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BLUE OCEAN STRATEGY FOR CELCOM BERHAD,
MAXIS BERHAD AND DIGI
TELECOMMUNICATIONS SDN. BHD

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DECLARATION

“I hereby declare that this thesis entitle “Blue Ocean Strategy For Celcom Berhad, Maxis Berhad And Digi Telecommunications Sdn. Bhd.” is my own work except for the quotations summaries that have been duty acknowledged”

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DEDICATION

Dedicated to my beloved father, mother, brother and sister.

ACKNOWLEDGEMENT

I would like to extend special appreciation to my supervisor, Dr. Chew Boon Cheong. Tap for his constant guidance over months, my family and friends for their unending encouragement. Lastly to the staff that working in the telecommunication industry especially from Celcom, Digi andMaxis for their support throughout the project.

ABSTRACT

The telecommunication industry in Malaysia is led by the 3 major companies that continuously compete with each other over a small profit of pool in order to increase their market share in Malaysia. This has cause the telecommunication industry to be caught in the Red Ocean traps. Furthermore, in this research, the top three mobile providers which are Celcom, Digi and Maxis have been selected to investigate on methods that can release them from the Red Ocean Traps via Blue Ocean Strategy. By resolving the Red Ocean traps of Mobile Provider in Malaysia, they can achieve a sustainable business and create new opportunity in the market. A qualitative interview is conducted to collect the respondent's answer for the analysis. The data is analyzed by using the qualitative method. The result of this research will be the causes and strategies to release Red Ocean traps of Mobile Provider in Malaysia. This research has been able to provide innovative suggestion that will help the Malaysian mobile providers to be sustainable within the business

Keyword: Red Ocean Traps, Blue Ocean Strategy, Sustainable, Qualitative

ABSTRAK

Industri telekomunikasi di Malaysia dikuasai oleh 3 syarikat-syarikat utama yang bersaing antara satu sama lain untuk memperolehi keuntungan yang kecil bagi meningkatkan saham pasaran di Malaysia. Oleh hal demikian, industri telekomunikasi terperangkap di dalam jerat Lautan Merah. Didalam kajian ini, tiga syarikat komunikasi terkemuka seperti Celcom, Digi dan Maxis telah dipilih untuk mengkaji kaedah yang boleh membebaskan syarikat komunikasi di Malaysia dari jerat Lautan Merah melalui strategi Lautan Biru. Hal ini akan menyebabkan syarikat telekomunikasi di Malaysia boleh mencapai perniagaan yang mampan dan mewujudkan peluang baru di dalam pasaran. Temu duga kualitatif dijalankan untuk mengumpul jawapan daripada responden bagi menganalisis data dengan menggunakan kaedah kualitatif. Hasil kajian ini adalah untuk mencari punca dan strategi yang sesuai bagi melepaskan syarikat telekomunikasi di Malaysia daripada jerat lautan merah didalam pasaran. Kajian ini dapat memberi cadangan inovatif yang akan membantu syarikat telekomunikasi di Malaysia supaya dapat mengekalkan perniagaan mereka didalam pasaran.

Kata Kunci: Jerat Lautan Merah, Strategi Lautan Biru, Kelestarian, Kualitatif

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LIST OF ABBREVIATIONS AND SYMBOLS

SKMM	: Suruhanjaya Komunikasi Dan Multimedia Malaysia
MNP	: Mobile Number Portability
UTeM	: Universiti Teknikal Malaysia Melaka
CEO	: Chief Executive Officer
MoU	: Memorandum of Understanding
ICT	: Information and Communication Technologies
Big Three	: Celcom, Maxis and Digi
R&D	: Research and Development

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CHAPTER 1

INTRODUCTION

1.1 Introduction

During 2015, half of the global population has been using mobile communication. Groupe Speciale Mobile Association (2016) has asserts that 4.7 billion people worldwide are a unique mobile subscriber (Groupe Speciale Mobile Association, 2016). In addition, the Groupe Speciale Mobile Association (2016) estimates that an addition of 1 billion unique subscribers will be added within the next six years (2014–2020). As a result, innovation has triggered the growth and increased of pace in mobile service.

Next, the entrance of new market can be a catalyst for the mobile connectivity and subscriber growth. In this case, by the end of 2020 the number of subscriber will reach 5.6 billion equally to 70% of the world population (Groupe Speciale Mobile Association, 2016). However, Groupe Speciale Mobile Association (2016) has forecast that the subscriber growth rate will be slow due to the saturation in the market. For instance, they will face difficulties in connecting with the lower class income for the developing countries.

