

# **Future Telecom Markets and Strategy to cope with the Change**

**Dr. Kashif Azim Janjua  
Senior Manager / Director  
PTCL Training Center, Pakistan**

# Key Issues

- What are the effects of availability of large number of services on same infrastructure on the organizational structure of future telecom firms?
- What will be the most beneficial strategy for Telecom Operators to get maximum benefit from these effects.

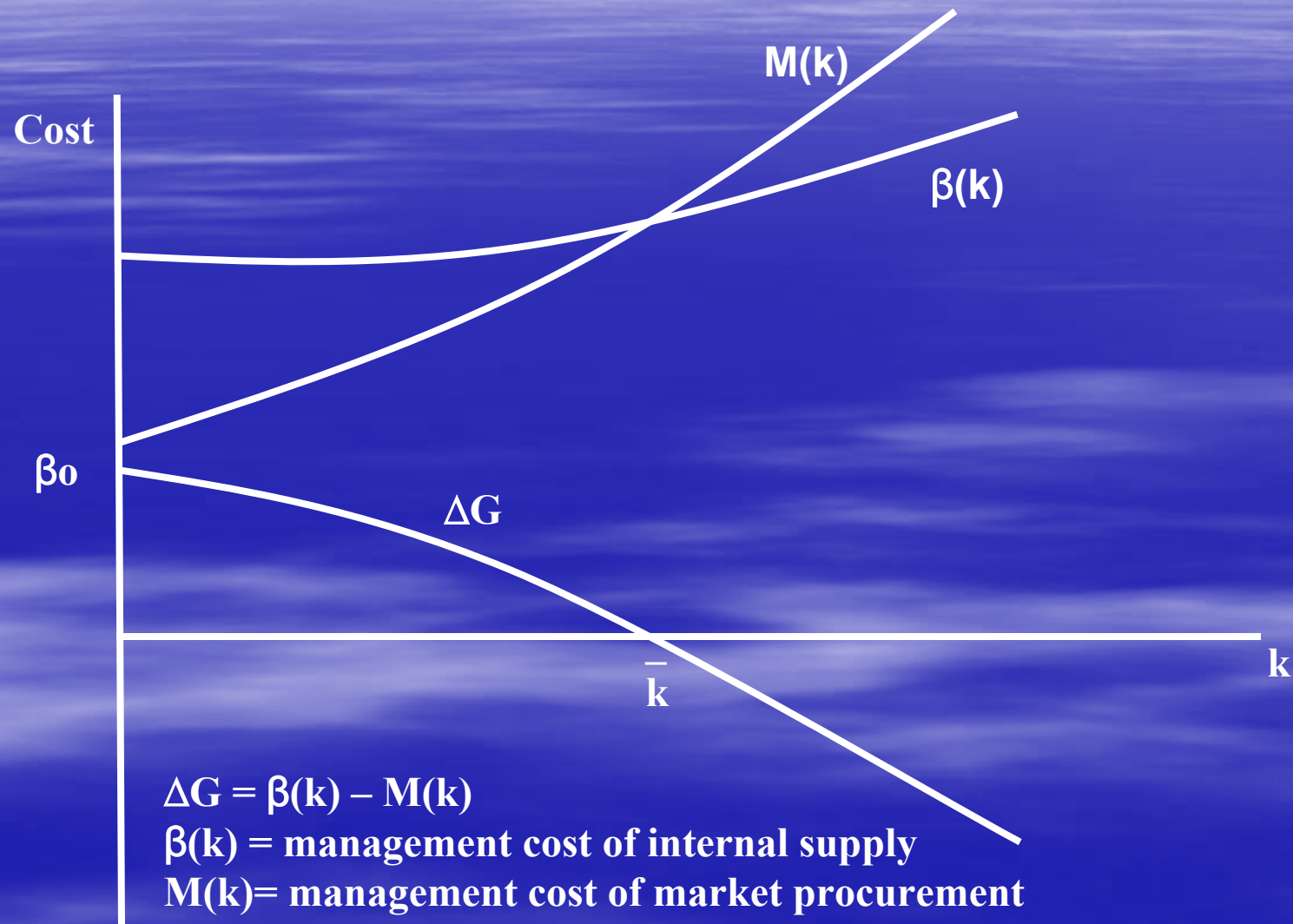
# Transaction cost analysis

- Transaction cost analysis examines the comparative costs of planning, adapting and monitoring task completion under alternative governance structures.
- The transaction is the basic unit of analysis.
- “The costs of using the price mechanism, which includes the costs of discovering relevant prices, and negotiating and concluding contracts” (Coase)
- Transaction cost economics is applied by assigning transactions to governance structures.

