

Maxis
communications
berhad essay sample



**ASSIGN
BUSTER**

1. 0 Situation Analysis

1. 1 The Market

The mobile phone service provider market in Malaysia is the biggest growth area in the telecommunication industry. By the end of 2000, there were almost 5.7 million mobile subscribers in the country, and by the end of 2003 there were about 9.6 million. With the recovering economy the number of subscribers is expected to reach 12.2 million in 2006. The projection is based on the Malaysian Communications and Multimedia Commissions (MCMC) market subscribers forecast, representing an average annual growth of 16%.

The size of the mobile phone service provider in 2003 stood at RM 9.7 billion. The mobile market consists of two segments; the pre-paid and post-paid. The major contributor to the mobile growth is the pre-paid, which is expected to remain the market's key growth driver. The Malaysian market currently features five mobile phone service providers, namely Maxis, Digicom, Telekom, Celcom and the Time dotcom. For the purpose of this assignment, I have chosen Maxis Communications Berhad (MAXIS) with the focus on Hotlink Mobile prepaid.

Maxis is the market leader with 43% of the mobile phone market share amounting to RM 4.2 billion in 2003 in revenue. It commenced mobile telecommunication operations in 1995. Maxis has approximately 3.7 million subscribers in September 2003 which represents 38% of the total subscribers in Malaysia. The company's products are Maxis Mobile post-paid, Hotlink Mobile pre-paid, Maxis Net and Fixed Line. Its services encompass

basic voice service, value added voice and data services including short messaging services (SMS), wireless applications protocol (WAP), mobile portal services and international roaming.

1. 2 The Distribution

Maxis uses technology based on the global system for mobile (GSM) standards. The latest GSM technology is general packet radio service (GPRS) that supports packet switching and offers higher speed data transmission rates of up to 115k bytes per second. The GSM network comprised of 2066 base stations covering both Peninsular Malaysia and East Malaysia. The majority of Maxis base stations are located on buildings. The Maxis mobile network covered approximately 70% of the population of Malaysia as a whole. It covers all major towns, cities and principal traffic routes throughout Malaysia.

1. 3 Environmental Factors

Maxis is the market leader in the mobile segment, notwithstanding Telekom Malaysia Berhad's ambition to grab pole position through the merger of its cellular unit TM Touch and Celcom. Maxis moved from a latecomer (commenced mobile service in 1995) position to overtake more established competitors (i. e. Digicom and Celcom), finally seizing the leadership position in 2001. Its market share in terms of number of subscribers at the end of 2003 were 43% (1. 3 million) for post-paid, 36% (2. 8 million) for pre-paid and 38% (4. 1 million) in total. Also notable is the company's track record in achieving a leadership position in both post-paid and pre-paid market segments.

Unlike operators such as Digi and Celcom, which are skewed largely towards one segment of the market, Maxis's base is strong on both fronts. Maxis's strength lies in its branding, management, partnership and balance sheet. The company's ability to turn its brand into a competitive advantage is a result of focussing on creating a premium perception in consumers' mind. Through successful branding efforts, Maxis was able to increase its subscribers' base. Maxis's success in creating brands that dominate the market with its range of product segments is due to the strength of management. Maxis's professional team comprises of persons with a wealth of experience from various specialised backgrounds in marketing, branding, technology and finance.

The company has an ideal blend of local and foreign management, with some experienced members in leading multinational companies such as IBM, Motorola and Shell, to name a few. The major shareholder, Usaha Tegas Group, has also provided valuable support to allow the company to derive synergies from its affiliated companies. The combination of top market share and higher revenue generation has resulted in a solid balance sheet.

The continuous growth in net profit had built a healthy cash flow which continues to improve the company's financial strength, further resulting in ample resources to fund its capital expenditure. Maxis's weak point is its limited spectrum resources. This could limit its coverage and pose a threat for future expansion. However, the acquisition of Timecel allows for significant improvements in network quality, quicker coverage and potential synergies.

As for the external environment, the impetus of growth in the mobile phones is further supported by the falling prices of hand phones. With improving economic conditions, it can be safely assumed that the demand for cellular phones will pick up tremendously in the foreseeable future and will provide ample opportunities for the existing market player. The scope of growth is great outside of Klang Valley as the penetration rate still remains low.

The market is considered a fierce battle for the operators. At present, there are three other operators. Competitors could adopt more cut-throat pricing strategies. Celcom recently merged with Telekom's mobile division, and with the full integration it is likely to be a more capable competitor to Maxis. Digi could also step up its efforts. If they become more formidable, Maxis could possibly lose its market leadership.

