Rivalry of existing australia telecommunication services

Sociology, Communication

The aim of this report is to ensure that Millar Ltd has a competitive advantage to compete with the existing rivalry in Australia and also letting the managers know more about the different environments. The report conducts an analysis of the telecommunication services industry in Australia using the Porter's Five Forces Model and Hofstede's Cultural Dimensions. Millar Ltd is well established Italy telecommunication services company which provides good quality of telecommunication services.

In order to expand to Australia successfully, the company must consider using the adequate resource based on the research about Australia domestic telecommunication services market. In this report, it provides competitive strategy for a Millar telecommunication services to enter the industry in Australia In first part, the report discusses Porter's five forces model which are threat of new entrants, threat of substitutes, bargaining power of suppliers, existing rivalry and competitive strategies connect with Australian telecommunication services industry.

And then, it applies Hofstede's Cultural Dimensions and it is identified in five aspects: power distance, uncertainty avoidance, collectivism and individualism, quality and quantity of life, and time orientation which shows a big difference between the two cultures. At the end, the recommendations provide some strategies to adjust the operating in Australia. There are many telecommunication services companies in the market. Economies of scale may exist if there are many companies in an industry.

An economy of scale is a situation in which the long-run average cost curve declines as the firm increases output, (Mctaggart, Findlay and Parkin, 2007).

This is the point where the company should know well about their Minimum Efficient Scale (MES). If the MES of the telecommunication service company is known, then the company can determine the amount of market share necessary for low cost entry, (Vodafone and 3 flag " economies of scale" from merger 2009). Nowadays, there is a more attaching importance to the use of hightechnologyin this modern society.

Therefore, companies should centre on using high technology asset to produce products or provide services. Assets specificity is the extent to which the telecommunication service company's assets can be utilized to produce a different product. High capital is required to enter into the telecommunication services industry which needs large investments on technology, distribution, service outlets and plants. The cost of setting up a telecommunication service company is higher than other industry. The existence of economies of scale creates a barrier to entry.

Although there are many companies in this industry, the cost such as buying raw material may not decrease. Moreover, cost of setting up a telecommunication service company is higher because the company uses high technology asset and need large investments for technology. Therefore, there is a high barrier for the new competitors entering into the telecommunication services industry. Switching costs refer to the buyer's perceived costs of switching from the existing to a new supplier, (Heide and Weiss, 1995).

Switching costs cover the entire switching process, and not only include costs incurred at the actual moment of switching, but also includes assessing information, performing the transaction, and studying and getting used to the new service provider special rights, (Fornell, 1992). Moreover, transaction costs occur when starting a new relationship with a provider and occasionally include the costs necessary to terminate a relationship, (Klemperer, 1987). Besides that, the main determinant of customers switching costs should be the result of comparison of each company such as service quality andloyaltyprograms, (Lee and Murphy, 2005).

Nowadays, the services market is becoming ever more competitive, as price competition intensifies and the shifting of loyalty becomes an acceptable practice. Not only that, the use of customer's loyalty as a competitive advantage and increasing service quality tends to make the customers more satisfied and loyal, (Petruzzellis, D'Uggento and Romanazzi, 2006). Satisfaction also has a significant impact on customer loyalty, (Sharma and Patterson, 2000) and as a direct antecedent, leads to commitment in business relationships, (Burnham, Fels and Mahajn, 2003). Hence, greatly influencing customer's repurchasing intention, (Morgan and Hunt, 1994).