

Strategic analysis of singtel telecom



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Introduction

Singapore Telecom (Singapore Telecommunications Limited, referred to as SingTel, AFP) was established in 1879, is a wholly-owned by Singapore government-owned company, it is Singapore's largest telecommunications companies.

Singapore Telecom to increase strongly in markets outside of Singapore, and a partial stake in the operator, including the Australian carriers Optus's 100% stake in 2000, the British Cable and Wireless Optus, and other shareholders of the shares.

Singapore Telecom a majority stake is controlled by Temasek Holdings, the Chairman is Lee

Hsien Yang (the second son of former Prime Minister Lee Kuan Yew and current Prime Minister

Lee Hsien Loong, his younger brother).

Products and Services

SingTel is Asia's leading telecommunications company, with across wireless and Internet platforms for voice, data services, service-oriented business, as well as home two areas. Singapore Telecom has long been committed to providing customers with the Asia-Pacific region's most high-quality service. Now the focus is on the Internet service providers, mobile phones and fixed telephone communications services above.

Company History

Over the past decade, Singapore Telecom has successfully completed their high efficiency to the world's leading operator changes. The company offers a wide range, the price is quite competitive telecommunications services, and global 5000 companies from different countries to provide telecommunications services. Singapore Telecom has already built a large scale in Singapore's domestic telecommunications network, and the annual investment of 1 billion new coins update the network. In order to enhance competitiveness at home and abroad, the company offers intelligent fixed telecommunications services. At present, the company has been in the world, 15 countries, 23 cities and regions set up operational organs, including China, the United States, Britain, Japan, Korea, Malaysia, Indonesia, Vietnam and Hong Kong and Taiwan. It has a glorious history of 120 years. SingTel aims to be a new era of pan-Pacific region bears the brunt of the true sense of the telecom operators. To this end, Singapore Telecom will continue to expand with other Asian countries in telecom peers, and the scope of cooperation. SingTel's Group CEO is Chua Sock Koong and CEO is Allen Lew.

Business strategy

Singapore Telecommunications Ltd. owns 7800 million as the user's SingTel is Asia Pacific region, excluding China, the largest mobile Internet operators. 1992 companies from the former government monopoly privatized, SingTel in 2003, when the postal service from its opening, the focus is now on the Internet service providers, mobile phones and fixed telephone communications services above. Hopes through a comprehensive and sophisticated international leading-edge technology, and gradually get rid of the public color, sharply turned into a full private sector. Goal is to build a <https://assignbuster.com/strategic-analysis-of-singtel-telecom/>

world-class institutions, not only to win the international community for its recognition of science and technology and technical expertise, and quality service and products provided by domestic users have also been positive.

Logo

New corporate logo by a simple, symbolic of the ellipse, with the two squares. Designed to highlight the company's innovative technology, international affairs and services-oriented. Elliptical lines out of Singapore Telecom's global vision, the two squares on behalf of the emerging digital technologies, while the red and black of a stable and reliable dissemination of messages. The new visual corporate identity and enhance Singapore's telecommunications as a global industry leader's pivotal position.

From the above mentioned, we understand that SingTel Group is a leading company in the telecommunication industry in the region, due to successful business strategies. Thus, it is important that all organizations understand their strengths and weaknesses before implementing strategies. They should first analyze their goals and operations to see if the current practices are working towards the mission and vision.

A company's vision and mission is crucial to an organization, as it paves the way for where the company is headed and what it assumes to provide for its stakeholders. At the beginning of strategic management process, the organization needs to develop its vision statement and mission statement. A vision statement is what the organization wants to become and describe how the future will look if the organization achieves its mission. A mission statement explains what the organization does, for whom and what the

benefit is. The vision, mission statements and core values of SingTel are shown in table 1 as follow:

Prior to the development of strategy and marketing plans, they should evaluate both the external and internal factors. Hence, the corporate world usually utilizes various strategic tools like the SWOT Analysis that may influence the implementation of plans.

