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INTERNATIONAL BUSINESS

Assessment: Vodafone Internationalisation in Ukraine



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Introduction

The purpose of this research is to establish and analyse the main stages of the case study of Vodafone's internationalisation in Ukraine. The report will be containing the detailed analyses of the country and telecommunication industry. Vodafone company's analysis will be performed during this assessment. The author of this report will be briefly discussing market entry modes and international strategies applicable to the case study mentioned above, followed by the conclusion and references. The author of this research is an independent consultant.

Company background

Vodafone Group Plc is a telecommunications company offering a variety of services, including telephone, voice, texting, fixed broadband, cloud and security services and carrier services. The business markets its products under the brand name Vodafone. It caters to a wide range of sectors, involving utilities, health, engineering, retail, automobile, consumer electronics, banking and financial services, transport and logistics, public services (MarketLine, 2020).

The business is operating in 25 countries. It partners with local operators in 41 countries, provides IP-VPN services in 74 countries and 4G roaming coverage in 168 countries. At the end of March 2019, the Vodafone Group had 535.8 million mobile subscribers, 19.7 million fixed broadband customers, 14 million TV customers and 121.7 million 4G customers in 23 countries. The goods and services of the company are divided into four categories: European Consumer, Vodafone Business, Emerging Consumer, and Other (MarketLine, 2020).

The company posted revenues of EUR 43.666 million for the fiscal year ended March 2019 (FY2019), a decrease of 6.2 per cent over FY2018. The operating loss of the company amounted to EUR 951 million in FY2019, compared to an operating loss of EUR 4.299 million in FY2018. The net loss of the company amounted to EUR 8.020 million in FY2019, compared to a net profit of EUR 2.439 million in FY2018 (MarketLine, 2020).

Vodafone internationalisation and its drivers

According to Johnson et al. (2008) there are four main drivers of internationalisation, they are displayed at the diagram shown below.

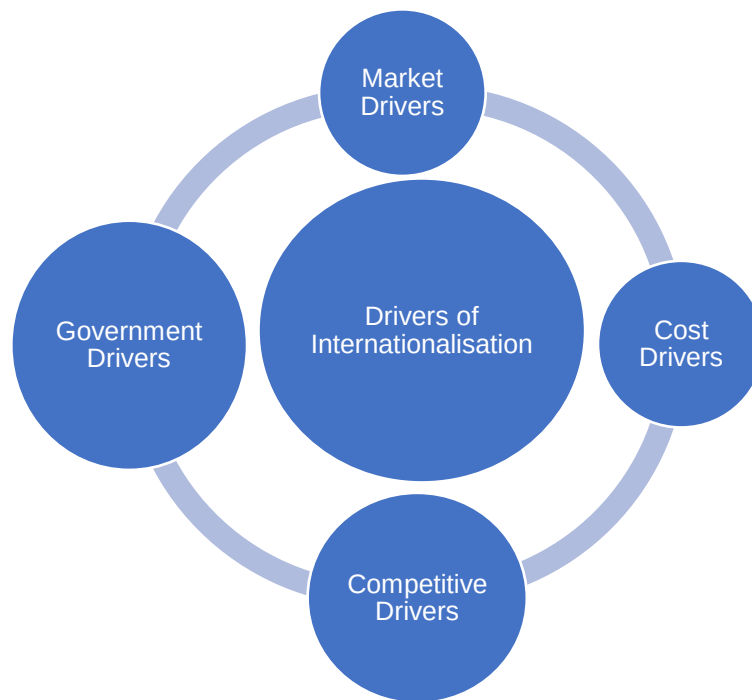


Diagram 1: Four main drivers of internationalisation, based on source: (Johnson, et al., 2008)

1. **Market drivers:** contains three components.
 - 1.1. *Comparable consumer needs and tastes:* In most countries customers have similar requirements for easy credit, the spread of a handful of credit card companies, such as Visa, has been promoted worldwide (Johnson, et al., 2008).
 - 1.2. *The presence of global customers:* Some businesses, such as Toyota or Ford, have internationalised and required standardised components for all their factories worldwide (Johnson, et al., 2008).
 - 1.3. *Transferable marketing:* Promotes the globalisation of the market: brands such as Coca Cola are now successfully sold in somewhat similar ways around the world (Johnson, et al., 2008).
2. **Cost drivers:** also has three main elements.
 - 2.1. *Scale economies:* As a result, companies from smaller countries, such as the Denmark and Switzerland, be likely to become more international than US companies, which have a wide domestic market. Scale

economies are especially important in industries with high product manufacturing costs, as in the aircraft industry, where initial costs need to be distributed across large quantities of foreign markets (Johnson, et al., 2008).

- 2.2. *Country-specific differences:* It makes common sense to locate the manufacture of clothing in China or Eastern Europe, where labour is still considerably cheaper, but to hold design activities in cities such as New York, Paris, Milan or London, where fashion expertise is established (Johnson, et al., 2008).
- 2.3. *Favourable logistics:* Costs of transporting goods or services across borders in relation to their ultimate value. From this point of view, microchips are easy to source globally, whereas bulky materials, such as assembled appliances, are tougher (Johnson, et al., 2008).
3. **Competitive drivers:** containing two main components.
 - 3.1. *Interdependence between countries:* It is all about global coordination. Business with a plant in Mexico, for example, Mercedes Benz, which serves both the American and European markets, must coordinate care between the three locations: rising sales in one region, or collapse in another, would have major knock-on effects on the other countries (Johnson, et al., 2008).
 - 3.2. *The presence of globalised competitors:* It is a pressure to follow a global strategy in response, as rivals could use the profits of one country to cross-subsidize their operations in another. A business with a poorly organised international strategy is exposed to globalised rivals because it is incapable to help country subsidiaries under threat from focused, subsidised competition (Johnson, et al., 2008).
4. **Government drivers:** The related elements of the policy are various, involving tariff barriers, technological standards, subsidies to local companies, limits on ownership, local content regulations, restraints on technology transfer, intellectual property (patenting) systems, and currency and capital flow limits (Johnson, et al., 2008).

