ORGANIZATION STRATEGY

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STRATEGIC DECISIONS

Strouse, Karen G.(2001). Strategies for Success in the New Telecemmunications Marketplace. Artech House Telecommunication Library. London
Chapter 6, 7, & 10

PRICE vs QUALITY

- High customer expectations and fierce competition
- Unlimited service, increases usage
- Differentiation based on quality, without sacrificing profits
- When customer can’t tell one telecom providers from another, they will go with the lowest bidder, not the best fit
- Avoid ‘Me Too’ business model

PRICE vs QUALITY

- How can you differentiate from other telecom agents when the basic principles of what you do are the same across the board?
  - Emphasize your expertise. Choose the speciality and highlight it in your marketing and sales presentations.
  - Dominate a vertical market. Choose one or two vertical markets to focus your attention and become known as the telecom experts for that industry.
  - Get involved in any industry associations or events to further penetrate that industry.
  - Repetition, repetition and more repetition. State your expertise over and over again, as well as your vertical markets of choice. You can't be all things to all people. Make sure the people you serve know who you are and what you do.

PRICE vs QUALITY

- Vertical markets are:
  - A group of businesses that share the same industry
  - Always specific and cannot cross industries
  - Often competing against each other
  - An opportunity to market to a specific audience
- Vertical market addresses specific needs associated with the market sector
- Provider whose specialized in teleconference services is a specialized telecommunications provider.

PRICE vs QUALITY

- Difficulties in managing quality ;
  - Customer expectation continously increasing
  - Excellent quality is most often unrecognized, and less than excellent quality is intolerable

