

# Introduction to digital telecommunications essay sample



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## Introduction to DiGi Telecommunications Sdn Bhd

DiGi. Com Berhad is listed on Bursa Malaysia Securities Bhd. and is part of the Telenor Group, a global telecommunication provider. Their mobile service operates are undertaken by their wholly-owned subsidiary, DiGi Telecommunications Sdn. Bhd.

DiGi commenced operations in May 1995 when it launched its fully digital GSM 1800 services, the first digital mobile communications service in Malaysia. Since then, they continue to be a forerunner in the provision of innovative telecommunication services. In the last five years, DiGi's revenue has more than doubled to approximately RM6. 0 billion; with a subscriber base of 10. 0 million. This growth is accomplished through our focus on making it easy, keeping it relevant and providing the best deals to ensure excellent customer experience in mobile and Internet services.

DiGi is the newest 3G broadband provider and the first in the country to deploy a 14. 4Mbps High Speed Packet Access (HSPA) network. Forever the innovator, we are in the midst of a three-year nationwide network transformation to bring Malaysians the first LTE-equipped network with wider coverage, more stable connections and the capacity to serve fibre-like speeds. DiGi is committed to building a connected Malaysia by driving ' true Internet connectivity' to all customers. They are also committed to building a sustainable business that is financially and ecologically responsible to all stakeholders.

Nature of the business

Telecommunications

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## Vision

DiGi's vision is to be a company that is always " Changing the Game". They do this by constantly pushing boundaries, defining new standards, and ensuring continuous improvements in all parts of their business.

## Mission

They deliver Internet for All as part of their commitment to building a connected Malaysia - enabling access to Mobile Internet Services and applications by offering customers the right combinations of devices and value pricing, as well as the best usage experience.

## Long Term Objectives

DiGi's 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.

## Products and services

DiGi Telecommunications Sdn. Bhd. provides a variety of mobile communication services. These services include Voice Calls, SMS, MMS, Prepaid plans, Postpaid plans, Internet Roaming, Call Roaming, SMS Roaming, International Direct Dial (IDD), International SMS, DG Smartplan and DiGi SmartBizPlan.

## Channels of distribution

## Senior Management Team

## Board of Directors

## Level of Technology Used

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## Organization structure

## Strengths and weaknesses

### Strengths:

#### 1. Affiliation with Telenor

Digi major strength since they are keeping good working relationship with members of Telenor Group. 2. Experience management personnel from overseas Important because global experience management personnel brings new innovation to DIGI. 3. Innovation Their Research and Development had always exceeded customer expectations through innovation offering to customers. 4. Stable increasing number of subscribers leading to Strong Financial Performance Digi had been focusing on ensuring excellent customer experience, keeping close tab on number of subscribers, attract new subscribers and reward current ones. 5. Good reward system to subscribers

Important factor to motivate current and potential subscribers with good reward system 6. World Class Research and Development The Research and Development is the key to keep up and ahead with continuous technology advancement in wired and wireless telecommunication. 7. Facilities -Auto reloads online payment, etc.

Facilities bring convenience to customers and cost which other competitors are also offering the same service to customers.

### Weaknesses:

#### 1. Dependency on strategic sharing between mobile producer, application

writer and etc. Digi major weakness depends on product and services cannot  
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operates without complementary product/services from mobile producer, application writer etc. 2. Latest information on new technologies seldom or late to reach end users. Because of low customers awareness towards product and services, Digi seldom promote on new offerings compare to competitors which indirectly giveaway potential customers to competitors. 3. Lack of base station as compared to others operators.

Important factor because lack of base station leads to poor line reception which weaken customers satisfaction and loyalty which reduce in subscribing. 4. Digi Ambassadors which lack of involvement.

Digi minor weakness as there is lack of involvement among these ambassadors to effectively and aggressively promote DIGI's product and services.

