

**COMPETITIVE PRIORITIES OF TELECOMMUNICATION**

**SERVICE PROVIDER : WIRELESS INTERNET**

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## **ABSTRACT**

The internet has developed to give many benefits to societies and has changed the way of doing business. The high competition in business due to many factors such as rapidly change in technology, issues of globalization, changing in consumer preferences and many more create a tough situation for companies to provide high quality products or services to achieve their customers' satisfaction. In developing a customer-driven operations strategy, firms should coordinate their overall goals with its core processes where the competitive priorities are the critical dimensions that each process must possess in order to satisfy internal and external customers. Competitive priorities need to be clearly identified and established as they represent the future focus of a company. Competitive priorities which includes cost, quality, time and flexibility are a useful tool for translating the goals of firm strategy to the level of actual processes which are important to meet customers' satisfaction. This study is conducted for the purpose of assessing the relative importance of competitive priorities elements that influence the consumers' choice in the wireless internet services which indicates that consumers' choice regarding wireless internet services is influenced by the elements of competitive priorities. All the six competitive priorities elements consists of cost, quality, time, flexibility, service and innovation that are very important in all operational process especially to the business oriented company like internet service providers.

## ABSTRAK

*Penggunaan 'Internet' atau laman sesawang telah berkembang maju dengan pesatnya dan memberi munafaaat dan faedah kepada masyarakat sejagat dan telah menukar corak era perniagaan. Persaingan yang hebat dalam perniagaan disebabkan beberapa faktor seperti pertukaran atau perubahan teknologi yang pantas dan canggih, isu-isu globalisasi, pertukaran pilihan atau citarasa pelanggan dan banyak lagi di mana ianya telah mencipta satu situasi yang amat sukar kepada syarikat-syarikat dalam memberi kualiti produk atau perkhidmatan yang tinggi lagi bermutu bagi memenuhi keperluan pelanggan. Dalam menambahbaikkan operasi panduan pelanggan, firma-firma perlulah merangka pencapaian berdasarkan proses keutamaan di mana keutamaan persaingan dititikberatkan bagi memenuhi keperluan pelanggan dalaman dan juga luaran. Keutamaan persaingan perlu diperjelaskan secara terperinci kerana ianya merupakan fokus masa hadapan sesebuah syarikat. Keutamaan persaingan seperti harga, kualiti, masa dan kesesuaian adalah kaedah yang berguna bagi menjelaskan strategi firma-firma ke tahap proses yang sebenar di mana ianya amat mustahak bagi mencapai kepuasan pelanggan. Kaji selidik ini disediakan untuk mengkaji aspek pilihan pengguna berhubung dengan dimensi keutamaan dalam persaingan yang meliputi kos, kualiti, masa, kesesuaian, perkhidmatan dan pembaharuan. Kesemua elemen keutamaan persaingan tersebut adalah amat mustahak dan penting dalam semua proses operasi terutama dalam perniagaan pembekal perkhidmatan 'internet' tanpa wayar.*

## ACKNOWLEDGEMENT

*Alhamdulillah*, with the grace and blessings of The Almighty *ALLAH S.W.T.*, I manage to complete this research, which could not been accomplished without HIS willing.

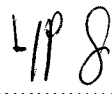
I would like to express my deepest gratitude to Professor Dr. Ismi Rajiani as my respected advisor for his willingness in spending his valuable time to guide, advise and provide useful information. I would also like to express my deepest gratitude to Professor Dr. Salleh Yahaya who has given the trust and confidents to my research proposal.

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## DECLARATION

I hereby declare that this project paper Competitive Priorities of Telecommunication Service Provider: Wireless Internet, is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :   
Name : Safer Bee bt. Majid  
Date : 17<sup>th</sup> April 2012

# **DEDICATION**

To my beloved husband and children.



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background Study

The internet has developed to give many benefits to societies and has changed the way of doing business. The internet, has been described as an enabler of a global marketplace, characterised by “equal access to information about products, prices, and distribution” (Strauss et al., 2006). In addition to reduce transaction and intermediation costs, customers and suppliers adopting the internet for business may be able to overcome time, distance and location constraints, in international markets. The high competition in business due to many factors such as rapidly change in technology, issues of globalization, changing in consumer preferences and many more create a tough situation for companies to provide high quality products or services to achieve their customers’ satisfaction.

In 2007, Krajewski, Ritzman, and Malhotra concluded that the companies should develop a customer-driven operations strategy begin with corporate strategy which aligned with the firm’s overall goals with its core processes. (Krajewski L. L., 2007) had mentioned in developing a customer-driven operations strategy, firms should coordinate their overall goals with its core processes where the competitive priorities are the critical dimensions that each process must possess in order to satisfy internal and external customers.

