

Telstra's swot analysis

[Technology](#), [Mobile Phone](#)



Background Telstra is a descendant of the Post Master General's (PMG) Department of the Australian Commonwealth Public Service. In 1975 telecommunications and postal functions were divided into two statutory commissions: Telecom Australia and Australia Post. Telecom Australia, the government-owned communications carrier, later merged with a much smaller government body, OTC, then responsible for international calls. Telecom rebranded itself as Telstra in the early 1990s. Telstra has faced competition since the late 1980s from competing providers.

It retains ownership of the fixed-line telephone network, as well as one of two competing pay-tv and data cable networks. Other companies offering fixed-line services must therefore deal with Telstra. Competing telecommunication companies have constantly accused Telstra of overcharging for wholesale access to their networks the ACCC has often agreed but decisions by the regulator are slow. [1] Current Situation Australia's leading telecommunications and information Services Company, Telstra Corporation Ltd is well poised to deliver a high level of service in the highly competitive communications market in Australia and abroad.

Telstra's service offerings include:

- Local, long-distance and international telephony services
- Mobile telecommunications services
- Data, Internet and online services
- Wholesale services to other carriers
- Telephone directories

- Pay television services Telstra employs approximately 40, 000 staff and generates revenues of some US\$18 billion in its most recent fiscal year.

[2] SWOT Analysis After careful deliberation, a SWOT (strength, weakness, opportunities & threats) analysis was developed that was reflected in a selection of OB (Organisational Behaviour) Theories that demonstrate the general abilities and framework of Telstra.

All of these theories will be explored further with regard to how they shape policies, provide direction or limit growth in relation to the SWOT analysis (Ref. to Appendix A). Issue Analysis Competition “ Competitors use tactics like price reductions, new product introductions, and advertising campaigns to gain advantage over their rivals. Competition is most intense when there are many direct competitors, when industry growth is slow, or when the product or service cannot be differentiated in some way. ” [3]

Competition is only a recent challenge for Telstra as it had government protection and maintained an effective monopoly of telecommunications in Australia for many years. However, with the recent deregulation of the market and the increase in players, Telstra has increasingly been threatened with higher competition from competitors. The increase of players in this market will surely cause customers to go ‘ shopping’ for the best deals, hence Telstra is being and will be forced further in the future to improve its’ image and offers so as to retain an effective market share.

Thus said, the telecommunications industry has changed as global sentiment towards telecommunications has turned negative in recent years, and has

come to the stage where the market currently rewards commercial discipline and conservatism within the industry. [4] In the corrections that has followed these events, plus the collapse of the dotcoms and tier 2 Telcos, and the investment rebalancing post the millennium bug era, an estimated 3 trillion US dollars has been wiped off the value of Telco stocks worldwide in the last two years.

The Australian industry has not escaped this market reaction, or the pressure that accompanies a sudden slowdown in revenue growth from the exciting ride of the nineties. But in this reporting period so far, the Australian telecommunications industry sees a number of carriers earning reasonable revenues and showing some signs of profit improvement, and many are experiencing growth in customers and market share. Most significantly, the first five years of open competition in Australia have delivered considerable benefits for consumers: lower prices, better service, more investment and innovation, and more choice. 5] According to Telstra staff, five years of open competition has also made Telstra a better company, a better competitor and a better servant of their customers. Telstra had to change and adapt, which they have - and they're now seeing the benefits. Still, Telstra must retain some level of strength and influence over the telecommunications market as several of Telstra's competitors complain that Telstra as a company is too large. Supposedly, they cannot compete against Telstra due to its size, range of services, and nationwide coverage.

Telstra is too powerful, and its' competitors are calling for ' structural separation', and dismantling Telstra into smaller companies that would run the wholesale network and serve retail customers. [6] Cost Competitiveness

Cost competitiveness is best described as keeping costs low in order to achieve profits and prices that are attractive to customers, in which Telstra can offer low prices by managing their costs and keeping them down. This means being efficient, accomplishing their goals by using their resources wisely, and minimizing waste. 7] With regard to cost competitiveness, Telstra is able to compete with the best in the market, although deregulation and the increase in telecommunications companies such as Optus and Vodafone are proving themselves as potential threats to Telstra's dominance of the telecommunications market in Australia. Telstra continues to deliver on cost control. The cost performance of the company has been disciplined and underpins revenue performance. It is a prerequisite for success in providing value for their customers.

Telstra also needs to take into consideration the challenge that sustained technological change creates for Australia's telecommunications system. In addition, as a geographically vast country with a highly dispersed population, located at a great distance from its trading partners, Australia depends more heavily than other countries do on the quality, efficiency and innovativeness of its telecommunications system. As new technologies expand the benefits telecommunications can bring, Australians in particular, stand to gain from an environment that promotes prompt adoption and widespread use.

