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Vodafone Turkey (A): Fix it or let it go?

Vittorio Colao was appointed Chief Executive of Vodafone Group plc on 29 July 2008. Given the ongoing economic tumult, one of his first acts as CEO was to stress that the company had to “batten down the hatches” to survive. The days of multi-billion pound deals were over, he added.

Vittorio inherited a global business present in more than 70 different countries, either through owned subsidiaries or partnerships. Vodafone had a very fast-growing subscriber base, but also some significant profitability sensitivities. A key document awaiting Vittorio's attention presented performance indicators for Vodafone's businesses in several continents. Hot topics included the future of Vodafone's partnership with Verizon in the United States, European countries' operational performance and the group's strong growth in emerging markets.

Growth in subscribers, which is an important performance indicator in the telecom industry, was mainly thanks to Vodafone's acquisitions in emerging markets such as Turkey, India and South Africa. But some of these markets were also hurting the business. In Turkey, for example, Vodafone was forced to write down a £2.25 billion loss, mainly because upgrading the mobile network was taking much longer than expected and the group was struggling to compete with the local market leader. Turkey remained one of the most interesting markets for Vodafone, with a growing population, comparatively low penetration and new openings in the regulatory field, but the company was losing market share every day. Vittorio Colao had many big calls to make, and quickly – and one of the biggest was what to do about Turkey.

Business model and strategy

Vittorio Colao's predecessor was Arun Sarin, who led the company from 2003 to 2008. During this period, Vodafone increased its customer base from 120 million to more than 260 million. Much of that growth was achieved through acquisitions in emerging markets, which had helped to offset slowing growth in increasingly saturated European markets.

Following a series of investments in Europe, India, Turkey and elsewhere, Vodafone reported a record loss of £21.8 billion in the fiscal year 2005/06. In 2006 Arun Sarin

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