Porter's diamond

According to Johnson et al. (2008, p. 300) "As for any strategy, internationalisation needs to be based on possession of some sustainable competitive advantage." Typically, this competitive advantage must be significant. After all, a company entering a foreign market generally begins with significant disadvantages compared to existing home rivals, who would normally have the superior market experience, proven relationships with local consumers, and solid supply chains (Johnson, et al., 2008). In 1990, Michael Porter of the Harvard Business School released the findings of an ambitious research effort to determine why certain nations excel and others fail in international competition. Porter and his team studied at 100 industries in 10 countries (Hill, 2012). As a result of this research Porter's Diamond diagram was created to help understand how four of the nation's distinctive attributes, making diamond shaped figure, form the environment in which local firms compete, and these attributes encourage or hinder the development of comparative advantages (Hill, 2012).

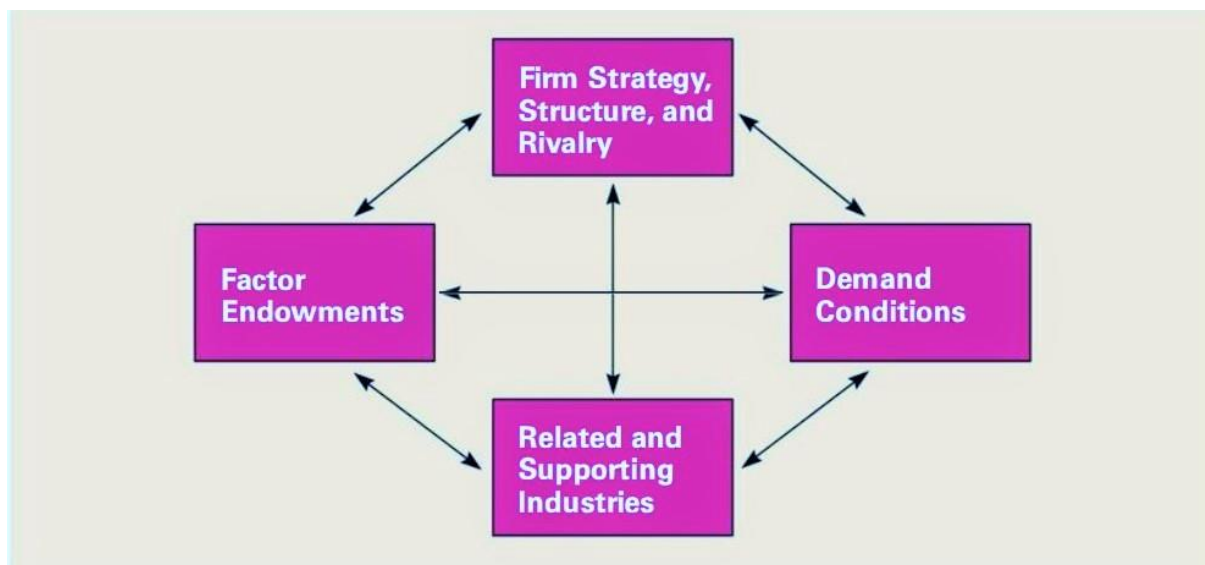


Figure 1: Porter's Diamond, based on source: (Hill, 2012)

1. **Factor endowments or factor conditions** (Johnson, et al., 2008): Factor conditions are built on the basic factors (such as natural resources, climate and demographics) and advanced factors (such as communication infrastructure, skilled labour, research facilities and available now-how technologies) (Hill, 2012). That will form the strengths at the national level, which can translate into general competitive advantages for national firms in international markets. For example, the Swiss' linguistic capacity has given a major advantage to their

banking industry (Johnson, et al., 2008). Cheap energy and accessibility of raw materials has historically been an asset for the Soviet and later Russian aluminium industry.

2. ***Firm strategy, structure and rivalry:*** Characteristic tactics, industrial systems and rivalries in different countries may also form the basis of advantage. The policy of German companies to invest in technological excellence gives them a distinctive advantage in the engineering industry and generates broad resources of expertise. A dynamic local industry structure is also beneficial: if too strong in their home turf, local organisations may become complacent and lose their overseas advantage (Johnson, et al., 2008). Powerful domestic competition enables companies to search for ways to boost productivity, making them stronger foreign rivals. Domestic competition creates demands to innovate, increase efficiency, reduce costs and invest in the improvement of advanced factors (Hill, 2012).
3. ***Related and supported industries:*** Local 'clusters' of similar and mutually cooperative industries can be an crucial source of competitive advantage. They are also regionally focused, making personal contact easier (Johnson, et al., 2008). The benefits of investment in advanced factors of production by related and supporting industries will spread to the industry, helping it to achieve a strong competitive advantage internationally (Hill, 2012).
4. ***Demand conditions:*** According to Daniels et al. (2015, p. 251) "new products (or industries) usually arise from companies' observation of need or demand, which has traditionally been in their home country, where they start up production." Johnson et al. (2008, p. 301) confirms that: "The nature of the domestic customers can become a source of competitive advantage. Dealing with sophisticated and demanding customers at home helps train a company to be effective overseas."

Analysis of the Vodafone company

International value chain analysis

Vodafone's direct suppliers have a very large number of sub-suppliers, each of which may have a complicated supply chain. This diagram presents a simplified example of

a multi-tiered supply chain of electronics for Vodafone company (Vodafone Group Plc, 2021).

