

Digi
telecommunications
sdn



If there is one defining story in the technology world today, it is most likely the explosive growth of mobile communications. It is more well known that there are more mobile handsets than personal computers and that each of them has more computing power than the NASA computers that placed a man on the moon. This trend is connecting people from all around and across the world and acting as a great leveler as people are able to communicate and collaborate more seamlessly. Leading this trend in Malaysia would be Digi Telecommunications Sdn. Bhd. is a mobile service provider and provides wireless telecommunications services. The company is owned by Telenor ASA of Norway with 49%. On 24 May 1995 DiGi became the first Telco in Malaysia to launch and operate a fully digital cellular network. The company was formerly known as Mutiara Telecommunications Sdn Bhd but changed its name to Digi Telecommunications Sdn Bhd in January 1999. Digi Telecommunications Sdn Bhd was founded in 1995 and based in Shah Alam, Malaysia. Digi Telecommunications Sdn Bhd operates as a subsidiary of DiGi. Com Berhad. Right now, DiGi is listed on the Bursa Malaysia under the Infrastructure category. DiGi Telecommunications Sdn. Bhd. Company provides a variety or broad of mobile communication services. These services include data services to individual and corporate customers, voice under their prepaid plans & postpaid plans, SMS, data plans and services, international roaming, international calling card and WAP services. Digi faced challenges understanding the status of opportunities, inputting data manually into multiple systems, tracking proposal approval status and lines activation status, and tracking the success of marketing campaigns. Other challenge faced by Digi would be it's directly and indirectly competitors. Competitors which compete directly with Digi are Maxis,

Celcom, and U Mobile. DiGi also competes indirectly with broadband services provider such as TM, P1, Redtone, Amax.

3. 0 Situation analysis

3. 1 General Environment Analysis

Political

Strong Malaysian Government support: In 2007, Malaysian government has set to achieve 50% Malaysian household with both wired and wireless mobile broadband penetration by the end of 2010. In order to aid service providers further, the government rolls out supplies of broadband infrastructure and services throughout Malaysia. Plus, they also aggressively generate continuous demand in 3 aspects which are awareness, attractiveness and affordability.

Malaysian Government discourages the usage of cell phone among school kids: In the year of 2006, Malaysian government banned the usage of cell phone among kids in nationwide school even included the fully residential schools. The decision was taken after many groups especially parents and teachers expressed their concern that allowing the handheld tool to be used by students while in schools could lead to a lot of problems such as affecting student's performance in class.

Social

Influx of foreign worker: Traditionally, Maxis and Celcom have neglected to provide mobile services for this segment on the assumption that foreign workers are unable to afford them. DiGi entered this full of opportunity yet neglected segment after discovering that these migrants were willing to pay

for communications to connect with their loved ones back home if they were offered affordable packages without any extras and make it their stronghold. Foreign workers are important in expanding Malaysia's economy as they are the ones who willing to work for long hours but only receiving minimum pay. Foreign workers will be willing to work in Malaysia if they could contact their loved ones and family anytime with low cost.

Higher standard living among Malaysians: Malaysians are able to enjoy the high-tech tele communication provided. Whether it is to be in touch with their loved ones or family. Communications has improved skills and knowledge among the Malaysian citizens.

Globalization

The world is now borderless where by economic openness and growing interdependence between countries had spur on increase in movements of people, goods and services.

Increasing in Malaysia's GDP: The communications and multimedia industry contributed 6. 1% in term of revenue to Malaysia's GDP. While in 2009, this industry generate about RM40 billion. For 2nd Quarter of 2010, the communication sub-sector registered 8. 4% growth, mainly attributed to greater usage of cellular, broadband and 3G services.

Economics

Offering lower price packages: As economic downturn or during recession, Digi always offer the lowest price compared to its two competitors which are Maxis and Celcom. Therefore, even in the worst economic position, Digi will

not lose its market share but more users are switching to Digi for its attracting benefits.

Technology

Continuous technological advancement in wired and wireless telecommunication: The creation of short messaging service (SMS), multimedia messaging service (MMS), GRPS, and 3G.