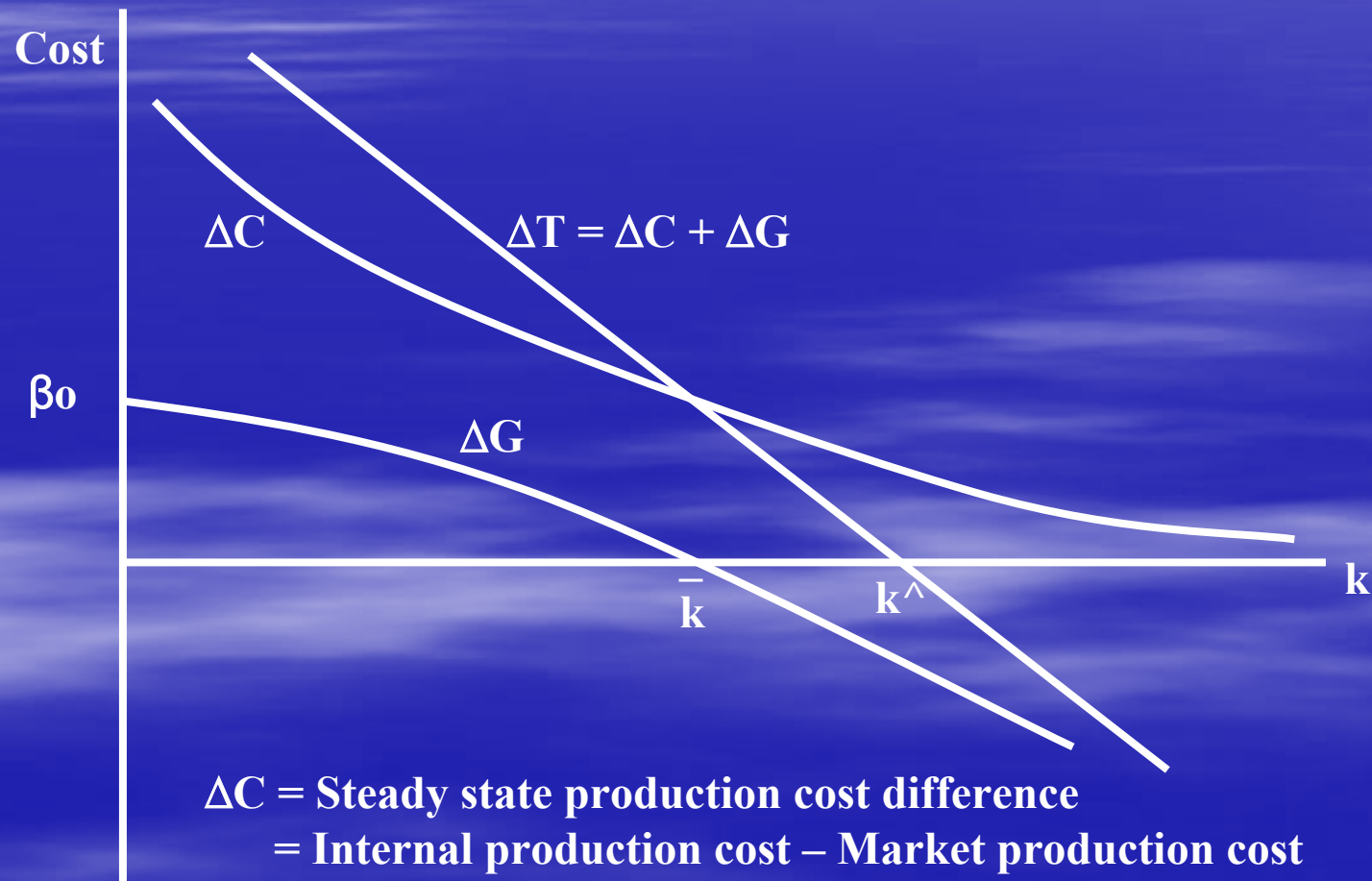
# Asset Specificity

- Asset specificity means how specific an investment is for a transaction.
- There are four types of asset specificity.
  - Site specificity
  - Physical asset specificity
  - Human asset specificity
  - Dedicated assets