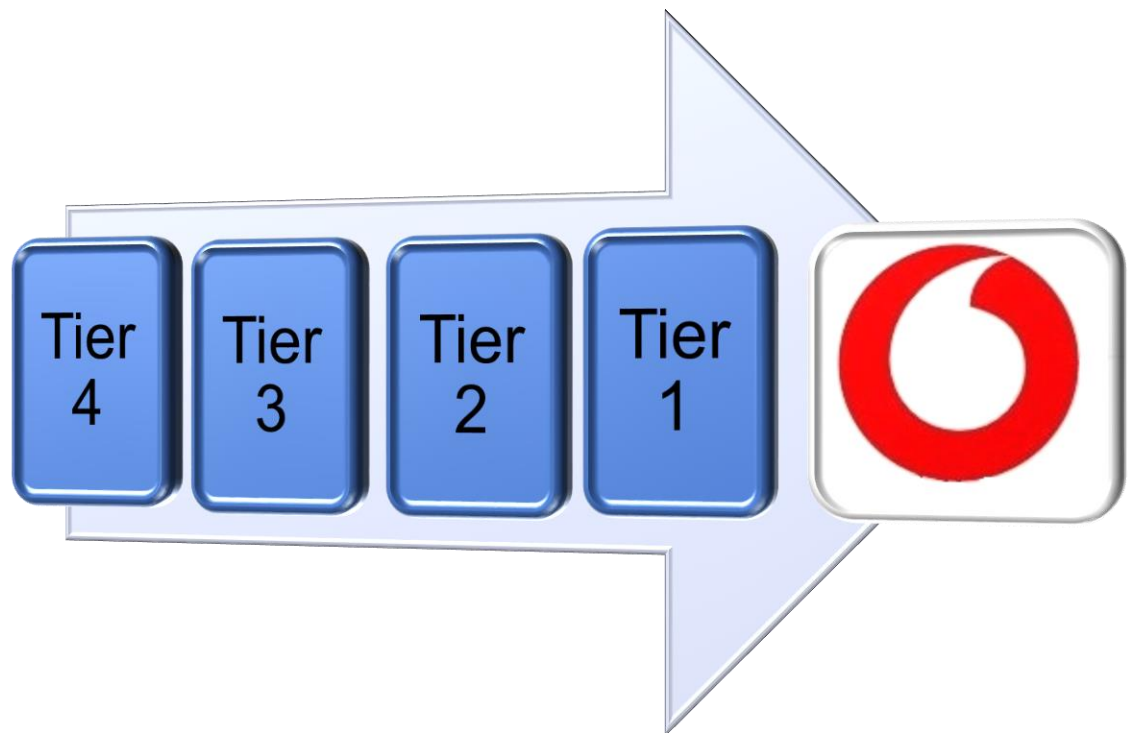


Diagram 2: Vodafone's supply chain of electronics, based on source: (Vodafone Group Plc, 2021)

Providers help provide Vodafone with network infrastructure and support services and account for much of its external procurement expenditure. They are purchased from a small number of large suppliers with the investment, resources and scale needed to invent, construct, instal and maintain network infrastructure equipment for the company and the telecommunications industry in general (Vodafone Group Plc, 2021).

1. **Tier 1: Direct suppliers.** Vodafone purchases goods and services from nearly 10,800 suppliers. The bulk of the company's expenditure goes to large international corporations that supply finished goods (Vodafone Group Plc, 2021).
2. **Tier 2: Electronic manufacturers and sub-assemblers.** Electronic manufacturers and providers of electronic equipment have several suppliers of their own. Vodafone partners with its Tier 1 suppliers to gain insight into their suppliers – Tier 2 firms – in particular where it is suspected that the supplier is at high risk (Vodafone Group Plc, 2021).

3. **Tier 3: Component suppliers.** Components are obtained from a large number of manufacturers to shape components of the goods to be produced (Vodafone Group Plc, 2021).
4. **Tier 4: Different sources and raw materials suppliers.** These goods are produced from materials obtained from many different commodities and raw material manufacturers, many layers of which can be found further down the supply chain (Vodafone Group Plc, 2021).

Porter's Value Chain Analysis of Vodafone

Hill (2012, p. 443) defines value chain as “a series of distinct value creation activities, including production, marketing and sales, materials management, R&D, human resources, information systems, and the firm infrastructure.” According to Hill (2012) there are two types of value creation activities: primary activities and support activities. The diagram shown below presenting Vodafone's primary activities with more explanations two follow.



Diagram 3: Vodafone's primary activities value chain, based in sources: (Hill, 2012) and (Vodafone Group Plc, 2020)

1. **Inbound logistics:** Vodafone will face different challenges in the phases of product growth. Analysis of inbound logistics allows an organisation to concentrate on all aspects of the transition from raw material to finished product

(Byrne, 2018). Examples of inbound logistics include the retrieval of raw materials, the storage of inputs and the internal distribution of raw materials and components to start production (Vodafone Group Plc, 2020).

2. **Operations:** The value of the analysis of operating activities is increased as raw materials arrive, and Vodafone is ready to process and sell the raw material into the finished product. Examples of operating operations include machining, packaging, assembly and testing (Byrne, 2018). Analysis of operational activities is critical for enhancing productivity, optimising performance and ensuring Vodafone's competitive success. Increased productivity can help Vodafone achieve sustained economic growth, improve profitability and provide a powerful foundation for competitive advantage (Vodafone Group Plc, 2021).
3. **Outbound logistics:** Outbound logistics include operations that distribute the commodity to the customer through a variety of networks. Some outbound logistics operations include material storage, warehousing, arranging, order processing, transport and distribution to the destination (Vodafone Group Plc, 2021). Vodafone should assess and improve outbound logistics in order to discover competitive advantage sources and achieve its market growth objectives. Vodafone should pay special attention to its outbound value chain activities when its offered goods are perishable and need timely delivery to the end customer (Byrne, 2018).
4. **Marketing and sales:** The marketing and sales functions of an organisation can help to generate value in a variety of ways. Via brand positioning and advertisement, the marketing mechanism will boost the value that customers believe is found in a company's product. Marketing and sales can also generate value by identifying customer needs and giving them back to the company's R&D function, which can then design goods that better suit those needs (Hill, 2012). Some examples of Vodafone's marketing and sales activities include sales forces, advertisement, promotional activities, pricing, channel selection, listing and creating links with channel members. Vodafone must avoid making false commitments about the functionality of the product that cannot be fulfilled by the development department. It suggests the need to maintain coordination between the various activities of the value chain (Byrne, 2018).
5. **Services:** "The role of the enterprise's service activity is to provide after-sale service and support." (Hill, 2012, p. 445). The pre-sale and post-sale services

provided by Vodafone would play an important role in the growth of customer loyalty (Vodafone Group Plc, 2020). The organisation must evaluate its support activities in order to avoid undermining the image of the brand and instead use it as a tool to spread positive word of mouth through swift, timely and effective support services (Byrne, 2018).