Demographic

Population: With the help of telecommunication services, population in certain areas will be expanding as people are safe to move around since there is a way to communicate with each other. Immigrants who came to Malaysia are able to get in touch with their hometown.

Physical

The packages offered: There are so many promotions and cheap packages offer by Digi so that people are able to get in touch with each other without paying a large sum of amount. These benefits attracted some populations like students and people with lower salary as promotions offered by Digi could save up money.

3. 2 Porter's Five Forces Analysis

Porter's five forces is a framework for the industry analysis and business strategy development that introduced by Michael E. Porter of Harvard Business School in 1979. This theory normally uses to determine the competitive intensity of an organization the overall industry profitability. Therefore, a business has to understand its position in the industry in order to create competitive advantages. There are 5 elements under Porter's five

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forces which are new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and lastly intensity of rivalry among competitors.

In telecommunication industry, Digi faces a very stiff competition which come from the main competitor Maxis and Celcom. From the aspect of new entrants, we can see that the capital require to enter this industry is very high, therefore this telecommunication industry is basically owned by 3 big companies. From the perspective of government policy and regulation, The National Telecommunication Policy encourages a healthy and orderly competition. The telecommunications sector has been opened to competition where basic infrastructure and telecommunications services are operated by private enterprises in order to provide a better quality services. In this sector, consumers have a low switching cost between these mobile telecommunication companies. Overall, we can consider a threat to new entrants is medium level.

The second element in Porter's 5 forces is bargaining power of buyers. In this industry, the bargaining powers of buyers are increasing in these few years. Most of the people need this mobile telecommunication service. Consumers purchase a large portion of industry's total output. Other than that, the switching cost between these companies is very low. Lastly, it is clear to see that the product between Digi and maxis is actually undifferentiated or standardized. Consumers who do not satisfy with the services from Digi can easily switch to other companies. Through these indications above, we can conclude that the bargaining power of buyers is very high.

The next element is threat of substitute products. The substitute products may simply increase competition in an industry. When Maxis launch a new package to the market, Digi revenue will decrease due to the stress from its competitors. Therefore, Digi has to introduce some new services to attract consumer attention back. The products in this mobile telecommunication industry is actually undifferentiated, therefore, the threat of substitute products is high.

The fourth element is intensity of rivalry among competitors which refer to the major determinant of the competitiveness of the industry. As mentioned earlier, Digi faces a very stiff competition in this sector by equally balance competitors especially Maxis. Basically, the products between these companies are lack of differentiation and the switching cost is low. In order to pursuit an advantage over its rivals, Digi company always adopt some new strategies on changing price and launch a cheaper package such as Digi campus to its users to make sure their customers maintain loyalty to the company. As an overall, level of rivalry that Digi faces can be concluding as high level.

The last element in this theory is the bargaining power of suppliers. The bargaining power of suppliers can consists as high because most of the equipment that used to build tower cannot be sources locally, it is highly depend to export from other country. Because of the equipment is unique especially Global System for Mobile Communication (GSM), so most of them are imported from other countries. There are only a few suppliers for Digi and the switching cost of Digi to change to another supplier is quite high.

3. 3 Descriptive for key stakeholder

In term of organizations, DiGi is doing well in preserving the environment, which was being supported and recognized by peoples that all around the world. This may help in improving their brand name and can be a part of advertising strategies too. For example, On 3 June of 2010, DiGi had donated a total of RM98, 211 to WWF-Malaysia to reforest, which is up to 12 hectares of degraded forest as part of the Kinabatangan Corridor of Life (K-CoL) reforestation project. The fund was collected under the four month DiGi Postpaid e-Billing that derived from DiGi's " Minus" campaign, which was started from December 2009 to March 2010. For each postpaid the customer who paid for the electronic billing, which is so called e-billing, DiGi donated Rm3 for the reforestation project. Although it only Rm3, but each contribution of RM3 can help to reforest an area equal to the size of 75 pieces of postpaid bill envelopes placed side-by-side, which is about 3 square meters. In short, the e-billing campaign was one of the activities that being carried out to reduce the paper usage. This is the main purpose that DiGi's Deep Green ambition for minimising the environment impact. This is proven as DiGi always try to reduce their carbon footprints; they keep on encouraging customers make payment through e-billing, moreover, they also reduced the packaging and the size of the DiGi reload cards and the SIM packs. Last but not least, DiGi also provides a total paperless personal accident insurance, which the whole procedures will be done through the mobile phone.

