

DISTRIBUTION STRATEGY

Strouse, Karen G.(2001).
Strategies for Success in the New
Telecommunications
Marketplace. Artech House
Telecommunication Library.
London
Chapter 12

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INTRODUCTION

- Distribution channels comprise the support structure required to deliver telco services to customers.
- Elements in the distribution chain ;
 - wholesalers
 - retailers
 - brokers, agents, resellers, and a host of other intermediaries.

INTRODUCTION

- Example of distribution choices ;
 - Pre-paid vs post-paid
 - Domestic vs international
 - Urban vs rural
 - Segmented vs all market
 - Wholesale vs retail
 - Own vs agency (middle man)

INTRODUCTION

- Telco service providers can establish their market position wherever they want along the distribution chain and with whatever breadth of product they believe will make them successful
- The new competitive environment requires a thorough reassessment of channel strategies.
- Selection of the channels should consider their strengths and focus within the distribution chain.

DIFFERENTIATE DISTRIBUTION CHAIN

- Telco service has began to differentiate, incl their distribution channel.
- The wholesale channel is emerging as a source of growth in the industry.
- In Indonesia, we saw the growth in telco market thru the availability of new entrants (providers, users, services)
- Much of the increase is cause by new technology-based business models (3g, LTE, smartphome, satellite)

DIFFERENTIATE DISTRIBUTION CHAIN

- The differentiation enhanced by the rise in service providers without a facilities investment (MVNO)
- Wholesalers and other differentiation strategies are important in the competitive market.
- More market segments to service, need focus strategy
- Telco service provider can't do it alone

DIFFERENTIATE DISTRIBUTION CHAIN

- New business models in wholesale markets will boost the wholesale segment.
- Benefit of wholesale services ;
 - Service level guarantee
 - Minimize staff needed
 - Reducing equipment investment
 - Target more customers

COEXISTING W.SALE & RETAIL STRATEGY

- In the interexchange market, many of the largest carriers wholesale their network services, some more aggressively than others.
- Is it providing wholesale services has the potential to cannibalize their retail base of customers??
 - Wholesale recovers business that would have been lost to competitors anyway.

COEXISTING W.SALE & RETAIL STRATEGY

- The wholesale operation is such a small part of the business that channel conflict is not an issue.
- If it were, resellers would still have an abundance of wholesale-only suppliers with considerable overcapacity.
- Several telecommunications service providers plan to offer wholesale VoIP service

COEXISTING W.SALE & RETAIL STRATEGY

- Several telecommunications service providers plan to offer wholesale VoIP service
- Challenges when serving two market ;
 - Creates channel conflict. Telco acting as wholesaler compete against their own retail customers
 - Channel conflict (perceived)

CASE AGAINST VERTICAL INTEGRATION

- The facilities-based provider controls its own facilities and service quality,
 - they seek to differentiate its brand based on service quality by build its own network.

CASE AGAINST VERTICAL INTEGRATION

- Is it serving both market and vertical integration necessary ?
 - If facilities-based incumbents expect the wholesale business to be successful, they should eliminate the channel conflict of a retail operation
 - Telco service provider in highly competitive markets will find better uses for capital and expense dollars than in owning and operating a network in a market characterized by overcapacity
 - A service provider in the retail channel will be more flexible to enter and exit markets than a facilities-based competitor.

CASE AGAINST VERTICAL INTEGRATION

- Is it serving both market and vertical integration necessary ?
 - A telco without facilities investment can purchase services based upon newer technologies as they are launched without stranding investment.
 - Telco provider concentrated in a well-defined channel has a better opportunity to be excellent than one spread across the distribution chain
 - Telco provider intending to grow through mergers will command more value for its customer base than its facilities in areas where the merger partner already owns facilities

SUPPLIERS & PARTNER STRATEGY

- Suppliers are the other distribution strategies can be used by telco providers
- Using suppliers or other party capability to enhanced our services
- Supplier partnerships will become more important as companies expand their outsourcing of mission-critical functions.
- Advances in information systems and the rise in suppliers to meet market requirements will foster the growth in outsourced services and strategic partnerships along the distribution channel.

INTERNET STRATEGY

- Internet become new distribution strategy
- Telco, which using more information technology than other industry, surprisingly have not been utilizing the internet
- Think of what internet can support the telco providers in delivering the product

SUPPORTING TOOLS

- Distribution channel decisions require choices between channels,
 - it need the supporting tools.
- Supporting tool available;
 - Data mining
 - Vertical integration

IMPORTANT NOTES

- CLEC (competitive local exchange carrier), in the United States, is a telecommunications provider company (sometimes called a "carrier") competing with other, already established carriers (generally the incumbent local exchange carrier (ILEC)).
- MNF, RBOC
- ISP
- ASP
- DSL