

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

## Chapter 17

# BUSINESS EXPANSION STRATEGY

# MOBILE NETWORK OPERATOR

- Mobile network operator (service provider, carrier, cellular company, or mobile network carrier) is a provider of wireless communications services that ;
  - owns or controls all the elements necessary to sell and deliver services to an end user including
    - radio spectrum allocation,
    - wireless network infrastructure,
    - back haul infrastructure,
    - billing,
    - customer care
    - provisioning computer systems and marketing, customer care, provisioning and repair organizations.

# MOBILE NETWORK OPERATOR

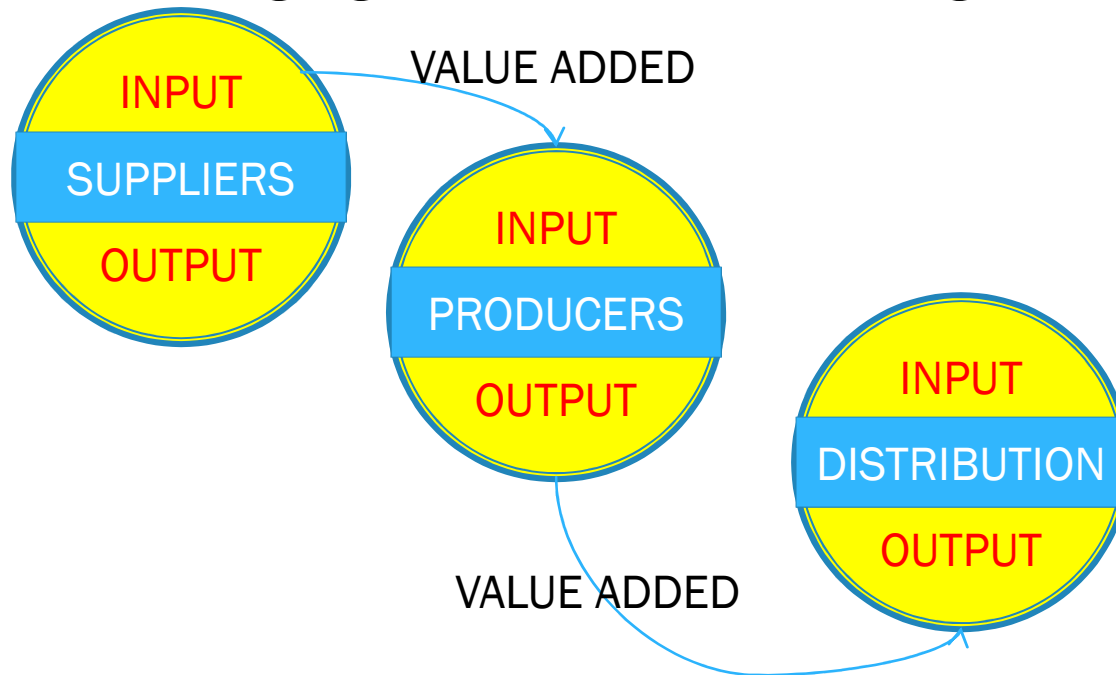
- MNO may also sell access to network services at wholesale rates to mobile virtual network operators or MVNO's.
- MNO must
  - own or control access to a radio spectrum license from a regulatory or government entity.
  - own or control the elements of the network infrastructure that are necessary to provide services to subscribers over the licensed spectrum.

