

# Swot analysis of the telus

Business, Company



## **History**

Historically, the government of Alberta formed the TELUS in 1990 as a holding company (" Company profile," n. d). By the year 1995, it was the only company providing telephone services in Alberta after acquiring Edmonton Telephones Corporation (" Company profile," n. d). In 1998 it announced a merger with BCTel and finally merged in the year 1999 (" Company profile," n. d). This merger made TELUS the second largest service provider in Canada after Bell.

## **Location**

Its headquarters were at Edmonton but after the merger with BCTel the headquarters were moved Vancouver, British Columbia, Canada (" TELUS," July 2018). It outsources its customer service through TELUS international (" TELUS," July 2018). So it has many contact centers in the " Philippines, the United Kingdom, Central America and Eastern Europe" (" TELUS," July 2018).

## **Product introduction**

TELUS offers a different type of telecommunication products and services including wireless, data, internet protocol (IP), voice, television, entertainment and video, and healthcare information technology (IT) services. TELUS is operated through Wireless and Wireline segments. Prepaid and postpaid plans are included in the wireless segment that provides various services such as social networking, messaging, voice services, and international roaming to over 225 countries. In addition, the company also provides tablets, Wi-fi devices, M2M modems, wearable technology, smartphones and digital life devices. On the other side, the Wireline segment

includes internet protocol networks, equipment to support meetings and webcasts by means of phone, video, and internet and offers high performing network. TELUS also has a TELUS health that offers electronic health records, remote patient monitoring electronic medical records, and online settlement claims management solutions. (TELUS Corporation., 2017)

## **Swot analysis**

### **Strength**

Market leadership: TELUS is one of the top providers of telecommunication products and services in Canada. According to December 2017, the company had 8.9 million wireless subscribers, 1.7 million internet subscribers, 1.3 million residential network access lines and 1.1 million television customers that approximately covers 13.1 million customer connections. (TELUS Corporation., 2017). Strong market position can help TELUS to enhance its brand equity and give it a competitive advantage over competitors.

Strong Brand Portfolio: TELUS offers a wide range of products and services including smartphones, prepaid and postpaid plans, tablets, wi-fi devices, internet keys etcetera. Broad product and services offerings help TELUS to reduce business risk and to expand in the new and existing market.

Advertisements: Advertisements with TV commercials usually have cute and loveable animals is the greatest strength of TELUS. Good Advertisements help to increase profit by attracting customers attention towards products. TELUS has a good advertisement platform that helps to increase the company's profit and overall growth.

**Weakness**

Decreasing Profitability: At the end of FY2016, Total accounts payable was CAD578 million whereas CAD717 million at the end of FY2017 which is increased by 24%. However, the current ratio of TELUS was 0.5 at the end of FY2017. The company's competitor CGI Group Inc. has 1 current ratio whereas Swisscom AG has 0.7 which is higher than TELUS. Low Profitability can create a problem in the growth of TELUS in the market. (TELUS Corporation., 2017).

**Opportunities**

Strong Growth in the Healthcare IT Outsourcing Market: The growth in the Healthcare information technology will impact positively on TELUS because TELUS health offers claim management and pharmacy solutions, electronic health records, home health monitoring and other healthcare solutions. According to industry estimates, the global healthcare IT outsourcing market is expected to grow at a CAGR of 7% to reach a value of US\$61.2 billion by 2023. Therefore, it is going to impact positively on TELUS. (TELUS Corporation., 2017).

Growing demand for Smartphones and TV market: The consumer demand for smartphones and TV market is increasing which is a great opportunity for TELUS. TELUS only competitors in cable TV business is Shaw. According to MarketLine, "smartphone sales in North America are expected to increase from 168.8 million in 2016 to 194.2 million in 2021, at a CAGR of 3% during 2016-2021. Smartphones are estimated to account for 93.3% of the total mobile handset sales during the forecast period. In terms of revenue, smartphones could account for 98.7% of the total mobile handset revenue"

(TELUS Corporation., 2017). It is a great opportunity for TELUS in the future if TELUS provide their products at reasonable prices and provides superior customer service.

**Increasing Adoption of Cloud Computing Services:** In the coming years, demand for cloud computing is also increasing. Cloud computing is a computing infrastructure model, which enables delivery of software, server, and database. According to MarketLine, the global cloud computing market is expected to grow at a CAGR of 35. 1% to reach US\$297. 2 billion by 2020. TELUS cloud services portfolio includes Infrastructure-as-a-Service (IaaS) solutions, managed cloud, and IT services, managed security services, network connectivity, database assurance, and cloud advisory services. The company's strong presence in the cloud computing is expected to provide incremental growth opportunities. (TELUS Corporation., 2017).