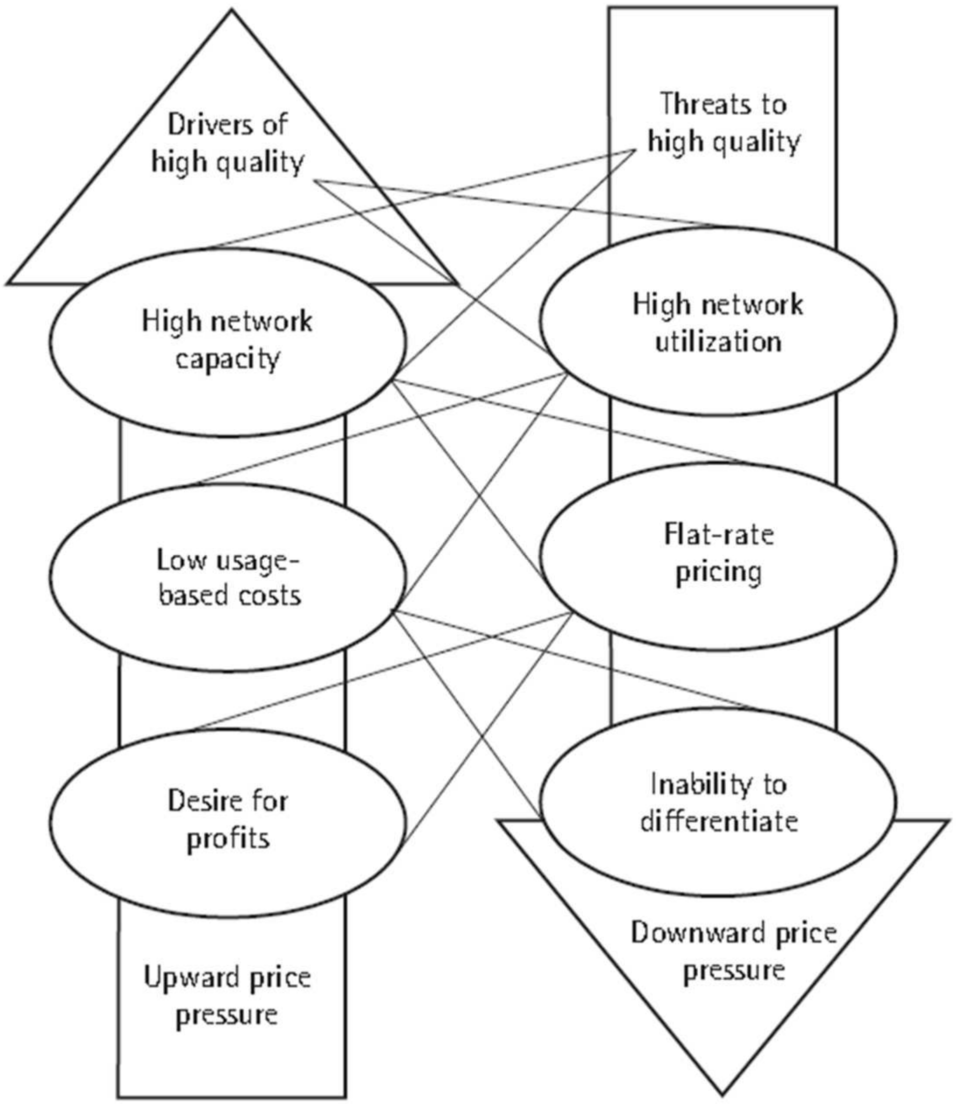
PRICE vs QUALITY

- Telco provider can consider several actions to resolve the quality of service dilemma ;
  - Segment customers and the service quality they require if the opportunity is available
  - Widening the array of service packages
  - Match its cost profile to its price structure
  - Enchanced its services

PRICE vs QUALITY

- Features,
- Functionality and
- Applications

PRICE vs QUALITY



BUY vs BUILD

- Conventional wisdom once said that resale is merely an entry strategy.
  - The notion was that companies would enter markets through resale and gain critical mass, then build and maintain their own facilities

BUY vs BUILD

- The trade-off between buy or build ;
  - Profit potential. Owning facilities and providing service are cheaper and more profitable than reselling the facilities of another provider. Not all consumer markets maintain the same cost profile
  - Competitive advantage
  - Control of market. Control pricing, services offered, and quality.
    - Build can control price, service, & quality. An opportunity to get closer to the customer.
    - Buy can put those resources for marketing and support enables the reseller to be closer to the customer. Also enables providers to enter or exit markets when profitable opportunities are present.
  - Long term or short term commitment to a particular market. Resale offers flexibility, a benefit in a highly competitive marketplace.

BUY vs BUILD

- The trade-off between buy or build ;
  - Proprietary information systems support:
    - Build decision, will enables provider to develop proprietary information systems, to differentiate the service from that of its competitors.
    - Buy, will help providers avoiding the commitment of in-house systems enables the provider to avoid purchasing or developing, maintaining, and updating legacy information systems.
    - The telco provider needs to assess the cost of maintaining its own support against the importance its proprietary system holds to its customer base