“The support activities of the value chain provide inputs that allow the primary activities to occur. In terms of attaining a competitive advantage, support activities can be as important as, if not more important than, the "primary" activities of the firm.” (Hill, 2012, p. 445). Vodafone can also benefit from the review of its support activities as examined below.

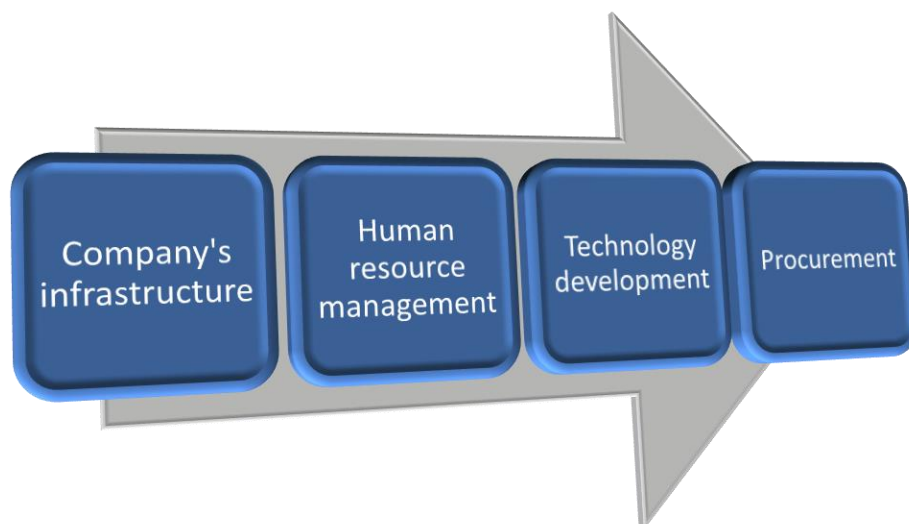


Diagram 4: Vodafone’s support activities value chain, based in sources: (Byrne, 2018) and (Vodafone Group Plc, 2020)

1. **Company’s infrastructure:** Effective infrastructure management can enable Vodafone to maximise the value of the entire value chain. Vodafone may monitor infrastructure operations to improve the competitive positioning of the market (Byrne, 2018).
2. **Human resource management:** “It ensures that the company has the right mix of skilled people to perform its value creation activities effectively.” (Hill, 2012, p. 445). Efficient HR management will help Vodafone minimise its competitive

burden based on the enthusiasm, commitment and expertise of its employees. The organisation will also achieve its cost minimisation goals by analysing the costs of recruiting and training with their relative return (Byrne, 2018).

3. **Technology development:** Technological convergence in manufacturing, distribution, marketing and human resource activities requires Vodafone to understand the value of technology advancement (Byrne, 2018). The Department of Research and Development of Vodafone is included in this segment (Vodafone Group Plc, 2021).
4. **Procurement:** The procurement phase in the supply chain signifies the processes involved in the acquisition of inputs that can range from equipment, machinery, raw materials, components, raw materials and other products required for the manufacture of the finished product. Vodafone should carefully contemplate its procurement activities in order to maximise the inbound, operational and outbound value chain (Byrne, 2018).

SWOT Analysis of the Vodafone company

Bush (2019) calls the SWOT Analysis an excellent form of internal analysis because it helps us to think about our company and only about our company. The table below represents the SWOT Analysis performed specifically for the business environment of the Vodafone company.

Strengths	Weaknesses
1. A strategic alliance. 2. Wide markets for end-users. 3. The world's experience and appearance. 4. The largest mobile and fixed operator in Europe.	1. Decreasing sales. 2. High spending on capital. 3. Massive R&D and maintenance costs. 4. Increased pressure from rivals.
Opportunities	Threats
1. Global demand for IT facilities. 2. Global demand for cyber security.	1. Legal issues. 2. New technologies are evolving. 3. Risks of cybersecurity.

3. Global demand for iCloud computing.	
4. Capacity for technical advancement.	

Table 1: The SWOT Analysis for Vodafone, based in sources: (MarketLine, 2020) and (Vodafone Group Plc, 2020)

1. Strengths:

- 1.1. *A strategic alliance:* In July 2019, the company entered into a network-sharing agreement with Telecom Italia Group, an Italian telecommunications company to extend the 4G and 5G network across the broader geographic region at a lower cost. In April 2019, the company signed a network sharing agreement with Orange in Spain to speed up the rollout of the 5G network across a broader geographical area (Vodafone Group Plc, 2020). These two alliances will enhance the leadership role of the organisation as a global provider of 4G and 5G networks. In February 2019, the company joined into a collaboration agreement with Arm Holdings, a British multinational semiconductor and software design company, to simplify the implementation of Internet of Things (IoT) solutions worldwide (MarketLine, 2020).
- 1.2. *Wide markets for end-users:* Vodafone provides a wide variety of solutions in various sectors, including automobiles, banking and finance, consumer electronics, healthcare, engineering, public services and smart cities, retail, transport and logistics, and utilities.
- 1.3. *The world's experience and appearance, the largest mobile and fixed operator in Europe:* "We are the largest mobile and fixed operator in Europe." (Vodafone Group Plc, 2020). In addition, the company partners with local operators in 41 countries offer IP-VPN services in 74 countries and 4G roaming coverage in 168 countries. In FY2019, the company received about 73.8% of its revenue from Europe, 23.3% from Africa, the Middle East and Asia Pacific (AMAP) and 2.9% from other regions. The European activities of the organisation are spread

throughout Italy, Germany, the United Kingdom, Spain and other European countries, including Ukraine (MarketLine, 2020).

