulties. Moreover, the strategy should, at the same time, fulfil the requirement of ensuring the company competitive and not losing sight of what the company knows how to do best, for example, using the tagline found in the 2011 Annual Report '*Delivering a more valuable Vodafone*' (Vodafone Group Plc, 2011) referring to the offering a high quality of

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service. At last, the strategic plan must also comprehend long term actions to be effective and remain relevant. So the main objectives of the strategy will lie in:

- **First reducing the impact of low-cost rates** offered by competitors and avoid subsequent exodus provoked by these offerings. It means maintaining its current market share.
- **Second step is to regain lost market share.** Considering Vodafone a premium company and market leader its cost strategy is not one attractive feature so it will be necessary to focus on other areas the company has its excellence.

One of these fields to be explored by the company can be identified gap illustrated by **the lack of the communication with young consumers.** This is certainly one of top priority point Vodafone could work on and which these two competitors are succeeding very well. And taking this point further it comes to the whole **customer service** provided which was one aspect highlighted in the SFAS analysis in the last, as seen below:

Strategic Factor	Weight	Rating	Short	Intermediate	Long	Weighted Score	Comment
S1	0.125	5			X	0.625	Long term goal, retention of customer base
S2	0.125	3			X	0.375	Maintaining strong network infrastructure, long term
W1	0.125	2			X	0.25	Long term goal, provide best customer service possible
W2	0.125	4			X	0.5	Develop new and affordable pricing plans, long term goal
O1	0.125	4			X	0.5	Long term opportunity
O2	0.125	4			X	0.5	Long term opportunity
T1	0.125	4.5	X			0.5625	Short term, needs immediate action, analysing what competition offers, what can Vodafone change?
T2	0.125	5			X	0.625	Long term, market will always be competitive.
TOTAL	1.00					3.9375	

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Key for Strengths, Weaknesses, Opportunities and Threats.

S1- Large customer base

S2- Network infrastructure is strong

W1-(Opinion based) lack of customer service, bad experiences with customer/staff.

W2- Calling and texting rates are more expensive than other companies i.e.(2degrees and Skinny)

O1- Development for 4G networking and phones

O2- Development for cheaper pricing plans and calling/texting rates.

T1- New entrants into the market (Skinny mobile could take some market share off competitors)

T2- Highly competitive market (pricing)

Even though the rating for **customer service** was considerably low (weighted score as 0.25) during the Audit Analysis, this can be pointed as one of the reasons for consumers have been shifting companies or at least a great factor for not maintaining them as Vodafone's subscribers. A bad customer service experience plus appealing and amusing ads and low rates can possibly be defining the migration from Vodafone to competitors. For that cause, putting emphasis on the customer service experience could be the initial 'hook' to maintain the market share and from this point on redevelop a relationship with consumers based on values and trust.

Corporate level strategies

As previously mentioned on the last report, providing outstanding **Customer Service** is basically to invest in two elements: **training and recruitment** which are tasks performed by the Human Resources in conjunction with Marketing Department in order to develop a sustainable relationships with our customers. Synergy and communication between these two departments is high priority especially when transferring the corporate goals across functional departments within the business.

Specifying the target market for this strategy is critical but identifiable as consumers who have not recently having great expenditure on their Vodafone numbers is a reasonable evidence to determine whether they continue with the company or not. This is easily detectable if analysed

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last top-ups, services used and engagement with the brand. This period of non or less use is called **Churn** which refers to the proportion of contractual customers or subscribers who leave a supplier during a given time period or simply quantity of clients that leaves the services (Damia, 2012). So then we have two possible target markets to work on: Pre-Churn and Post-Churn referring to Pre and Post-paid consumers.

This strategy encompasses both telemarketing and retailers' environment apart from any customer service establishment that has a brand representative dealing straight to final consumers.

Business and functional strategies

In a functional level, it includes **recruitment** and **training** fundamentally involving features such as:

- Courtesy;
- Knowledge;
- Willingness to listen to customers;
- Dealing with complaints;
- Helpfulness, even if no immediate profit is being involved.

All these features – if well performed - are good signs to obtain a better customer experience to consumers and have a positive feedback in regard to customer service. By satisfying customer needs is the most effective means to attain and sustain a competitive advantage and achieve company objectives over time (Mullins, 2010). Besides working close to consumers it is an effective manner of identifying and approximating our business to what the next strategy steps can be based on consistent focus on customers' needs and competitive circumstances in the market environment.

The strategy used recently of bringing the call centre jobs back on-shore was clearly a good step taken into the rebuild of a relationship with consumers. For culture reasons and for the constant instability found in its Egyptian call centre, the company decided to and take on an extra 125 staff in Auckland to field calls from customers and about a dozen call centre jobs from the

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Philippines in 2010 (Stuff, 2011), when identified that staff there could not respond flexibly to calls and were instead forced to stick to set scripts and so customers wanted a "more consistent experience" as related in the last report. By bringing its telemarketing service back on shores means investing in local infrastructure and rebalancing salaries to what is minimum in the country, which means the company will be spending more money not just for establish these positions back on shore but when thinking of remuneration. However, it is important for Vodafone to think about its market share in future projection so "losing" now by investing in these operations might mean "gaining" in the future for not losing market share and providing a differential customer service experience.

Alternate strategies

Developing alternative strategies might be another way Vodafone can come up with ideas. The implications for that can be found in:

- Expansion by increasing penetration of current product-markets
- Expansion by developing new products for current customers
- Expansion by selling existing products to new segments or countries (Mullins, 2010)

Strengths

Weaknesses

Opportunities

Taking advantage of Vodafone's predominant market share and brand equity apart from its global dimensions it is a way to improve the relationship with consumers. It also comes the use of marketing communications the brand will apply when establishing interaction with its consumers, so promoting other values the company has over competitors such quality and proximity in form of physical stores are alternatives.

