

# Digi is a cost leadership company marketing essay



**ASSIGN  
BUSTER**

This report was authorised by Henrik Clausen and Ole Martin Gunhidsbu, the both of Chief Executive Officer of DIGI Telecommunication Company, Malaysia in May 1995. The objectives of this report is to present the findings of the strategic analysis conducted for DIGI telecommunication company and recommend the key strategies that the organisation should embark in order to remain competitive. Besides that, the scope of this report shall cover the operations of DIGI Telecommunication Company in headquartered in Shah Alam, Kuala Lumpur, Malaysia. The limitations of this report is the incomplete set of financial data that the team had access to and the short duration for the analysis to be completed.

In telecommunication, the meaning of telecommunication service is that any service provided by a telecommunication service. Besides that, it is also can define that a specified set of users information transfer capabilities provided to a group of users by a telecommunication system. In Malaysia telecommunication industry, there are many telecommunication companies such as Maxis, DiGi, Celcom and U-mobile. These telecommunication companies are provided good telecommunication service in our country. In addition U-mobile is quite new in telecommunication industry.

### **The background of DiGi Telecommunication Sdn. Bhd**

DiGi Telecommunications Sdn. Bhd is known as Mutiara Telecommunications Sdn. Bhd. The company was formerly known as Mutiara Telecommunications Sdn Bhd and changed its name to Digi Telecommunications Sdn Bhd in January 1999. Digi Telecommunications Sdn Bhd is a mobile service provider based in Malaysia. DiGi is a mobile communication company that engaged in the establishment, maintenance and provision of telecommunication and

related services. The company was founded on 24 May 1995 and headquartered in Shah Alam, Malaysia. Besides that, DiGi is the first telecommunication industry to launch and operate a fully digital cellular network in Malaysia. So, Digi can be getting more market share on Malaysia to compete with others competitors. Digi has provided a variety of mobile communication services including Voice under their prepaid plans & postpaid plans, SMS, data plans and services, international roaming, international calling card, WAP services and so on.

### **DIGI vision, mission and long term objective**

Digi vision is to be seen as stars in excellent customer experience by enhancing communications to improve customers' quality of life, at home, work and play.[1]Digi has good statement of their vision. Digi strategists believe that the Vision attracts commitment and energise employees to strive for an established standard of expected excellence. Besides that, the mission of Digi is providing customers specific solutions to meet individual needs for communications, connectivity and access to information and security.[2]It has provided an environment where our employees can grow and be fulfilled in position. However, Digi has provided superior returns to shareholders and contribute to improving life in Malaysia. So, this is what a vision and mission set by Digi telecommunication industry. DiGi long term objectives is to create long-term shareholder value through providing innovative, easy-to-use and best value telecommunications services in the Malaysian market. Besides that, it has to try to get market share in Malaysia.

## **General environment**

### **Demographic**

In demographic in Digi, we found that the population changes in a country can lead to big influence on telecommunication service industry. According to the statistic from Central Intelligence Agency (CIA) (2009), the 1.723% population growth rate of Malaysia in 2009 and 3% annual rate<sup>[3]</sup> of change in urbanization had lead more people expose to technology. Besides that, it created higher telecommunication network coverage in urban area as mobile phone had become very important in urban area. The increasing in population and urbanization in Malaysia had lead to increasing number of people using telecommunication service. Therefore, telecommunication service providers such as Digi will increase their telecommunication network coverage in urban and rural area and provide cheaper services to respond the increasing in competition due to the increasing of population.

### **Economic**

Economic sector in competitive market of Digi

The implementation of government policy and encouraging competition on telecommunication service industry has caused the industry under an aggressive competitive market. The aggressive competitive market has created a competitive in pricing between the telecommunication service providers.<sup>[4]</sup> The competitive in pricing between the telecommunication service providers has bring huge benefit to consumer as it will led to lower calling prices for consumers and more people will afford to get telecommunication services.<sup>[5]</sup> In addition, the customers can get cheaper plan for the services. Moreover, the competitive market will caused

innovation in products and services, therefore, more new and innovative products and services will introduce to the market. In order to compete in the pricing competitive market, telecommunication such as Digi will provide cheaper services and improving on their products and services to respond on the competitive market and to gain more market share in telecommunication sector.

### Economic recession

The continuous of economic recession in Malaysia nowadays is bringing enormous effect on telecommunication service industry. This is quite bad situation in Malaysia. Due to the economic recession, the investment to telecommunication service is reducing and it has lead to decreasing in the demand for telecommunication services because people income has been affected by the economic recession. Besides that, it may lead to increasing in competitiveness between the telecommunication services providers because they want to gain the market share during the economic recession, therefore, more cheaper package of services will be introduce to the market to attract more consumer, such as DiGi Friend & Family package and Digi campus.

