

MY TELCO: ETHICS CASE Harvard Case Solution & Analysis



Characteristics of a service provider:
 - As a service provider
 - Market structure is oligopoly in Malaysia
 - ONLY a few companies that offer telecommunication service
 - Companies must consider the possible reaction of rivals to its own pricing, output and advertising decisions in order to maintain their position in the market
 - Services that are offered by the companies are standardized services
 - Price maker
 - New company start a telecommunication service
 - Must think of the economics of scale
 - Consider the reactions of other companies to determine their profit

Do you think firms in this industry can maintain their existing level of profitability?
 Why? Because the market is highly competitive and the entry barrier is low. Firms must invest heavily in R&D and marketing to stay ahead of their competitors. The industry is also subject to rapid technological change, which can erode profit margins.

Key financial ratios for the market?

Ratio	Value
Current Ratio	1.2
Debt to Equity	0.8
Return on Assets	15%
Return on Equity	25%
Profit Margin	20%
Asset Turnover	1.2
Equity Turnover	1.5
Dividend Payout Ratio	30%
Dividend Yield	2%
Market-to-Book Ratio	1.5
Market-to-Tangible Book Value Ratio	1.5
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In Malaysia's "Tele-Industry" Country of Statistics?

Country	Market Size	Market Structure	Key Players
Malaysia	Large	Oligopoly	Telekom, Maxis, Celcom, Digi
Indonesia	Very Large	Oligopoly	Indosat, Telkomsel, XL
Vietnam	Large	Oligopoly	Viettel, Mobifone, Vinaphone
Philippines	Large	Oligopoly	Sun Cellular, Smart, Globe
Thailand	Large	Oligopoly	TrueMove, AIS, 5G
Singapore	Small	Oligopoly	Singtel, StarHub, M1
Brunei	Small	Oligopoly	Beacon, Maxis
Timor-Leste	Small	Oligopoly	TLcel
East Timor	Small	Oligopoly	Timor Telecom
Papua New Guinea	Small	Oligopoly	PNG Mobile
Solomon Islands	Small	Oligopoly	Solomon Telecom
Vanuatu	Small	Oligopoly	Vanuatu Telecom
Fiji	Small	Oligopoly	Fiji Telecom
Tonga	Small	Oligopoly	Tonga Telecom
Samoa	Small	Oligopoly	Samoa Telecom
Kiribati	Small	Oligopoly	Kiribati Telecom
Tuvalu	Small	Oligopoly	Tuvalu Telecom
Nauru	Small	Oligopoly	Nauru Telecom
Cook Islands	Small	Oligopoly	Cook Telecom
Niue	Small	Oligopoly	Niue Telecom
Tokelau	Small	Oligopoly	Tokelau Telecom

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- Total of 19 players and more in the market:**
- Digi
 - Maxis
 - Celcom
 - U Mobile
 - M1
 - Maxis
 - ALTEL
 - TimorLink
 - XITE COM
 - MenaComrade
 - Bealinet
 - TSP
 - SpeedCell Wireless
 - M1 Evolution
 - Smart Prepay
 - Haysi Mo
 - FIBERIX Mobile
 - Telin Malaysia
 - YS Mobile

Thank You!

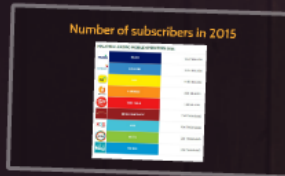
What is a dominant leader?
 A dominant leader is a firm that controls at least half of the market share in which it operates and has no significant competitors. In competitors are merely small firms who compete with it, but are not a significant market share.

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Concession calls

What is the ethical issue in this case?

What are the stakeholders in this case?

What are the ethical issues in this case?

What are the ethical issues in this case?

Do you think there is any real member comparable competing power?

Identify the market structure in Malaysia.

- oligopoly, a market dominated by a few large firms that are interdependent in their pricing decisions.
- because there are only a few firms, oligopolists have interdependent decisions about prices, and each firm's pricing decision depends on the pricing decisions of other firms.

Key Business leader in the market?

What is the market structure in Malaysia?

Company	Market Share (%)
Telcel	~35
U Mobile	~25
Digi	~20
Maxis	~15
Others	~5

Is Malaysia's Telco Industry Growing or Stagnating?

Year	Revenue (RM Billion)	Subscribers (Millions)
2010	~100	~10
2011	~110	~11
2012	~120	~12
2013	~130	~13
2014	~140	~14
2015	~150	~15

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- Total of 19 players and more in the market...**
- Digi
 - Maxis
 - Celcom
 - U Mobile
 - Yes 4G
 - Beeline
 - Airtel
 - TrueTalk
 - NBN CDMA
 - MaxisTrade
 - Beeline
 - True
 - SpeakOut Wireless
 - MY Evolution
 - Senang Pusing
 - Buzz Me
 - FRIEND Mobile
 - Iteon Malaysia
 - Y5 Mobile

Thank You!

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Key Business leader in the market?

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What is a dominant leader?










Dominant leader defines a firm that controls at least half of the market share in which it operates and has no significant competitors. Its competitors are mostly small firms who compete with each other for the remaining market share.

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What action(s) should government take to correct this situation?

Number of subscribers in 2015

MALAYSIA LEADING MOBILE OPERATORS 2015

	MAXIS	13.27 MILLION
	CELCOM	12.34 MILLION
	DIGI	11.82 MILLION
	U-MOBILE	4.00 MILLION
	TUNE TALK	1.20 MILLION
	MERCHANTRADE	700 THOUSAND
	XOX	500 THOUSAND
	ALTEL	200 THOUSAND
	FRENDI	170 THOUSAND

Total of 19 players and more in the market...

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- RedOne
- Tron
- SpeakOut Wireless
- MY Evolution
- Smart Pinoy
- Buzz Me
- FRiENDi Mobile
- Telin Malaysia
- YS Mobile

Is Malaysia's Telco Industry Growing or Shrinking?

Table 1: Revenue and market share

	2015		2014	
Maxis	RM4.26bil	37%	RM4.20bil	36.5%
Celcom	RM3.73bil	32.5%	RM3.86bil	33.5%
Digi	RM3.51bil	30.5%	RM3.46bil	30%

Table 5: Mobile subscribers at a glance

	2015			2014		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Maxis	10.05mil	3.22mil	13.27mil	9.04mil	3.36mil	12.40mil
Celcom	9.49mil	2.85mil	12.34mil	10.53mil	2.92mil	13.44mil
Digi	10.04mil	1.77mil	11.82mil	9.21mil	1.70mil	10.90mil

Growing!

What Is a dominant leader ?

Dominant leader define as a firm that controls at least half of the market share in which it operates and has no significant competition. Its competitors are mostly small firms who compete with each other for the remaining market share.

Any dominant leader in the market?

- The Answer Is No.
- Because there doesn't exist a firm that's able to control at least half of the mobile phone subscribers market share.

	Q1 2015		Q4 2014	
	Subscribers	Market Share	Subscribers	Market Share
Maxis	13.26mil	29.9%	12.91mil	28.7%
Celcom	12.28mil	27.6%	12.97mil	28.9%
Digi	11.69mil	26.3%	11.42mil	25.4%
Others	7.19mil	16.2%	7.63mil	17%
Total	44.42mil		44.93mil	

Source: Telco presentations, plus MCMC's Communications and Multimedia Pocket Book of Statistics Q1 2015.