

Formulating Business Strategy and Innovative Business Model of Mobile Broadband Services through TOWS Matrix and Cross- Industry Innovation

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Abstract

Indonesia is a large and promising market for mobile telecommunication service. However, the increment of smartphone number and the change of communication way bring significant impact to Telco operator because revenue and traffic move in different or diverging directions. The situation is getting worst due to over the top (OTT) applications. All of these factors caused ARPU (Average Revenue per User) decrement.

PT XYZ, as a mobile Telco operator in Indonesia, also experiences this ARPU decrement. The condition is getting worse since aggressive offerings from competitor in residential broadband service which had been eroding its revenue growth. Another problem is related with low data user penetration.

The research uses conceptual framework which uses several step and tools, such as External Environment Analysis (PESTEL and Porter's Five Forces Analysis), Internal Environment Analysis (VRIO and Value Chain Analysis), Strategy Formulation (SPACE Matrix and TOWS Matrix Analysis) and Redefining Business Model (Cross Industry Innovation and Business Model Canvas).

The researcher recommends that the appropriate business strategy to solve the business problems is launching new mobile broadband product. Decreasing ARPU could be solved because the new broadband product has higher ARPU than current products. It also can compete with other competitors for residential market in order to prevent eroding its revenue growth. At the end, this strategy will solve the business problem related with low data user penetration. The researcher has developed the business model for residential mobile broadband product which has several value propositions.

Key words: Business Strategy; Business Mode; Mobile Broadband

1. Introduction

Mobile broadband traffic in Indonesia has experienced rapid growth. Smartphone increment and the change of communication way bring significant impact to Telco operator because the traffic (as cost to operator) grows much faster than the revenue.

It becomes big opportunities and threats at once for Telco operator. It can be big opportunities because it becomes source of data revenue. It also can be big threats because it is continuing to make downward pressure on ARPU (Average Revenue per User) levels. Based on Indonesian operators' historical ARPU data, ARPU rates are experiencing general downtrend as shown on Figure 1.

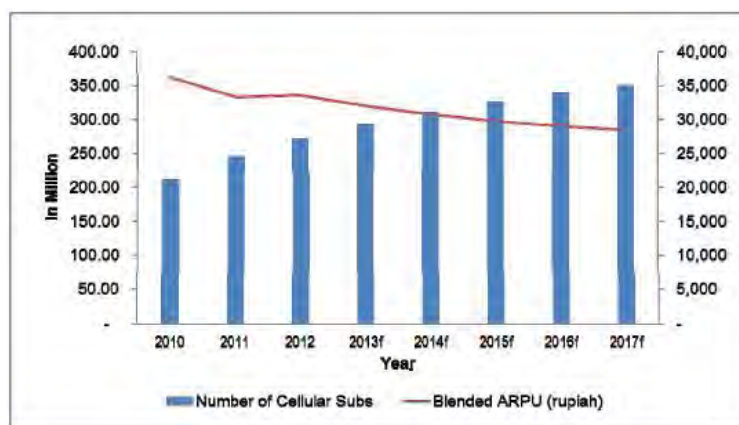


Figure 1 Numbers of Cellular Subs vs. Blended ARPU

In addition, mobile broadband services are characterized by highly competitive tariff among Telco players. Most of them are offering a certain amount of bandwidth quota to unlimited with varied access speed, while the regulation of its service has not been set yet by the government. Low tariff of basic service and mobile broadband caused ARPU earned by each Telco players tend to decrease.

PT XYZ, as a mobile Telco operator in Indonesia, also experiences this ARPU decrement. The condition is getting worse since aggressive offerings from competitor in Broadband service. The competitors not only come from fixed broadband operator but also from mobile broadband operator. Other opportunities and threats are related with low data user penetration.

2. Business Issue Exploration

2.1 Conceptual Framework

The researcher uses conceptual framework which is adopted from the AFI Strategy Framework. The researcher translates the AFI Framework as the way of thinking into a conceptual framework as shown in Figure 2.

2.2 Analysis of Business Situation

2.3.1 PESTEL Analysis

PESTEL Analysis is used to scan several external factors which consist of political, economic, social, technological, environment and legal factors. PESTEL analysis of mobile broadband telecommunication industry in Indonesia can be seen on Figure 3a. It shown that Indonesia mobile broadband industry is very challenging. However, there are many new opportunities because of higher customers' need and rapid technology development.

2.3.2 Porter's Five Forces

Furthermore, the researcher conducts analysis to PT XYZ mobile broadband business by using Porter's Five Forces Framework. The summary result can be seen on Figure 3b. It can be concluded that mobile broadband Telco industry in Indonesia is 2.5 star industries. The most contribution is tight rivalry competition and high customer bargaining position. Mobile operator must become more competitive with innovative business strategy.