# MOBILE NETWORK OPERATOR

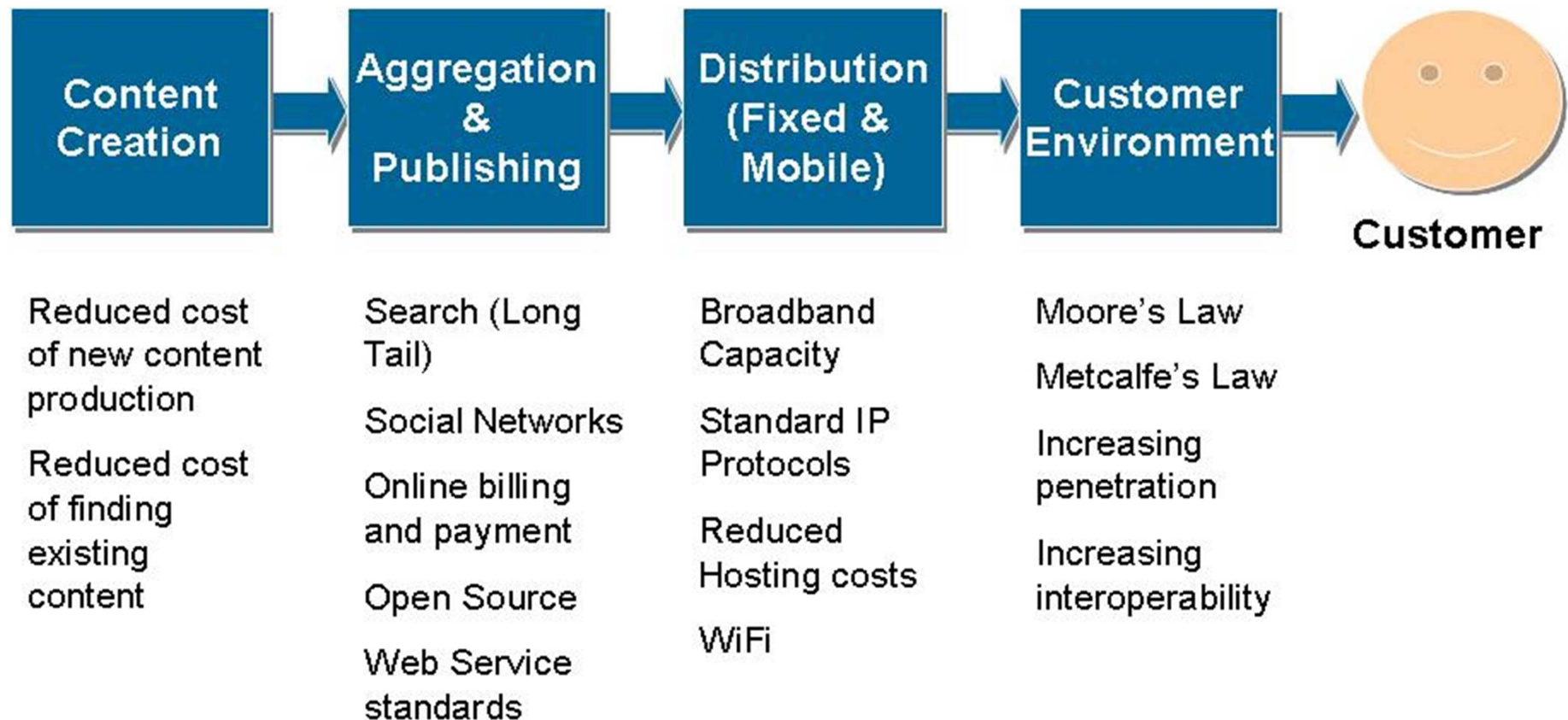
- MNO can outsource any of these systems or functions and still be considered an mobile network operator.

# TELCO VALUE CHAIN

- Value chain models can generally not be assessed in terms of whether they are right or wrong, but rather in terms of whether they are useful in structuring a given problem or illustrating a point



