

# [Critical success factors of mobile telephony companies](https://assignbuster.com/critical-success-factors-of-mobile-telephony-companies/)

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CRITICAL SUCCESS FACTORS OF THE MOBILE TELEPHONY COMPANIES OPERATING IN THE EASTERN REGION BY : AMARTYA DHAR(08BS0000240) ICFAI BUSINESS SCHOOL 10. 12. 09 CRITICAL SUCCESS FACTORS OF MOBILE TELEPHONY COMPANIES OPERATING IN THE EASTERN REGION SUBMITTED BY : AMARTYA DHAR(08BS0000240) SUBMITTED TO : PROF BHASKAR BASU 2 ABSTRACT: India, the world’s fastest-growing mobile services market, has added a record 16. 02 million new wireless subscribers in March 2009, which are the highest ever additions in a single month till now.

As the country continues to add around 10-11 million new connections each month, the target of 500 million telephone subscribers by 2010 is expected to be met in advance. 3 INTRODUCTION: The Indian mobile telephony industry is highly competitive with increasing number of players the companies are on the lookout for factors differentiating their service from the competitors. When a business takes a product to market, whether it is a basic product like corn or a highly engineered offering like the digital camera the company must make the product itself compelling (Frances X. Frei HBR April 2008).

With price cuts and attractive rental schemes being offered by each and every service provider the two above mentioned factors are no longer the factors which can guarantee a large consumer base . That is why the mobile telephony companies are continuously on the lookout for factors which can give them a competitive edge. This project is an effort to find out the critical success factors which are necessary for the success of a mobile telephony company in the present scenario. The data have been collected through secondary research , primary research with the help of questionnaires was also done. CURRENT INDIAN TELECOM SECTOR SCENARIO: India’s telecom sector has made rapid progress since the announcement of the National Telecom Policy – 1999 (NTP-1999). Since 2000, the telecom sector has been a key contributor to the Indian economy’s impressive performance registering sustained high growth rates. Predominantly, over the last three years, the telecom sector has grown remarkably in the range of 29% – 47%. Growth in mobile phones was the principal driver for telecom growth in the country as they have been in other parts of the world.

Currently, India continues to be one of the fastest growing telecommunication markets in the world. A progressive regulatory regime, network expansion by operators, reduction in tariffs and cost of handsets, which essentially make the service affordable for the common users, all acted as demand booster to the growth of the telecom sector. Growth of the Telecom Sector in India: Year (End March) 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 Mobile Fixed Total Additions (during calendar year) 21. 84 (28. 5) 41. 96 (42. 4) 65. 54 (46. 7) 94. 65 (46. 0) 129. 21 (43. 0) 35. 61 56. 5 98. 78 165. 11 261. 09 391. 76 40. 92 41. 42 41. 54 40. 75 39. 42 37. 96 76. 53 98. 37 140. 32 205. 86 300. 51 429. 72 5 The mobile sector has grown from around 10 million subscribers in 2002 to around 35. 61million in 2003-04. The year 2004 was a watershed year for the fixed-line services in India, as mobile subscribers outnumbered fixed phone subscribers. In October 2004, the number of mobile phone users in India has crossed the number of fixed-line subscribers for the first time. So the year 2004 can be viewed upon as a landmark year in the history of Indian mobile telephony.

Today, the mobile subscribers are not only much more than the land-line subscriber in the country, but their number is also increasing at a much faster pace. This was along the expected lines as, for the past few years, mobile phone subscriptions are growing at much faster rate than fixed phone subscriptions with almost all leading operators focusing more on wireless. Consequently, between March 2005 and March 2009, the country has added around 335 million new wireless subscribers to reach a total of 391. 76 million; however, the fixed line subscriptions have declined by 3. 46 million, down to 37. 6 million over the same period, partly reflecting the substitution effect. During the year 2008-09 around 0. 13 million average subscribers per month surrendered their land-line phone services except in the month of March which witnessed net additions of0. 23 million new subscribers. However, the telecom analysts opine that the fixed line telephony segment is definitely poised for growth in the coming years as the telephone operators are increasingly focusing on enhancing broadband penetration levels in the country and looking at introducing new value added services to enhance the experience of customers.

BSNL is planning to use new technologies such as internet protocol television (IPTV) for tapping the fixed-line market. Tele-density: Tele-density (the number of telephone subscribers per 100 people)grew initially slowly from 7. 2 in March2004 to 12. 8 in March 2006, but thereafter galloped to a level of 36. 9 in March 2009 . Notwithstanding such remarkable achievement, it is necessary to note that India still lags far behind countries like Brazil and China, where the tele-density is over 50. China’s subscriber base is whopping.