Besides, DiGi launched the campaign of Yellow Coverage Fellow through a series of television commercials. Originally called Yellow Man, until renamed

by DiGi's marketing team as YCF. It entitled with the " DiGi Yellow", and " DiGi's WIDEST Coverage always with you". The theme song is " I Will Follow You". Obviously the public response to the campaign was very positive. This is because " I Will Follow You" had become a phrase among the Malaysian public.

In term of Product, the products and the services that provided by DiGi is well known by all the peoples around the worlds and is attracting the subscribers to be one of the DiGi users. DiGi is the first to operate the full cellular network and is the first to operate their cellular network in Sabah and Sarawak Besides, DiGi is the First operator in Asia to be part of the International Roaming Platform and to launch the use of the dual-band mobile phones. On the year 1997, DiGi be the first telcomunication company that being listed on the Kuala Lumpur Stock Exchange Main Board under the Infrastructure Project Companies category, and at that time, DiGi is known as Mutiara Swisscom Bhd. On 1998, Digi also be the first operator in Malaysia that launched the prepaid mobile phone service. The expecting of DiGi continued, to be the first GSM operator in Malaysia to offer Automatic International Roaming service to the United States of America; to be the first telecomuncation to launch a website in Malaysia, the introduced of e-pay system as mentioned above and the following are the awards of DiGi: Mobile Data Service Provider of the Year by Frost & Sullivan Malaysia Telecoms Awards 2005, Mobile Data Service Provider of the Year by Frost & Sullivan Malaysia Telecoms Awards 2006, Best Prepaid Telco Service Provider 2005 by IT publications PC. Com, received in 2006, Mobile Operator of the Year, Malaysia by Asian Mobile News, received in June 2006, Malaysia's CEO of the

Year by Business Times, received in 2006, Malaysia's Most Innovative Company survey by the Wall Street Journal Asia, received in October 2006 Mobile Data Service Provider of the Year by Frost & Sullivan Malaysia Telecoms Awards 2007, on 24 May, Mobile Service Provider of the Year by Frost & Sullivan Malaysia Telecoms Awards 2007, on 24 May and last but not least the Wireless Service Provider of the Year by Frost & Sullivan Asia Pacific ICT Awards 2007, on 15 June

In addition, DiGi is not only popular with their background but also with the price that they offered for their plan. For example, the prepaid package, DiGi Campus, which is highly demanded by the students that are studying in University. This is due to the low rate of calling and sms rate. Students can enjoy 100 minutes free calls to others DiGi numbers when they meet the conditions of spending RM2 per date. Besides, for the postpaid package, the user is only required to pay as low as 0.15 per minutes.

3. 4. SWOT analysis based on stakeholder groups

Digi SWOT analysis

3. 4. 1 Strength

3. 4. 1. 1 Product

Innovation

Innovation is important because it exploiting new ideas to create a new product, process or service. Innovations become major strength because their research and development had always exceeded customer expectation so that increasing the customer satisfaction toward Digi. For example,

innovation product such as Digi Campus for university student and Digi broadband services.

Reward system

A good reward system can motivate current subscribers and potential subscribers. Good reward system become a strength because Digi have a completely, effective, and efficiency system to service their subscriber. For example, birthday bonus for subscriber, a user can enjoy 50% extra bonus credit when reload before 3 days and after 3 days on the user birthday.

