

# [Economic survey and consumer analysis of ufone](https://assignbuster.com/economic-survey-and-consumer-analysis-of-ufone/)

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Research Paper Title of the topic: Economic Survey and Consumer Analysis Subject Coordinator: Mr. Imran Said Group Members: Ann-ul-Huda Bostan Muhammad Manzoor Zain Hassan Durrani Class: BBA 2K8 – C Course Title: Micro Economics Date: January 19th, 2009 At U-Fone “ It’s all about U” Acknowledgements We are indebted and grateful to Almighty Allah who gave us knowledge, motivation and strength for the completion of our project. We are grateful to Mr. Imran Said for his kind supervision and guidance for the project. His advice, as and when needed, was available to us. We are also thankful to his for taking out time for us out of her busy schedule.

We are thankful to our parents, families and teachers whose motivation, guidance and prayers have made us to reach this point of completion of our project. Executive Summary We conducted an economic survey on Ufone GSM, which is a major part of the Pakistan telecommunication sector. This report contains information that we have gathered. The report compromises of a brief overview of the company, the problems faced in the beginning and than its emergence as the biggest share holder in the telecom sector. The marketing strategies of Ufone regarding its major competitors (Mobilink, Warid, Zong & Telenor) the telecom sector nowadays is in a very critical phase, the importance of being innovative, creative and technically strong would play an important role in determining who the market leader is, in terms of capital market and share. The report also emphasis on the significance of having a government agency (i.

e. Pakistan Telecommunication Authority) for the implementation of regulating laws. The objectives of implementation of these laws have also been described. Lastly, different graphs and table have been included to provide a better view of the respective topics.(UFONE): Ufone GSM (PMCL), a subsidiary of PTCL, started its operations in 2001, and had become the market leader both in terms of growth as well as having the largest customer subscriber base in Pakistan- 20 million customers are growing. It is the second cellular service provider to operate on a 1005 digital GSM technology on Pakistan that also provides state of the art communication solutions to its customers.

Ufone offers exclusively designed tariff plans that cater to the communication needs of a diverse group of people, from individuals to businessmen to corporations and multinationals. To achieve this objective, they offer postpaid (PostPay) and prepaid (Prepay Public Demand, Prepay Life, Uwon) solutions to the customers. PostPay, Prepay Public Demand, Uwon and Prepay Life brands are the largest brands of their kinds in the Pakistan cellular industry. In addition to providing advanced voice communication services that make the lives of millions much easier, they also offer a host of value-added-services to our prized customers. At the same time, Ufone places high importance to its coverage, which is why their network covers over 2805 cities, towns, villages, all the major highways and countless destinations across Pakistan as well as over 195 countries on international roaming service worldwide.

Pakistan Tele Mobile Limited (PTML) is a fully owned subsidiary of PTCL and was established to operate cellular telephony. The company started its operations under the name of Ufone on January 29, 2001 During the same year, due to the privatization of PTCL, 26% of the company’s shares were acquired by Emirates Telecommunication Corporation (Etisalat) and the management was also handed over to Etisalat. During the year 2005-2006, the company expanded coverage to 2805 cities, towns and across all major highways of the country. The company has also been given a license to for providing cellular services in Azad Jammu & Kashmir Despite all the stiff competition in the Pakistan telecom market and lowering of prices to a bare minimum level, the operational performance has been very encouraging. Due to strict policies, the company managed to improve revenue by 87% and an after-tax profit by 54%, as compared to last year.

A strong focus will be on maintaining high quality of service, which is always a benchmark of Ufone, increasing usage and exploring new revenue streams on value added services, market visibility through various market initiatives to fulfill subscribers’ satisfaction and demand and above all to increase the value of investment for the shareholders. Corporate Objectives Ufone’s prime objectives are to: 1. Offer quality services to all masses of Pakistan at affordable price 2. Use state-of-the-art technology to enhance service delivery 3. Constant endeavor to maintain its position as a market leader 4.