# TELCO VALUE CHAIN



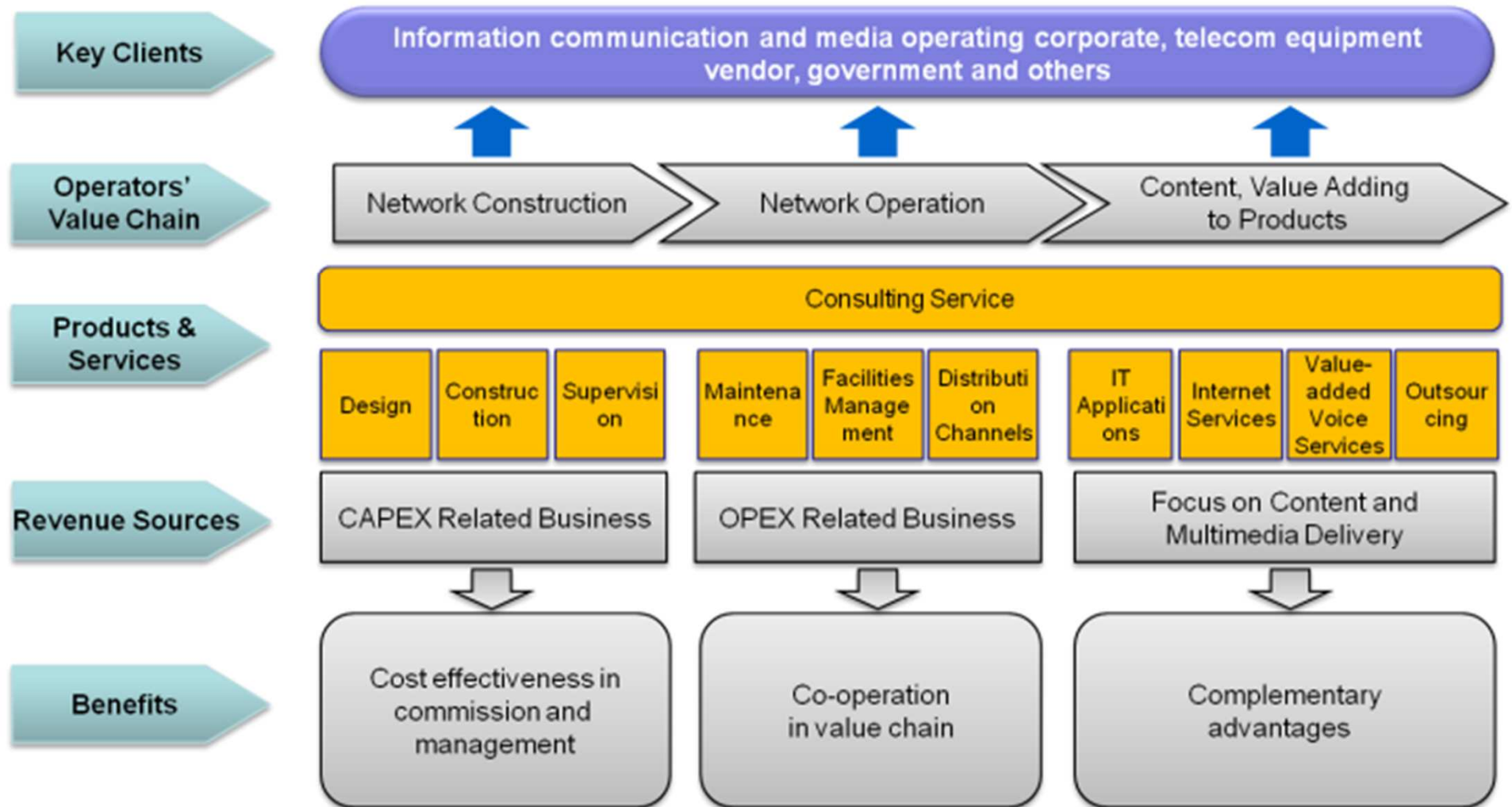
<http://broadstuff.com/search/convergence/P2.html>

# TELCO VALUE CHAIN

[http://www.stlpartners.com/telco2\\_online-video-distribution/](http://www.stlpartners.com/telco2_online-video-distribution/)