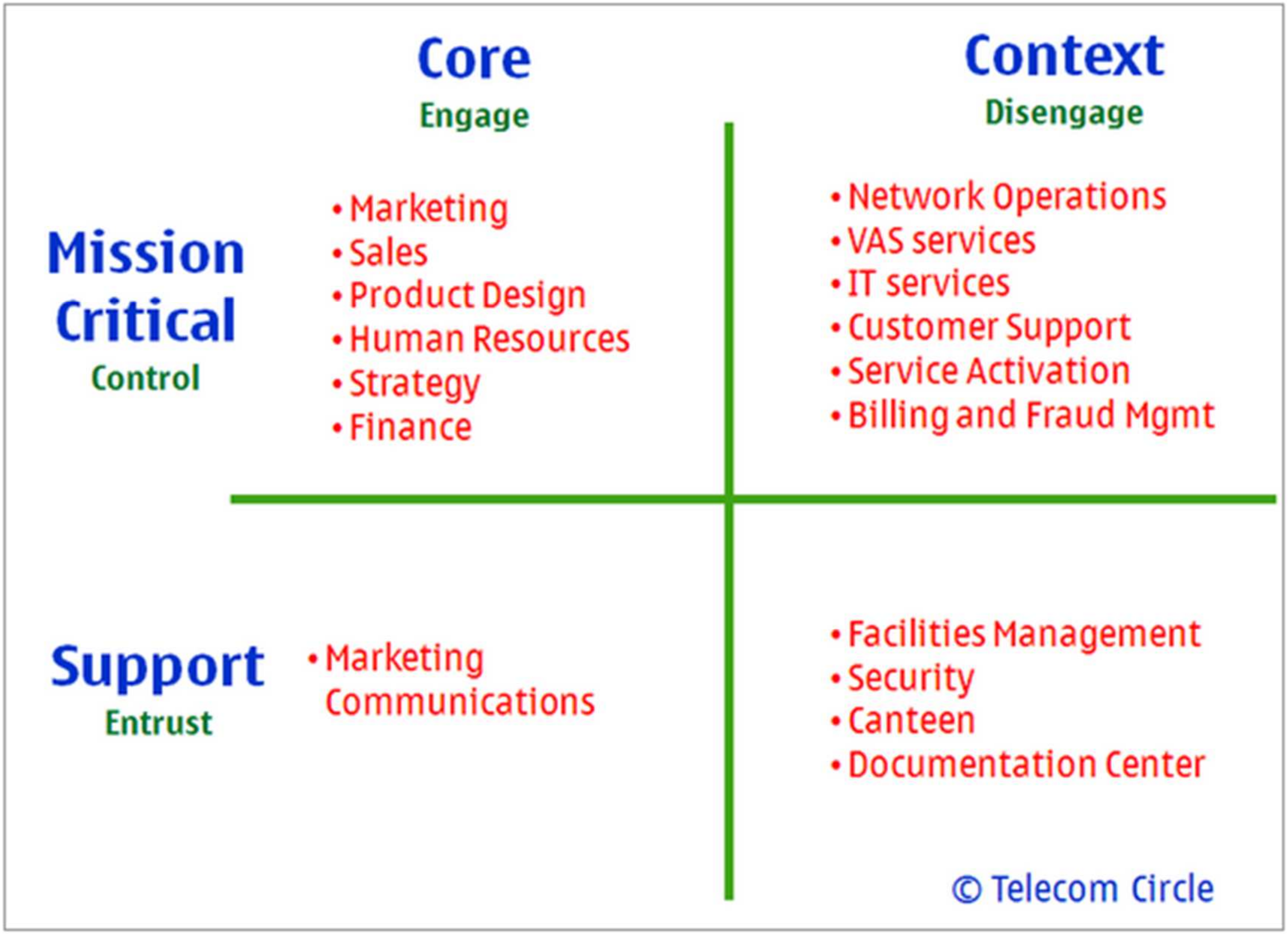
BUY vs BUILD

- The trade-off between buy or build ;
  - Control of business resources:
    - Build strategy mean provider can control its resources
    - Buy mean vulnerability in some cases if the suppliers own by competitor.
  - Control of technology costs.
    - Building enables the service provider to amortize its costs over a long time and therefore stabilizes future costs.
    - Buying creates flexibility to move to better or cheaper technologies as they become available.
    - If the technology itself is a service differentiator and network ownership is a strategic necessity, then the added control is a benefit

BUY vs BUILD

- The trade-off between buy or build ;
  - Simplifying cost management.
    - Building networks assists service providers in developing cost management skills. They learn the costs and capacities of network equipment
    - Resellers have to manage an assortment of prices from all jurisdictions.
  - Building company value
    - Building facilities-based network creates a valuable asset for investors or acquirers needing to expand into new markets, so builders have an advantage.
    - Resale creates an attractive mass of customers for acquirers who already own networks

BUY vs BUILD


Core
Engage
Context
Disengage
Mission
Critical
Control
• Marketing
• Sales
• Product Design
• Human Resources
• Strategy
• Finance
• Network Operations
• VAS services
• IT services
• Customer Support
• Service Activation
• Billing and Fraud Mgmt
Support
Entrust
• Marketing
Communications
• Facilities Management
• Security
• Canteen
• Documentation Center
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BUY vs BUILD


Build
(yourself)
Spend months to get rudimentary capabilities
Invest hundreds of thousands to build a capable platform
Expend weeks contracting with a handfull of telecom suppliers
Pay for telecom services at rates commensurate with your volume
Hire and supervise a staff to build and manage your applications and platform
Achieve revenue goals for new offerings or absorb the cost of the applied resources
Continuously add resources to support growth – put your organization on an ROI treadmill
What if things change? You may regret your investment and ongoing overhead
Buy
(InPhonex Telecom)
Gain powerful, flexible, proven capabilities immediately
Use a multi-million dollar platform on a pay as you go basis
Leverage established relationships with more than fifty telecom suppliers
Pay for telecom services at rates commensurate with our volume
Make use of an experienced, proven team whenever you need their expertise
With low upfront costs slow or weak results are manageable
Pay as you go for the resources you need - no spikey capital requirements
You never invested any capital nor hired any staff