Lack of good customer plus calls and text rates above competitors is certainly leading to a favourable situation to competition. By bringing back operations to New Zealand is just one initial step towards it. Creating opportunities such as adjusting its call and plans rates is also recommended but not essential regarding Vodafone's pioneer philosophy, R&D exploring 4G is however more than just an option.

Threat

The emerging and new entrant companies are in fact the biggest threat issue. A rebranded company by Telecom as Skinny is certainly aiming to take the Pre-paid market share. So for Vodafone needs to use its market share leading benefits and strongly return communication with the target for these competitors: the young market

Worse than having being defined as most expensive telecom company and having competitors taking over its market share and signaled with lack of customer service is not to provide other alternatives to consumers where they could perceive the brand as the right option. So exploring other aspects such as coverage and network infrastructure will help the company in communicating with consumers and minimise its competitors' impact

4. IMPLEMENTATION ISSUES AND CHANGE TARGETS

In a positive scenario for this issue would lie in Vodafone's power of communicating with consumers. As a global brand, it can easily get its message through the most varied segments of market without great difficult, which would be probably its competitors' problem.

Besides for its high global profits – 7,870 million pounds just in the last financial year (Vodafone Group Plc, 2011) - the brand has more conditions to reach out consumers or at least more available resources to do that. Another trend to maintain is the usage of taglines like *“Power to You”* and *“Make the Most of Now”* which really transfer responsibility to the consumers, bringing them as part of the brand's experience. This could even include educating people in regard to the cost of a high quality product or showing the benefits for paying extra money for that as opposed to low cost but not inefficient services provided by its competitors.

On the other hand, Vodafone could pay a high price for its size if the communicating among departments is not effective. By being a large company changes can be more bureaucratic and take longer time in comparison to competitors which can slow down the application of a new strategy

As the focus strategy detects one or more main areas to be actively present (Marketing and Human Resources) the actual implementation might take more time to have its affects noticed by consumers and it is where there is a risk which lies in the competition's expansion into Vodafone's market share. It means that the effect of promoting and improving the customer service of Vodafone could delay and not catch up with the accelerated increase of competitors' subscribers.

If the situation remains and Vodafone detects a great and crescent loss in its market share and the pressure reaches an uncontrollable status, the company could opt and consider the idea of acquiring competitors – in this case 2degrees - as Telecom is the brand behind Skinny. Keeping two brands and potentially giving different focus to both, it would ensure different customers' wants and needs by having two different approaches.

5. MONITORING AND EVALUATING

According to (Mullins, 2010) the monitoring and evaluating process consists of five steps, which are:

- Setting performance standards, Specifying feedback, obtaining data, evaluating and taking corrective action

In regard to the customer service strategy it comes to points such as: Customer feedback by way of customer questionnaires, comment cards, customer forums, word of mouth. The active participation of staff feedback is essential to 'feed' information up to into hierarchy and might be useful to plan the next tactics based on the overall strategy which is retaining market share by providing outstanding customer service experience and proper feedback.

Understanding and measuring the criteria used by customers to evaluate the quality of the firm's relationship with them (Mullins, 2010) is important and are the main point of attention when dealing with consumers face-to-face in stores or by telemarketing.

The evaluation will include features such as: Sales performance, repeat and retention of customers, new entrant customers, % level of compliments as opposed to complaints, staff turnover/recruitment in order to maintain the expected level of service, good press and PR (Public Relations), awards won, for example, for *Home Phone Provider of the Year* and *Mobile Service Provider of the Year*

By having these aspects analyzed regularly (weekly and monthly) and choosing the appropriate media to deliver messages and what degree of momentum is needed to support the media effort (Chitty, 2008) is important to reinforce the strategy and keep the company on the right track when communicating with end-consumers.

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DEPARTMENT OF MANAGEMENT AND MARKETING



BACHELOR OF BUSINESS : BBUS

BSNS 7370 MARKETING STRATEGY SEMESTER ONE 2012

**ASSESSMENT THREE: INDIVIDUAL – REPORT AND IN-CLASS DEFENCE (SECURED
COMPULSORY)**

- 50% of the final grade
- Guidance on size: 15 pages, 12 pt, 1 ½ line spacing.

Date issued:	15 February 2012		
Report due date and time:	Thursday 7 st June 2012 at 5.30 pm.		
Delivery:	<ul style="list-style-type: none"> ■ Hard copy in the assignment box for Asoka Gunaratne (Building 172 level 4) ■ You must submit a copy through turnitin.com 		
In class defence date and time	<ul style="list-style-type: none"> ■ Thursday 7st June 2012 from 5.30 pm – 7.00 pm. A written summary to be completed by each student 		
Total marks:	100 marks		
Marks returned:	Scripts will be available in 14 days.		
Instructions:	<ul style="list-style-type: none"> ■ Complete this cover sheet and attach it to your assignment. ■ Read the attached instructions carefully and the report format. ■ This is an Individual assignment and must be your own work. ■ Collusion, copying or plagiarism may result in disciplinary action ■ We advise that you keep a copy of this assignment. 		
Case:	Company where you did the marketing audit		
Student Name:			
Student ID No:			
Lecturer:	Dr. Asoka Gunaratne	Class time:	5.30 – 8.30 pm
Student declaration:	<p>I confirm that:</p> <ul style="list-style-type: none"> ■ This is an original assessment and is entirely my own work. ■ Where I have used ideas, tables, diagrams etc of other writers, I have acknowledged the source in every case. ■ This assignment has not previously been submitted as assessed work for any academic course. 		
Signature - student:			
Date of signature:			