

## 7. Recommendations and Conclusions

From the external environment analysis, opportunities and threats to the local mobile communications industry had been identified. By conducting a value chain analysis, the strengths and weaknesses of DiGi were identified in the previous chapter. Based on the above information, we can recommend a generic competitive strategy for DiGi.

Porter suggested that to create sustainable competitive advantage and gain above average performance, firms have to adopt one of the 3 generic strategies: cost leadership, differentiation and focus (with 2 variants: cost focus and differentiation focus).

Based on the strengths and weaknesses of DiGi (Table 19), it should not go for a generic cost leadership or differentiation strategies due to its limited capital and market share. Then it has a choice of cost focus or differentiation focus. From the value chain analysis, DiGi seems to have configured its value chain for a differentiation focus strategy. For instance, it focuses its marketing efforts in the prepaid market, attempts to differentiate itself as an innovative provider, and investing in customer service information systems. The following are some risks of focus strategy (Porter 1985 p21):

- The focus strategy is imitated
- The target segment becomes structurally unattractive: if the structure erodes, or the demand disappears
- Broadly-targeted competitors overwhelm the segment: if the segment's differences from other segments narrow, or the advantages of a broad line increase
- New focusers sub-segment the industry

Local competitors do not compete with DiGi directly in the prepaid market segment targeted by DiGi, i.e. in prepaid market for low utilisation subscribers. However, competitors created prepaid services that sub-segment the industry using different calling rates. This reduces the number of potential subscribers willing to sign for DiGi's prepaid service.

As an operator with limited resources, DiGi should probably have chosen a cost focus strategy. For a GSM network with 2G technologies, nothing much can actually be used for differentiation, apart from quality of signal, coverage, customer service and minor product innovations (due to vendor's features). The GSM services, be it basic or value added, are almost the same. Assuming that all operators have good coverage and customer service, cost focus seems to be a better strategy for DiGi. Furthermore, the massive amount of advertising DiGi puts on mass media generates little effect of branding as the products are intrinsically non-differentiable.

In the foreseeable future, when GPRS and 3G that have much higher bandwidth are introduced, more services would be delivered over the GSM network. It would be easier for operator to differentiate with 2.5G and 3G services. However, the market could then be more competitive due to higher degree of liberalisation, and more competitors entering the market. It may be easier for DiGi to compete with foreign operators in cost rather than differentiation since it has less financial resources.

In short, it is recommended that DiGi should adopt a cost focus strategy. As for the industry as a whole, more collaboration among operators is recommended, e.g. in sharing basic infrastructures such as transmission tower, sharing R&D cost and forming strategic alliances in exploring foreign markets.

According to Porter (1985), to diagnose a firm's competitive advantage, it is necessary to define the firm's value chain for competing in a particular industry. Starting with the generic chain, individual value activities are identified in the firm. Each generic category can be further subdivided into discrete activities. Defining relevant value activities requires that activities with discrete technologies and economics be isolated. Subdividing activities can proceed to the level of increasingly narrow activities that are to some degree discrete. Thus the number of potential activities can be very large in a full fledge value chain analysis.

Due to the limitations of the resources for the project and lack of proprietary company data, it is not possible to disaggregate each value activity of the selected firm into the fine level suggested by Porter. However, even with the limited data from public sources, the exercise of analysing a firm by analysing its value chain help to gain some very useful insights of the company and the technique.

For future studies, the following areas are suggested: impacts of GPRS and 3G services to the industry, more detailed value chain breakdown analysis, and subscriber preferences study.

To conclude the paper, managers should be aware of the various techniques available to analyse industries and firms. Scanning the external environment continuously can help managers to stay alert of the threats and opportunities of the industry, while analysing the internal environment helps managers to understand the strengths and weaknesses of their business. With the result of the analysis, they can better align their business to the changing environment and be competitive all the time.