# Basic Transaction Cost Model



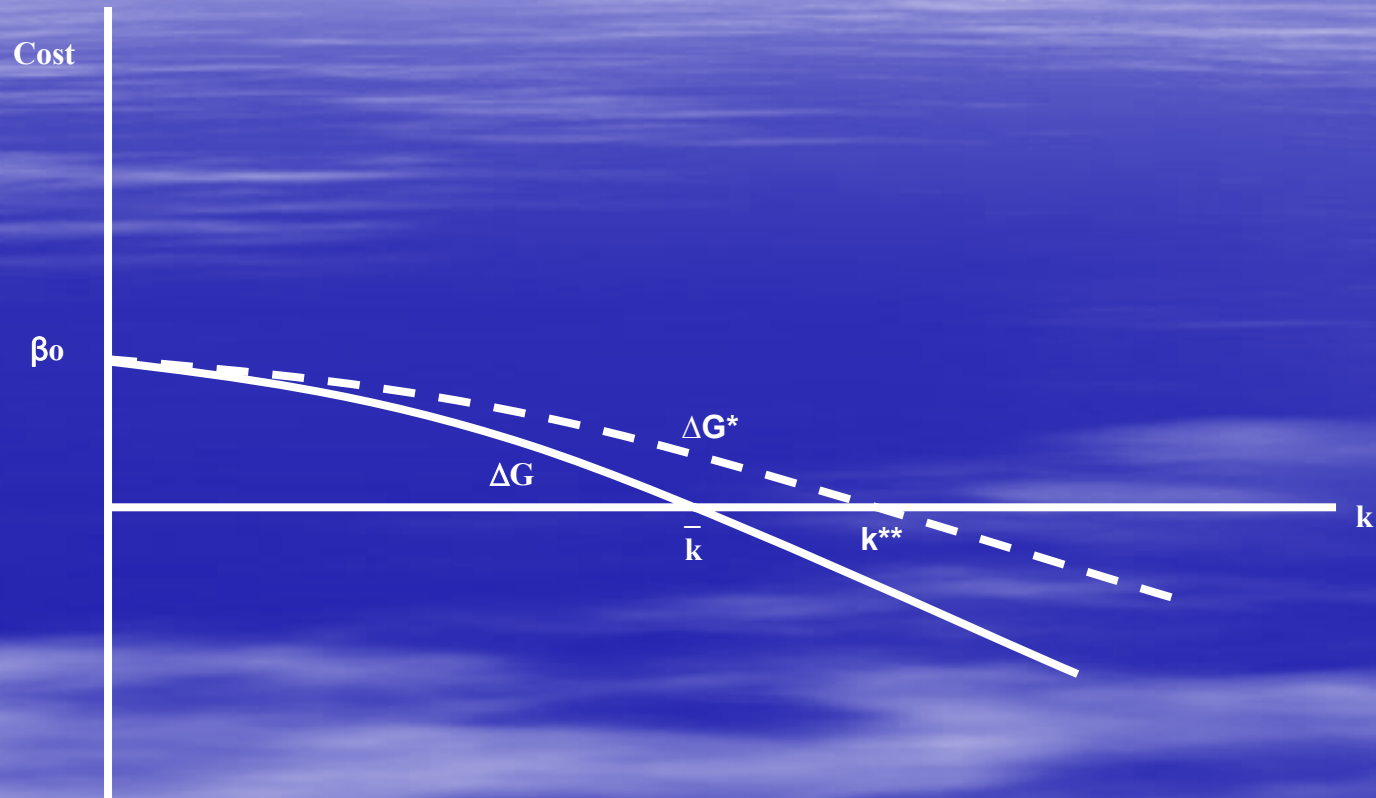
# Transaction Cost Model with Scale Economy