Within three to five years, it is estimated the process of convergence will offer the greatest opportunities in this respect. "Convergence", viewed from a technological perspective, refers to the process by which services that were previously supported over distinct communications infrastructures are

integrated around a common, high capacity, digital platform. This brings with it the blurring of boundaries between once-distinct services and the entry of suppliers from previously separate markets into a now combining and necessarily wider market place. [8]

From the consumer perspective, convergence brings clear gains. Reliance on a common infrastructure allows efficiencies to be obtained, reducing costs and charges. That infrastructure's high capacity allows new services to be offered, extending the range of content and applications that consumers can access. At the same time, the merging of markets brings previously separated suppliers into head-on competition - with all the benefits that competition yields. Although potentially a threat for Telstra as it may lose market share in particular areas, it is also an opportunity if it can take advantage of lowering prices to attract more customers. This will depend on the strength of Telstra's innovations in drawing customer's attention, but also on way Telstra can uphold profits while lowering prices without staff cutbacks or branch closures. [9] It is against this backdrop that the impact of regulation needs to be assessed. By adding uncertainty to what is already a highly uncertain environment, the current regulation of access discourages investment both by Telstra and by Telstra's competitors.

At the same time, the bias - in the direction of trying to set ever lower charges for access seekers, regardless of costs - that has emerged in ACCC decision-making distorts price signals and expectations in ways inimical to efficient investment and to technological change. This lack of any internally consistent, rigorous approach by the ACCC to decisions such as these is, in Telstra's view, unjustifiable. It is no defence to say, as the ACCC does in its

most recent submission to the Commission, that overall Telstra's PSTN is profitable.

Even putting aside the absurdities evident in the manner in which the ACCC has reached this assessment, the ACCC's argument seems to imply that so long as Telstra is not "going under", access pricing decisions can be taken without proper regard to their consequences for Telstra's ability to recover costs and finance investments. No doubt, this decision comes as a huge threat to Telstra's competitiveness in the communications industry and Telstra is set to potentially lose a large slice of the market share or shareholder confidence, depending on how the company responds to the announcement.

The reality is that at the margin, Telstra must allocate its funds among competing uses in the light not of the short term or immediate profitability of the grouping of services they support, but of their return over the lifetime of the assets being acquired. Even if it were the case that Telstra's PSTN was "profitable" in some economically relevant sense today, it is the future profitability of the service that counts; and the ever strengthening competition in this area, combined with continued heavy-handed regulatory intervention, hardly makes investment in the CAN attractive when compared to alternatives. No less importantly, the fact remains that the ACCC's decisions, by setting access charges below cost, cannot but distort and depress investment in regulated assets, as the return on that investment to Telstra is reduced below the return it yields to consumers and service suppliers as a whole. It is these impacts at the margin, rather than aggregate comparisons of costs and revenues, that are economically relevant. Quality can be measured in terms of performance, additional features,

reliability (failure or breakdowns), and conformance to standards, durability, serviceability, and aesthetics. " In addition," the excellence of a product, including such things as attractiveness, lack of defects, reliability, and long-term dependability. " defines the expectations that many people these days have of companies and consequently, the kind of service that Telstra endeavours to deliver. [10] The importance of quality, and standards for acceptable quality, has increased dramatically in recent years.

Firms cannot get by offering poor quality products as they could a few years ago. Customers now demand high quality and value, and generally will accept nothing less. [11] Telstra's performance in regional and rural Australia is constantly under scrutiny. Telstra welcomes this scrutiny because the level of improvement in service levels and performance in regional, rural and remote Australia over the past two years has been dramatic. [12] In recognition of the special needs of regional customers, Telstra Country Wide™ was established in June 2000.

According to Telstra, it was one of the best business decisions they ever took. Telstra Country Wide today services three million customers who account for more than \$3 billion in revenue to Telstra, no doubt a strength in revenue for Telstra, although raises questions as to whether service is being reduced to make way for increased revenue. [13] Even so, remote customers can now make untimed local calls to community service towns hundreds of kilometres away, which better reflects the reality of life in rural Australia. Mobile coverage now reaches 97% of the population.

To achieve this, Telstra has been working with the Federal Government to establish mobile services to smaller towns and to improve the quality of

mobile connections nationwide. [14] Speed In the Information Age, speed is everything to nearly everyone, which makes it a priority for Telstra to deliver the kind of services that people expect. While Telstra's services in rural Australia are often reported to be lacking in terms of connection times for phone and internet, as well as the ability of Telstra staff to respond to customer requests or complaints, new technologies are being sought that can reduce these problems.

Hence, how fast can Telstra develop and get a new product to market? How quickly can they respond to customer's requests? Telstra is far better off if they are faster than the competition and if they can respond quickly to their competitors' actions. [15] Therefore, Telstra has seen an opportunity in this to respond to people's needs and increasingly has promoted 'broadband' as a viable, effective and efficient way of ensuring speed in communications.