Competitive priorities need to be clearly identified and established as they represent the future focus of a company. Competitive priorities which includes cost, quality, time and flexibility are a useful tool for translating the goals of firm strategy to the level of actual processes which are important to meet customers’ satisfaction ( (Krajewski

L. L., 2007). These priorities were further expanded by researchers to include service and innovativeness (Askar & Mortagy, 2007).

Everyone is looking forward to give the excellent services to their customers as compared to their competitors. This is where the competitive priorities should be aligned with the firm's overall goals. By looking into the competitive priorities would highlight the competitive dimensions in terms of cost, quality, time, flexibility, service and innovativeness of telecommunication providers towards improvement and further to achieve their customers' satisfaction.

In Malaysia, there are three major wireless internet service providers such as DiGi Broadband, Celcom Broadband and Maxis Broadband. The number of Malaysians accessing the Internet from their mobile phones had jumped 42% from March 2011, according to research firm Effective Measure. The study also found that over 27% of Malaysian Internet users have adopted mobile internet, placing the country fifth in Southeast Asia for mobile internet use. (Source : Business Times, May 19, 2011 : "Jump in mobile internet use".) As at 31 March 2011, DiGi was the third largest mobile operator in Malaysia, with an estimated subscriber market share of 24%, Maxis had an estimated market share of 39% and Celcom had an estimated market share of 31%. ([www.telenor.com/en/investor-relations/company-facts/.../digi](http://www.telenor.com/en/investor-relations/company-facts/.../digi)).

The internet service providers should take into view the importance of listening to voice of customers. The inputs gain will make improvement to their processes and further satisfy their customer's needs. Consumers show different attitudes toward the best service providers in terms of cost, quality, time, flexibility, service and innovation with respect to the differences in their characteristics. With this characteristics will influence the customers to make their choices. Unsatisfied customers will create negative word-of-mouth and convey their negative impression to other customers.

Competitive priorities play an important role in developing a customer-driven operations strategy whereby these priorities help managers develop the services or products and the processes needed to be competitive in the marketplace in order to become the consumers' choices and meet the customers' satisfaction (Krajewski L. L., 2007).

## **1.2 Problem Statement**

To be the consumers choice and further to meet the customers satisfaction, internet service providers should provide quality services by focusing to competitive priorities dimensions such as cost, quality of service, speed, flexibility and innovation in their processes strategy together with their organizational goals. Customer service role is crucial to meet their requirements and their expectations. Telecommunication industry in Malaysia is the fastest growing sectors, especially the internet services where this industry is very much related to the consequent changes of technology. The development in telecommunication industry has also contributed towards the growth of the nation's commercial and industrial sectors. Among the major factors contributing to high competition in internet services are new entrants, new policy and regulation and technology changes.

The study about the relative importance towards competitive priorities that influence the consumers choice is important so as to provide the useful information to the internet service providers to increase their market share and improve their services. By not listening to the customers voice, it is difficult for the firms to realise and capture the customer's needs and wants, other than to be the consumers choice and to satisfy their customers expectations that keep on changing every time.

### **1.3 Research Questions**

The research questions for this study are:

1. What are the relative importance regarding the cost, quality, time, flexibility, service, and innovation of the internet users that influence their choices in internet services?
2. How decision behavior of customers related to the competitive priorities elements will improve the internet services?
3. The customers satisfaction on existing internet services provider.

### **1.4 Objectives**

This research main objective is to look into the relative importance of competitive priorities in terms of cost, quality, time, flexibility, service and innovativeness among the internet users.

This is to be accomplished by:

1. Determining the relative importance regarding the cost, quality, time, flexibility service and innovation of the internet users that influences their choices in using the internet services.
2. Suggest and recommend for the improvement of the internet services in terms of competitive priorities elements based on customer decision behavior.
3. To identify the customer's satisfaction on existing internet services provider.

### **1.5 Hypotheses**

Below are the hypotheses for the purpose of this research:

- H1: Cost has a significant importance role on consumer's choice in internet services.



- H2: Quality has a significant importance on consumer's choice in internet services.
- H3: Time has a significant importance on consumer's choice in internet services.
- H4: Flexibility has a significant importance on consumer's choice in internet services.
- H5: Services have a significant importance on consumer's choice in internet services.
- H6: Innovation has a significant importance on consumer's choice in internet services.
- H7: Competitive priorities have a significant importance on consumer's choice in internet services.

## **1.6 Research Contribution**

Will the importance of listening to the voice of customers be denied by any organization in order to be success in their industry. This study will provide the information about relative importance of competitive priorities dimensions to the users in internet services. From the hypotheses testing, it will show whether all the elements of competitive priorities which consist of cost, quality, time, flexibility, service and innovation have the significance importance in influencing the consumers' choice in the internet services. The relative important of the competitive priorities that will influence the consumers' choice are quality, cost, flexibility, time, service and innovation.