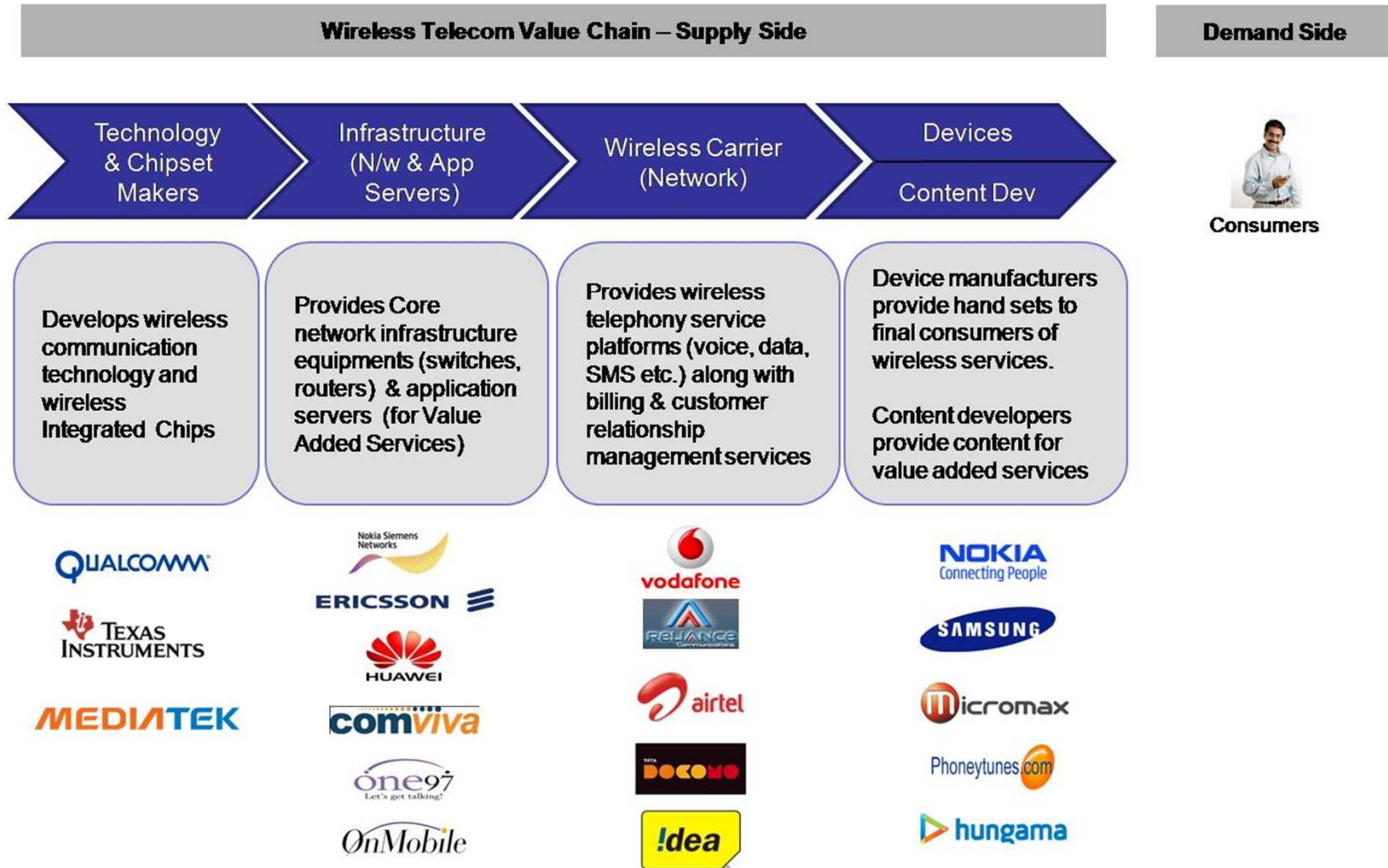


# TELCO VALUE CHAIN





# TELCO VALUE CHAIN



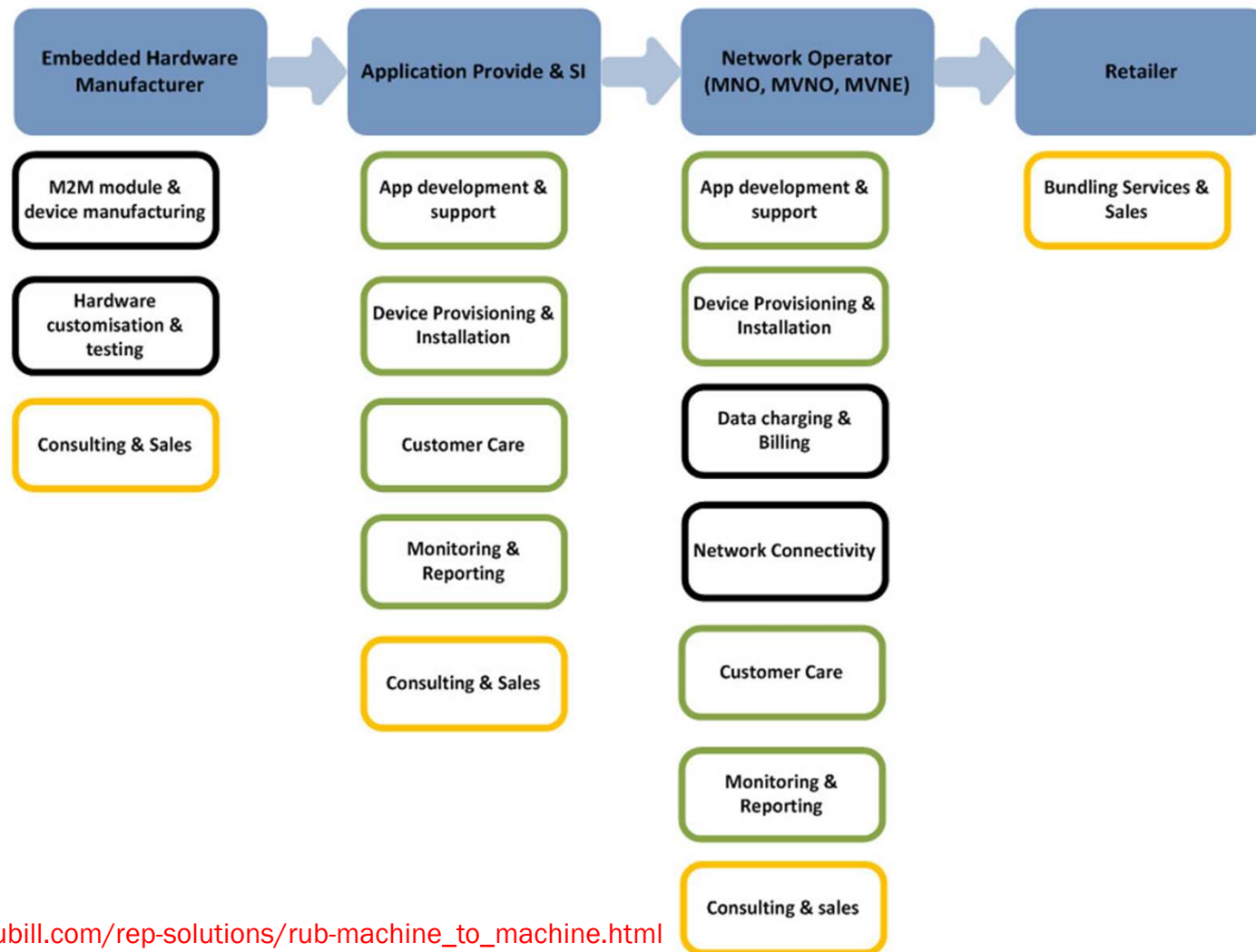
[http://knowledgefaber.com/index.php?option=com\\_content&view=article&id=49&Itemid=42](http://knowledgefaber.com/index.php?option=com_content&view=article&id=49&Itemid=42)

