

Rogers communications analysis



**ASSIGN
BUSTER**

Currently Rogers has competition with companies like Bell Canada, TELUS and Shaw Communications. There are also new providers in the industry that are offering products and services at low prices. Rogers is a company that has the best technology in comparison of other providers. It is the only company that operates on both GSM and HSPA technology.

1Rogers operates in three areas. The first one is Wireless, which includes wireless voice and data communications services. Rogers is Canada's largest wireless provider. The second one is Cable. Rogers is one of Canada's largest providers of cable television services as well as high-speed Internet access, telephony services and video retailing. The third and the last one is media, which includes radio and television broadcasting, televised shopping, magazines and trade publications, and sports entertainment. Its backbone is its distribution channels, which includes 3, 600 Rogers-owned, dealers and retail outlets. Rogers provides valuable customer services to its customers. Its goal is to maximize its subscribers and become the best communication and media provider. There are 70 subscribers out of 100 (2010) in comparison of 25 per 100 (2000). Furthermore,[2]in the time of recession, Telecom industry is one of the industries that have been able to survive and make profit margins. Thus, Telecom industry is an industry where consumers go first which means that consumers would reduce their spending on other goods and services in comparison of telecom services. Therefore, if Rogers has brand image and the market is full of opportunities then why let new entrants capture the market share.

The second issue that Rogers face is regarding its financial position. If we see the table below, company's sales growth in 2007 was 14. 54% and cost of

goods sold was \$961 million. In 2008, sales growth reduced to 11.97% but cost of goods sold was more (\$1303 million). If we see the last year that is 2009, sales growth was just 3.49% and cost of goods sold was \$1380 million. This concludes that, if sales growth has been decreasing every year, cost of goods sold has not been decreasing with proportionate to sales growth. In other words, profit margin has been decreasing and company's operation is not able to increase its sales growth and minimize its cost of goods sold. Moreover, if we see the debt to equity ratio, it is increasing every year. In 2007, it was 1: 2.3. In 2008, it was 1: 2.61 and in 2009 it was 1: 2.98. This concludes that Rogers is using a lot of debt to finance its operations. But on the other side, Rogers has good return on assets of 8.67% in 2009 in comparison of 6.18% in 2008, which means Rogers is earning more money on less investment this year.

In order to overcome current challenges, Rogers should use overall low cost provider strategy. Rogers should apply this strategy to solve its business and financial issues. The advantages of this strategy are customer satisfaction, moving towards its rivals, prevail market conditions and strengthen its market position. What else can Rogers do to maintain its market share and presence? Rogers can include features and services in packages that are essential to its consumers. It can find ways to achieve competitive advantage that would be hard for the current rivals and new entrants to match. Though the industry did have the slowest growth in 2009 from 2000, the analysis shows that there is a lot of room to grow. When Rogers would use lower pricing for its products and services then there would be less competition and more accessibility to local market that would increase its

sales and revenues. By doing this, Rogers is completing its mission strategy, which is to add great value to its customers' lives by offering new and reachable products and services.

When companies' raise prices of their products and services, they don't realize that by doing this they are far away from their customers' but new entrants are putting themselves in their customers' shoes. In other words, they are thinking like their customers. This is what Rogers's strategy should be, to think like its customers' and add value to their lives. If Rogers would think like its customers' then there would be brand loyalty and there is less risk of losing its market share and presence. If customers' would feel that Rogers has understood them, then they would definitely contract with Rogers. This would lead to Rogers implementing its financial strategy, which is to maximize profit and return on investments.

In regards to reducing Rogers's cost of goods sold, Rogers should invest more money on new technologies to improve its company's operations. This would decrease its cost of goods sold and increase business efficiency. In addition, Rogers can outsource some of its operations as it has been doing with its physical IT infrastructure. Rogers has been outsourcing its physical IT infrastructure to IBM to make capital expenditure efficiencies. Rogers can do the same with some of its operations but one thing to consider is that Rogers should have strict quality standards for its products and services while outsourcing. Furthermore, cost of goods sold increases when there are high designs or services that is neither seen nor valued by customers. Rogers can simplify its products and services and reduce cost of goods sold.