Encourage technology literacy among its workers 5. Provide full e-support services to customers 6. Maximize the coverage area 7. Achieve higher earnings by improving performance 8. Facilitate the share holders by maximizing share holders wealth Milestones 1.

Ufone is the only GSM Operator with 2. 5 GPRS service, which is the ‘ next generation’ technology and offers: \* High Speed Data Services through Your Ufone \* WAP Data Services \* Multi-Media Messaging Service (MMS) First Class Customized Data & Voice Solutions for our clients including Mobile Office \* Offer Real VPN System for corporate clientele Introduction to Industry: In the matter of provision of mobile telecommunication networks, four companies are competing for market share, namely Mobilink, Warid, Ufone and Telenor. Each of them has their own networks with varying bandwidths, audio, video and messaging abilities. Mobilink has the lion’s share of the market, 41%, mainly due to its good marketing and advertising campaign. Ufone is a late entrant into the market, and faces stiff resistance from Mobilink in the matter of market share.

Currently Ufone has a market share of 23%. It has been seen that the reliability factor for any mobile network provider depends largely on the state of its technological equipment, the infrastructure availability and compatibility, and the level of its problem solving and after sales service. In the graph (graph 2) we conclude that the most market share is captured by Mobilink with 41%, Ufone with 23%, Warid with 16%, Telenor with 17%, and Paktel with 2% and Instaphone with only 1%. This is according to a table given by Pakistan Telecommunication Authority (PTA) which is given in the appendix (See table 1) Driven by lowest tariffs, maximum coverage, and relatively better quality the Pakistan mobile market is rapidly growing. The newly deregulated mobile market is now working on sustaining the mobile boom that hit Pakistan four years back and on the brink of adding Value Added Services to increase ARPU along with customer satisfactions. Network coverage of almost 90% of the total population of Pakistan has made mobile industry even more attractive for foreign investment.

Pakistan has emerged as one of the fastest growing mobile markets among the developing nations. In order to compete all the cellular companies are trying to grab the market share from each other. As they fight for market share, that battle is being conducted over the airwaves and newsprint. It is hard not to notice the mobile phone advertising campaigns in Pakistan. The mobile phone and services advertisements are in the media, on billboards and everywhere else imaginable.

Despite some downward rating of Pakistan economy, telecom sector has continued to share in national economy positively. Growth in telecom sector has shown positive impact on Pakistan economy where its share in taxes and employment has increased tremendously due to fastest growth in telecom penetration all across the country. Competitors: As the GSM Mobile Cellular industry consists of only five players \* Ufone \* Mobilink \* Telenor \* Warid \* Zong Therefore, the industry lies in an Oligopolistic situation. Services are also differentiated and there are certain barriers to entry and exit. This is because of high investment costs.

Each cellular company has around more than one thousand people employed in their Head Offices and sales centers. Competitor analysis: Mobilink Mobilink GSM (PMCL), a subsidiary of Orascom Telecom, is a market leader in providing state-of-the-art communications solutions in Pakistan. Mobilink started its operations in the year 1994 from Lahore becoming the first cellular service provider in Pakistan to operate on a 100% digital GSM technology. In those early stages of wireless telephony; Mobilink offered only postpaid services with no specific brand name. A few years later Mobilink’s cellular operations suffered a serious set back when mobile services were suspended in Karachi for a couple of years during 1995 -1997 due to law and order concerns.

The foreign firms with cellular holdings, Motorolain Mobilink and Cable & Wireless in Paktel, lost interest in the Pakistani market and sold out their shares. Orascom Telecom, an Egyptian company bought Mobilink’s shares and got involved in operations in April 2001. Until year 1998, only three firms catered to a tiny market size of less than 300, 000 users. The same year, a major change was introduced in the market by implementing Calling Party Pays (CPP) tariff structure and the sector has witnessed explosive growth ever since. Being the pioneer in this industry Mobilink came up with two main Brands, Mobilink Star and Mobilink Jazz targeting the elite and the upper middle class.