2. Weaknesses:

- 2.1. *Decreasing sales:* Decreased sales may have an effect on the company's ability to undertake development and expansion plans. The company's profits decreased from EUR46,57111 million in FY2018 to EUR43,666 million in FY2019, an annual decrease of 6.2 per cent. The company's sales decreased by EUR 2.900 million in the current fiscal year. This was due to the disposal of Vodafone Qatar in FY2018 (MarketLine, 2020).
- 2.2. *High spending on capital, massive R&D and maintenance costs:* Company's high spending on capital and expensive R&D department is posing a serious threat. All this has become achievable due to its strategic capabilities established across its various primary and support operations and continued support from its tangible and intangible resources (UKEssays, 2018).
- 2.3. *Increased pressure from rivals:* Vodafone's current top competitors:
 AT&T Inc
 Belden Inc
 Calix Inc
 Carphone Warehouse Group plc
 Deutsche Telekom AG
 KDDI Corporation
 Telefonica UK Limited
 TIM SpA
 Virgin Media Communications Limited (MarketLine, 2020).

3. Opportunities:

- 3.1. *Global demand for IT facilities:* The US dominated the IT services industry at 37.5 per cent, led by Europe (31.7 per cent), Asia-Pacific (24.2 per cent), Middle East (0.2 per cent) and the rest of the world (6.4 percent). In line with this strategy, the company introduced a new application in May 2019, enabling its subscribers to download content from their mobile (MarketLine, 2020).

- 3.2. *Global demand for cyber security:* The rising exposure of IT and communication networks to hacking, the increasing threat of terrorist attacks and the need to protect maritime and offshore installations are expected to drive global investment in the cyber security sector. The Vodafone company focuses on designing cyber security solutions to secure computers, networks, data and applications from cyber threats (Vodafone Group Plc, 2020).
- 3.3. *Global demand for iCloud computing:* iCloud-based operations allow businesses to scale up their operations quickly, manage volatility in demand, and access systems and services through a range of devices at a lower price. In line with this strategy, Vodafone and IBM both entered into a new strategic trade agreement worth EUR 480 million in January 2019 to form a new venture (MarketLine, 2020).
- 3.4. *Capacity for technical advancement:* Vodafone is capable to go for future technological advancement through its well-developed R&D departments working in many locations worldwide (UKEssays, 2018).

4. Threats:

- 4.1. *Legal issues:* The Company is involved in a variety of legal and other conflicts, including the notification of future claims. After taking legal advice, the Directors of the Company have laid down provisions considering the facts of each case (Vodafone Group Plc, 2020).
- 4.2. *New technologies are evolving:* Vodafone's business is also vulnerable to the risks of changing consumer needs, the regular launch of new products and the evolving market (Vodafone Group Plc, 2020). If the business does not adjust to evolving trends and meet dynamic consumer needs, its products can become obsolete. The inability of the Vodafone company to adapt to the new technologies would alter its business operations and financial performance. The company's operational revenue would be affected if it adopts new technologies and produces low-cost products as its customers are likely to switch to those low-cost products (MarketLine, 2020).
- 4.3. *Risks of cybersecurity:* Vodafone relies on technology and infrastructure networks that raise the risk of possible vulnerabilities due to natural disasters, device failure and malfunction, unauthorised

access, power outage, human error and other unexpected events (Vodafone Group Plc, 2020). Release of sensitive information and infrastructure problems or associated systems may have an effect on the company and may be subject to unforeseen liabilities (MarketLine, 2020).

Country analysis

According to Bush (2019) PESTEL or PEST Analysis is the favourite approach for analysing external factors. Presented below is PEST Analysis performed specifically for Ukrainian market environment.

Ukraine PEST Analysis

<i>Political</i>	<i>Economical</i>
1. Medium level of accountability. 2. Violence and political stability. 3. High level of corruption. 4. War in Eastern Ukraine is still ongoing.	1. Economic growth is low. 2. Investments and exports are in decline. 3. The economy is in recession. 4. Heavy machinery and the plane-building industry is in decline.
<i>Social</i>	<i>Technological</i>
1. Well-established education and health sectors. 2. Declining of population.	1. A growing number of mobile users. 2. The telecommunication industry is on the rise. 3. Fast spreading of 4G technology.

Table 2: *Ukraine's PEST Analysis, based on sources: (Kochkina, 2019) and (MarketLine, 2020)*

1. Political:

- 1.1. ***Medium level of accountability:*** The World Bank's Governance Report uses voice and transparency, political stability and lack of violence, government efficiency, regulatory efficiency, rule of law and corruption control as measures for more than 200 countries and territories

between 1996 and 2018 (MarketLine, 2020). Ukraine was ranked 44.83 percentile on the Voice and Accountability metric in 2018. Voice and accountability assess the degree to which citizens of a country may engage in the selection of their governments, as well as freedom of speech, freedom of association and the availability of free media. Ukraine had a lower rating than its neighbour Romania, which had a percentile rank of 61.58 (MarketLine, 2020).

- 1.2. *Violence and political stability:* Ukraine was ranked at the 6.19 percentile on political strength and lack of violence in 2018. Political stability and lack of violence calculate the risk that the government will be destabilised or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Ukraine was marginally lower than Romania, which was in the 48.57 percentile (MarketLine, 2020).
- 1.3. *High level of corruption:* Ukraine was ranked in the 2018 Corruption Prevention Percentile by 18.27. Regulation of corruption tests the degree to which public power is exerted for private benefit, including both small and large forms of corruption, as well as the appropriation of the state by leaders and private interests. Ukraine was lower than Romania, which ranked 52.40 percentile (MarketLine, 2020).
- 1.4. *War in Eastern Ukraine is still ongoing:* Despite existing Normand and Minsk agreements, the war in Eastern Ukraine is still ongoing which destabilise the whole Ukrainian economy, destroys the Donbas region and brings more deaths and injuries of the military and local people. The Ukrainian government and Donbas separatists are blaming each other for that (Kochkina, 2019).