### **Threat**

**Government Regulations:** Federal legislation regulates the TELUS telecommunications and broadcasting services. The department also establishes the terms and conditions attaching to radio authorizations, including restrictions on license transfers, coverage obligations, research and development obligations, annual reporting, and obligations concerning mandated roaming and antenna site sharing with competitors. Any strict changes in the regulations and if TELUS did not properly follow the rules then that can have a negative impact on the growth of the company. (TELUS Corporation., 2017).

Increasing Competition: TELUS faces competition across consumer, small and medium business and large enterprise markets. TELUS competes with companies such as Bell Canada, Rogers Communications, Shaw Communications, and Videotron that provide cell phone services. It also competes with Skype and Netflix that offers voice and entertainment services. TELUS also competes with CGI Group, HP Enterprise and IBM in the managed outsourcing solutions business. Competition could put pricing pressure on TELUS and impact its revenues and market share in the future. (TELUS Corporation., 2017).

## **Segmentation**

### **Market size**

The current population of Philippines is 105, 645, 368 million as of Saturday, July 21, 2018, according to latest UN estimates. The population density of Philippines is 352. 2 per kilometer square (912. 1/mi<sup>2</sup>) as of July 2018. The total area of the Philippines is 300, 000 km<sup>2</sup> (115, 831 mi<sup>2</sup>) according to the United Nations Statistics Division. The median age of the Philippines is 24. 1 years. (Philippines Population, 2018).

### **TELUS demographics**

The number of mobile users in Canada is 30. 1 million whereas 72. 6 million in the Philippines in 2018. Hence, the mobile users in the Philippines are much higher as compared to the Philippines so there is an opportunity for TELUS to expand in the Philippines market. 88% of the total population is below the age of 34 who uses mobile. (New study predicts smartphone penetration in the Philippines will triple by next year, 2014)

**TELUS geographics**

Canada has different geographic conditions as compared to the Philippines. Canada's population live on low lying plains whereas the Philippines population is distributed all over the country. TELUS must do some changes in the strategies that it is going to use in the Philippines market.

**Target consumers**

25-35 years - young adults

These consumers are care-free and enjoy the new technology. They are always ready to update their phone and they are less price sensitive. Also, flexibility is very important as they always try to seek different options before making their decisions. They use most of the features in the phone services, but they require less assistance as they are comfortable with new technology. TELUS can easily target these age consumers to expand their market in the Philippines.

35 to 44 years old - lower middle-aged

These consumers are more likely to have a family with a child. They are more settled and have an average high income than young adults. They prefer family and health as compared to newer technology. They want easy to use products and services that they understand and are more comfortable. They use more calling facilities as compared to texting. They need more customer service as they need assistance to understand new technology. However, they are more price sensitive as they become more responsible. TELUS need to provide some plans that are less expensive for these consumers to capture this target market.

45 to 64 years old - middle-aged

These age groups are most likely married and have a child who is adult. In this age, consumers already made a choice of phone providers which they feel more comfortable. Hence, it is difficult to change their choice of phone provider if they already have another phone provider rather than TELUS. Stability is more important, so they prefer the current state and avoid changes. They prefer stability, familiar and trustworthy service rather than a cheaper price. With the proper customer service and plans, TELUS can easily target this market to grow in the Philippines.

### **Market Barrier on basis of Pestel analysis**

Political- According to EDC Canada, Philippines is a low to medium risk country. It is a hot spot destination for Foreign Direct Investment. (Country Info, Philippines, n. d.) But according to the export. gov, " the country's ranking in Transparency International's Corruption Perceptions Index has consistently declined; from 85 in 2014, 95 in 2015, to 101 in 2016". (Philippines country commercial guide, n. d.) Corruption is one of the challenges faced by the Duterte Government. (Philippines country commercial guide, n. d.)

Economic- According to the U. S government, " the Philippines posted a modest \$420 million (0. 1 percent of GDP) balance of payments deficit in 2016". (Philippines country commercial guide, n. d.). Also Vat 12% for goods and services sold in the country. (Philippines country commercial guide, n. d.) According to the economic freedom score, " Philippines is on number 65. 0 and expected economy to freest the position of 61st in 2018 index".



(Country Ranking, n. d.) But Balance of payment, fluctuating inflation rate suggests otherwise. Also, one cannot use the Canadian and U. s pricing methods for the goods and services.