The regulatory environment is an area of concern. The MCMC has been accommodative and market-driven in the past. However, this could change if MCMC decides to impose new policies, i. e. upgrade network system to higher speed third generation (3G), which would require additional capital investment. The advancement in technology is a threat to mobile operators. Newer or upgraded competing network standards could make the existing GSM less effective. Apart from the mentioned threats, the issue of health is another concern. The constant use of mobile hand phones poses a health risk to the consumer. While evidence of such dangers is currently inconclusive, such circumstances could pose significant risk to the market.

2. 0 Mission and Objectives

2. 1 Corporate Objectives

<https://assignbuster.com/maxis-communications-berhad-essay-sample/>

The corporate objectives of Maxis; to be the communications group every customer prefers above all others; to be the organization every employee aspires to work for and maximise their full potential; to be the corporation every investor seeks to invest in; to be the partner every company wants to do business with; to be recognised domestically and internationally by everyone within and across industries; to be the success story every Malaysian can be proud of. With this, birth the company's vision – “ To be the most preferred and successful communications group” – the driving force that propelled Maxis onto the number one position in the mobile market.

2. 2 Market Objectives

Given Malaysia's encouraging Gross Domestic Product growth and low penetration rate (38%) compared to other Asian markets, Maxis believes that Malaysia will continue to experience growth in mobile services. Maxis intend to consolidate further its market leading position in the Malaysian mobile phone sector and continue to grow its business profitability. Maxis' key strategies to attain these objectives involve building on its competitive strengths and identifying new opportunities.

3. 0 Formulation of Strategies

3. 1 Strategies

Maxis's strategy of going forward will be to target “ quality addition”, which means that the company should not emphasise on the quantity of subscribers at the expense of quality. Although the new addition's usage levels are unlikely to match the earlier mobile service users, it can still tap

valuable customers with superior branding to attract premium new subscribers. Along with it is a focused effort to cherry-picking higher value subscribers from its competitors Superior branding will also attract those outside of Klang Valley where marketing by operators to date has been limited. Maxis intends to launch additional targeted advertising and image-building campaigns to achieve improves brand presence and preference. Maxis intends to continue to refine its branding strategy to capture additional customers within target market segment. The company to continue to focus the greater part of its network investment towards improving its network quality and capacity. Maxis plans to improve its customer management system, expand its payment channels and increase customer convenience through its dealer network and use of IT and Internet. Maxis also believes that attaining these objectives will serve to improve customer satisfaction.

The company should also maintain its premium pricing strategy for the post-paid to weed out the price-sensitive consumers and preserve low bad-debt rates. At the same time, Maxis should also continue to chip away at its competitors' most valuable subscriber segments within the existing subscriber base. This can be conducted through tried and tested targeted incentives as Maxis continues to deliver better and more innovative services. Maxis believe that its brand and market leadership has been supported by a consistent focus on product innovation including WAP, SMS and mobile content. Maxis intend to continue to develop and offer innovative new products and services, specifically in the area of mobile data and intelligent

network-based services such as virtual private networks which Maxis believes will help improve its operations margins.

Maxis also intend to continue to explore additional sources of data revenue as the market and technology develops. To support the mobile data initiatives, Maxis intends to develop additional distribution channels and build relationships with selected content and solution partners who can add value to current and future data initiatives. In addition, Maxis also plan to continue to explore domestic and regional expansion opportunities. Maxis intend to explore opportunities to expand domestically and regionally through joint ventures, acquisitions, strategic investments or partnerships.

3. 2 Segmentation

A multi-factor analysis, including income bands, geography and age of the Malaysian market supports growth from the existing levels. Middle to high-income classes within the Malaysian population has proven affordability. Current market penetration is only starting to reach into the middle class band economically and geographically. Most areas outside the core Klang Valley are relatively untapped. Add the fact that 43% of the Malaysian population is aged under 20 and this group should not be ignored as potential customers. The market could then be categorised into two segments by consumer demographical band; income, penetration rate and age group.

So far, most operators have focused mainly on Klang Valley where income is the highest. However, this area is beginning to saturate, leaving no option but to focus on the surrounding areas. Currently, the penetration rate

outside of Klang Valley ranges from as low as 7% to about 45%. This suggests a substantial growth left in the market for other areas. Income bands could be used as benchmarks to categorize the states in Malaysia into zones. To better illustrate potential among the states, four different tiers have been used to organise the income bands; over US 5,000; between US 444500-5000; US 2500-3000 and US 600-2000 as shown in the table. (Appendix 1)

Apart from the demographical segmentation, the other likely target market ought to be the young and trendy 18 to 24-year-olds. Based on government statistics, this age group accounts for over 40% of the Malaysian population. The large segment of youth bodes well for the future subscriber growth but more importantly, it enhances the prospects for value added services. It is clearly the younger generation users that are savvier with applications such as SMS. And so, they are the ready market for take-ups of new revenue generating services. Already, the youngsters use Internet for many day-to-day applications. If these applications can be made available on their mobile phones, these youngsters are bound to switch over simply because it is much more portable and convenient.