2. Economical:

- 2.1. *Economic growth is low:* The fall in steel prices and high foreign debt decreased economic growth in 2008, and the global financial crisis further affected the economy, which contracted by 14.76 per cent in 2009. However, solid exports boosted economic growth to 4.1% in 2010 and 5.47 percent in 2011 (MarketLine, 2020). Economic growth remained moderate at 2.47 per cent in 2017 and 3.41 per cent in 2018,

showing signs of stabilisation. Development slowed to hit a pace of 3.20 per cent in 2019 (MarketLine, 2020).

- 2.2. *Investments and exports are in decline:* The economy contracted by 0.03% in 2013 due to a fall in investment and exports. In 2014, the economy contracted by 6.55 per cent, followed by a decrease of 9.77 per cent in GDP in 2015, as a result of Ukraine's military conflict with pro-Russian separatists in eastern Ukraine, which is the centre of the country's steel, chemical and coal production (MarketLine, 2020).
- 2.3. *The economy is in recession:* The imposition of a lockdown due to the coronavirus outbreak is expected to drive the economy into recession (-6.16%) by 2020 (MarketLine, 2020).
- 2.4. *Heavy machinery and the plane-building industry is in decline:* Breaking economic ties with Russia because of the military conflict in Eastern Ukraine severely damaged heavy plant and machinery business in Ukraine, the same goes for the plane-building industry. Lots of factories are closed or under administration for bankruptcy (Kochkina, 2019).

3. Social:

- 3.1. *Well-established education and health sectors:* Since Soviet Union times Ukraine always maintained well-established education and public health sectors. The country encountered a great deal of political instability until 2000, after which policies in the education and healthcare sectors became consistent with well-established procedures. According to MarketLine (2020), the nation has a high literacy rate of 99.81 per cent as of 2019. Traditionally, Ukrainians have a high degree of education. In 2017, 99.76 per cent of the population over the age of 15 were able to read and write. Primary education was 96.2 percent of the population, secondary education – 99.2 percent and higher education – 82.3 percent (Kochkina, 2019).
- 3.2. *Declining of population:* Ukraine has repeatedly demonstrated negative trends in population decline. In the last 70 years, the highest number of inhabitants has been observed in 1991 – more than 51 million people. As a result, over the years of its independence, Ukraine

has lost more than 9 million residents. The last substantial loss with the occupation of Crimea was observed in 2014 (Kochkina, 2019).

4. Technological:

- 4.1. *A growing number of mobile users:* MarketLine (2020) reports that the smartphone penetration rate increased from 105.28 per 100 in 2006, to 122.43 per 100 in 2019, and that the number of mobile users rose to 54.46 million in 2019.
- 4.2. *The telecommunication industry is on the rise, fast spreading of 4G technology:* The need for improved connectivity has enabled Ukraine's ICT industry to grow, with state-of-the-art telecommunications equipment and internet facilities now a story. The government has also begun working to extend the scope of the new 4G technology through Ukraine and to introduce the internet to rural areas that have no internet at all. Internet users accounted for 64.45 per cent of the overall population in 2019 (MarketLine, 2020).

Telecommunication industry analysis

According to IP Carrier (2013), global telecommunications revenue is growing over almost any period of time. The only probable exceptions were the years 1929 and 2001, but the dips were relatively small.

Industry life cycle

Growth of Telecoms Service Revenues, 2004-2011

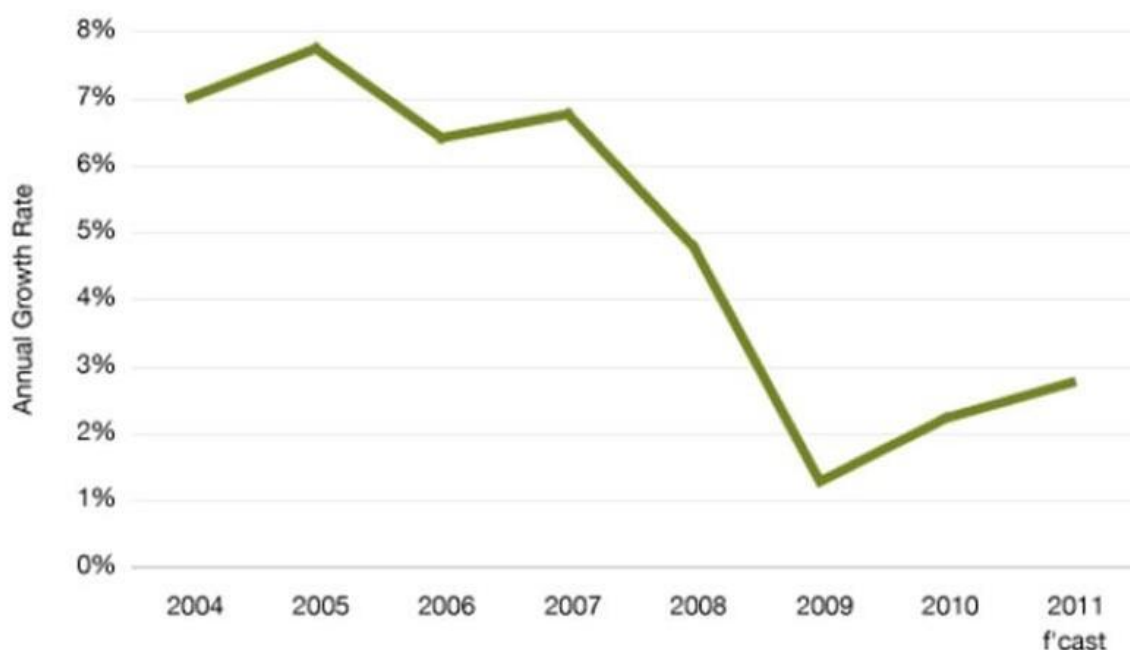


Figure 2: Growth of the Telecoms Service Revenues, years 2004-2011, based on source: (IP Carrier, 2013)