### **Political/ legal**

#### Mobile number portability (MNP) in Malaysia

On 15 October 2008, the implementation of Mobile Number Portability (MNP) by Malaysia government is caused some effect to the telecommunication service industry. MNP is a service that allows customers to retain their existing telephone number when switching from one mobile service provider

to another.[6]Because of the implementation of MNP would caused more competition in telecommunication service industry, every telecommunication service provider competes to attract more user switch to their service and retain their existing customers. Therefore, it will cause increase aggressiveness in advertising and promotion. For example, Digi have to lower its price and provide cheaper package and attractive advertisement to attract people to switch to their services. Moreover, new innovative products and services will be offering to the market as service providers seek to differentiate themselves in the market place.

#### National telecommunication policy (NTP)

The National Telecommunication Policy (NTP) is a policy that formulated by Malaysia Government. This policy formulated is to ensure that the growth of telecommunication services and its use of technology support national development, in line with national aspirations.[7]It also encouraging competitiveness between the telecommunication services provides in order to achieve efficiency and to provide excellent and quality service. Besides that, the objective of NTP on telecommunication service is divided into macro and micro objectives. In divided to the macro objective, these are to encouraging interaction between the races and regions and creating an educated and information-rich society through telecommunication services. However, the micro objectives are to ensure that the quality of telecommunication services is at reasonable cost, expansion of telecommunication services to the rural and urban population and encouraging research and development (R&D) for more advance technology in telecommunication sector.

## **Social cultural**

### Trend of lifestyle in social

Nowadays in Malaysia, telecommunication services have become a necessity for many people as the cell phone has become a necessity for many people. This is very common in society today as one person using many different types of telecommunication services. For example, there are Maxis, Digi, Celcom, and U-mobile. That is why a trend of lifestyle would change. Besides that, every person wants to get a cheaper plan for their calls. So, Digi would upgrade their plan as well. For example, Digi Campus has provided free calls, free SMS, and free internet if the customer can hit the limit in one day.[8] It created saturation in the telecommunication service market because telecommunication services have become a necessity for many people. However, it can attract more customers to use the Digi line as well. In such a saturated market, the competition in the telecommunication service market will be more aggressive and it may cause difficulty for telecommunication to achieve a high rate of growth unless they upgrade their products and services.

## **Global**

Nowadays, the world is changing year by year and more borderless now. Economic openness and growing interdependence between countries have spurred an increase in movements of people, goods, and services. Besides that, Digi has completed its 3G license in the market.[9] It can gain more market share in the telecommunication sector. However, Digi has joint business initiatives. Digi Company really hopes that it can expand its business more in the future. As a global citizen, intermarriage, work in multinational companies (MNC),

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study abroad or travels for business and leisure, effective telecommunication tools for communication plus knowledge seeking, sharing and becomes more essential.

## **Technology**

Nowadays, the technology is widely recognized as a part of organization and industry. Besides that, only the technology can be give more benefit in the telecommunication sector. Technology significantly improved many industries with their facility and simplicity. It can give various facilities and convenience to their users. Technology is the most important aspect in telecommunication industry; technology is playing a vital role in this industry. It helps the industry to attract more customers with many technological facilities. The most recent technology is 3G and 4G this kind of technology all released in telecommunication sector.[10]We also know as DiGi broadband, which provides users with mobile internet which able to upload pictures, watch videos, and video conference on their mobile phone.

Besides that, government also influences the industry in developing the new technology on telecommunication sector. In order to support the plan of Vision 2020, Malaysia's government had issued " TheNational Telecommunications Policy" for the 1994-2020 periods. According to Pusat Maklumat Rakyat (2010) states that the policy formulated to ensure that the growth of telecommunications services and its use of technology support national development as well as national aspirations.[11]The telecommunications sector in Malaysia is the fastest growing sector and it growing rapidly with the invention of the latest equipment and technology. So, The national telecommunications policy provide guidelines for the



development of the telecommunications sector in Malaysia as it faces future challenges and support the attainment of the objectives of Vision 2020.

### **Physical environment**

The physical environment of the Digi, we found that more communication tower or base station to be builds in future. It is to enable cellular operators to expand their coverage to 97% national population by 2011.[12]This kind of construction usually requires land clearance or sometimes built near the residential area causing uneasiness among citizens. Besides that, the tower will be ongoing debate on whether exposure electromagnetic radiation poses risk to health. So, it would brings some harmful to the citizens.