Digi pest analaysis essay

Part B: Industry Analysis There are five competitive forces model that determine an industry's profitability. These five forces are entry barrier, threat of substitutes, rivalry among competitors, bargaining power of suppliers and buyers. [pic] 1. Entry Barrier One of the barriers for competitor entry telecommunication industry is high capital investment. Companies in this industry required high fixed costs and spend relatively large on network equipment and maintain development.

Besides, technologies required also have considered as barriers for companies entering the telecommunication. The types of technologies employed by DiGi include the GSM (Global System for Mobile communications: originally from Groupe Special Mobile) standard for its mobile network, operating in the 1800MHz frequency band. The advanced technology which required in the telecommunication industry incurred high capital investment and also needed professional knowledge in relevant sector to success in the industry. It was not easy copy or imitate by competitor. 2.

Threat of Substitutes There are many substitutes for mobile services such as a very traditional way- letter, fixed home line telephone, fax, and email. From the year of 2000 onwards, broadband Internet services, which enable faster and always-on connection to the worldwide web, offer more promising growth potential. In addition, the pressure on the very low cost to use the phone calling through internet or communicate through online messenger had threatened the mobile service industry. The attractiveness of internet services making it more affordable to the masses. . Rivalry among Competitors Telecommunication industry in Malaysia is oligopoly structure nowadays. Digi have two main competitors, they are Maxis, Celcom. Maxis lead the telecommunication industry. They are largely compete on differentiate their product and services on how to improve their features and implementing innovation. Moreover, company in this industry will certainly compete on the call rates, package price and so on. They try to gain competitive advantage through low call rate and price. Each of them invests a lot on advertising to promote their product.

There is high exit barriers in this industry due to the high investment budget and responsible to customer will make companies strive to survive in the industry. Technology advanced leads fast industry growth and opportunities, increase the competition among companies. 4. Bargaining Power of Supplier Generally, the telecommunications industry in Malaysia is dependent on imports for the majority of its network components as most of the network equipment cannot be sourced locally. DiGi networks utilize standard equipment which is available from a limited number of suppliers.

Most of the GSM equipment for DiGi’ mobile network operations is purchased from Motorola, Siemens, Ericsson and Trisilco Folec, and DiGi maintains close working relationships with its key network equipment suppliers. Siemens is now a sub-contractor to Motorola for network switching systems. DiGi left only two main supplier- Ericsson and Trilsilco Folec. The bargaining power of their supplier becomes strong. Moreover, their supplier is from overseas. In future, DiGi believes that comparable equipment and support is available from other established suppliers. 5. Bargaining Power of Buyer

Information technology increase the bargaining power of buyer, high available of information make it easier for buyer to evaluate sources of materials about telecommunication. There are many alternatives product such as fax, email, and internet which enhance the bargaining power of buyer to the mobile service provider. Meanwhile, high level of competition between the major telecommunication companies that exists in current market leads to low switching cost for the buyer to change their mobile service provider. Customers are high price sensitivity, easy to switch brand.