Below is the SWOT Analysis of SingTel:

SingTel SWOT Analysis

SWOT analysis is the overall evaluation of a company's Strengths, Weaknesses, Opportunities, and Threats. The external analysis looks at opportunities and threats created by the environment while the internal analysis looks at the strengths and weaknesses of the company. In strategic planning, the company matches its capabilities with available opportunities and takes action to minimize threats. (Kotler, Bowen and Makens, 2006)

SingTel Group is the leading integrated communications service providers in the Asia Pacific region and their core business operations are located in Singapore and Australia. The company has business in a number of sectors of the telecommunications market in the Asia Pacific region (http://home.singtel.com/investor_relations/default.asp , 2009).

Internal Environmental Analysis (Strengths & Weakness)

Strengths are resources and capabilities that allow the firm to complete important tasks. Resources can be the tangible and intangible assets held by the firm, and capabilities result when the firm integrates several different

resources to complete a task or a series of related tasks. (Hoskisson/ Hitt/ Ireland, 2009)

Weaknesses are those actions a company is not doing well or resources a company are lacking. Most importantly each business needs to evaluate its strengths and weaknesses periodically.

Strengths and Weaknesses of SingTel are as follow:

Strong cash flow

Singapore's Top Ten Brands 2009 – ranked number 6

Exclusive contract with Apple 2008

Right to broadcast the next three seasons of the English Premier League (EPL)

Lack of feasibility of a universal set-top box

Lack of contents for local pay TV market

Strengths

Most of SingTel's strategic, operational and financial dynamics are currently improving. This is an indication that the company's current business strategies are proving to be successful.

SingTel has a diverse spread of geographical operations. The company's main business activities are focused in Singapore and Australia and partners located in India, Belgium, Hong Kong, Thailand, the Philippines, Taiwan and Indonesia. The spread of geographical operations will benefit the company, as it will become less depend on the local market to generate revenues. Most <https://assignbuster.com/strategic-analysis-of-singtel-telecom/>

of their businesses are experiencing double-digit revenue growth over the past year (http://home.singtel.com/investor_relations/default.asp , 2009).

SingTel captured the exclusive contract with Apple last year, and has since brought in more than 100, 000 iPhones, thus increasing the company's revenue, the average spending per customer for mobile data (http://home.singtel.com/investor_relations/default.asp , 2009).

Taking sixth position for the Superbrands Survey, which identified over 500 of Singapore's consumers favorite brands across 93 categories of consumer products and services demonstrated the consumer's choice and trust in SingTel's products and services (www.marketing-interactive.com/news/11875).

SingTel outbid StarHub to score the coveted rights to broadcast the next three seasons of the English Premier League (EPL) from 2010 to 2012. With the rights to broadcast the EPL, there will be a great potential that sports incline customers from StarHub will switch to SingTel (The Straits Time dated 11 November 2009).

Weaknesses

As a leading telecommunication company in Asia, the customer service in SingTel has rooms for improvement. Under the current extreme competitive environment, all the companies not only need to provide unique products but also good customer service. Thus, employee training program could be provided in order to handle customers' problems effectively.

With acquire of the Pay TV license in the domestic market in Singapore, Singapore needs to look at the feasibility of a universal set-top box that will best benefits consumers and align with the government strategic direction. SingTel's cable television subscribers complaining about the hassle of having two set-top boxes may be a challenge that SingTel need to overcome (The Business Times dated 4 November 2009).

External Environmental Analysis (Opportunities & Threats)

Opportunities are conditions in the firm's external environment that may help the firm reach its vision (Hoskisson and Hitt, 2009). A marketing opportunity is an area of need in which a company can perform profitably. Opportunities can be listed and classified according to their attractiveness and the success profitability. (Kotler, Bowen and Makens, 2006)

Threats are conditions in the firm's external environment that may prevent the firm from reaching its vision (Hoskisson and Hitt, 2009). An environmental threat is a challenge posed by unfavourable trend or developments that would lead, in the absence of defensive marketing action, to sales or profit deterioration. Threats can be classified according to their seriousness and probability of occurrence. (Kotler, Bowen and Makens, 2006)

Opportunities and Treats of SingTel are as follow:

Global opportunities in mobile communication

Rights to broadcast the World Cup 2010

Potential merger of StarHub and MobileOne (M1)