In conclusion, Rogers, to become the best telecom company in Canada should apply all the recommendations above. This would help Rogers to increase its subscribers and reduce its cost of goods sold.

A) INDUSTRY INFORMATION:

1. What are the Industry's Dominant Economic Features?

- Market Size

-[3]In 2010, there are 70 wireless subscriptions for every 100 Canadians in comparison of 25 wireless subscriptions per 100 in 2000.

- Market Growth Rate (Product Life Cycle)

- Maturity. There is competition between different companies.

- Growth Cycle

-[4]Real gross domestic production increased from \$25, 559 million in 2007 to 26, 775 million in 2009.

-[5]2009 and 2010 are the slowest years of production growth in two decades.

- Scope of Rivalry

-[6]Low barriers of entry. New entrants are providing same services that big players do at low prices.

- Type of Distribution Channels

-[7]Dealers, retail outlets and advertisement.

- Pace of technological change

-[8]Internet connection giving access to television entertainment.

- Level of Product Differentiation

-Low. All companies offer same products or services.

- Ease of Entry & Exit

-[9]Low barriers of entry due to deregulation of telecommunications service providers and advancement in telecommunication system.

- Industry Profitability

-[10]Profit margin has decreased to 12. 8% in 2009 from 13 % in 2007.

Summary- Telecommunication Industry's market size and real gross domestic production has increased but profit margin has decreased. There are low barriers of entry but competition is high.

2. Competitive Analysis Summary – The 5 Forces Model

- The Rivalry among competing sellers in the Industry

- Intense. Companies try to attract customers with more discounts, promotions and benefits in comparison of their competitors.

- Firms in other industries offering substitute products

- Weak. Customers have no option or substitute for services offered by companies in telecommunication industry.

- The potential entry of new competitors

-Weak. Low barriers of entry[11]due to deregulation of telecommunications service providers and advance in telecommunication system. Entrants enter the market but do not survive unless they offer low prices because

companies ruling in telecommunication industry have brand equity and customer loyalty.

- The bargaining power of suppliers

-[12]Weak. Small Internet resellers get a very small share of the market, and their share has been declining in recent years.

- The bargaining power of buyers

-Moderate. There are not many companies that offer all the products and services but still customers switch to rivals when they offer huge discounts and promotions.

Summary- Suppliers share has been decreasing. There are no substitutes and buyers have very less options. There are low barriers of entry but competition is high too.

3. Drivers of Change

- Industry Growth Rate

-[13]Real gross domestic production increased from \$25, 559 million in 2007 to 26, 775 million in 2009.

- Product Innovation

-[14]Smartphone, high speed Internet and digital TV.

- Technology Change

-[15]Fiber optics, improved computer technology and the Internet.

- Regulatory/Government Influence

-[16]Business rules are regularly changing which is giving small Internet providers access to the large companies' networks.

Summary- The main driver of change is the new technology introduced every time that excites customer to purchase products and services.

4. Competitive Position

Quality of Services and Network

- Less More
- Few Many
- Coverage

Who is favorably/ unfavorably positioned & why? -Bell Canada occupies the most favorable position among the rivals because of being first Canadian telecom company and occupying more coverage. The closest competitor to Bell Canada is Rogers that offers large variety of products and services and has a wide geographical presence in the market of telecommunication industry.

5. Key Success Factors

- Technology Related

-[17]HSPA+ 21 Mbps wireless network and DOCSIS-3.0 50 Mbps high-speed Internet service.

- Organizational Capability

-[18]Knowledgeable staff that would develop newer, better, and faster ways to deliver what customers want, while also delivering attractive returns for shareholders.