# TELCO VALUE CHAIN

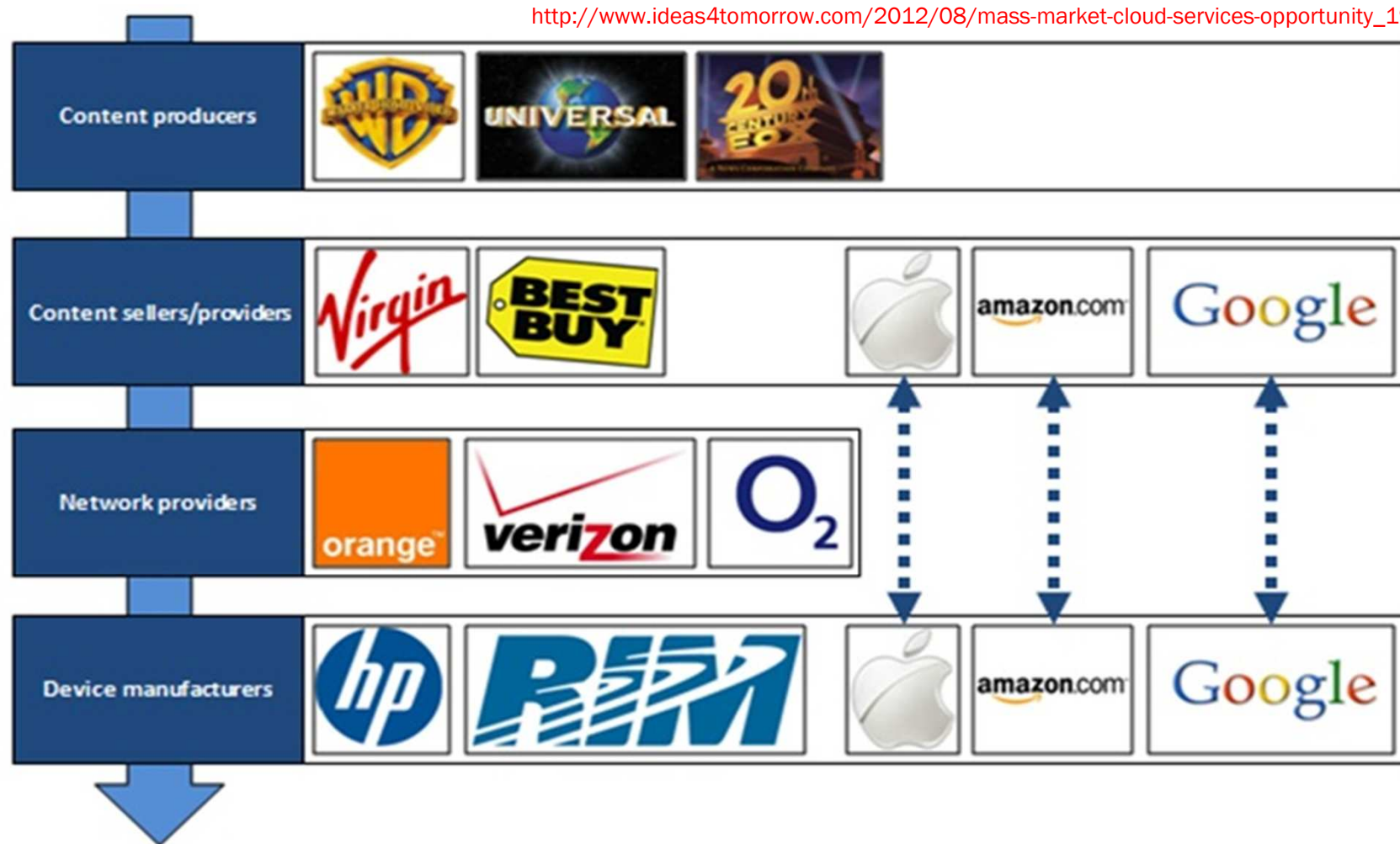


<http://excapite.wordpress.com/2010/08/31/will-we-point-click-search-scan-swipe-see-sign-or-touch-the-future/>

