

Telecommunications services of trinidad and tobago company limited marketing essa...



This agreement resulted in the entry of several competitors in the telecommunications market of Trinidad and Tobago thereby ending the monopoly of TSTT, the state owned incumbent operator.

Against this backdrop, TSTT which provided primarily fixed line, mobile and internet services, engaged Goulet Telecom International Inc. to examine the impact of globalization on its operations.

In its report dated December 7th 2007, Goulet Telecom International noted at pages 9 and 10 that:

“ To retain existing customers and win new customers, the incumbent operator must respond to competitive moves and offer new and innovative services at competitive prices. Thus it has more services to develop and manage, and there is downward pressure on its prices.” ¹

The following SWOT Analysis therefore seeks to examine the extent to which TSTT has been able to successfully respond to the challenges of the liberalised telecommunications sector.

1 Final report to TSTT on the impact of Liberalization on an Incumbent Telecommunication Operator

Strengths Weaknesses Opportunities Threats Analysis (S. W. O. T.)

A S. W. O. T. analysis is a strategic planning technique which is used to assess the internal and external environment in which a company operates and competes. Internal environmental factors are classified into strengths

and weaknesses, while external environmental factors are classified into opportunities and threats.

An analysis of the strengths, weaknesses, opportunities and threats for TSTT in a competitive environment is highlighted, at Appendix A, a select few of which are examined below.

Strengths

A major strength of TSTT is its human resource capital and in particular, the leadership and experience of its executive management team which has steered the Company through the process of liberalisation in 2006, to its current position of sustained profitability.

The Company's executive management team is lead by Chief Executive Officer Mr. Roberto Peon, a seasoned telecommunications executive with over thirty years of extensive international experience having worked in BellSouth in the USA, NEXTEL Mexico and BCP Telecomunicacoes, Brazil amongst other Companies.

The executive management team which is responsible for formulating TSTT's strategic plan is likewise comprised of a mix of experienced and qualified local and foreign telecommunications professionals.

The strength of the Company is reflected in the leadership skills and managerial acumen of the executive team who ensured that the Company retained significant market share since the liberalization of the sector.

During the financial year 2006/07, the Company's strategic initiatives which were formulated with a view to competing in the deregulated market were successfully implemented as TSTT's mobile customer base was nearly doubled to over one million customers. 2

Strong leadership such as that which was demonstrated by the executive management team during the Company's transition from a monopolistic to a competitive environment has been identified as a critical factor for success in the Malcolm Baldrige Model for assessing a Company's SWOT.

The strength of the Company's human resource capital is also reflected in the Company's middle management and Senior and Junior Staff employees who have successfully implemented the Company's strategic initiatives such as the deployment on new customer services such as Internet Protocol Television (IPTV).

As such, one may argue that one of TSTT's greatest assets is its human resource capital as without it, the Company's best business plans and ideas would not succeed.

2 <http://www.cellular-news.com/story/24010.php>

Weaknesses

A Company's weaknesses may be reflected in its lack of managerial skills, technological backwardness, inadequate systems or processes, or poor customer service.

One of the major weaknesses which have been identified at TSTT is its poor network infrastructure and aged plant which has occasionally resulted in the delivery of poor customer service to its subscribers.

TSTT's aged outside plant has also had an impact on the Company's ability to provide new services such as IPTV to some of its customers due to the unavailability of upgraded plant facilities in certain areas of the country.

As a result of the aged plant facilities, the Company has not "rolled out" its IPTV service throughout the country, thereby precluding it from effectively competing with FLOW, the dominant Cable TV provider which services the entire country.

This weakness of TSTT was highlighted in the Goulet Report which underscored the need for the Company to upgrade its aged plant in order to successfully compete in a liberalised industry.

The said report stated that:

"On the technology front, existing networks and systems of the incumbent operator are not well suited to deliver new services expected by customers. A traditional switched network cannot easily support wireless and wireline access, voice, data, mobile services and new types of converged services demanded by customers. To effectively compete, an incumbent operator is faced with replacing a network of increasingly obsolete equipment....."

Despite this weakness, it should be noted that TSTT has since invested \$700 million on technology within the period 2007 to 2009 in order to upgrade its plant so that it can effectively provide new services such as IPTV. 3
<https://assignbuster.com/telecommunications-services-of-trinidad-and-tobago-company-limited-marketing-essay/>

3 Trinidad and Tobago Guardian Newspaper, November 4th 2009

Another weakness of TSTT is the restraint on management's ability to effectively operate in the liberalised telecommunications industry as a result of inflexible contract provisions in the Collective Agreements between the Company and its Recognised Majority Union, the Communication Workers Union.

One such provision in the Collective Agreement is Article 12 – Contract Work, which at present hampers management's ability to effectively contract out functions currently performed by the Company which no longer represent its core business in a competitive environment. See attached Article 12

This restraint on management is identified as a weakness as it was agreed to with the Union in a monopolistic telecommunications environment where the Company's need to effectively compete was not a relevant consideration.

However in the current liberalised environment, the restraints imposed on the Company's ability to contract out aspects of its operations has for example, prevented the Company from contracting out its Directory Publications Department which it no longer considers to be a core aspect of its business.