## **1.7 Scope of Study**

This research involved two groups of respondents, public and residents. The survey's questionnaires will be distributed in Melaka Tengah town areas to the public and residents of Taman Bukit Beruang Utama and Taman Bukit Melaka.

## **1.8 Definition of Terms**

### **1.8.1 Competitive Priorities**

Relate to the critical dimensions that a process or value chain must possess to satisfy its internal or external customers, both now and in the future (Krajewski L. L., 2007).

### **1.8.2 Cost or Price**

Low cost operations deliver a service or produce a product at the lowest possible cost to the satisfaction of the external or internal customers of the process or value chain (Krajewski L. L., 2007).

### **1.8.3 Quality**

Quality is a dimension of a service or product that is defined by customers which involved two important competitive priorities deal with quality: top quality and consistent quality (Krajewski L. L., 2007).

### **1.8.4 Time**

Consistently meeting delivery promises. Three competitive priorities deal with time: delivery speed, on-time delivery, and development speed (Krajewski L. L., 2007). On-time delivery refers to a firm's ability to meet a customer's promised delivery date. Speed refers to the amount of elapsed time between order taking and service fulfillment. While on-time delivery affects customer expectations, speed is measured against competitor performance.

### **1.8.5 Flexibility**

Flexibility is a characteristic of a firm's processes that enables them to react to customers' needs quickly and efficiently (Krajewski L. L., 2007).

### **1.8.6 Service**

Service is defined and measured in terms of the firm's ability to offer effective after-sales service and product support (Askar & Mortagy, 2007).

### **1.8.7 Innovation**

Innovation is the firm's ability to develop and introduce new products, processes and technologies (Askar & Mortagy, 2007).

### **1.8.8 Consumer Choice**

Consumer choice examines the trade-offs and decisions people make in their role as consumers based on variety of elements.

(<http://www.answers.com/consumer%20choice>).

## **1.9 Summary**

This section begin with background of study, followed by problem statement, developing the research questions and further identify the objective of the research. Seven hypotheses were developed in this study. Then, continue by the significance, scope of study and definition of terms.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter is focus on a discussion of the bodies of literature which are included competitive priorities, competitive priorities dimensions such as cost, quality, time, flexibility, service, innovation and consumers' choice that are relevant to this study. Each of the bodies of literature is discussed which is focus on the specific nature each of the body of literature as it relates to this study.

#### 2.2 Competitive Priorities

Competitive priorities in a service setting comprise a strategic emphasis on developing certain service capabilities that may enhance an organisation's position in the marketplace. Studying the service sector is important because services have played a significant part in growing developed economies, absorbing unemployment, and promoting the diffusion of service constituents in manufacturing goods (Voss et al., 1997).

The study of the competitive priorities was introduced by Skinner W. (1969) who identified the strategic role of manufacturing and operations as the missing link in formulating corporate strategy. This link transformed the way companies view operations from simply being responsible for producing and shipping goods into a strategic function that provided capabilities which could enhance overall competitive advantage (Askar & Mortagy, 2007). To enhance overall competitive advantage, certain objectives that decision makers needed to develop when formulating their strategies (Skinner W. (1974). These objectives have been refined throughout literature, eventually being labeled as competitive priorities (Bolden R. W., 1997); (Cox, 1989), (Dangayach, 2001) and (Spring, 1997)

identify these priorities as cost, produce and distribute product at low cost; quality, manufacture products with high quality or performance standards; delivery, meet delivery schedules and flexibility, react to change in product, changes in product mix, modifications to design, fluctuations in materials, and changes in sequence.

These four elements of competitive priorities, were further expanded by researchers to include service and innovativeness. According to (Kim, 2004) organizations must have a broader platform that includes superior service to boost customer satisfaction. The latest addition to the competitive priorities is the innovation, the ability to develop new products and implement new technologies and processes that create new markets ( (Prajogo, 2007). In short, by measuring competitive priorities, it give managers a detailed assessment tool that highlights how their companies are operating, their strengths, and what areas need improvement (Askar & Mortagy, 2007).

### **2.2.1 Cost or Price**

In general, cost is a valuation in terms of money, effort, material, resources, time and utilities consumed, risks incurred, and opportunity forgone in production and delivery of a good or service and all expenses are costs. (<http://www.businessdictionary.com/definition/cost.html>).

According to Askar & Mortagy (2007), cost refers to the organization's ability to make profits in competitive markets while offering products and services at the lowest price by reduction of costs through material, labor, overheads and other value added costs. (Phusavat, 2007) explained, the term cost focuses on the ability to effectively manage production costs, including its related aspects such as overhead and inventory, and value-added. Market value, or agreed exchange value, that will purchase a definite quantity, weight, or other measure of a good or service.