According to the China’s Ministry of Information Industry (MII), by the end of calendar 2007, China’s gross subscriber base consisting of fixed and mobile users had touched 912 million. Of the gross subscribers’ base, mobile subscribers have numbered 547 million and 6 fixed-line subscribers about 365 million at the end of December 2007. However, India’s tele-density is much higher compared to the neighboring countries like Pakistan, Bangladesh and Nepal. The telecom subscriber base in the fiscal year 2008-09 has reached a new milestone, as more than 129. 1 million telephone subscribers have been added during April 2008 – March2009 registering a growth of 43%. As indicated in the Table , the growth of mobile phone subscribers during the fiscal year 2008-09 has been phenomenal at 50%. Total subscribers & Teledensity In India 7 Monthly Growth Rate Of India’s Telephone subscribers 2008-09 The mobile subscriber base in the country is growing at such a fast pace that mobile operators are breaking the record for net additions almost every second month. India, the world’s fastest-growing mobile services market, has added a record 16. 2 million new wireless subscribers in March 2009, which are the highest ever additions in a single month till now. As per telecom analysts, this was the highest growth recorded within a 30-day period in any country. The previous best was 15. 41 million in January 2009. Consequently, the total number of mobile subscribers [(GSM, CDMA & WLL (F)] at the end of March 2009 has touched 391. 76 million as compared to 315. 31 million in September 2008 and 261. 09 million in March 2008. In recent years, smaller towns have fuelled further growth in mobile telephony .

An interesting revelation is that currently, the cellular subscriber base is growing at a faster rate in Circles B and C as compared to Circle A and metropolitan cities. Interestingly, the bulk of the new mobile users are from the rural areas. As the country continues to add about 10-11 million new connections each month, the target of 500 million telephone subscribers by 2010 is expected to be met in advance. 8 RECENT DEVELOPMENTS: Acquisitions: Sahara India Investment Corporation has acquired 11. 7% stake in Chennai-based telecom company STel Ltd, for an undisclosed amount.

STel has licences to operate in several northern and eastern states. As per telecom analysts the deal can be worth around Rs 250 crore, if STel’s stake sale in Bahrain Telecommunications earlier this year is taken as the benchmark. Cell Phone for Rural Areas: A mobile phone that can be charged by a common pencil battery cell will be launched by next year. Techtium, the Israeli hybrid battery manufacturer is having discussions with various cellular phone manufacturing companies to make and market these low-cost handsets.

Thistechnologywill be revolutionary, especially for rural areas in countries where availability of power is a major problem. The company has already launched a mobile phone in collaboration with Philips, which not only runs on the lithium battery, but also uses a single AAA battery as aback-up option. Investments Telecom player Aircel Ltd will be investing Rs 1, 000 crore in Andhra Pradesh (AP) by 9 December 2009, as part of its $5 billion pan-India expansion plan spread over the next 3 to 5 years. The amount will be used to build base stations, install switches, create a data centre and enhance retail presence in AP.

New Ventures India’s fifth largest telecom service provider, Aircel has launched its GSM mobile services in India’s financial capital, Mumbai, Maharashtra. The company is the seventh service provider in Mumbai’s saturated market and has to compete with six well established telecomcompanies – Airtel, MTNL, Vodafone Essar, Idea, Reliance, Tata Teleservices and Loop Mobile. Aircel has around 1, 000 cell sites in Mumbai and will be increasing it to around 2, 000 sites by the year-end. The company has presence in 17 circles among 22 circles in the country. Maxis Communications (Malaysia) holds a majority stake of 74% in Aircel.

The company commenced operations in 1999 and became the leading mobile operator in Tamil Nadu within 18 months. Aircel began its outward expansion in 2005 and met with unprecedented success in the Eastern frontier circles. Tata Communications (formerly VSNL) an Rs 800 crore data and communications service provider company, has announced its participation in the $600 million new West AfricanCable System (WACS). The consortium includes Angola Telecom, Broadband Infraco, Cable &Wireless, MTN, Telecom Nambia, Portugal Telecom, Sotelco, Telkom SA, Togo Telecom and Vodacom.

The operators have recently signed a construction and maintenance agreement and supply contract for the implementation of the WACS. ZTE Chinese telecom equipment provider, which has provided infrastructure to Indian telecom companies like RelianceCommunication, Tata Teleservices, Aircel and Loop Telecom, has found a novel way to expand business in India. Recently, ZTE has tied up with China Development Bank for financing mobile operators in India for upgradation of the telecom infrastructure.