Broadband is growing across Australia because people are attracted to faster download times and having a permanent online connection. [16] Broadband enables a high-speed permanent Internet connection. It's about faster Internet speeds, increased capacity and capabilities and more compelling content. A modem is needed, but there are no dial in access numbers to connect to. [17] Innovations Whether it is a change in technology; a departure from previous ways of doing things or introduction of new products, innovation is something that most successful companies possess and use to further either market share or consumer satisfaction. Depending on Telstra's competitiveness and creativity, innovation can be a huge opportunity in grasping larger market shares and customers, or it can be a threat if other companies are more innovative. Telstra has managed to use

innovative ideas to shape its' success and satisfy consumer demands, some of the latest innovations being the Homeline Plans, Telstra Rewards Options, Homelink® 1800 and Telstra Mobile CDMA. [18] Homeline plans allows the customer to select options that best suit them, whether they have friends and family close by, in another state or another country and whether they make lots of calls every day or just a few each week, in order to bring about maximum savings. [19] Telstra Rewards Options gives the customer the chance to save 5% or 10% on their phone bill by combining their Telstra home phone, Telstra Mobile and Telstra BigPond™, as well as having the added convenience of only one bill.

Homelink® 1800 makes it easy for a family member to call home - and they don't need cash or special cards. [20] Telstra Mobile CDMA is used particularly in rural regions of Australia and offers: call clarity and security; network security lock; background noise suppression; and call clarity and security. Because CDMA uses a more sophisticated system of transmitting voice signals, the phone is not dissimilar to talking on a normal phone. What's more, CDMA signals are almost impossible to decipher if they are intercepted by eavesdroppers, which means conversations are more secure.

Increasingly, more of Telstra's revenues will come from their operations overseas. They will continue to see popular innovations, both overseas and in Australia, that will change the way people work, learn, communicate and receive information and entertainment. [21] In international growth, Telstra's focus is on business mobiles, data and Internet, particularly in the Asia and Pacific Region, which is where it is felt that a good commercial history and experience there will help in realising opportunities for shareholders.

Telstra's investments in Asia have provided them with a platform for regional growth. [22] Downsizing Put simply, downsizing is the planned elimination of positions or jobs, and has caused its fair share of controversy surrounding companies in recent times that are laying off large numbers of workers and sacrificing customer service at the expense of large profits and boosting investor confidence. [23]

Although historically, layoffs tend to affect manufacturing firms and operative level workers in particular, the most recent cycle of downsizing has focused on delivering and eliminating bureaucratic structures, and hence, "white collar" middle managers have been those chiefly affected. [24] Hence, firms such as Telstra should avoid excessive (cyclical) hiring to help reduce the need to engage in major or multiple downsizings.

Beyond that, firms must avoid common mistakes such as making slow, small, frequent layoffs; implementing voluntary early retirement programs that entice the best people to leave; or laying off so many people that company's work can no longer be performed. [25] Therefore, caution must be sought when laying off any amount of workers, as the company must maintain job satisfaction as a strength as well as be focused on customer service in order to avoid customer dissatisfaction and hence customers going to competitors. [26] Recommendations After reviewing Telstra and comparing what they do with other business similar to theirs, I have put together a new and innovative way for Telstra to revitalise and recreate their business, this will not only improve customer service but also improve productively as this will allow many processes to be completed much faster by not needing to deal

with the usual misunderstandings and confusion associated with some of their services.

At present Telstra could be said to be in two worlds that of the typical bureaucratic society, which often is seen in public sectors, and that of new technology where by Telstra is highly involved with the introduce of new technology, yet in many ways these changes have results in more issues relating to people not understanding how to use the new technology correctly, this not includes both employees as well as their clients. Such issues as these are common when new technology is introduced, yet with a business such as Telstra which already has a variety of customer service problems, this new technology has added to their worries.

The only way that Telstra can overcome these issues is by combining them, to create new innovated ideas that not only still allow human to human interaction but also makes better use of technology to not only improve customer service but also to speed it up. After considering the strengths, weaknesses, opportunities and threats to Telstra with regard to it, it is fair to comment Telstra is well poised to continue to play a large part in the Australasian telecommunications market. While Telstra is by many standards a very successful company, much of that success lay behind government protection.

However, with the deregulation of the telecommunications market, the future is less certain for Telstra and more competition may threaten its market share and cause the company to improve its services. However, this should be viewed positively as an opportunity for Telstra to move forward, in particular expanding into Asia, and be seen as a company that can support

itself. This increased competition will in time show Telstra's true strengths and weaknesses in the field of telecommunications and if the company can hold its place in the Australian telecommunications industry.

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