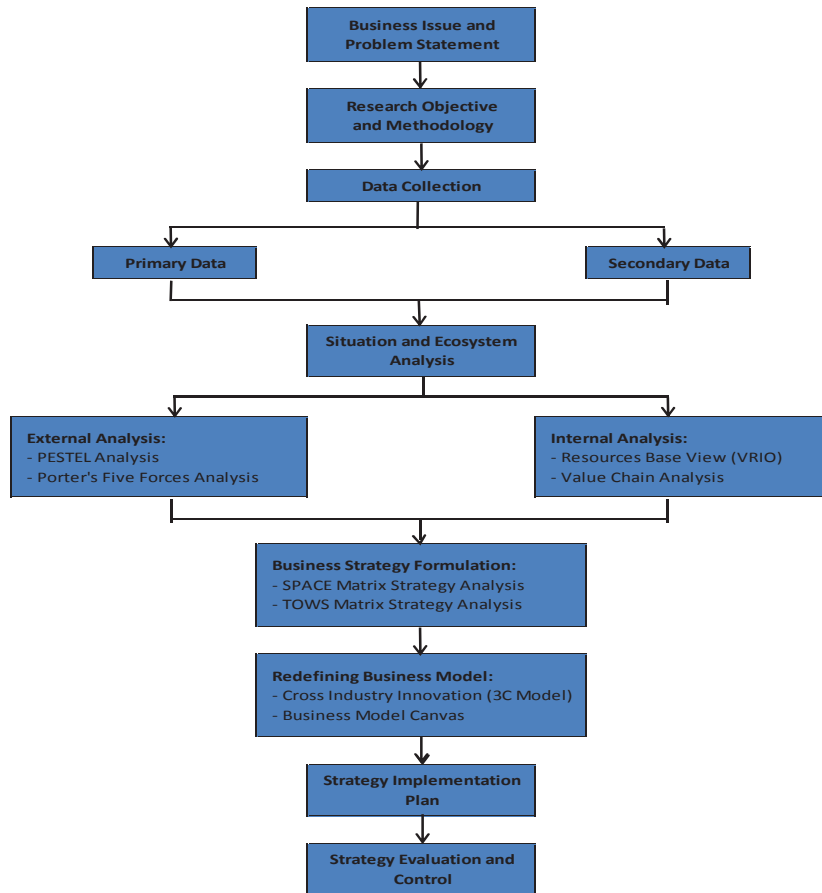


Figure 2 Conceptual Framework

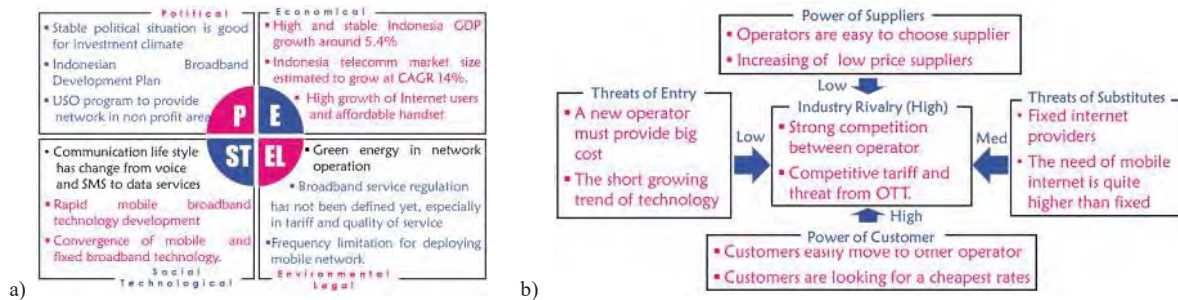


Figure 3 (a) PESTEL Analysis (b) Porter's Five Forces of Mobile Broadband Telco Industry in Indonesia

2.3.3 Resources Based View Analysis

The researcher analyses all of company resources by using Resources Based View Analysis. The result can be seen in Figure 4a. It can be concluded that all resources and capabilities can be maximize to have two competitive advantages: Best network quality and leading brand image.

2.3.4 Value Chain Analysis

According to Porter Value Chain Analysis, the researcher develops the primary and supporting activities to develop new mobile broadband services. The detail information is shown on Figure 4b.