The new strategy adopted by ZTE is not only to compete with existing, well established players like Ericsson, Nokia-Siemens, but also to increase its market share in India’s fastest growing telecom sector. 10 With 35. 53 Million net additions during the Quarter, Total Wireless (GSM + CDMA) subscriber base increased to 427. 28 Million at the end of June-09, and wireless Tele-density reached 36. 64. 4. Wireline subscriber base declined to 37. 54 Million at the end ofJune-09, taking the wireline teledensity to 3. 22. 5. Internet subscribers increased to 14. 5 million at the end of June2009 registering a quarterly growth rate of 3. 80%. However, this growth rate is lower than the growth rate seen in the previous quarter (5. 3%). 6. Share of Broadband subscription in total Internet subscription increased from 46% in Mar-09 to 47% in June-09. 86. 66% of the Broadband subscribers are using Digital Subscriber Line (DSL) technology. 7. Average Revenue Per User (ARPU) for GSM-Full Mobility service declined by 10% from Rs. 205 in QE Mar-09 to Rs. 185 in QE Jun-09. 11 8. ARPU for CDMA – Full mobility service declined by 7. 2% from Rs. 99 in QE Mar-09 to Rs. 2 in QE June-09 9. ARPU for dialup Internet usage increased by 2. 97% from Rs. 236. 47 in QE March 2009 to Rs 243. 50 for the quarter endingJune 2009 10. MOU per subscriber for GSM – Full mobility service continued to show a declining trend. It declined by 6. 19% from 484 in QE Mar-09 to 454 in QE Jun-09. The outgoing MOUs declined by 5. 30% and incoming by 7. 04%. 11. MOU per subscriber for CDMA-full mobility service declined by 4% from 357 (Q. E March 2009) to 342 (Q. E June 2009). The Outgoing MOUs declined by 2. 7% and Incoming MOUs declined by 5. 2%. 12. Gross Revenue (GR) nd Adjusted Gross Revenue (AGR) of Telecom Sector for the QE June-09 has been Rs 39, 108. 33 Crore and Rs. 29, 732. 52 Crore respectively. There has been a reduction of 3. 3% in GR as compared to previous quarter. AGR has shown slight increase of 0. 02% vis-a-vis previous quarter. 13. Average licence fee as percentage of AGR is 8. 43% in June-09 as against 8. 4% in previous quarter. 14. The wireline Service Providers met the QoS parameters of Customer Care Service (Closures)and Response time to the customer for assistance [%age of calls answered (electronically)within 20 sec] 15.

The performance of wireline servce providers improved as compared to the previous quarter, inrespectof parameters Provision of Telephones, Faults repaired by next working day, Mean Time to Repair, Call Completion Rate, Customer Care Services (Shifts and Additional Facilities) and Time taken for refund of deposits 16. The wireline service performance has deteriorated in this quarter, as compared to the previous quarter, in respect of Faults incidences, Metering & billing credibility, Response time to the customer for assistance [%age of calls answered (electronically) within 40 sec & %age of calls answered by operator (voice to voice)]. 2 Market Share - Rural & Urban 25. 225. 6% 74. 4% 13 Service Area wise Access (Wireless +Wireline) Subscribers 14 Subscribers (Rural & Urban) & Market share: 15 List of Cellular Mobile (GSM & CDMA) Service Providers currently providing service [As on 30th June 2009]: The operators currently operating in Kolkata are Airtel, Vodafone , Tata Teleservices, Idea, Reliance telecom, Aircel group, BSNL etc. Bharti is the leading service provider in this region . 16 CRITICAL SUCCESS FACTOR:

Critical Success Factors (CSF’s) are the critical factors or activities required for ensuring the success your business. The term was initially used in the world of data analysis, and business analysis. Critical Success Factors have been used significantly to present or identify a few key factors that organizations should focus on to be successful. critical success factors refer to " the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization”.

Identifying CSF's is important as it allows firms to focus their efforts on building their capabilities to meet the CSF's, or even allow firms to decide if they have the capability to build the requirements necessary to meet Critical Success Factors (CSF's). Types of Critical Success Factor There are four basic types of CSF's They are: 1. Industry CSF's resulting from specific industry characteristics; 2. Strategy CSF's resulting from the chosen competitive strategy of the business; 3. Environmental CSF's resulting from economic or technological changes; and 4. Temporal CSF's resulting from internal organizational needs and changes.

Five key sources of Critical Success Factors MAIN ASPECTS OF Critical Success Factors and their use in analysis CSF's are tailored to a firm's or manager's particular situation as different 17 situations (e. g. industry, division, individual) lead to different critical success factors. Rockart and Bullen presented five key sources of CSF's: 1. 2. 3. 4. 5. The industry, Competitive strategy and industry position, Environmental factors, Temporal factors, and Managerial position (if considered from an individual's point of view). Each of these factors is explained in greater detail below. The Industry Critical success factor

Industry: There are some CSF's common to all companies operating within the same industry. Different industries will have unique, industryspecific CSF's An industry's set of characteristics define its own CSF's Different industries will thus have different CSF's, for example research into the CSF's for the Call centre, manufacturing, retail, business services, healthcare andeducationsectors showed each to be different after starting with a hypothesis of all sectors having their CSF's as market orientation, learning orientation, entrepreneurial management style and organizational flexibility.