# Future Markets-TCE Perspective

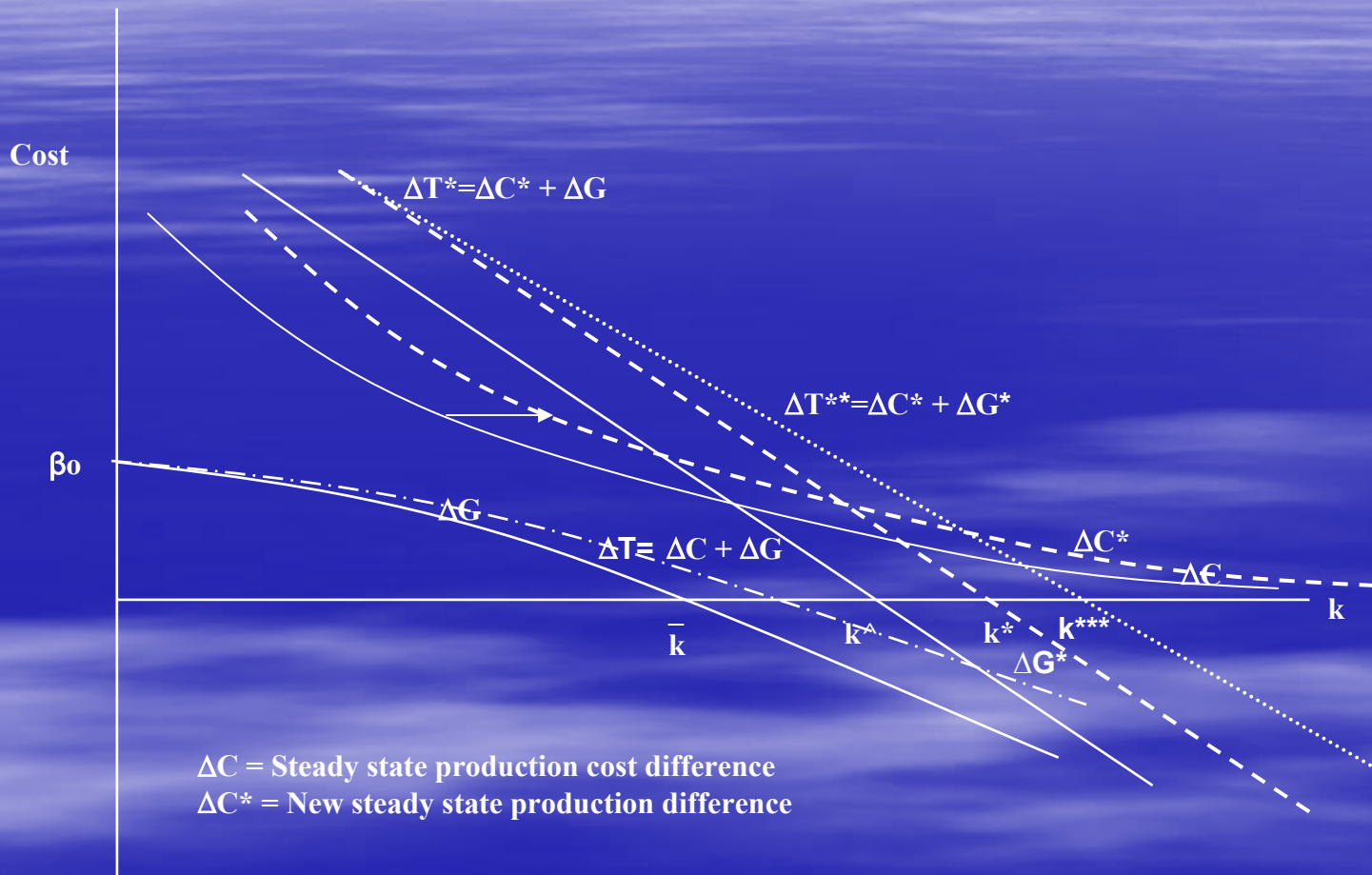
- **Large variety of services lowers bandwidth specificity.**
- **Lower bandwidth specificity due to availability of large number of services on same infrastructure supports vertical disintegration.**