3. 4. 1. 2 Organization

Affiliation

Telenor ASA now is Digi. Com Berhard's first majority foreign-owned telecommunications service provider. Keeping good relationship with Telenor is a major strength of Digi. Affiliation with Telenor is important because Telenor's will bring collective strength to Digi such as development of advanced technologies and services and maintaining the Digi status as a leader player in telecommunication sector. For example, " Telenor intends to expand DIGI's business and further strengthen and improve the company's market position, with a particular emphasis on mobile product and services." (Arve Johansen, CEO Telenor mobile)

Facilities

Facilities are important because it bring convenience to customer and save time and cost. Facilities of Digi become strength because it provided many methods to let subscriber easily get what they want. For example, Digi

center, reload credit through online banking, online payment and many more. It brings a super convenience to subscriber and will increase the customer satisfaction. Another reason is because too many competitor offering same services, so that Digi must offer facilities that other competitor don't have.

3. 4. 1. 3 Capital

Strong financial performance

Strong financial performance in Digi becomes strength because Digi have stable number subscribers. An increasing and stable number of subscribers can lead strong financial performance in Digi, Digi are focusing in customer satisfaction, excellent customer experiences and keep attract new subscribers by promoting their product and services.

3. 4. 2 Weakness

3. 4. 2. 1 Product

Late to reach customer in latest information

Latest information late to reach end user becomes a major weakness because Digi seldom promote their product and services in society. Latest information late to reach end user will cause lose a lot of potential customer and the sales will start to dropping down. For example, when new product or services release, if no any promoting activities like open booth, promotion to promote product, all the customer will don't know the latest information in Digi.

3. 4. 2. 2 Organization

Dependency on strategic sharing

Dependency on strategic sharing becomes major weakness in Digi because Digi are still highly depending on product development and R&D. They think try through product development can serve the customer better but it may not effectively, too focus on product development will cause the relationship between Digi and customer becomes not strong, they may will ignore the customer feeling and customer satisfaction.

Lack of involvement of Digi ambassadors

Ambassadors is important because they can lead a company toward successful and influence the telecommunication market. Lack of involvement becomes weakness because Digi ambassador lack of involvement in promoting product and services. Once the ambassador did not showing their responsibility, the latest information cannot be deliver to customer therefore the performances of company will be affected.

3. 4. 3 Opportunity

3. 4. 3. 1 Product

Rising telecommunication demand

Higher demand for Digi's product and services become an opportunity in Digi because it can lead Digi to produce more product and services to improve their sales and revenue. More people demand for the Digi's product and services meaning that the quality of product and services offer by Digi is

good and customer willing accept due to larger satisfaction. For example, low cost broadband internet services bring larger demand.

Higher standard of living

Recently, the Malaysia higher standard of living also becomes an opportunity for Digi Company. Higher standard of living in Malaysia cause the demand for telecommunication increase, many people will start choose the best telecommunication industry to be their communication tool due to the convenient. For example, even nowadays a 7 years old girl has their own mobile phone.

3. 4. 3. 2 Organization

Advance technology in human resource

Advance technology in human resource are become an opportunity in Digi. Digi must focusing on recruiting new employee and provide training to them so that can maintaining a competent human resources in Digi.

3. 4. 3. 3 Capital

High capital investment

High capital investments become an opportunity in Digi because of the ultimate holding company, Telenor. Telenor was investing a large amount of capital to expand their business to achieve profitability and enhance shareholder returns.

3. 4. 4 Threat

3. 4. 4. 1 Product

High bargaining power of consumer

In telecommunication industry there have a lot of company like maxis, celcom, telekom Malaysia. Consumers are easily to choose and switch to another industry to use. In this case, Digi can offering higher quality of telecommunication services to customer at a lower price so that Digi won't lose their customer.

Technology advancement in telecommunication

Technology advancement such as in wired and wireless telecommunication becomes a threat in Digi Company. Current level of technology maybe very fast outdated because of other competitor continues offering new product with new technology. So, Digi can keep continue in improving the R&D and keep at the lower price of product to compete them. For example, the lower cost of Digi broadband internet services brings a lot of business.

3. 4. 4. 2 Organization

High switching cost

High switching cost becomes a threat in Digi Company. Switching to another supplier the cost is very high, so, switching to another supplier is very hard. To overcome this problem, Digi must keep a close relationship between the current supplier which is Ericsson and Trisilco Folec. Continue a good relationship with supplier Digi can save more cost in acquiring material to produce product and services.