# TELCO VALUE CHAIN

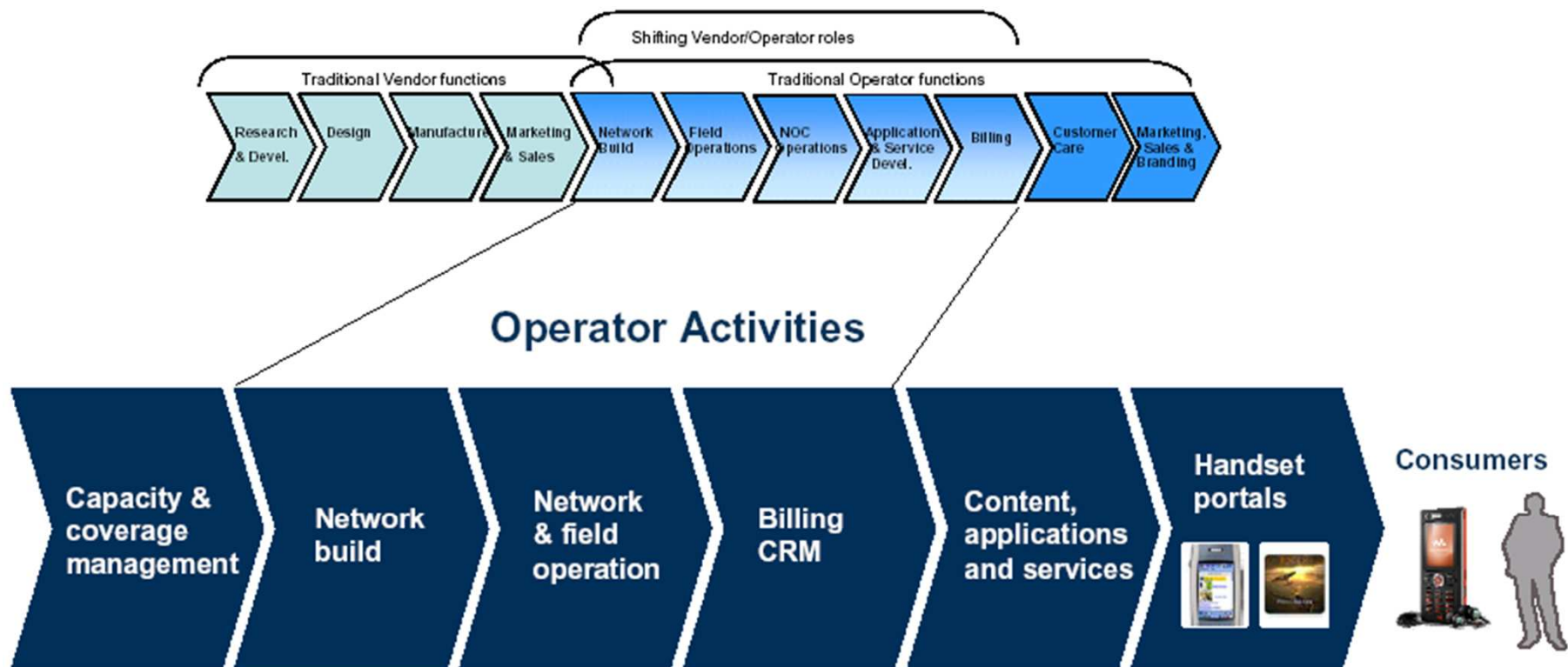


# TELCO VALUE CHAIN



# TELCO VALUE CHAIN

<http://www.telecomcircle.com/2010/08/network-outsourcing-a-case-study/>

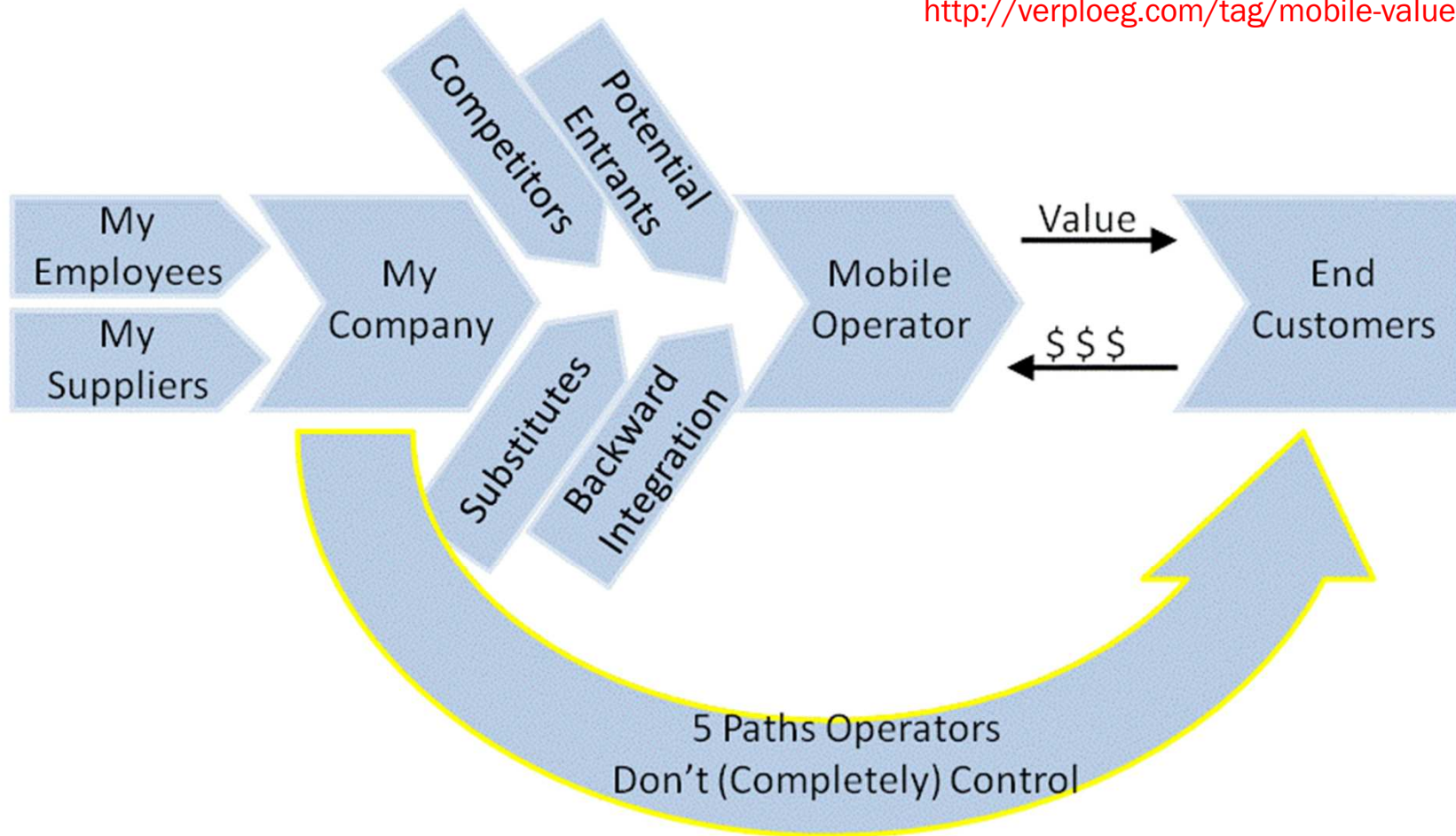


Source: Bharti Airtel's presentation on Mobile Asia Congress, Nov 2009



# TELCO VALUE CHAIN

<http://verploeg.com/tag/mobile-value-chain/>



# TELCO VALUE CHAIN

- 5 layer model of telco business (Fransman, 2002 modified) ;
  - Layer 1 – Equipment Manufacture
    - Develop and manufacture telecommunications equipment, including networking and customer premises equipment (Nokia, Sony-Eriksson, Cisco, Apple)
  - Layer 2 – Facilities Provision (Telkomsel, SingTel, AT&T)
    - Traditional telecommunications operator business, namely the ownership of network facilities. These include both cables and licenses to spectrum.
  - Layer 3 – Network Operation
    - Activities related to the operation of networks. These may or may not involve the companies owning the underlying infrastructure

# TELCO VALUE CHAIN

- 5 layer model of telco business (Fransman, 2002 modified) ;
  - Layer 4 – Content Integration
    - Combining content in purpose to ease the users
  - Layer 5 – Content Provision
    - activities involving the provision of content and applications, for example, the production of movies or news, the provision of online brokerage services,
    - online travel brokers, or the development of games. (Time- Warner, BMG, NBC and Travelocity)



# TELCO VALUE CHAIN

- To extend the market, company can apply acquisition or enter the new industry or market segment
  - Apple produce handset, sell the content, and might be become telco providers
- Let consider Google. What are they doing now?
  - Search engine
  - Equipment manufacture
  - E-commerce
  - Spectrum owner/bidder
- The main questions are how the structure of telecommunications markets is likely to evolve, which companies will be able to extend their reach and power, and whether there are companies whose role may be reduced in future?