Opportunity and Threats:

Opportunity

Threats

1. Globalization

1. High Inflation- increased price

2. Influx of Foreign Worker

2. High Bargaining Power of Consumers

3. High Capital Investment

3. Malaysian Government discourage cell phone usage among school kids 4.

Malaysian Higher Standards of Living

4. Continuous Technology advancement in wired & wireless technology. 5.

Advance Technology- Need Competent Human Resource

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## Information Systems used by DiGi

### Porter's 5 Forces

Porter's 5 Forces named after Michael E. Porter, is a model that identifies and analyzes 5 competitive forces that shape every industry, and helps determine an industry's weaknesses and strengths.

Generally, it provides a good, simple and powerful framework for developing an understanding of the competitive forces or pressure within DiGi's industry that influence its pricing decision.

### Industry Rivalry

Malaysia mobile market is oligopoly nowadays after the consolidation in 2003. The telecommunications industry has also been undergoing gradual liberalization since the year of 1985, when Telekom, the Malaysian government-dominated enterprise, granted a number of licenses to private sector telecommunication operators. Gradually, the industry witnessed more competition in various segment of mobile, fixed line and telephony services.

In 2012, Celcom Axiata Berhad (another one of the mobile communication services for customers in Malaysia) has awarded Mobile Service Provider of the Year at Frost & Sullivan Malaysia Excellence Awards. In the same year, another competitor- Telekom Malaysia Berhad has awarded total of three industry excellence awards which included Data Communications Service Provider of the Year, Broadband Service Provider of the Year, and Service Provider of the Year thus further reaffirming its strength as one of the market leader in Malaysia.

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Yet, within the industry, together with Telekom, Maxis, Celcom and DiGi continue to compete on different types of products and services through improvement and introduction of new features - aspects such as plans, packages, services and etc. Each of them also invests a lot on advertising to promote their product - successful maintaining their place in Malaysia in Top 10 Advertising high spenders list from January to June 2010 as shown:

At the stage where revenue from mobile business is growing at a snail pace, it is important for each of the big four telcos continue to chip away market share from its competitors. As such, a simple statistics - " revenue" is much important to have a view of what each mobile represents and has managed to build on. Thus, it is important for investors to have a view on which company is growing faster.

In 2013, as for Telekom Malaysia Berhad's earnings fell 38. 6% to RM213. 84mil in the second quarter ended June 30, 2013 from RM348. 45mil a year ago mainly due to recognition of higher tax incentives a year ago; Celcom Axiata Berhad's earnings grow 9% in RM903mil in the second quarter from RM866mil in the year-ago quarter. On the other side, Maxis Berhad's earnings rose 13. 8% to RM528mil in the second quarter ended June 30, 2013 from the RM464mil a year ago based in higher data and wholesale revenues which offset a slight decline in mobile services revenue. DiGi's earnings revenue of RM1. 653bil, up 3. 4% in second quarter revenue in 2013 from RM1. 526bil in the previous quarter.

Other expected development in 2010 will be plenty of new devices and packages flooding the market place. For example, Maxis re-enter the fixed

broadband market in a way that surprise many and there is Tune Talk which is eager to eat into every operator's customer base with its smashingly cool pricing. Just to be in the game, U Mobile managed to launch its broadband service known as XFone.

Yet, in conclusion, high exits barriers of this industry due to the high investment budget and responsibility towards customer making will make companies strive to survive. Technology advanced also leads to fast industry growth and opportunities, thus, ignite further competition.

#### Threat of Substitute Products or Services

Threat of substitute products or services is defined as the level of risk that a company will be displayed by another company with similar products or services, or with similar function as well.

Malaysia is a mixed economy system country that allowed consumers to purchase what they want from what was available. Among the five telecommunication industries in Malaysia (DiGi, Maxis, Celcom, Telekom, U mobile), consumers are free to choose which products or services they want to use.