The star package did not last very long and was closed within a few years’ time . Because of its monopoly in the market Mobilink did not really focus on the marketing of these two. However, soon Ufone entered the market compelling Mobilink to redesign its strategy. In April 2001 Mobilink launched its postpaid services under the umbrella of Veterans, who had observed the growth of the cellular industry . The industry doubled from 5 million in December 2003 to reach 10 million in December 2004.

Ufone, a subsidiary of PTCL also had a strong support from all sides in terms of finances and infrastructure. In the competition to expand, Mobilink suffered huge losses because of bad service. It had to pay millions of dollars to PTA as fine. On February 18, 2004 Mobilink underwent a great communication evolution from being Pakistan’s largest cellular company to Pakistan’s favorite cellular family. This vision brought with it a new logo and introduced new corporate colors, which were a dynamic and balanced combination of indigo and platinum. Platinum represented the unprecedented investment in technology and infrastructure while Indigo symbolized the new vision of connecting the subscribers in every aspect of life.

The new logo gave a fresh look to the whole brand. The slogan reshaping communication was received well by the audience. Telenor Telenor, a Norwegian firm, acquired the license to build and operate a mobile network in Pakistan in April 2004 at a price of USD 291 million. A wholly owned subsidiary Telenor, Norway, Telenor, Pakistan launched GSM mobile services on 15 March 2005, and by the year-end the company had successfully acquired 1. million subscriptions.

In addition to basic voice services, SMS and MMS, Telenor Pakistan offers mobile data services to all its customers. The company rolled out its GSM network rapidly during 2005. This network was WAP and GPRS enabled and EDGE compatible. In addition, the company holds a Long Distance and International (LDI) license through which it is providing nationwide and international call services. Telenor Pakistan distributes its services through a network of 13 own sales and service centers, 58 franchisees and approximately 18, 000 retail outlets selling subscriptions and refills.

Warid TelecomWarid Telecom commercially launched its services in Pakistan on the 23rd May 2005. This was one of the biggest launches in the region as for the first time any international operator started its operation in 28 major cities on the very first day of its launch. Warid Telecom has the advantage of being backed by the Abu Dhabi Group, one of the largest groups in the Middle East and the single largest foreign investor group in Pakistan. The Abu Dhabi Group always had a diversified business interest in the institutions that have enjoyed commercial success as a result of its strong financial resources and extensive management expertise. Though Warid Telecom was a few months younger than Telenor, but it started with full zeal and devotion which was quite evident in its Pre Launch marketing campaign, Recently Warid has also launched numerous value added services for its prepaid customers which includes find a friend, giving a meal atMcdonaldsetc.

ZONG Millicom international cellular (MIC) signed an agreement for the sale of 88. 66% holding in Pakistani cellular carrier Paktel to china mobile for cash consideration of US$460 million. Later on china mobile Ltd bought remaining 11. 4% of share of Paktel Ltd for US$ 17. % million.

China mobile ranks first in the world in terms of the network scale and the customer base. China mobile communications corporation is entirely owned by the Chinese government. China mobile is the most valuable company in the world, which is listed in the Hong Kong and New York stock exchange. This deal marked the first step of china mobile’s global expansion and the formal entry in to the Pakistani telecom market. Although Zong has recently entered the market still it has been able to grab the market share of almost 3% in the span of just two years.

Industry role in economy: Every company has a role in economy of a country by paying taxes of their income and thus this result in an increase of GDP. Greater industry equals greater competition equals greater technology which equals lower capital and labor costs. Lower costs equals’ great ability to produces which equals a higher GDP. Ufone plays the same role in the economy of Pakistan. They earn money and then pay taxes to government which is revenue for government which government use for the betterment of the people.

Market for Company Services (demand supply analysis): Ufone incredible marketing led to high demand. Ufone youth supporting packages increased demand and customers switched to ufone instead of telenor and mobilink because of perfect competition. In perfect competition the services by firm in industry and homogenous that is identical. That is mobile connection service in this case. To meet the demand, to attain sufficient supply ufone hired 27% more employees of its total employees in last two years. Engineers were paid more wages to attract them Consumer Behavior: Consumer behavior is the way person reacts to purchase focussed marketing materials connections.