4.0 Tactics / Action programmes

4.1 Product Decisions

Based on revenue size, pre-paid services is the biggest contributor in the mobile market. Pre-paid services are expected to remain the sector's key growth driver. There is great potential for this mobile service. Maxis launched its pre-paid services in October 1999 under the Hotlink brand. The product targets consumers who are budget-conscious, also categorised as

<https://assignbuster.com/maxis-communications-berhad-essay-sample/>

low-end market. However, Maxis should include additional features (i. e. short messaging services, wireless application protocol (WAP), international roaming) to the product to create a premium image. This is to differentiate itself from the existing pre-paid services in the market. Though it is a lower-end market product, the additional features would certainly boost its image and become a selling point with its innovative appeal that especially draws in the younger customer group. The product should also be made available in different denominations of RM 20, RM 40, RM 60 and RM 100. This flexibility allows customers to select the most appropriate amount for top-up services.

4. 2 Pricing Decision

For the prepaid market in Malaysia, the price is still considered to be at the topmost in the buying decision process. Apart from this, other considerations such as quality services and branding are also equally important. Therefore in the pricing process, Maxis should give consideration to consumers' affordability while ensuring compliance with the guidelines set by the government.

In view of the above, I would recommend that the price for the prepaid starter pack be set at RM 68, which is within the market price range although it is a bit on the higher scale. To compensate for the high pricing, a preloaded airtime of RM 50 could be included, leaving the subscription fee for prepaid service at RM 18. (RM 68 less RM 50)

4. 3 Distribution Channel

The target customers for prepaid products come under a wide range of consumers; youth, working adults, housewife and senior citizens. Therefore, an important criterion is that the product be made available without any hassle. In other words, convenience is of utmost importance to consumers. The product should be distributed through various channels such as retail outlets, Maxis authorized service agents and at Maxis centres. Also, Maxis could work together with several banks in promoting the use of Automated Teller Machines for credit ‘topping-up’ purposes.

Maxis could appoint mobile phone dealers, fast moving consumer goods retailer, convenience stores and petrol kiosks for their services. In the case of mobile phone dealers, Maxis could offer packages for purchases of products. In return the dealers could be paid commissions based on sales volume which is in line with the industry practice. Maxis should also pay its dealers promptly and reward them with bonuses and awards during consumer promotions and campaigns. Maxis’s policy should be made transparent and consistent in its treatment and communications with these dealers. Technical and consumer training should also be offered to dealers and staff, especially to large retail outlets, where Maxis-authorized service agents could improve service and productivity. Maxis’s distribution strategy should also include in-house direct sales teams as well as third party channels such as selected sales and systems integrators or solution partners. Maxis could also work in partnership with Credit Card Issuers to market its products by offering free hand phones for customers who would subscribe its products for a fixed period of time.

4. 4 Promotion

Since Maxis is involved in both the post-paid and prepaid market segments, it should take steps to customise the marketing efforts of segments to achieve optimal results. While both services attempt to portray a premium image within each segment, the separation of the two ensures that the perception among lucrative business segments and high-income customers is not lessened.

Maxis's strategy is to focus on quality rather than quantity advertising by selecting the appropriate media and ensuring that the content of the message is effective and consistent with the Maxis premium brand image. Maxis could leverage on its relationship with sister companies such as Tanjong Golden Village (TGV) and Astro to advertise its product. These are the two most important channels of communication as the majority of its audience are made up of the younger generation, working adults, housewives and senior citizens – incidentally the targeted consumer groups for this prepaid product. Apart from media, advertisement could also be made via the television and radio, outdoor billboards, selected magazines and newspapers.

The product could be advertised on national and private TV stations. A 30-second commercial scheduled can be booked during the peak hours, which is between 7pm and 10pm when most of the people watching TV programmes. This form of level advertising is essential to increase awareness among all target groups. Advertisement should also be placed in popular magazines such as sports, cooking, automobiles, and fashion. Apart from magazines, adverts could be should be placed on local newspapers in the three major

languages with wide circulation. And in the case of East Malaysia, the adverts should be placed in the language widely spoken.

This is to support TV campaigns. Billboard advertisement should also be used to advertise the products. The billboards should be placed in strategic locations i. e. along highways in particular at the rest areas, near universities and other popular higher learning institutions and most importantly at LRT stations. Posters can be placed in the LRT and Komuter stations, in the trains and buses. Maxis could spread its influence through sponsorship of major events such as sports, musical programmes, premier movie and the technology segment on television. Maxis could send SMS messages to its existing customers updating on the latest products available. Maxis could also launch a rewards scheme where the existing customers are encouraged to recommend new customers i. e. member get member programme.