From 2000 onwards, those long-distance phone calls were replaced by ICQ, Friendster, MySpace, MSN, Facebook and so on to stay connected with friends and family regardless of where they are. With the development of cell phone to smart phone, many popular apps such as Line, Whatsapp, Kakao Talks, Wechat and other apps as well are available in the Apps Store in the system of smart phone. Internet services have enabled faster and always-on



connection to the worldwide web, and it makes life even more convenience. Thus, the attractiveness of Internet services had threatened mobile service industry. Consumers have become more demanding in quality broadband service and this create an opportunity for new entrants to provide a substitute product for consumers in lower price or better performance than the existing ones. The powerful of Internet and smart phone has stimulated mobile telecommunication industries to come out many types of smart phone plan to attract consumers and fulfill their needs. For example:

### Bargaining Power of Suppliers

Telecommunications industry in Malaysia is dependent on imports for majority of its network components as most of the equipment cannot be sourced locally resulting in high bargaining powers of suppliers. The factors contributing to these are recognized:

Limited (Big Boy) Suppliers: DiGi networks utilized standard GSM equipment which is available from a limited number of suppliers. Previously, most of the GSM equipment for DiGi mobile network operations are purchased from large international companies - size increases supplier power - namely Motorola, Siemens, Ericsson and Trisilco Folec, and DiGi maintains close working relationships with its key network equipment suppliers. As there are relatively very few suppliers in this market, DiGi have limited choices.

Since Siemens is now a sub-contractor of Motorola for network switching systems, DiGi left with only 2 mains suppliers: Ericsson and Trilsilco Folec. Thus, the bargaining power of those suppliers becomes stronger.

High Switching Cost: As DiGi cannot manufacture in-house, the other viable option is the third party manufacturing contracts may post complexity with terms covering cost, quality, and use of intellectual property; and switching between contract manufacturers may therefore be a more costly process. In addition, such a supply structure usually means lower control on the delivery schedules and may cause component shortages due to manufacturing process issues. Any persistent shortages in supplies due to capacity issues or manufacturing process issues would increase the price of manufactured products. If a company is not able to source required components in adequate quantities, this would affect its business operations and margins. In the future, DiGi believes that comparable equipment and support will be available from other established suppliers.

#### Bargaining Power of Customer

Information technology increase the bargaining power of buyer and high availability of information makes it easier for customers to evaluate sources of information about telecommunication. Internet is one of the examples which enhance the bargaining power of buyer to the mobile service provider. Customer also becomes more demanding of high speed broadband and after sale service, creating a relatively high competitive industry. As a consequences, the intense rivalry among mobile and broadband service providers only benefit the consumers who can enjoy lower price broadband and mobile services, and eventually making them more powerful - hence, low switching cost.

#### Threat of New Entrants

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In Porter's Five Forces, threat of new entrants refers to the threat new competitors pose to existing competitors in an industry. A profitable industry will attract more competitors looking to achieve profits. However, telecommunications is not an easy entry industry despite the rumors of easy award of 4G spectrum to new entrants. There are several barriers to recognize:

**License:** Every potential entrant will need to obtain a license through MCMC (Malaysian Communications and Multimedia Commission). However, it is difficult and expensive to get an approve license due to MCMC's strict requirements and procedures. Yet, once obtain, a license may apply for the renewal of its individual license prior to expiry.

**High Capital Investment:** Other than an expensive license, telcos also required high fixed costs and spend relatively large on network equipment and to obtain development. It might reach a few billion Ringgit Malaysia.

**Sole Right for Certain Projects:** The government had granted sole right for certain projects to existing telcos ( e. g. Telekom has sole right to both partnership of submarine cable for the broadband service and also HSBB). However, apart from TM, other Network Facilities Provider (NFP) licensees: Maixs, Celcom, DiGi and Time dotcom can build their own network and cable landing stations should they choose to invest in the facility. Similarly, broadband license are also granted to some private telecommunications operators.

**Advance Technology:** The advanced technology required in

telecommunications industry not only incurred high capacity investment but <https://assignbuster.com/introduction-to-digi-telecommunications-essay-sample/>

also need professional knowledge and skills (human resources) to ensure success in the industry. It is not easy to copy or imitate.