ECONOMIES of SCALE

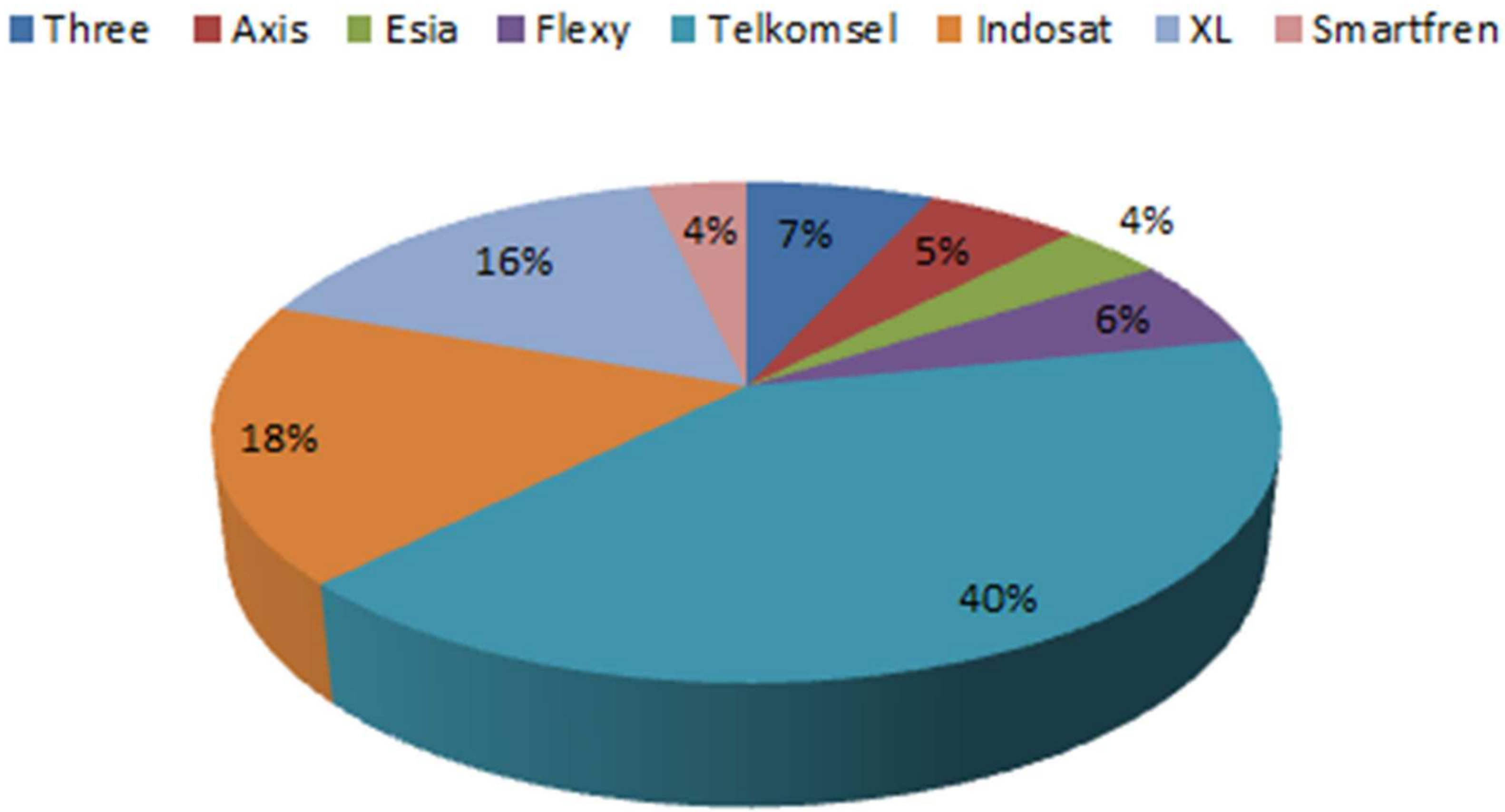
- Improve uitilization of the resources/assets
- Economies of scale occur when businesses can conduct their activities most economically with large investments in fixed assets.
- In a fundamental business, break-even analysis, a large fixed asset base results in a profit schedule in which the highest profits occur at high sales volumes.
- Most businesses, of course, have some fixed costs and some usage-based costs.

ECONOMIES of SCALE

- Telecommunications service providers have high fixed costs, funded with a high level of debt.
- Businesses achieve economies of scope when they share business resources to serve additional markets (physical assets, costs across the value chain, information, or external relationships.
- Obtaining critical mass was once a primary requirement for growth; as the market matures, service providers will be more interested in the quality of customers acquired through their sales efforts or mergers than in quantity alone.