3. 5 Summary of situation analysis

Strength

Innovation of Digi product

Good affiliation with Telenor - major foreign service provider

Excellent facilities - convenience

Innovation is very important as every competitor try to innovate in a fast pace to compete with each other. Good innovation will lead to successful or failure of a company. Keeping good relation with major foreign service provider will stabilize the investor's investment on the company, which will lead to major profiting in the company for now and future. Providing excellent facilities and service will satisfy customers, and because of that, they will subscribe and be loyal.

Weakness

Slower in updating latest information

Too dependent on strategic sharing

Lack of involvement of Digi ambassadors

Slowing in updating latest information will cause major loss in long term if the competitor knows the weakness of the company. Everything have to be fast when comes to telecommunication and technology. Focusing or too depending on certain department will influence the environment of the company. It will slowly abandon some important department and cause chaos or blurring of the company organization pattern. Good ambassadors

deliver good information to customer, and customer deliver profit to company. Choosing a good ambassador will shape up the message of the company and deliver it to customer clearly.

Opportunities

Rising of telecommunication demand

Higher standard of living

High capital investment in expanding business

There are a lot of opportunities in telecommunication. As the world moving in fast pace, from 3g to 3. 5g and now 4g. The rising of telecommunication demand boost up and open opportunities for existing company to achieve better and stable their company, so that they would not beat down by the new rising advance company. People demand more and create new opportunities as well as idea to satisfy their standard of living. Fast, convenience, save time, save cost, these are the reason people influence the level of living standard. To expand business, we need capital. When we have high capital investment, it shows the how good is the reputation of the company. High investment will influence the size of business, and of course, the profit, and keeping the customers.

Threats

High bargaining power of consumer

Technology advancement in telecommunication

High switching cost to another supplier

Telecommunication field is full with competitors. Each of the company is very similar to each other. Consumer holds a very strong bargaining power to make their own choice. They choose what they like and what they think it is best for them. They can be switch to A company for today, and maybe tomorrow they will be switching to B company. Current level of technology maybe very fast outdated because of other competitor continues offering new product with new technology. Consumer will go for the company who offer them better technology. Switching to another supplier the cost is very high that makes switching to another supplier is very hard. Keep a close relationship between the current supplier can save more cost in acquiring material to produce product and services.

4.0 The Strategic Option of an organisation (DiGi)

Build a powerful competitive advantage

The strategic option of DiGi is to build a powerful competitive advantage.

DiGi became the first telco in Malaysia to launch and operate a fully digital cellular network on 24 May 1995.

On the year 1997, DiGi be the first telecommunication company that being listed on the Kuala Lumpur Stock Exchange Main Board under the Infrastructure Project Companies category, and at that time, DiGi is known as Mutiara Swisscom Bhd.

On the year 1998, Digi also be the first operator in Malaysia that launched the prepaid mobile phone service. The expecting of DiGi continued, to be the first GSM operator in Malaysia to offer Automatic International Roaming service to the United States of America; to be the first telecommunication to

launch a website in Malaysia. This is the main competitive advantage due the often establishment of the ' first time' in Malaysia. Hence it is well known throughout the world.

Besides, DiGi provided a cheap Digi Plan, which is Happy Plan. This is targeted to those customers that make a lot of calls and sms, it only costs 1sen/second and up to 99sen per call to any number in Malaysia and the in year 2008, DiGi is the first Telco in Malaysia to introduce Mobile Number Selection service. This service enables the users to choose their own number rather than just following the traditional way. For example, in the traditional way, the user will purchase a new SIM that has been pre-assign with fix mobile number but now they can choose the numbers that they prefer. Sometimes, extra charges are needed for some special numbers, such as with the same digit that repeated twice or more.