Australian market strong competition

Opportunities

Africa and Vietnam are markets in the emerging mobile space, which is definitely worth our interest, and SingTel is actively taking the lead to explore the untapped emerging telecom market. (Harry Suhartono, Nov 11, 2009)

Singapore and Australia accounted for 54 percent of the group's EBITDA , earnings before interest, taxes, depreciation and amortization and more opportunities for further growth. With SingTel outbid StarHub to score the coveted rights to broadcast the next three seasons of the English Premier League (EPL), there will be great opportunities to expand the customer-base for PayTV customers (http://home.singtel.com/investor_relations/default.asp , 2009).

Moreover, with the exclusive right to broadcast the next three seasons of EPL, F1, the next opportunity for SingTel is World Cup 2010. With clinch of the World Cup 2010, SingTel will dominate the Sports channels in the region.

Treats

With StarHub and MobileOne obtain licenses to sell Apple's popular iPhone and their launched on 9 December 2009, SingTel lost the 15th months monopoly. Thus, will likely to face tougher competition in the local market.

Potential merger of StarHub and MobileOne will be a big treats to SingTel's Number One position in Singapore for mobile market in Singapore.

SingTel's subsidiary Optus is facing strong competition with their competitors in the Australia and maybe affects their leading position and revenges.

With the competitive market, SingTel will have to fight against StarHub and MobileOne through price, promotions, and advertising since all three companies' main business are in the provision of mobile plans and the sale of mobile phones. Perhaps, SingTel may need to improve the customer service further to create a superior customer service that tag to their brand

With the winning of the broadcast rights for the English Premier League, it is expected that loyal football fans will switch from StarHub over to SingTel, especially with the low rate offered by SingTel. Hence, competition is intense and SingTel would need to take on actions to further enhance its Strength whilst working on its Weaknesses.

After evaluating the external and internal factors, SingTel started to develop strategies such as launching of Mio TV, which is able to capture more market share and ultimately enhancing SingTel's market position. Mio TV is a new technological product in the current market, thus, it is necessary for the company to assess the product life cycle (PLC).

Product Life Cycle

According to Kotler, every product has its life. The product life cycle concept allows marketer to plan their marketing strategies to manage their product or service through various phases of their product life cycle. The purpose of this concept to establish which phase of its life cycle is and select the best fitting marketing strategies for the product in that phase.

Base on Kotler (2000) the product life cycle can be divided into four distinct phases those are introduction, growth, maturity and decline phases.

Furthermore, Kotler also provided the following marketing characteristic,

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marketing objective and marketing strategies within its of the product life cycle phases.

Characteristic: according to Kotler, there are existing different characteristic sales, cost, profit, competitors and customer for its stages in the product life cycle. Those can be described as follow

- Sale characteristics: sales are low in the introduction stages, rapidly increase in the growth stages, peaking in the maturity stages and decreasing in the decline stages.
- Cost characteristics: the cost per customer will be high in the introductory stage, average cost per customer in the growth stage, and low cost per customer in the maturity and decline stage.
- Profit characteristic: profits can be none or negative in the introductory stage, increase in the growth stage, and high in the maturity stage and reducing in the decline phase.
- Competitors characteristic: there is existing only few competitors in the introductory stage, increasing in the growth stage, stable in the maturity and decreasing in the decline stage.
- Customer characteristic: in the introductory stage has only few customers who call innovators are testing the product, early adopter trying the growth stage, a middle majority testing product in the maturity and the laggard trying the product in the decline stage.

Marketing objectives: Kotler also provides differences kinds of company's marketing objectives which linked to four stages of product as below

- Introductory stage: to make awareness and trial by using an intensive advertising and promotion campaign.
- Growth stage: to maximize the market share
- Maturity stage: maintaining market share while profits can be still maximize
- Decline stage: reducing marketing expenditure of the product during this stage while the aim will be to milk the product.