- Distribution Channel

-[19]Diversified distribution channels such as dealers, retail outlets and advertisement.

- Other

-Brand image. Widely recognized and accepted by customers.

Summary- Key success factors in telecommunication industry are technology, well-trained staff, distribution channels and brand image.

6. Industry Attractiveness

-The industry is at maturity level. There is a lot of room to grow and profits are high. Whenever, new technology is introduced, customer demand increases. Low barriers of entry makes it easy for new entrants to enter the industry but it is hard to survive unless they offer low prices because there are big players in the industry. There are no substitutes. Competition is intense as companies try to attract customers with more discounts, promotions and benefits in comparison of their competitors.

B) COMPANY RESOURCES: AN INTERNAL ASSESSMENT

1. The Strategic-Making Process

- Vision Statement stated/implied

-[20]To grow in the business while taking care of corporate social responsibility.

- Mission Statement

-[21]To add great value to customers' lives by offering new and reachable products and services.

- Strategic Objectives

Business – Maximize the number of subscribers and become Canada's best communication and media provider.

Organizational –[22]Achieve highest standards of business conduct among all employees.

Financial – Maximize profit and return on investments.

Current Strategy-[23]Launched Long Term Evolution (LTE) so that customers can anywhere, anytime access to information, communications and entertainment.

Strategic Performance Indicators

- Qualitative Measures-

-[24]High-quality network coverage.

-Customer satisfaction.

- HSPA+ 21 Mbps wireless network and DOCSIS-3.0 50 Mbps high-speed Internet service.

- Quantitative Measures-

-[25]7% growth rate in Wireless Network and Cable Operations businesses in 2009.

-[26]1.5 million Smartphone customers in 2009.

2. Financial Analysis

Conclusion- The Company has issue with its cost of goods sold. Comparing all years, sales growth is decreasing but cost of goods sold is increasing . If this continues then soon the company would loose its financial well -being.

Therefore, the company should increase its sales growth but decrease its cost of goods sold.

High debt to equity ratio indicates that the company is using a lot of debt to finance operations, which might be reason for company to have more earnings than it would have without debt. Rogers have 1: 2. 98 in 2009.

[27]Rogers has also generated a 29% increase in free cash flow growth in 2009.

Return on assets provides information on how effectively company is utilizing its money to convert it into sales. Rogers has good return on assets of 8. 67% in 2009 in comparison of 6. 18% in 2008, which means Rogers is earning more money on less investment this year.

In total asset turnover, the figure indicates how much is generated in sales from every dollar worth of assets. Rogers has 68. 80% in 2009 in comparison of 69. 9% in 2008. This means that Rogers has been less efficient at using its assets in generating sales this year.

In current ratio, the conclusions cannot be drawn before considering other factors. However, when the current ratio is higher than 1, it is normally considered acceptable. It indicates how quickly current assets can be turned into cash. Rogers is in less good position by having 1: 0. 80 in 2009 in comparison of 1: 0. 84 last year.

3. The Company Value Chain

- Operations

-[28]Rogers is the only one operating on both GSM and HSPA technology.

-[29]Outsources its physical IT infrastructure to IBM to make capital expenditure efficiencies.

- Distribution

-[30]Powerful national product distribution network consisting of more than 3, 600 Rogers-owned, dealer and retail outlets.

- Sales and Marketing

-[31]Activated 1. 5 million Smartphone customers.

- Service

-[32]Created a dedicated team who would engage with customers looking for help in online forums and micro blogs.

-[33]Created the Rogers Customer Commitment to help customers understand what they can expect when they contract with Rogers.

Summary- Rogers have the best technology, outsource, distribution network and customer service that makes its way to success.

4. Competitive Strength Assessment Model – 5-8 KSFs weighted

Conclusion- Bell and Rogers have close competition. TELUS and Shaw are behind Rogers. Bell has 10 rating for reputation image because of being the oldest and trusted company in Canada. Rogers is trying its best to grab Bell's

market presence and has been successful in doing that. In terms of technology, Rogers has 10 rating because it is the only one operating on both GSM and HSPA technology.