In reality each organization has its own uniquegoalsso while these may be some industry standard - not all firms in one industry will have identical CSF's. Some trade associations offer benchmarking across possible common CSF's. Competitive strategy and Competitive position or strategy: The nature of position in the marketplace or the adopted 18 industry position Critical success factor strategy to gain market share gives rise to CSF's Differing strategies and positions have different CSF's Not all firms in an industry will have the same CSF's in a particular industry.

A firm's current position in the industry (where it is relative to other competitors in the industry and also the market leader), its strategy, and its resources and capabilities will define its CSF's The values of an organization, its target market etc will all impact the CSF's that are appropriate for it at a given point in time. Environmental Factors Critical success factor Environmental changes: Economic, regulatory, political, and demographic changes create CSF's for an organization. These relate to environmental actors that are not in the control of the organization but which an organization must consider in developing CSF's Examples for these are the industry regulation, political development and economic performance of a country, and population trends. An example of environmental factors affecting an organization could be a de-merger. Temporal Factors Temporal factors: These relate to short-term situations, often crises. These CSF's may be important, but are usually short-lived. Temporal factors are temporary or one-off CSF's resulting from a specific event necessitating their inclusion.

Theoretically these would include a firm which " lost executives as a result of a plane crash requiring a critical success factor of rebuilding the executive Critical success factor Critical success factor Critical success factor 19 group". Practically, with the evolution and integration of markets globally, one could argue that temporal factors are not temporal anymore as they could exist regularly in organizations. For example, a firm aggressively building its business internationally would have a need for a core group of executives in its new markets.

Thus, it would have the CSF of " building the executive group in a specific market" and it could have this every year for different markets. Managerial Position Critical success factor Critical success factor Managerial role: An individual role may generate CSF's as performance in a specific manager's area ofresponsibilitymay be deemed critical to the success of an organization. Managerial position. This is important if CSF's are considered from an individual's point of view.

For example, manufacturing managers who would typically have the following CSF's: product quality, inventory control and cash control. In organizations with departments focused on customer relationships, a CSF for managers in these departments may be customer relationship management. INFORMATION FOR WRITING CRITICAL SUCCESS FACTORS: (CSF's) For the organization following the CSF method, the foundation for writing good CSF's is a good understanding of theenvironment, the industry and the organization In order to do so, this requires the use of information that is readily available in the public domain.

Externally, industry information can be sourced from industry associations, news articles, trade associations, prospectuses of competitors, and equity/analyst reports to name some sources. These would all be helpful in building knowledge of the 20 environment, the industry and competitors. Internally, there should be enough sources available to management from which to build on their knowledge of the organization.

In most cases, these won't even have to be anything published as managers are expected to have a good understanding of their organization Together, the external and internal information already provides the basis from which discussion on CSF's could begin. USING CRITICAL SUCCESS FACTORS FOR STRATEGIC AND BUSINESS PLANNING: I have considered t following factors to be the critical success factors for the mobile service providers of the eastern region. 1) CONCEIVE AND DESIGN: a)GSM b)CDMA 21 c)3G 2) HUMAN RESOURCE: 3) MARKET: a) Advertising b) Sales offers c) Network Coverage. ) Customer Service e) Value Added Service. 4) MANAGEMENT: a) Planning. b) Organizational Structure. 5)FINANCE: a) Budget System. 22 FINDINGS: The cellular subscriber base is growing at a faster rate in West Bengal, Bihar, Kerala, Himachal Pradesh, Punjab as compared to Maharashtra, Tamilnadu, Andra Pradesh and metropolitan cities. The number of subscribers for the urban sector is more for every service provider in comparison with the rural sector, the monthly addition of new subscribers for the urban sector is also more than the rural sector . The period april 2008-march2009 has saw a phenomenonal addition of 129. 1 million telephone subscribers, an increase of 43%. Total wireless (GSM + CDMA) subscriber base increased from 391. 76 million in march -09 to 427. 29 million at the end of june-09, showing a growth of 9. 07%. Airtel and Vodafone was found out to be leading service providers of Kolkata. 23 REFERENCES: 1)www. trai. gov. in 2)HarvardBusiness Review (Article by Frances X. Frei---April 2008) 3)Harvard Business Review(Article by Christopher W. Hart---March 2007) 4)www. hindu. com 5)Competitive strategy by Michael E. Porter 6)Competitive Advantage by Michael E. Porter 24