Consumer behavior in, particular, is likely to be somewhat different in different countries since it is likely to be influenced by social, political and economic conditions. While research in consumer behavior is the top priority of the marketers. The purchase and consumption process with in any any culture includes buying behavior and consumption behavior. There are three dimensions in consumers behavior which includes consumer perceptions, consumer loyalty and attitude towards marketing. CONSUMER PERCEPTION: Perceptions of companies and their products are different in different countries.

Three types of perceptions are important to marketers which include country of origin, brand equity and price quality relationship. The emphasis placed on the country of origin in a product promotion will therefore have to be carefully accessed by marketers. BRAND EQUITY: Brand equity is useful measure of the value contained in a brand. It can help evaluate extensions create partnership and provide certainity and market share expectations. The technique used by the marketers is to categorize brands using the two dimensions of country equity and brand equity in order to design marketing strategies uniquely suited to specific brands. BRAND LOYALTY: Brand that consumers generally buy from the same manufacture repeatedly over time rather than buying from multiple suppliers within the category.

It also refers the degree to which a consumer consistently purchases the same brand within a product class. According to an economic survey brand loyalty as compared to store loyalty is more evident in consumers in developing countries. Brand loyalty plays a very important role and these factors like good manners; customer friendliness improves brand loyalty tremendously. ATTITUDE TOWARDS MARKETINGGood marketing can draw attention of many consumers to a particular brand which gives marketers an important insights into marketing inside the country and can maximize profit. Advertisments and product differentiation results in product awareness, loyalty to brands and high market share. Introduction to new low cost packages and good service greatly attract the attention of customers hence affecting the polices of a particular company.

provide. Some of the packages are given below: With ufone postpay you can have virtual private network (VPN) your own private network with in ufone network. Also now with your ufone you don’t have to be on the receiving end all the time not only you can receive messeges you can also reply with the same ease and convience. Ufone prepay is more affordable and its primary market is intended more towards teenagers and students. IF your mobile is lost you can retrieve your numbers with the special phone book saver. Ufone also allow prepay public demand users to share their balance with each other through a simple SMS plus users can also use their U Top up and can also enjoy the value added services like international SMS, GPRS, MMS and voicemail.

UFONE has recently launched blackberry services for prepay customers (before it was for postpay customers), a package for blocking wrong numbers by dialing( 420). It has also introduced U tunes, bubble messages etc. Substitutes: Within the industry: Currently Ufone considers Mobilink and Telenor as the only major competitors. In the beginning it had to face tough competition with Mobilink and Paktel, the latter one being the first cellular company in Pakistan and Instaphone both of which were the pioneer cellular operators. But now Ufone does not consider Instaphone a threat as it is nearly out of business. Paktel is now sold to China Mobile and they are planning to start a major campaign in the near future which is a threat to Ufone.

Telenor because of its experience through operation in 12 countries is also considered a to the competition for Ufone. Mobilink as a key competitor: Mobilink started its cellular operation in 1994. It has given tough time to Ufone and is trying to enhance their subscribers more and more by giving attractive packages. They also offer prepaid and postpaid packages to the customers. Telenor an infant yet a treat to competition: Telenor Norwegian Company which was issued a license in 2004 to operate in Pakistan.

Telenor has extensive experience in cellular operation world wide and it is large telecom solution provider in Pakistan. It is expected to invest 5 billion dollars in Pakistan for the next 5 years. It has an extensive cellular network with over 8 million subscribers and covering over 1100 cities all over Pakistan. It is offering both prepaid ‘ tawkshawk’ package & ‘ Telenor Persona’ postpaid package. They have also introduced the ‘ Djuice’ prepaid package Warid an infant yet a threat to competition: Warid was a UAE based company which was issued the license by PTA in 2004. The company has acquired a long distance telephone license and started offering services in October 2005.