In terms of customer point of view, the costs involved in the operation management to produce products or provide services, the price of the product or service become important to them in purchasing decision. Price plays a vital role in telecommunication market especially internet service providers (Tobias, 2000). So, in the competitive market like internet services, service providers are expected to compete on both price and quality of services and also it is necessary for the service providers to meet the consumers' requirements and expectations in price and service quality (Melody, 2001). Usually, the final price may be influenced by many factors which can be categorized into main groups, internal (within firm's control such as cost of resources) and external factors (<http://www.knowthis.com/tutorials/principles-of-marketing/pricing-decisions/4.htm>).

For the term cost, there are given five dimensions for the service providers, these include low cost in operation, quality cost, continuous improvement and value added cost (Phusavat, 2007). Thus, it is very important to the service providers to develop effective processes that use available resources in a very efficient way (Askar & Mortagy, 2007) in order to offer at the lowest price as possible to be the consumers' choice.

Customer satisfaction, one of the central marketing objectives, is closely linked to customer loyalty, the likelihood of recommendation to others, cross-buying behavior, upgrading and lower price sensitivity (Kurt Matzler, 2005, 2006) It therefore, contributes considerably to a company's growth and profitability. The central role of price as a purchasing determinant as well as in post-purchasing processes is well recognized. In a qualitative study focusing on switching behavior in services, Keaveney (1995) reports that more than half of customers switched because of poor price perception (compared to competitors). Considering the central role of pricing in consumer behavior it is surprising that in customer satisfaction surveys little attention is paid to various aspects of pricing

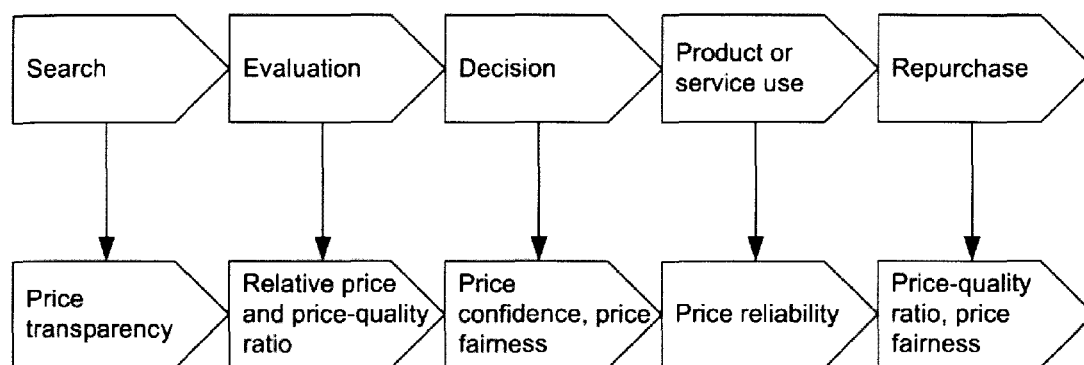
(Herrmann et al., 2000). At best, price is regarded as one out of several attributes in questionnaires (Fornell et al., 1996; Sternquist et al., 2004; Voss et al., 1998) and little is known about the antecedents and consequences of price satisfaction.

Money-back guarantees (Heskett et al., 1990), fixed prices (e.g. everyday low prices), (Ortmeyer et al., 1991), honest pricing (i.e. price fairness) (Ayres and Nalebuff, 2003) and customer advocacy (e.g. giving the customers open, honest and complete information on products and complex fee structures to finding the best product for them) (Urban, 2003) are some of the tools aiming at increasing satisfaction with pricing policy and with the company's offer. Buyer perception and processing of price information is of central and continuous interest to marketing researchers and practitioners.

A nominal price is meaningful to the consumer only after an evaluation (e.g. as "inexpensive" or "expensive"), and such evaluations are the result of a comparison of the price with a prior standard, i.e. the internal reference price. Studies that investigate such effects typically focus only on one dimension of price satisfaction, e.g. the effect of price fairness on price perception (Campbell, 1999), the effect of the price-quality relationship (Fornell et al., 1996) or the effect of price perception on satisfaction and behavior (Keaveney, 1995; Varki and Colgate, 2001).

Diller (1997, 2000) refers to the different stages of consumers' decision Making processes in order to analyze which price dimensions affect global price satisfaction within the respective stages.

From the customer's point of view, price problems will differ within the different stages as below :



Customers needs related to pricing

**Source : Adapted from Diller (1997)**

Customers need information on the quality and price of the offers therefore, price transparency will be an important dimension. When offers are compared and evaluated, the level of the price and the price-quality ratio, as well as price fairness of the offers, will be important. Customers will compare the price paid with the expected price, especially when the price is known only after consumption, as often occurs with services (e.g. telecommunication fees).

The number and complexity of price expectations depend primarily on the customers' price interest (Matzler et al., 2004). This price interest is determined by several factors, e.g. factors that influence price sensitivity (Nagle and Holden, 1995) and product or brand involvement.