Operational Efficiency

Besides, Operational Efficiency also is one of the strategic options of DiGi. Nowadays, many companies are focusing on IT Infrastructure . Technology can be either a great source. The applications of technology should be supported by an IT infrastructure that connects a company’s users to each other. By connecting the DiGi company to their subscribers, this can help the users of DiGi always alert of the latest information and the promotions of DiGi. In term of technology, DiGi has provided Wireless, 3G and Internet Broadband services. Moreover, Facebook Zero, this is a light-weight, text -only version of the standard Facebook Mobile site and it is free and is accessible by all the Digi prepaid and postpaid users. It brings convenient to the users, as now the users can still stay connected with their fellow friends of family just by using their small device. Besides, in term of broadband, DiGi now is offering the quota of 3GB, cost RM38 per month, and the modem is free of charge. The operational efficiency also included the peoples. This ‘ peoples’ is referred to those who working at DiGi departments. A current issue, “ DiGi Telecommunications Sdn Bhd will continue to invest in customer service amid the economic slowdown to provide better value and build brand loyalty” Schnitker, Tom. (2009, February 21). Customer service still tops for DiGi. The Star.

DiGi is enhancing their service level

DiGi Telecommunications Sdn. Bhd. provides a variety of mobile communication services, such as voice under their prepaid plans & postpaid plans, SMS, data plans and services, international roaming, international calling card and WAP services. Besides that, the users of DiGi is provided

with the service of “ friend and family” where the customers is allowed to set 6 Digi numbers that they will call more often. The calling rate and sms rate for these 6 numbers are lower than the normal prepaid rate. Personal Accident Insurance also is one of the services provided by DiGi, which is the competitive advantage that will the others networks do not provided and followed. DiGi provided 1 month free trial PA insurance for their users. The PA insurance can be categorized into 3 categories which is the RM50000 personal insurance, RM100000 personal insurance and RM100000 Family Personal insurance. Customers can enjoy the 1 month trial of the RM50000 of PA insurance and after one month, they can still continue to purchase the PA insurance at RM2 for 30 days coverage. Then you will still be protecting under RM50000 PA insurance plan, but with the term and conditions applied. Moreover, DiGiRemit, this allowed an individual to transfer through mobile phones and has remittanced to Indonesia, Phillipines and with more countries are following soon. Customers can just send 2 text messages to complete their transfer. This brought high convenient to their customers due to this remittance can be transferred to anyone with or without the bank account in the destination country. Besides, it is secured due to the administering of Citibank until the money is being delivered to the beneficiary.

greater shares for its stakeholders

Last but not least, DiGi provided greater shares for its stakeholders. DiGi market share is currently 25. 00 per share. Which is much more higher than its competitors such as Maxis, only 5. 33 per share. The shareholders of DiGi can increase their wealth by invest in DiGi.

5.0 Key selection criteria

- Strategies
- Activities/Tactics
- Key selection/criteria
- Build a competitive advantage
- Happy Plan –
- Mobile number selection
- Focus on customer
- Focus on low cost of product
- Operational efficiency
- Infrastructure – Facebook Zero, broadband
- Peoples – Customer service.
- Focus on customer
- Focus on product quality
- Enhanced service levels
- Friend and Family
- Personal Accident Insurance
- DiGiRemit
- Focus on customer
- Focus on low cost
- Focus on quality of service.
- Greater market share
- RM25. 00 per share
- Focus on shareholder wealth

6. 0 Recommendation

Key Question

Recommendation

Decision criteria

Pros

Cons

1. How the Digi be the top in its game?

1. More branding and quality product.

2. Build up the quality segment

3. Potential high dividend

-Research and development, innovation, creative.

-lowest call rate in different segment, eg. Postpaid segment.

-the growth of sales and revenue.

-increase sales and revenue

-more focus the need of customer in different segment.

-increase shareholder wealth

-compete with diversification product from competitor

-too many segments may cause company hard to focus in one.

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-capital gains decrease due to the higher profit and tax expense.

2. Can Digi maintain strong relationship with suppliers?

1. Always place order on time.

2. Setting Digi account on time.

3. Communication between Digi and suppliers

-The time to deliver the material.

-The dateline of payment

-the understanding between Digi and supplier

-Supplier have enough time to prepare

-clear payment on time can maintain the liquidation of company

-establishing the relationship between each others

-late submitting order will let supplier not