

Future Telecom Markets and Strategy to cope with the Change

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Policy Brief

This paper aims to provide a strategy for the present day telecom operators to operate efficiently in the rapidly transforming telecom world. The evolution of NGN and deployment of fiber is changing the whole buildup of telecom markets. It has made possible to provide large variety of multiple services on same infrastructure. This paper intends to observe the effects of this availability of large no. of services on market structure and propose strategy for telecom operators to cope with new market structure.

Asset specificity means the durable investments that are undertaken for particular transactions. The opportunity cost of such an investment is much lower in best alternative uses. Also the alternative users have a much lower opportunity cost if the transactions in question are prematurely terminated. To support such transactions contractual and organizational safeguards are necessary.

IP and the Internet create a large variety of services. Earlier the bandwidth was used only for voice so its specificity was high. Introduction of multiple services using the same bandwidth has lowered bandwidth specificity. Basic Transaction Cost (TCE) model presented by Williamson is extended to observe the effects of aforementioned factor to organization structure of telecommunication firms.

We have extended Basic TCE model to observe the effects of availability of multiple services in the network. TCE model is extended to check the effect of following factor on future telecom markets.

- **Large variety of services lowers bandwidth specificity.**

The hypothesis is:

- **Lower bandwidth specificity due to availability of large number of services on same infrastructure supports vertical disintegration.**

It has been mathematically proved that the hypothesis presented stands TRUE. Market procurement range has increased when we judge the validity of the hypothesis. This supports structural separation between services and infrastructure.

Almost all Asian countries had a state owned telecom company before introducing competition. These companies face the same challenge. Whether they should continue to work in the same old fashioned way or develop some new strategies based on current technology trends. The need of the hour is to invent new strategies to compete and excel in the present day telecom world. These companies are in a process of developing fiber network in their respective countries. Most of them have also initiated plans to deploy NGN. To gain maximum benefit the bigger company has to disintegrate or at least divide into two sub companies. One that is only concerned with selling bandwidth and access to others and second that is concerned with service creation, management and marketing.

Telecom companies in Asia should take maximum benefit of current technology trends and should follow the strategy of disintegration and separation. Only in this way these companies will feel comfortable in the present day aggressive competitive world. This strategy will not only increase their revenues but also will enhance their efficiency. The success example of BT is evident to us. Now it is time for Asian telecom operators to make full use of this strategy.