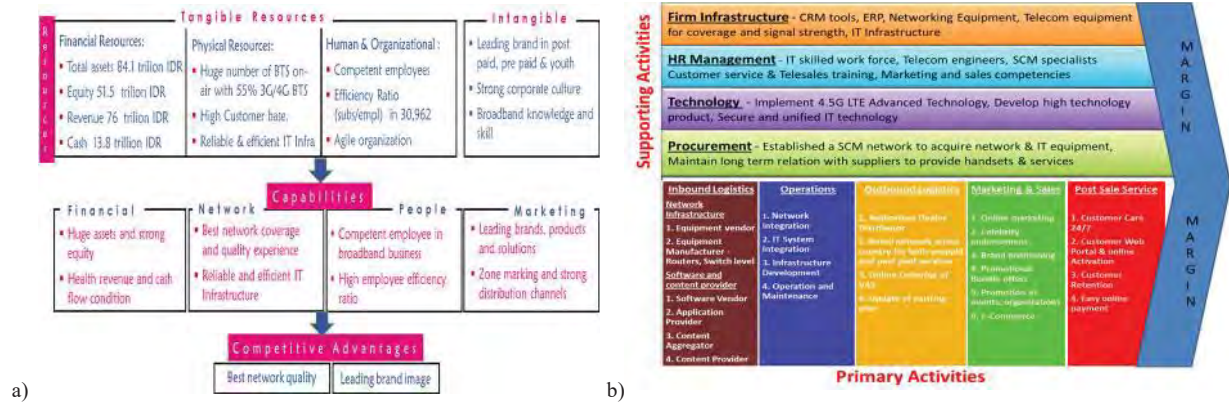


Figure 4 (a) Porter's Five Forces of Mobile Broadband Telco Industry in Indonesia
 (b) Primary & Supporting Activities of Mobile Broadband Service

3. Business Solution

3.1 Business Strategy Formulation

This research uses two tools in formulating new Broadband Business Strategy. They are SPACE Matrix and TOWS Matrix Analysis as explained below.

3.1.1 SPACE Matrix Analysis

The result of SPACE matrix analysis of PT XYZ mobile broadband business is shown in Figure 5a. Its directional vector describes PT XYZ as a strong company to use aggressive business strategy. The company is in an excellent position to apply its internal strengths to take advantage of external opportunities, overcome internal weaknesses, and avoid external threats. To define appropriate strategies, researcher use TOWS matrix analysis.

3.1.2 TOWS Matrix Analysis

TOWS Matrix Analysis was introduced by Heinz Weihrich, a Professor of Management from University of San Francisco. It is a conceptual framework that helps in finding the most efficient actions. The result of TOWS Matrix Analysis of PT XYZ mobile broadband business is shown in Figure 5b.

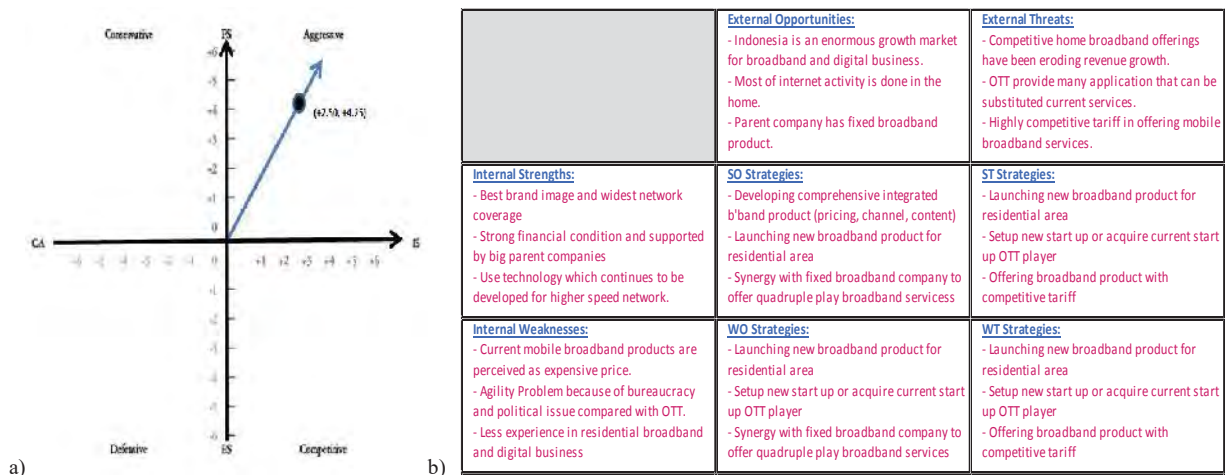


Figure 5 (a) Result of SPACE Matrix Analysis PT XYZ Mobile Broadband
 (b) Result of TOWS Matrix Analysis