The Company's decision to contract out this aspect of its business and retrench 11 employees in the Directory Publications department has been temporarily halted as a result of an Order for an Injunction that was granted to the Union by the Industrial Court of Trinidad and Tobago. 4

In the event that the substantive matter of the Company's decision to retrench the 11 employees is determined in the Union's favour, such a decision by the Court would have a profound effect on the Company as it would undermine management's right to contract out work in the future.

4 ESD Application No. 12 of 2007 dated August 20th 2007 in the Industrial Court between CWU and TSTT

Opportunities

Opportunities exist when an external environmental analysis reveals new opportunities for profit and growth as a result of an unfulfilled customer need, the arrival of new technologies, or the loosening of regulations in the sector.

One such opportunity which TSTT has sought to capitalize on is with its foray into the entertainment sector through the provision of IPTV, a new service which it now provides in selected areas in Trinidad.

The IPTV product which is branded "Blink Entertainment" is a digital television service which, instead of delivering content through traditional broadcast and cable formats, is received by the viewer using internet protocol technology.

TSTT, like many of the world's major telecommunications providers is exploring IPTV as a new revenue opportunity from its existing and potential subscriber base and as a defensive measure against encroachment from competitors such as FLOW, a conventional cable television provider which now provides internet and voice services.

Although TSTT's projected revenue streams for the financial year April 2010 to March 2011 are not yet available, it should be noted that global IPTV market revenues are forecasted to grow from US\$12 billion in 2009 to US\$38 billion in 2013. 5

In light of the aforementioned one may reasonably conclude that TSTT is well poised to capitalize on the global growth trend in the IPTV market thereby accomplishing its objective of deriving a new revenue stream from this market.

Another new market which TSTT has sought to penetrate is the security services sector with the launch of its Blink Vigilance Security Service.

This product which was launched on November 3rd 2009 (along with Blink Entertainment) is a wireless security surveillance system which TSTT offers to both commercial and residential subscribers.

5 IPTV Global Forecast (2008-2013) <http://www.international-television.org/tvmarketdata/global-iptv-forecast-2009-2013.html>

The opportunity to pursue this strategic initiative is as a result of the growing criminal activity in Trinidad and Tobago which has driven a demand for security services, a point which was made by Dennis Gordon, Vice President, Organisational Risk and Security Services at the launch of the product. 6

Since TSTT provides the infrastructure used by security companies to operate their business, its entrance into the security services sector provides an excellent opportunity for the Company to increase its revenue streams and maintain its viability in a competitive telecommunications market. <https://assignbuster.com/telecommunications-services-of-trinidad-and-tobago-company-limited-marketing-essay/>

The provision of these two new services, Blink TV and Blink Vigilance are therefore two examples of how TSTT has created new opportunities for itself based on consumer needs and changes in the social environment.

6 Trinidad and Tobago Guardian Newspapers, November 4th 2009

Threats

One of the most significant threats faced by TSTT was that provided by its competitors in the mobile services market as a result of the deregulation of the telecommunications sector in 2006.

As a consequence of the liberalization of the market, Digicel, one of the fastest growing telecommunications Companies in the Caribbean, began offering mobile service which for the first time gave the population of Trinidad and Tobago a choice of wireless providers.

The introduction of Digicel into the Sector was expected to remove substantial market share from TSTT which had previously enjoyed monopoly status.

The extent of the threat posed to TSTT by its main competitor is reflected in the Company's financial results in the immediate aftermath of Digicel's entry into the market. In the financial year 2006 to 2007, TSTT suffered a financial loss of TT \$122 M as compared to the financial year 2005 to 2006 where it made a profit of \$261 million. 7

Likewise, FLOW, a Company that had traditionally provided only Cable TV service, became in May of 2008, the first " Triple Play" provider of

telecommunications services in Trinidad with its offering of Cable TV, Broadband and Landline Voice Services to the population at large.

As a result of FLOW's strategic initiatives, TSTT is now faced with an additional threat to its revenue streams in the Broadband and Landline Voice sectors.

Notwithstanding the threat posed by its competitors, it appears that TSTT has successfully managed to weather the proverbial storm as evidenced by its financial results for the financial years 2007/08 and 2008/09 whereby it generated after tax profits of \$159. 9 million and \$384. 3 million respectively. 8

7 TSTT Financial Reports

8 TSTT Financial Reports

Assessment of TSTT's position

Having assessed the SWOT elements that TSTT is faced with in its internal and external environment since the advent of competition, one may conclude that the organisation has been able to maintain its position as the dominant entity in the telecommunications sector in Trinidad and Tobago.

This has been facilitated by the leadership of the executive management team which has taken strategic initiatives such as the investment of over \$700 million in new technology in order to address the weakness associated with the Company's aged plant. This investment has also given TSTT a competitive advantage in the IPTV and Security services market as the

Company has exploited the opportunities in its external environment to create new revenue streams for itself.

The financial results of TSTT since the liberalisation of the market therefore supports the proposition that the organisation has been able to manage the threats posed by its competitors as evidenced by its after tax profits since 2006.