Marketing strategies: the alternative marketing strategies was given by Kotler are related to various stage of the product life cycle as below:

- Product strategy: a basic product will be offered in the introductory stage, product extensions and warranties will be offered during growth stage, brand and individual product item will be diversified in the maturity stage and the weak model will be phased out during decline stage.
- Price strategy: the cost plus price will be changed during introductory phase, price will be set to penetrate the market during the growth phase, the price will be set to meet competitive price during the maturity phase while price will be cut during the decline phase.
- Distribution strategy: distribution will be built selectively during introductory phase, it will be intensive during growth phase, distribution will be further developed during the maturity phase and it will be more selective during decline phase.
- Advertising strategy: building awareness of product among early adopter and dealers in the introductory phase, building awareness and interest in the mass market during the growth phase, stressing brand

differences and benefits during the maturity phase and reduce the advertising level needed to retain hard core-loyal customers in the decline phase.

- Sale promotion strategy: using heavy promotion to entice trial during the introductory phase, reduced promotion to take advantage of heavy customers demand during the growth phase, increase promotion to encourage brand switching in the maturity phase and reducing promotion to minimum in the decline phase.

Limitations of the Product Life Cycle Concept

The term “ life cycle” implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially.

Consequently, the life cycle concept is not well-suited for the forecasting of product sales. Furthermore, critics have argued that the product life cycle may become self-fulfilling. For example, if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.

Each customer is more or less free to adopt products for their own needs; this is sometimes called “ the shopping caddy” approach to product adoption. However, in order to attract customer, not only should SingTel understand the PLC, it is also necessary for SingTel to analyze the competition and to be proactive to beat competitors in the current highly competitive market. “ Porter’s five forces” is a framework for the industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979. It uses concepts developing Industrial

Organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. (http://en.wikipedia.org/wiki/Porter_five_forces_analysis)

SingTel's Competitive Rivalry

Singapore Telecommunications Limited is considered as the biggest telecommunication company in Singapore. Singtel's services provide for customers with ISP (SingNet), IPTV (Mio TV), fixed line telephony and mobile phone. The second largest in mobile operator and cable television is StarHub, it's also the biggest competitor of SingTel in Singapore.

The recently moves of these two companies in cable television services have made the impacts on them. This also pointed out the effective strategy that SingTel approached over its competitors StarHub.

StarHub used to be right holder of English Premium League, Champion League and it had to pay around US \$150 million for the current 2007 to 2009. StarHub has provided attractive packages of television cable that includes so many sport and entertainment channels. It's really an advantage competitive of StarHub to increase its market shares over SingTel. StarHub actually has surpassed SingTel in this area and been really a big challenge of SingTel.

However, a fantastic move of strategy from SingTel recently has changed things differently. StarHub has been beaten on bid and SingTel has won the right to be the holder of English Premium League and Champion League for its Mio TV. The ESPN Star Sports channel of StarHub cable networks will belong to SingTel in the middle of 2010 as well. The rights of ESPN Star Sport <https://assignbuster.com/strategic-analysis-of-singtel-telecom/>

include English FA Cup, Formula One motor racing, Wimbledon tennis, US Open, Australian Open and US Open golf. These channels are going to Singtel, and this factor will definitely make increasing number of Singtel's subscribers.

The failure of StarHub in bidding racing is not the end of its Television cable services. StarHub's platform still can present the English football with delayed telecasts matches on Goal TV 1 and Goal TV2 channels for its subscribers at present and future seasons.

For Singtel, with the advantages in being the new holder of those channels, Singtel will have a contract of three years period. The contract will start in August 2010 and include mobile and internet rights as well as Television cable services. One thing is considered as promotion of Singtel, it will guarantee to keep the current payment of StarHub's subscribers and will not change anything.

It will be Singtel, the company will deliver the English Barclay Premium League matches to Singapore. The ways of viewing live football matches on Television, on mobile phones and internet will be improved by Singtel. It will bring the best services to its football fans.

On the other hand, SingTel's competitor, StarHub still tries to maintain the best quality sport content to its customer. It now focuses more on shareholders' expectations in terms of profits. StarHub's bid for Barclay Premium League was really aggressive. So now they look forward to the time when they can get back to right of being the holder. And StarHub is always a

big challenge of SingTel. It could approach the opportunities anytime and get over SingTel in the future.