# Decrease in bandwidth specificity



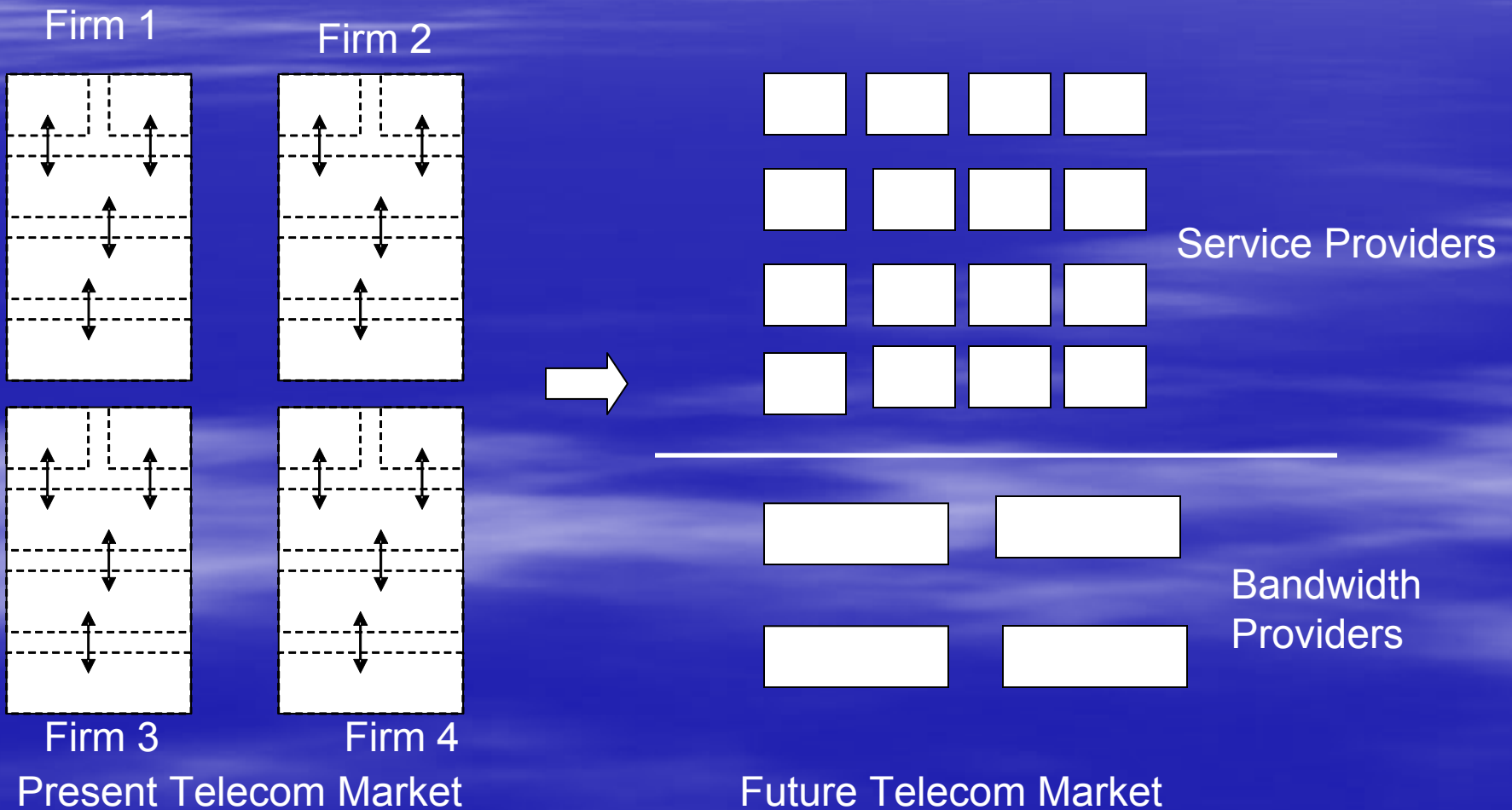
Decrease in bandwidth specificity will move the asset specificity value to  $k^{**}$  increasing the market procurement range.

# Change in $\Delta C$ and $\Delta G$ (combined effect)



$\Delta C$  = Steady state production cost difference  
 $\Delta C^*$  = New steady state production difference

# Future Telecom market



# Strategy for Asian Telecom Operators

- Almost all Asian countries had a state owned telecom company before introducing competition.
- The future trend of telecom market is going to be disintegrated one.
- 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.
- This strategy will not only increase their revenues but also will enhance their efficiency.

# Conclusion

Future telecom market will be clearly divided into two groups. One group will consist of Bandwidth providers and the other will consist of Service providers. Hence the future market will be totally vertically disintegrated.

# Future Work

- Survey Based analytical model will be developed to analytically prove the results obtained.

Questions?