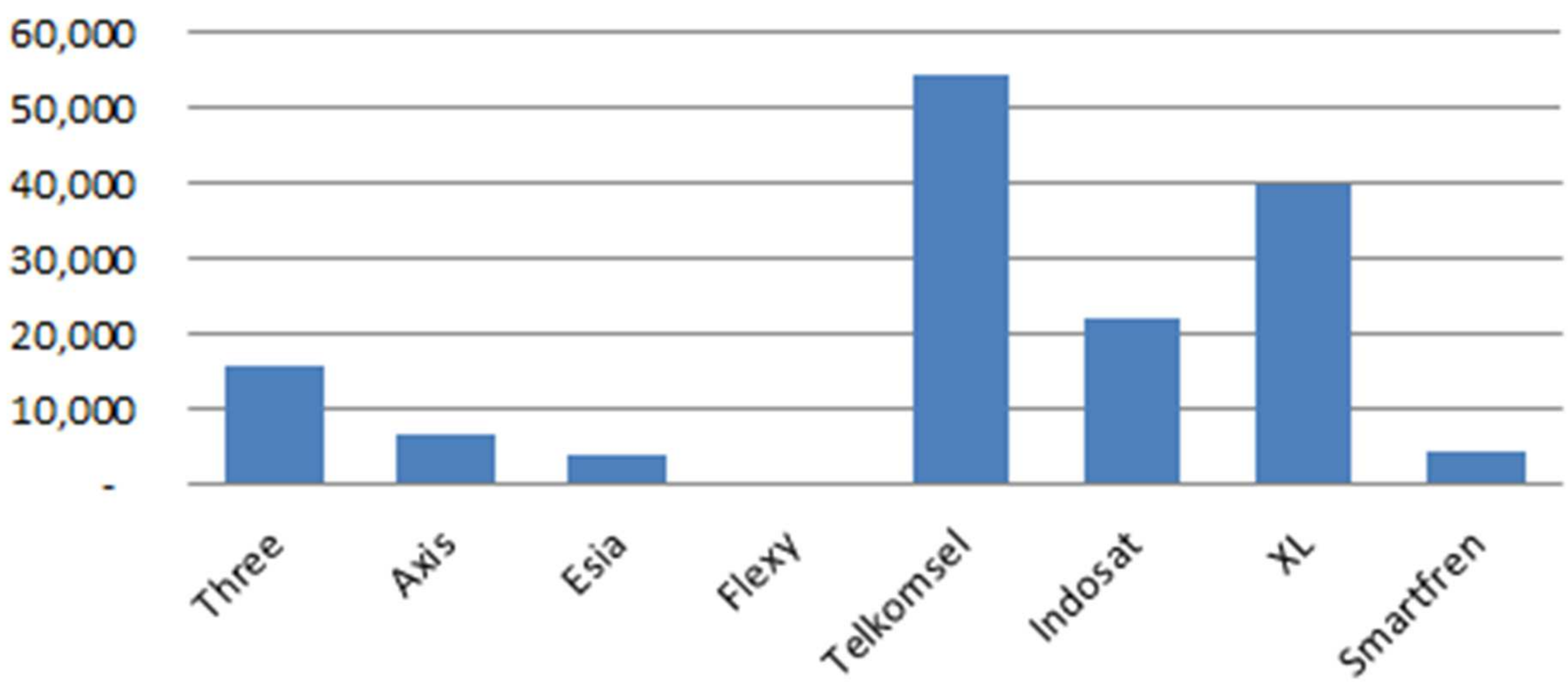
MARKET SHARE GOALS

INDONESIA TELCO MARKET SHARE - 2013



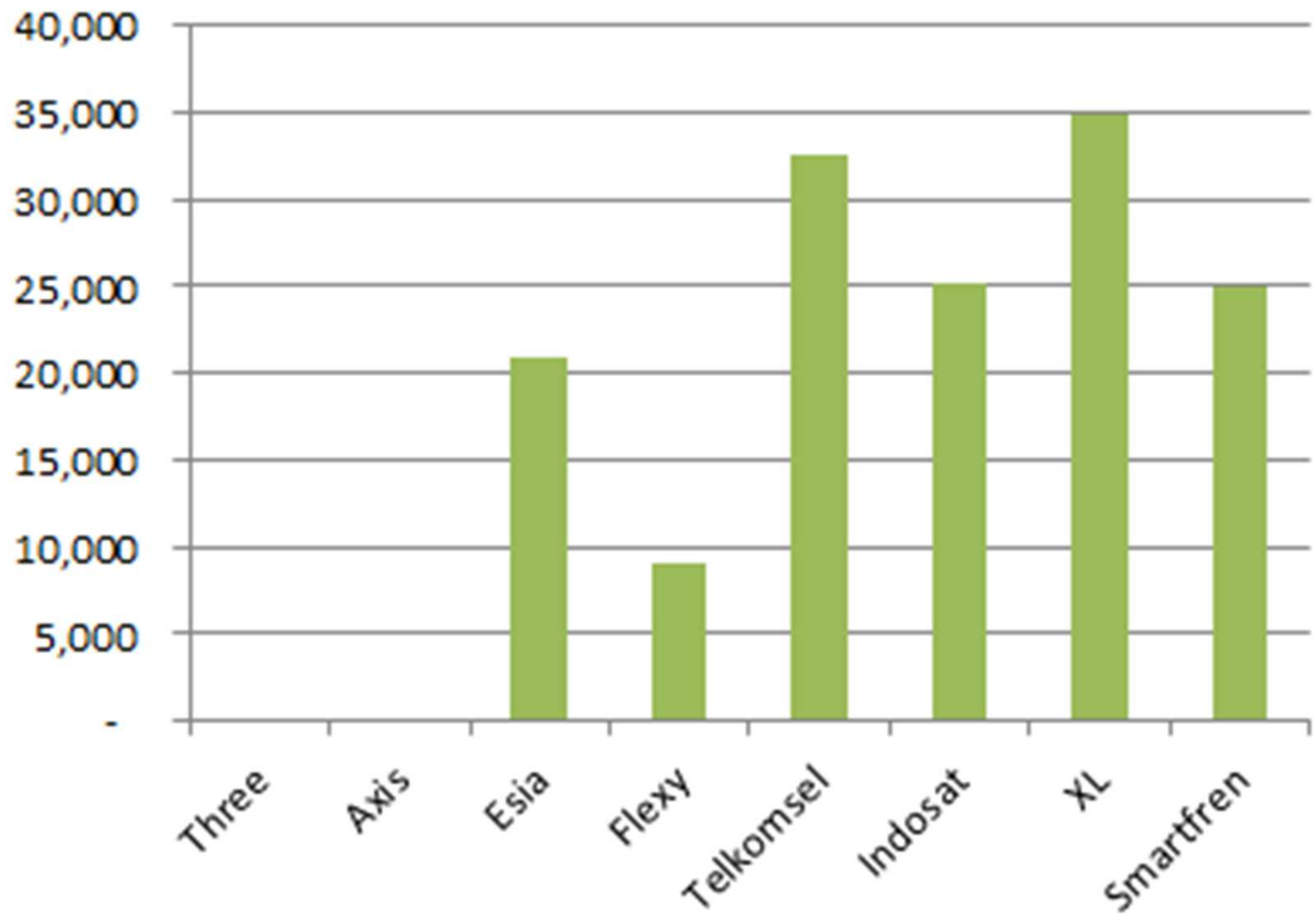
MARKET SHARE GOALS

INDONESIA TELCO BTS - 2013



MARKET SHARE GOALS

INDONESIA TELCO ARPU - 2013



MARKET SHARE GOALS

- Market share is a company.s total sales as a percentage of total sales in a defined industry.
- All businesses need to set market share goals
  - Whether a particular market share goal is realistic depends greatly on the structural characteristics of the market the service provider chooses to enter.
- Telco has so many competitors that not one seller can influence pricing.
- All competitive products are almost equivalent and difficut to differentiate
- Customers have access to many sellers, and customers are well informed about their competitive choices

MARKET SHARE GOALS

- Providers that are dissatisfied with their success in markets of perfect competition do have the option of changing theirmarket focus or segmentation strategy to move to a market of monopolistic competition
- Service providers whose business model depends on an image of high quality need to take into account the effects of increases in market share on their brands.
- Fortunately for providers, premium pricing tends to mitigate the negative perceptions of brands caused by market share gains

STRATEGY ALTERNATIVES

- Mobile Wallet
- Handset bundling (IMO, MITO)
- Monetisasi OTT
- Own DNA (device, Network, Application)
- Mobile advertising
- Very segmented market (child, religion, tribes)
- Wifi provider
- B2B cooperation (retailer)
- Communitization
- Peer to peer

STRATEGY ALTERNATIVES

- What you canget from your customers ??
  - Handset type
  - Age (other demographic data)
  - Spending
  - Economic status
  - Social networking preferences
  - Buying preferences
  - Location based
  - Hobby and other habits

STRATEGY ALTERNATIVES

- Strategy challenges ;
  - Spectrum availability
  - Big capital requirements to build/enhance/upgrade network