Implication Analysis

Impacts on viewers

Most of viewers from StarHub will not be happy when they have to change to SingTel's Mio TV service for sports channels. The situation will be worst for the customers, who have signed the contract of two years with StarHub for sport package. The English Premium League and other sports content will now not be able to be viewed by them. The subscribers of StarHub need to sign up with SingTel as an addition if they would like to view sports content. When the viewers sign up for Mio TV service of SingTel, they also need to install a SingTel fixed line in advance. SingTel has promised with the consumers to keep the pricing of sport content as the current StarHub rates and will not increase anything. It can be seen that, SingTel is giving a special promotion with special package for sports fans. The customers could subscribe to English Premium League and sports packages only of SingTel if they would like.

Impact on Singapore's Pay TV landscape

SingTel has taken a new step in TV cable service. Now it's holding the right of English Premium League and other sports channels, and this will be a very important factor in competing more strongly with other TV providers, especially StarHub. It's really dominance of StarHub when it owns 85 % of market share of Singapore. However, SingTel now will be the only one that brings English Premium League and other sports content to Singapore's

football fans. Therefore, SingTel is expected to be the number one in providing TV cable services in the future.

Impact on Starhub

Since the IPTV of SingTel appeared in 2007, it has been a big challenge of StarHub. The development of SingTel's IPTV has made StarHub's growth rate decrease to 4% year on year. StarHub had 530 thousand TV subscribers in the first half of 2009 and 250 thousand of them belong to the sports package. So being the winner of the right holder of English Premium League, SingTel will affect StarHub's subscribers so much. Specially, SingTel will attract the attention of football fans directly. However, it is not complete ending for the StarHub's TV cable. StarHub still has other premium content like: Star World, HBO, AXN and so on. The customers also need to sign up with StarHub if they wish to view this content. Among 250 thousand of sports package, 36% of them are expected to switch from StarHub to SingTel's service. The rest subscribers are expected to sign up for SingTel's sports package and still keep their StarHub service for premium content.

Impact on SingTel

Twenty three months since 2007, SingTel's Mio TV service had grown so quickly, 100 thousand subscribers is the number of SingTel has reached in June 2009. SingTel has captured over 15% Singapore TV cable market. From April 2008 to March 2009, it has expanded its subscribers over its rival StarHub by 79%. Together with the competitive advantage of being the winner of English Premium League and other sports channels, a number of 348 thousand new subscribers will be set for SingTel as an objective to achieve at the end of 2010. This objective will help SingTel to increase up to

42% share of Singapore Pay TV market. However, with the expensive bid like that, it's also a long-term plan for SingTel to make IPTV business profitable. SingTel now is holding English football sports and US content pack, but it's still not complete. SingTel need to keep its speed of growth and try to take over the premium content of StarHub. It could be the core factor, which can build the SingTel's Mio TV cable services perfectly.

In the competitive market place, having a competitive advantage means that the firm is using its resources, capabilities, and core competencies in ways that create more value for customers compared to the value competitors' products create for those customers. (Hoskisson/ Hitt/ Ireland, 2007) By launching the Mio TV, SingTel is able to gain a competitive edge, the reasons are as follow:

Competitive Advantages

One of telecommunication supplier SingTel provides national fixed-line services, mobile services, broadband, IP and internet access, and international telephone services more than 20 countries. SingTel still continue invest in strategic regional markets, including India, Indonesia, The Philippines, Thailand and Bangladesh for long term growth.

According to the Singapore Telecommunications Report that pay-TV subscriber base around 45, 000 mioTV customers in June 2008. Over the quarter, there were some 2, 000 net additions. The operator has continually expanded its range, they had further agreements with three Hollywood studios includes Disney-ABC International Television, News Corp unit's

Twentieth Century Fox and Time Warner's Warner Bros International Television to raise mioTV channel offering from 20 to 50.

It is important for a company to develop their own distinctive competitive advantages. It must be unique, hard to imitate by competitors in the same industry and it's create value to customers and benefit to the company.