3.1.3 Alternative of Business Solution

Based on the result of TOWS Matrix Analysis, the researcher list several business strategies as alternative of business solution for PT XYZ mobile broadband services as follow:

1. Developing comprehensive and integrated broadband product (pricing, channel, content, etc.)
2. Launching new mobile broadband product for residential area
3. Synergy with fixed broadband company to offer quadruple play broadband services
4. Setup new start up or acquire current start up OTT player
5. Offering broadband product with competitive tariff

Then, the researcher correlates all of those strategies with the business problems in order to select the optimal business solution. The researcher analyse that the appropriate business strategy to solve the business problems is launching new mobile broadband product for residential area. It's due to residential customers have higher Average Revenue per User (ARPU) than mobile broadband customer. It can solve the business problem related with ARPU experiencing downtrend. This strategy also solves the business problem related with low data user penetration. It's due to there will be new acquired residential customer with directly become data user.

3.2 Redefining Business Model

In redefining new mobile broadband business model, this research use Osterwalder Business Model Canvas. Before that, the researcher use Cross Industry Innovation with 3C Model as reference for the Business Model.

3.2.1 Cross-Industry Innovation Analysis

The researcher uses this cross-industry innovation with 3C model to get inspiration from other industry as input to improve mobile broadband business model. The researcher asked respondents what their inspiring company outside Telco industry is and what the company do that can inspire in mobile broadband business. The purpose of the question is to get the business model solution according to respondent expectations by beyond the border of Telco industry. Then, the researcher formulates the next practice based on the result of interview. The interview focuses to social conscious professional customer segment because it is the most appropriate segment for mobile broadband service.

Then, the researcher analyses the data from respondents by using 3C Model (Concept–Combine–Create). Concept is ability to conceptualize by conduct in-depth research. Combine is the ability to make smart combinations to find matches and similarities. Create is the ability to make it fit in the situation, ensures that company make it fit by adapt, modify, and customize it to the situation. The result of Cross-Industry Innovation Analysis of PT XYZ mobile broadband is shown in Table 1.

Table 1 Create Next Practice with other industry

Customer Considerations	Best Practices	Inspiration from other Industry	Next Practice
Network quality	High speed 4G LTE technology	Tesla has breakthrough innovation by using high technology to produce electrical cars as future transportation.	Higher speed 4G LTE advanced technology
Service & distribution channel	Service & distribution channel in cities	Unilever has spread distribution channel in all over the country.	Easy to get the product and services
After sales services	Customer relationship Management	Garuda has personalized customer services, for example is Garuda Miles program which has good benefit and after sales service for customer.	Personalized customer relationship
Tariff	PT XYZ is perceived as expensive product	Toyota has existed in the market for long time because they have high quality product with affordable price.	Affordable price with high quality product

3.2.2 Osterwalder Business Model Canvas

Based on the result of cross industry innovation with 3C Model above, the researcher develops a business model canvas for new mobile broadband services. The result is shown in Figure 6.

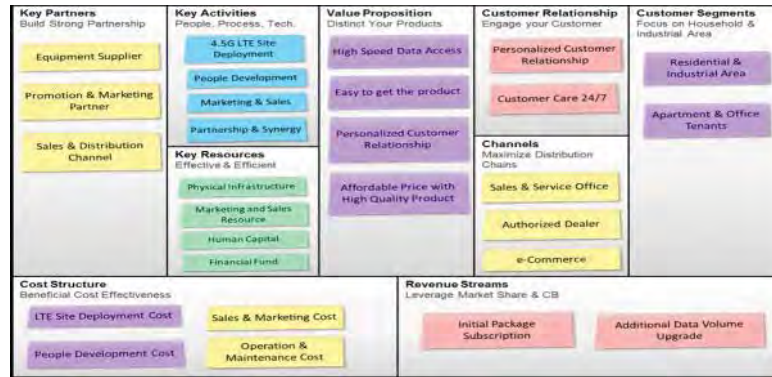


Figure 6 New Mobile Broadband Business Model Canvas

4. Conclusion

There are three business problems that are facing by PT XYZ in mobile broadband business. They are general downtrend of average Revenue per User (ARPU) rates; competitive broadband offerings in residential area have been eroding the revenue growth and low data user penetration.

The researcher recommends that the appropriate business strategy to solve the business problems is launching new mobile broadband product. Decreasing ARPU could be solved because the new broadband product has higher ARPU than current products. At the same time, it can compete with other competitors for residential market in order to prevent eroding the revenue growth. At the end, the strategy will solve the business problem related with low data user penetration. The researcher has developed the business model for the new mobile broadband product which has several value propositions. They are high speed data access, easy to get the product and services, personalized customer relationship and affordable price with high quality product.

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