# INCREASING MARKET SHARE

- Market share related with the ability of the company to market their product
- Market share will create revenue but also need an investment (effort and money)
- Example of how Telco struggle to keep their market share ;
  - Telkomsel launch Simpati As Playmania prepaid card targeting children
  - Indosat offer new Rp. 12.000 reload voucher
  - XL provide customer with the mobile payment
- To increase revenue ;
  - Company need not to increase share while the market is growing
  - Company need to increase their share in declining market

# INCREASING MARKET SHARE

- What can telco provider do ?
  - Grab the competitor's customer
  - Reduce churn rate
  - Buy customer thru merger or acquisition
- Techniques to grab other's customers ;
  - Promotions
  - Price wars
  - Brand differentiation
  - Network quality
  - Reliable customer services

# INCREASING MARKET SHARE

- Disadvantages of promotion ;
  - Promotions attract undesirable customers
  - Promotions create a prisoners dilemma
  - Promotions set up a churn mentality when the promotion period is over
  - Promotions annoy loyal customers that do not qualify for promotional pricing.

# INCREASING MARKET SHARE

- Everything about churn ;
  - Common reason is price and quality. Others are ; unique number, family/friend, ????
  - Reducing churn not only increases the customer base, it increases the average revenue per customer.
  - One way to reduce churn is to introduce bundline services
  - Customers value the right to churn, so services that prevent customers from leaving will have a disadvantage over services with low or no penalties for terminating service.
  - Churn often related with services that are undifferentiated other than price (including, for example, the price of a wireless handset).
  - Eliminating only one-half of existing churn can provide an increase in market share that rivals the performance improvement of virtually any technique

# INCREASING MARKET SHARE

- Churn rate in students (class assignment) ;
  - Find 25-50 students whose experience changing their providers
  - Ask these question ;
    - What is their current provider
    - How long they already use it
    - What is the previous one
    - How long they use the previous provider
    - What is the reason they change provider
    - How many times they change the provider
    - How much they spend for their telco need in a month
    - Are they plan o change the provider in the next two months?

# INCREASING MARKET SIZE

- Another method to create growth is to increase the overall size of the market, keeping market share constant
- One company effort to increase their brand might result in increasing the mark
- One company can add their market thru expanding to new territory
- Territorial expansion can includes the globalization
  - increase their potential customer base.
  - enables the service provider to offer a valuable service package to multinational corporations,
  - Build relation to eliminate much of customer inconvenience, provide standardized service offerings, and reduce the customers cost

# VERTICAL & HORIZONTAL INTEGRATION

- Easy to execute, challenging in succeeding
- Vertical integration is a service providers migration along the distribution chain.
  - When a service provider buys a supplier or a distributor of its services, the resulting transaction represents vertical integration.
  - it widens the service providers presence on the distribution continuum.
  - You can look for an example of VI in Indonesia telco business
- Horizontal integration expands a service providers product lines within its existing distribution chain.
  - to increase the scale of the company and achieve significant cost reductions
  - Companies with very different infrastructures or cultures will find this a challenge



# VERTICAL & HORIZONTAL INTEGRATION

- Strategic alliance can help to avoid learning process and considerable investment if the company do it alone
- Value innovation (merger of AOL dan Warner)
- Service providers can benefit from alliances with information providers, hardware manufacturers, retailers, and others to create value innovation

# SIZING NEW MARKET

- Before a service provider can estimate its own revenue stream from a new market, it first needs to size the market potential
- How big the market in Indonesia regarding ;
  - Population
  - Buying power
  - Industry attractiveness
- You should use information available then add with your own assumption
  - Indotelko.com
  - Telecomasia.net
  - Telecomcircle.com
- One should consider the potential of new market which is not mature yet

# LOCATING ACQUISITION CANDIDATES

- valuation of acquisitions is less about the performance of a candidate and more about the acquirer's expectations for the future
- Synergy can reduce costs, create revenues, and improve customer service. Companies can achieve synergy when they can share an activity or the infrastructure or transfer assets from one of its operations to another