The Singapore-base telecommunication company Singtel has introduced pay-TV services called MIO TV. It has 33-channel mio TV and customers can select and pay what channel they want to watch.

- Features like the TV program list channel guide let viewers glance program in advance for 30 days. The mio TV's picture-in-Picture feature that viewer won't miss out other channel showing and remain current channel as well.
- The viewer can preview any video before watching from library of HD movies and video and make pause, rewind and fast-forward all depend on customers.
- The viewer can enjoy high HD quality playback and control your favorite shows to watch and record just click of a button, you can record your favorite shows even when you away with Remote Digital Video Recording.
- The viewer can easy to search the favorite program by input keyword through remote control or via the virtual keyboard on the Television, the intuitive search engine offer intelligent results.
- The viewers can watch Channel NewsAsia, Mom-on-Demand and KBS world and some other available channels on the new mobile service,

including the ads on Mio TV, as well as on mobile phone that SingTel selected Nokia phones to offer this service.

The competitive advantage should be benefit to company increase shares of market and revenue returns and create value to shareholders, owners and customers. However, the competitive advantage may be imitate by competitors or create different advantages to more value to customers. One of the competitors of Singapore-base telecommunication company Starhub, they provide cable TV as well. But the exclusively offer by SingTel had been rewarded to broadcast UEFA Champions League and UEFA Europa League from 2009 to 2012. Subscribers can watch live matches broadcasting in Dual Sound both in English and Mandarin. Furthermore, SingTel had picked up a right to broadcast Barclays English Premier League matches and ESPN STAR Sports on Mio TV.

According to director of Mio TV Low Ka Hoe said “ Sport content is an important part of our offering, and this move signifies our ongoing efforts to expand and improve our selection of quality content for our viewers,”

The world wide service of SingTel is a opportunity for the firm continually invest and expansion in core overseas market of Indonesia, India and new market such as Vietnam and Pakistan and beyond Asia Pacific. Overseas investments are an essential part of SingTel strategy especially in saturated domestic market of Singapore. According to Singapore Telecommunications Report SingTel in June 2008 and its foreign associates shared a total of 197.714 mn, representing an increase of 45% over the year and 8.2% during the quarter.

Evaluate strategy base on competitive advantage

The firm should create non-replace and valuable competitive advantage through create strong core competencies. Base on competitive advantage, Cliff Bowman and Richard D'Aveni use ' Strategy Clock' to further explain Michael Porter' s ' generic' strategy. The ' strategy clock' represents different positions in a market where customers have different ' requirements' in terms of value for money. The organization may have unique resources that others cannot imitate or obtain, for example, long-term established brand; be a cost leadership by apply price-based strategy or lower-priced strategy. However, in small domestic saturated market like Singapore, managers may take Differentiation strategy or hybrid strategy that provides unique or slightly different products and services from others to customer by pricing slightly higher.

The strong and well-established competitive advantages can strength company's capability and strategy decision making. Therefore,

Conclusion

In account of analyzing the strategy of Singtel, it surly gave the reason that why the Singapore Telecom is Singapore's largest telecommunications company. This company has nearly 130 years of operating experience in the successful completion of this period to the world's leading high- performance carrier changes. In business, SingTel seek a breakthrough innovation, development of local public sentiment for the internationalization of the business to treat the " inability to adapt." Of course, these innovations are also based on SingTel's own existing resources, it is an international network. More than that, Singtel not only in China for the global 5300

companies in different countries offer a wide price quite competitive telecommunications services, but also SingTel has built its domestic large-scale telecommunications networks, and the annual investment of 1 billion new coins to be updated in order to enhance domestic and international competitiveness. SingTel's overseas investment is a long-term strategy. Currently, SingTel has expanded to 20 countries and regions, their overseas operations include not only the traditional fixed, mobile phone networks and the Internet, voice data, but also related to satellite communications, submarine cable systems. In the past 10 years, strong adaptability and technical advantages SingTel's international strategy is to promote time and time again to be successful. Opportunities always favor those who prepared. SingTel's long-term development plan formulated by it can, and be good at the right time, choosing the right investments. The use of a merger or investment to enter unfamili