It is also growing its coverage all over Pakistan. It has launched its prepaid ‘ Warid Zem’ and postpaid ‘ Warid Zahi” packages. Across the industry (Substitutes): PTCL was the majority’s substitute for a cellular service. It means that when there were no mobile operators, majority of the people used PTCL. The use of wireless networks such as GO CDMA and V-Wireless is also growing.

This shows a major trend; the rise of wireless services. Almost non-existent two years ago, their use is increasing and could possibly be major competitors to mobile services in the future. Among these substitutes PTCL has the major market share. The substitutes available across related industries with their percentages are shown with the help of graph (See graph 1) & table (see Table) Production Analysis: Production as per economic term is the transformation of inputs by a process into useful outputs. In the case of ufone the production is of network services and average. The inputs are labor, land, equipment, machinery, fiber optics etc.

In labor the telecommunication engineers are also launched. The increasing number of favorable packages and a contrast with vast network. Ufone has made other cellular network, the opportunity cost of consumers. In the beginning of the operational activities of ufone it was overtaken by mobilink but from last 2 years the ufone customers have increased and have reduced the mobilink and telenor customers by 7% and 16% respectively. Company Market Model: Ufone lies in an obligopolistic situation because there are only 5 competitors of ufone thus we’ll consider that number of firms are few.

By looking at their products they can be differentiated or they can be homogeneous so they are in either position. Price is a decision variable because people will prefer to buy the connection with lower costs. They are differentiated by their strategic behavior; the better their marketing is the more they sell their products. Interaction with Government: History of Pakistan Telecommunication Authority (PTA): The Pakistan Telecommunication Ordinance 1994 established the primary regulatory framework for the telecommunication industry including the establishment of an authority. Thereafter, Telecommunication (Re-Organization) Act no XVII was promulgated in 1996 that aimed to reorganize the telecom sector of Pakistan.

Under Telecom Reorganization Act 1996, Pakistan Telecommunication Authority (PTA) was established in January 1997 to regulate the establishment, operation and maintenance of telecommunication systems, and the provision of telecom services. When PTA started regulating the telecommunication services, PTCL was providing basic telephony services whereas Paktel, Instaphone ; amp; Mobilink were providing cellular mobile service till the end of 2002. Internet was in its infancy. In 2003 deregulation policy was introduced by government of Pakistan. Later PTA issues two cellular licenses to private sector companies including Telenor of Norway and Warid Telecom of UAE who will be competing with PTCL. PTA gives licenses for operation of value added services.

PTA decision to reduce activation tax from Rs 2000 to Rs 500 on new mobile connections played important role of increasing subscribers and boosted the mobile sector. Bandwidth rates have been reduced drastically for affordable internet services across the country. Frequency Allocation Board (FAB) was established under PTA in 1996 that was assigned to manage frequency spectrum in Pakistan. It was previously a part of ministry of Information Technology and was placed under the administrative role of PTA in April 2004 by Government of Pakistan. Laws, Rules And Policies: Application for grant of a license: No license to provide basic telephone service may be granted, but applications may be made for the establishment, maintenance and operation of any telecommunication system or the provision of any telecommunication service other than basic telephone service. \* Conditions and criteria for grant of a license: The Authority may grant license to an individual, class of persons, company or corporation.

\* Duration and renewal of license: Subject to the Act and these rules, a license shall be granted for an initial term of not less than twenty-five years. After the expiry of the initial term, the license shall be renewed on terms and conditions consistent with the policy of the Federal Government at the relevant. \* Quality of service: The quality of interconnection services provided by that relevant operator shall be at least of the same standard and quality as comparable services provided to the relevant operator’s own business including, without limitation, in relation to price, quality and the timescale within which interconnection is offered. Interconnection charges: Subject to these rules, a relevant operator shall be entitled to fix different tariffs and terms and conditions in respect of interconnection services for different categories of operator and different categories of interconnection services where those differences can be objectively justified on the basis of the costs incurred in providing such interconnection services and which are approved by the Authority from time to time. Prices payable to the Company: The fees and charges hereinafter referred to the “ Prices” shall be payable to the Company for the telecommunication services hereinafter referred to as the “ Basket Services”. These services include installation services, line rental services and call services.