Account management teams could be set up to market the product directly to the targeted customers. This could be carried by setting up booths in hyper markets, malls, LRT stations, fairs and have the sales personnel stationed at these places to provide information on the products. And this form of promotion also creates cross-selling opportunities and at the same time enhances business relationship between Maxis and the customer. Road shows could also be conducted. One form of road show would be using fancy looking trailers with popular local rock bands performing in the trailers which would definitely be a hit with youngsters.

4. 5 People

Maxis recognises the importance of developing an effective human resource strategy to support and sustain its growth. The company operates on a number of key performance indicators (KPI) such as overall service level, processing time and problem solution time. These traits are inculcated into its staff force. Maxis also provides mandatory customer care classes and attachment in customer-facing operations for all its employees. Maxis believes that these training initiatives would further promote Maxis' customer-oriented culture. In its effort to retain and attract quality workforce, Maxis introduces competitive employee remuneration, performance-based bonuses, while offering a wide range of training programmes through the Maxis Academy and external courses with high quality working environment.

Furthermore, the Maxis senior management team possesses the combination of skills and multinational experience necessary to grow a mobile operator in a highly competitive environment, particularly in the areas of marketing, branding, technology and finance.

4. 6 Processes

The processes involved for the prepaid product is simple and straightforward. Customers do not need to register. They need only to purchase a prepaid starter pack which includes a Smart Card with RM 50 pre-loaded airtime in which customers could top-up by purchasing top-up vouchers. A complete set-up guide is also provided in the starter pack.

Since registration is not needed, it is more difficult for Maxis to target these subscribers in its marketing of value-added services. To resolve this issue,

<https://assignbuster.com/maxis-communications-berhad-essay-sample/>

new subscribers are asked to complete a subscriber information card and return it to Maxis. As an incentive, Maxis would load an additional RM 10 of free airtime into their credit limit upon receipt of the card. These information cards provide useful demographic information of the subscribers which could be used for further marketing purposes.

4. 7 Provision for Customer Services

Customer service – from subscription through after-sales service – is critical to subscriber retention and premium brand maintenance. Maxis's customer focus should be in providing better customer management, easier access to Maxis support and services, expanding top-up channels and differentiating Maxis from its competitors. Maxis could use its existing service channels such as Maxis centres, Maxis Authorised Service Agents (MASA), Maxis i-centres, Maxis contact centres and Maxis e-customer services. The functions of each channel are as follow:

Maxis centres: These centres would be located at convenient locations across Malaysia and should offer a complete range of standard customer services.

MASA: Maxis could utilise its authorised agents to complement maxis centres. The agents could provide customer services such as payment facilities, information on the latest value-added services, responding to enquiries, etc.

Maxis i-centres: These centres should be equipped with Internet kiosks for customer access to Maxis Internet services and display the latest mobile equipment.

Maxis contact centres: Contact centres should be established with tol-free lines for customers to contact. The centre should operate on a 24-hour basis, be equipped to provide basic service and tariff information as well as emergency support or assistance on Maxis service.

Maxis e-customer service: Here, websites could be established for customers to obtain information, log in problems, subscribe to new services or top-up on their credit limits using their credit cards. These websites could also be used to announce service enhancements and promotions. It also provides a forum for users to comment on offerings so that future programmes could be developed to meet customer needs.

Apart from the above channels, Maxis could ally with selected banks to utilise their ATM machines for top-up services, and also to place mobile kiosks for purchasing vouchers that complement Maxis's own customer service network.

5. 0 Budget

Budget is prepared based on the 2004 forecasted financial report on Maxis Communication Berhad, extracted from ABN AMRO Asia Equity Research. Based on the report, total revenue forecast is RM 4. 653 million while the prepaid portion is RM 1191 million, representing 25% of the total revenue. The ration (25%) was applied to compute the operation costs relating to

prepaid services. By referring to the computation, I present the revenue and operation information on prepaid services fro the financial year 2004.

6. 0 Control

A marketing plan cannot be operated without a control environment to monitor and measure progress. In this respect, a committee needs to be set up comprising of members of senior management staff from various departments, i. e. marketing, back office support system, finance risk management and the business planning unit. The purpose for this high-powered committee is to ensure that decision could be made without delay. Once this committee is established, a system control should be laid down whereby the plan is reviewed on a monthly basis.

The Management Information System (MIS) reports on sales revenue, operating costs, sales channel report, customer complaint reports and other information reports should be prepared on a monthly basis and tabled at the committee meetings. These reports provide essential inputs to the control systems. As for the sales channel report, we would be able to identify the sales volume for each of the distribution channels. Comparison of actual performance against target and the variance analysis will enable corrective actions to be taken to further exploit marketing opportunities and threats.