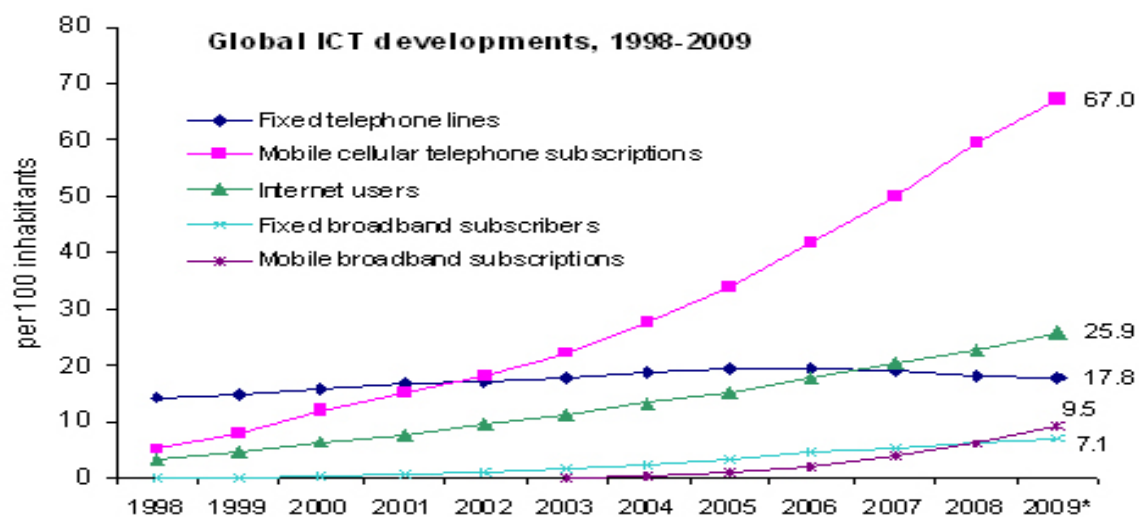


Figure 3: Global ICT developments, based on source: (IP Carrier, 2013)

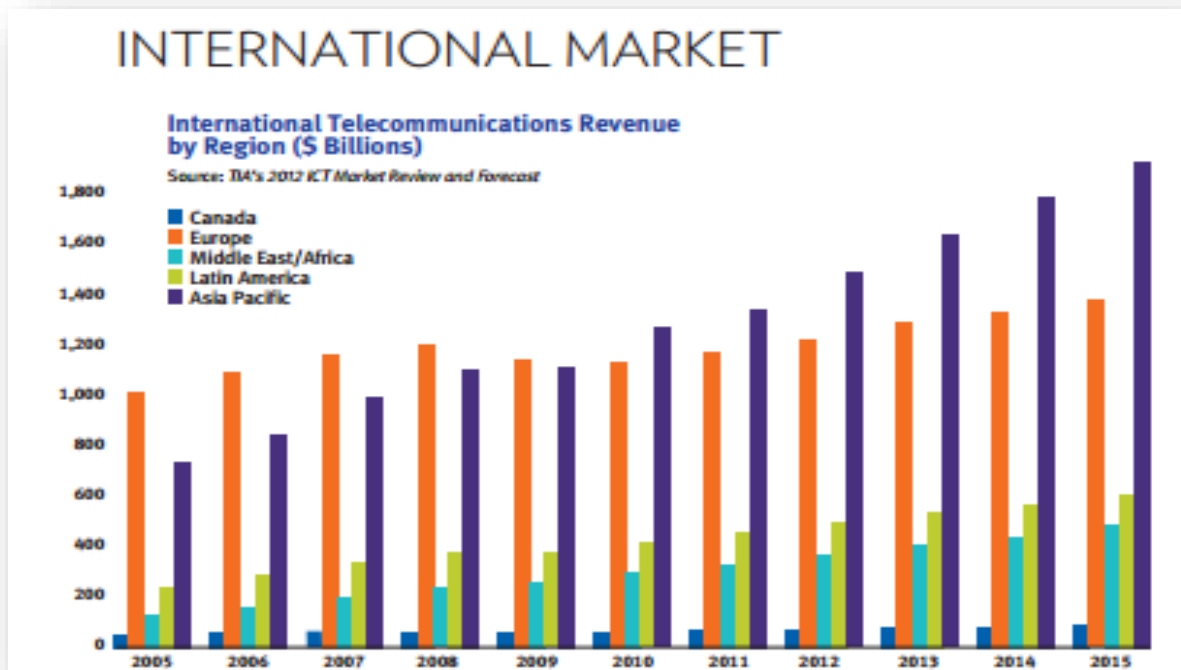


Figure 4: International Telecommunications Revenue by Region, based on source: (IP Carrier, 2013)

Five Forces Analysis of telecommunication industry

The demand for telecommunications services will be evaluated by operators of telecommunications services. Key purchasers will be classified as individual and corporate end-users and providers of telecommunications equipment as key suppliers (MarketLine, 2020).