Price control: The Company shall ensure that in each consecutive twelve months period hereinafter referred to as the “ Price Control Period”, the Prices charged for the Basket Services shall be fixed so as to satisfy the criteria \* Changes to the Basket Services: Subject to sub-rules, the Company shall be entitled to add or replace a telecommunication service in respect of the Basket Services only if that telecommunication service is either:- \* Wholly or substantially in substitution of an existing telecommunication service; or \* A packaged offering of existing telecommunication services or of elements of existing telecommunication services. \* Sales or value added taxes: Prices set pursuant to these rules are exclusive of any sales or value added tax including any Central Excise Duty, which may be levied under the relevant law in addition to the Prices. \* Uniformity of Prices: The Company shall not show undue preference to, or exercise undue iscrimination against, particular persons or classes of persons in respect of the prices charged by it for telecommunication services and shall not in particular, charge different rates for customers in rural areas than those charged to similar customers in similar situations in urban areas. Recommendations: 1. In order to enjoy the substantial competitive and economic advantages provided by a loyal customer base such as the price tolerance, companies should manage not only the customer satisfaction with the basic characteristics of the brand but also other more attributes should be considered. These other traits of the brand are related to the customer perception of how his/her interests and welfare are considered by the brand.

This perception will help the customer to feel secure and therefore trust the brand to meet his/her future expectations, even in new situations not previously experienced. 2. Furthermore if different companies have the objective of building and keeping long term relationships with customers, they need to complement their satisfaction programmes with other activities focussed on building brand trust. In this regard honest communication and information about the brand, shared values, brand reputation from the part of the brand company may enhance brand trust. 3.

Nowadays a new trend has arrived in which the two major players i. e. Telenor and Mobilink are making Musical ads. Cultural orientation is a factor that can have a major impact on consumption patterns. Pakistani cultures dose not appreciate these types of ads. Marketers need to be aware of this fact that Pakistani consumers do not appreciate these values.

4. Advertisements build certain mental associations with and beliefs about the brands in the advertisements, and lead consumers to buy those brands, so marketers should become increasingly cognizant of the communication values of their advertising messages and contexts, in order to successfully attract consumers’ attention 5. Telenor should focus on the interpretation of their ads because consumers here may forget a particular advertised attribute, but remember an inferred consequence or product evaluation. Consumers in Pakisatan do not evaluate products based on attributes, but rather on the personally relevant interpretations of attributes. 6. Advertising is not the only thing that should be the focus of the advertisers.

The cellular companies should also focus on building their brand image network and voice quality in order to retain their customers. 7. Zong and Warid should try to improve their brand recall. Bvecause as the findings suggest that when taken the name of cellular industry the first name that comes in to the mind of the consumers is Mobilink. CONCLUSION: After conducting, economic survey on ufone GSM we analyzed that in 2007(July) UFONE GSM service became the market leader in terms of growth and largest customer subscriber base in Pakistan. It is second cellular service provider which provided state of the art communication solutions to its customers.

This report tells that the industry lies in Oligopolistic situation and has market share of 23% in 2007. In comparsion to previous years (2002-2005 as shown in tables) its share increased and became the largest share holder in the telecom sector. References PTML U-Fone Mr. Usman Gillani (Assistant Manager) Mr. Ali Zaid (Senior Manager WAS) Mr.

Bilal Ilyas (Senior Executive Administration) Mr. Hamza Sheikh (Key Accounts Manager). Websites www. ufone. com www. pta.

gov. pk Appendix The substitutes available across related industries with their percentages are given in the graph 1. Graph 1 Major firms and their shares are as follows October 2007 – Source PTA Graph 2 The graph shows the shares of firms in the market