Social- Philippines business environment is dominated by the family ties. Most businesses are run by Family-owned conglomerates. So, it is important to hire a staff with goods contacts person (Country Info, Philippines, n. d.). Also, depending on lifestyles or demand of products that satisfies the requirement of customers can decide the future of TELUS whether it will grow in Phillips or not. Knowledge about the number of phone companies, leading phone companies that are in the race, kind of product they develop, the response of customers towards their product can help to cope with the Social barriers. They need to understand that texting is an important part of Population in the Philippines.

Technological- According to the U. S government, “ Major improvements are needed in transport infrastructure. Urban and port congestions are regularly raised as constraints to business” (Philippines country commercial guide, n. d.). The Philippines has one of the lowest internet penetrations in the world, though this can serve as a technical barrier to the marketing and advertising. (Philippines country commercial guide, n. d.)

Legal- There is limited ownership for foreign entities in most of utilities and media, though the investment climate is changing rapidly. There are restrictions on product registrations, product standards, environment and labeling requirement which are quite different from the Canadian government. In order to be a successful firm, need to understand these and

utilize them to maximize the profit. Recently, president Duterte has invited international players to invest in the Philippines which is a good opportunity to expand there for TELUS.

Environmental- Unlike Canada whose population is inhabited on low lying plains, the population of the Philippines is scattered across all over the country. Especially its island topography serves as geographical barrier due to lack of transportation infrastructure.

### **Market Entry Strategy**

For any telecom firm to enter into the business they need a well-developed infrastructure such as Satellite, Mobile tower, Fiber optics etc. which they can access with relative ease. Developing economies such as the Philippines have this available up-to some acceptable extent and is in progress to develop and upgrade existing infrastructure. Apart from that, there are other barriers such as price control by the government, Foreign direct investment cap on the telecom sector in the Philippines. Also, there is a duopoly in Philippines telecom sector which is dominated by Globe Telecom Incorporated and PLDT incorporated. However, the environment in the Philippines is favorable for investment since they have invited international players to invest in Telecom Sector. The objective is to break PLDT Inc. and Globe Telecom Inc.'s duopoly.

To overcome these barriers TELUS could use the strategy followed by the Vodafone India Ltd. to enter the Indian market. TELUS can enter Philippines by acquiring a stake in small telecom such as Philippines telegraph and telephone corporation (PT&T) to form a merger, just as Vodafone has

acquired 66% in Hutchison Essar to enter into the Indian market. According to rappler, “ Philippines telegraph & telephone corporation is actively searching for financial and strategic investors”” to regain its status as a major telecommunications force in the country”.(Naming Philippines’ 3rd telco might take longer than expected, 2018).

For short-term perspective, TELUS should focus on understanding cultural consideration, legal restriction, environmental risks, pricing, and taxation system in the Philippines while building a customer base and developing relationships. Family conglomerate runs businesses in the Philippines and developing a good relationship with them is key to set up a business in the Philippines.

Once they have overcome this limitation they can go for negotiations to form a complete merger and acquire the firm completely.

There are some advantages of such Merger and Acquisition discussed as follow:

- Companies such as Philippines telegraph and telephone corporation (PT&T) have consolidated core position which can be used by TELUS to set up a good base for overall expansion in the market.
- Since the Philippines telegraph and telephone corporation (PT&T) and TELUS will share infrastructure and many resources it is a quick and efficient method to access a market.
- Philippines telegraph and telephone corporation (PT&T) will have access to TELUS’s financial and management resources.

- With Merger TELUS will have access to Philippines telegraph and telephone corporation (PT&T)'s asset and will share a proven workforce, operations and system of each other.

#### Effect on Pre-existing Firm

- Philippines telegraph and telephone corporation (PT&T) will have access to TELUS's management resources.
- They will share financial resources with TELUS, as a result, they will have more capital to invest and compete with existing firms.
- They have to give up management control to the partner firm up to some extent.
- Exit strategy

Before any investment should be made, a contingency plan in case of failure to meet strategic plan should be decided. In the case of a partnership, there should be an exit clause in this situation in the partnership agreement in case a partner wants to exit.

#### Reasons for ending a partnership

- Partners fail to meet their strategic objectives.
- Differences in management style or strategic objective.
- Financial issue.
- Partner fail to stick to the terms of the agreement.
- The partnership has fulfilled its purpose.

The exit strategies that can be adopted by TELUS are discussed as follow:

- Acquisition- Company is purchased by another business or its share in a merger or acquisition can be purchased by another business.
- Sale- They can sell their share in the market where it could be purchased by the individual.
- Buy out- Partner's share is purchased by other partners or they arrange someone for buyout exiting partner.

Of course, there are other exit strategies Such as reorganization and closing operations but they are not a viable option. Reorganization they need more than one partner and for Closing operations, it means loss of investment.