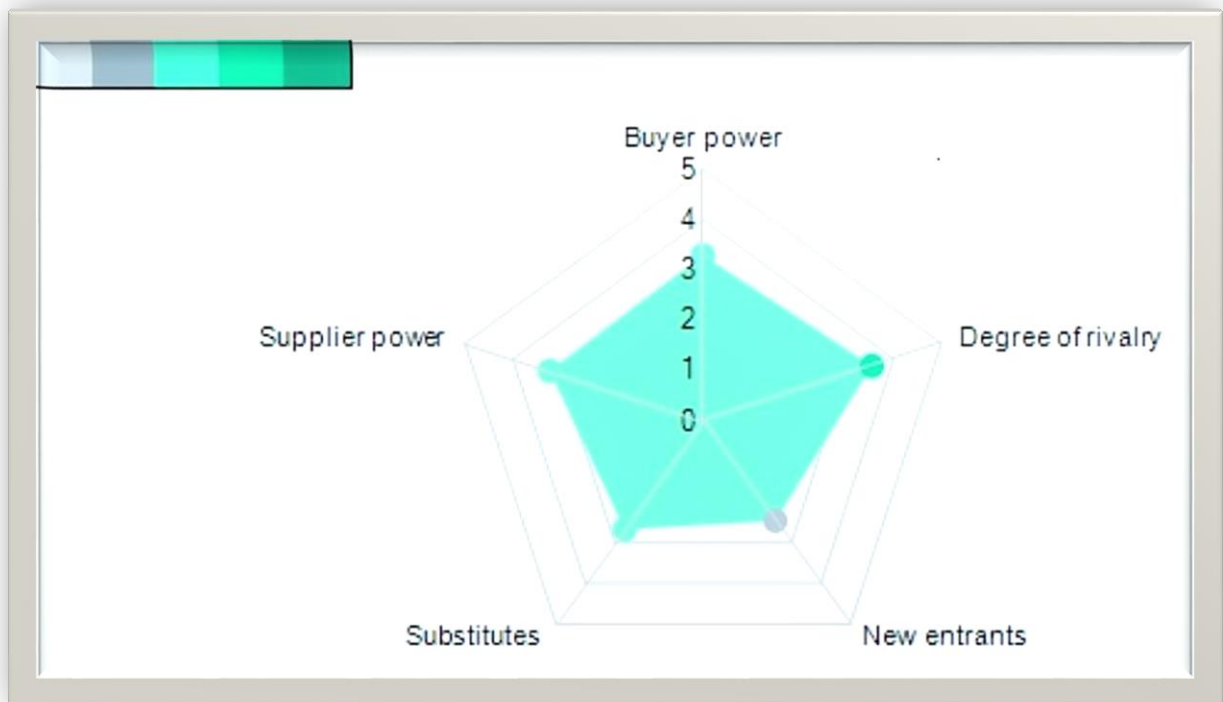


Figure 5: Five Forces Analysis of telecommunication industry, based on source: (MarketLine, 2020)

Market entry modes

According to Johnson et al. (2008, p. 348): “Once a particular national market has been selected for entry, an organisation needs to choose how to enter that market. Entry modes differ in the degree of resource commitment to a particular market and the extent to which an organisation is operationally involved in a particular location.” The modes of entry vary in the degree of dedication of reserves to a specific market and in the extent to which an entity is operationally active in a particular area. The main entry modes are: export; contractual agreement by licencing and franchising; joint ventures and alliances; and external direct investment (Johnson, et al., 2008). Presented below is the structure of main market entry modes corresponding to Johnson et al. (2008).

Exporting	
Advantages ● No operational facilities needed in the host country ● Economies of scale can be exploited ● By using Internet, small/inexperienced firms can gain access to international markets	Disadvantages ● Does not allow the firm to benefit from the locational advantages of the host nation ● Limits opportunities to gain knowledge of local markets and competitors ● May create dependence on export intermediaries ● Exposure to trade barriers such as import duties ● Incurs transportation costs ● May limit the ability to respond quickly to customer demands

Joint ventures and alliances	
Advantages ● Investment risk shared with partner ● Combining of complementary resources and know-how ● May be a governmental condition for market entry	Disadvantages ● Difficulty of identifying appropriate partner and agreeing appropriate contractual terms ● Managing the relationship with the foreign partner ● Loss of competitive advantage through imitation ● Limits ability to integrate and coordinate activities across national boundaries

Licensing	
Advantages ● Contractually agreed income	

Figure 6: Main market entry modes, based on source: (Johnson, et al., 2008)

International strategies applicable to the Vodafone internationalisation in Ukraine

Based on the research completed earlier, in the opinion of the author, the most successful method of entry for Vodafone into the Ukrainian telecommunications market would be the mix of exporting gadgets to be sold under Vodafone's name through joint ventures formed locally with a licence to protect the company's trademark. Mobile and internet services can also be offered by Vodafone's brand shops and joint ventures selling goods from a variety of companies. The company has made use of cost leadership and a strategic approach that has greatly contributed to the achievement of its particular business goals and objectives, but still needs to be revised on a continuous basis (Vodafone Group Plc, 2020). Mobile Communications

Provider Vodafone Ukraine plans to expand its chain of stores to 200 by the end of 2018 and to change the terms of the franchise for affiliate stores (Ukraine open for business, 2018). According to the Sales Director of Vodafone Ukraine Yevhen Bulakh, the company now has 30 stores of its own, as well as 400 stores operating under the franchise scheme. He also said that it was expected to expand the number of own stores to 300-350 by the end of 2019 (Ukraine open for business, 2018).

Conclusion

In conclusion, the author of this essay would like to say how surprised he was, after five years of absence, to see the Vodafone logo in Ukraine. Customer service was great, and everything in the shop remained the exact setting up of one of the similar stores in England. The staff was nice and helpful, so all was very good, and the Internet coverage was great, making the new SIM card with the 4G Internet very convenient and cheap as well. The consistency of the signal on the Internet was completely fine, and it never failed. All that makes the author think that Vodafone is doing really well in Ukraine and probably will do much better in the future. During the completion of the essay work, a wide variety of literature and internet tools were used, including the books suggested by the course tutor, Dr. Hossein Shokri. Information obtained from online lectures was also very helpful and valuable. At the end of this task, the author would like to thank the course tutor Dr. Hossein Shokri and also Dr. Gladius Kulothungan for all their help and support during the study time.

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