5. SWOT Analysis

Internal

(S)trengths

- Brand recognition.
- [34]Powerful national product distribution network.
- [35]Dedicated team for customers.

(W)eaknesses

- Internal inefficiency that increased cost of goods sold.
- Dependent on debt.

External

(T)hreats

- Bell, TELUS and Shaw Communications.
- [36]New entrants are entering the market.

(O)pportunities

- [37]Attract new clients.
- [38]\$900 million total principal amount of 4. 70% Senior Notes due in 2020.

Summary- Rogers has internal strength in its brand recognition and distribution channels. Its weakness lies on increased cost of goods sold and debt. Competition is intense with current rivals and new entrants.

Opportunities are bright with new and existing customers.

6. Strategic Issues that merit Managerial Attention

- Business Issue

-[39]Would it be a good strategy by Rogers to lower price of its products and services due to high competition from new entrants?

- Financial Issue

-How should Rogers decrease their rising costs?

7. Criteria for Strategic Solution(s)

Able to maintain high quality network coverage, HSPA+ 21 Mbps wireless network and DOCSIS-3.0 50 Mbps high-speed Internet service, 7 % growth rate in Wireless Network and Cable Operations businesses, 1.5 million Smartphone customers and reduce cost of goods sold.

“ Work Cited”

Canadian Industrial Outlook. (Autumn 2010). Canada's Telecommunications Industry. The Conference Board of Canada Retrieved from http://www.conferenceboard.ca/ezproxy.lib.ryerson.ca/temp/f191b447-0cc1-43f8-89cd-a7d54518d917/11-146_CIOS-Telecom_Autumn10_WEB.pdf.

Investor Relations. Rogers. Retrieved from http://www.rogers.com/web/Rogers.portal?_nfpb=true&_pageLabel=IR_LANDING

Corporate Social Responsibility. Rogers. Retrieved from <https://assignbuster.com/rogers-communications-analysis/>

<http://your.rogers.com/aboutrogers/csr/overview.asp>

About Rogers. Rogers. Retrieved from

https://www.rogers.com/web/Rogers.portal?_nfpb=true&_pageLabel=about_landing

PRNewswire. (October 6, 2010). Rogers Announces First Lte Technical Trial in Canada. Yahoo finance. Retrieved from

<http://finance.yahoo.com/news/Rogers-Announces-First-Lte-prnews-2287777662.html?x=0&.v=62>

Guides to Occupations. Working in the Telecommunication Workers Industry. Skilled Immigrant Infocentre. Retrieved from

http://skilledimmigrants.vpl.ca/index.php/guides/industry/telecommunication_workers

Defining Next. ROGERS COMMUNICATIONS INC. 2009 ANNUAL REPORT.

Rogers. Retrieved from

http://www.rogers.com/cms/investor_relations/pdfs/2009_Annual-Report.pdf

Bringing Your World Together. ROGERS COMMUNICATIONS INC. 2008 ANNUAL REPORT. Rogers. Retrieved from

http://www.rogers.com/cms/investor_relations/annual_html/2008/html/HTML2/default.htm

<https://assignbuster.com/rogers-communications-analysis/>

The America's Intelligence Wire. (Sep 22, 2010). Rogers Communications
Prices \$900 Million Senior Notes Offering. Ryerson. Retrieved from

http://galenet.galegroup.com.ezproxy.lib.ryerson.ca/servlet/BCRC?rsic=PK&rcp=CO&vrsn=unknown&locID=rpu_main&srchtp=cmp&cc=1&c=136&mode=c&ste=72&tbst=tsCM&tab=2&ccmp=Rogers+Communications+Inc.&tcp=rogers&n=25&docNum=A237731531&bConts=13119