Previously, in 2012 the volume of mobile data has exceeded the volume of all the previous year in total. So much that it causes a rapid growth in traffic for the mobile providers. Furthermore, it was estimated that there will be almost 6 billion broadband connections by 2020. In this case, there will be an increase from 47% of total in 2015 to 71% in 2020 (Groupe Speciale Mobile Association, 2016). Nevertheless, as mobile providers continue to provide innovative service to the user, they will become an industry that can continuously evolve that untapped opportunities. Especially when the mobile communication has become a part of everyday life of growing population.

Nonetheless, the telecommunication industry in Malaysia has also grown for the past few years. Namely because of the entrance of mobile technology and high broadband penetration. Moreover, Suruhanjaya Komunikasi Dan Multimedia Malaysia (2016) states that Malaysia has more than 44 million mobile subscriptions with 143.4% penetration rate at the first quarter of 2016. So much that it causes a fierce competition between local mobile provider giants in controlling the market.

At present, there are three major mobile providers (Maxis, Digi and Celcom) that dominated the telecommunication industry alongside with one dominant fixed operator, TM Berhad. Suruhanjaya Komunikasi Dan Multimedia Malaysia (2016) believes that there is an intensive competitive environment between the mobile providers in Malaysia for control over the market share. As a result, they have increase the saturation of the market even without the entrance of new mobile providers such as U Mobile.

During the 2015, Suruhanjaya Komunikasi Dan Multimedia Malaysia (2016) claims that Maxis has become Malaysia number one service provider with a market share of 28.1%. Followed by Celcom (27.9%), Digi (27.2%) and lastly U Mobile (8.4%), a fairly new player that recently enters the market (Suruhanjaya Komunikasi Dan Multimedia Malaysia, 2016). However, the growth is foreseeing to slow down as the market approaches saturation. This is due to the increase of competitors in a single market which have led them to a Red Ocean Traps.

According to Kim and Mauborgne (2015) Red Ocean is a trap that is capable of hooking the manager to the red ocean and prohibit them from entering the Blue Ocean. Whereas, the Blue Ocean is as an uncontested market space with an unlimited of potential that can be explored. Besides, Kim & Mauborgne (2016) claims that as long as the companies gain a profitable growth they will continue to have a head to head competition. Eventually resulting in a bloody red ocean of rival, fighting over a small profit of pool and yet, the red ocean trap can still be avoided. Instead of fighting over a small profit of pool, they can develop their own Blue Ocean Strategy to benefit from untapped market space and opportunities (Kim & Mauborgne, 2016). Even more, the Blue Ocean Strategy will also present a systematic approach for companies that seek to get out from the Red Ocean traps. To conclude with, this research aims to provide a solution for the mobile provider in Malaysia to release them from the Red Ocean trap. In addition, this research will be use the Blue Ocean strategy to create new and uncontested market space for the Mobile provider in Malaysia.

1.2 Problem Statement

The telecommunication industry in Malaysia is led by the 3 major companies that continuously fighting with each other over a small profit of pool (Suruhanjaya Komunikasi Dan Multimedia Malaysia, 2016). It could also be said that they want to exploit an existing demand in order to increase their market share in Malaysia. Consequently, the saturation in the market will increase even further due to the intense competitive environment that take place in the market. In other words, the mobile provider in Malaysia has shown a common characteristic of the Red Ocean traps that focus on competing in an existed marketplace.

The Red Ocean strategy is based on companies that are forces to compete under a standard condition. As a matter of fact, the telecommunication market in Malaysia has an Oligopoly structure. Oligopoly is defined as market structure that is dominated by a several firms (Oxford Dictionary, 2016). However, it also saturated the market. Although oligopoly does not state the maximum number of participant, it is usually low. So that the actions of one firm can greatly influence the others. For instance, if one firm set a price ceiling, the others must also abide by the same rule. This is due to the fact that they have a mutual independence among them. Therefore, Oligopoly structure can be considered as one of the characteristic of the Red Ocean trap. This is because; they are aligning the whole system by either choosing differentiation or low cost to compete with their competitor.

1.3 Research Question

The research question is then constructed as below:

- i. What are the causes that have entrapped the Malaysian mobile providers in the Red Ocean trap?
- ii. How does the Blue Ocean strategy can help the Malaysian mobile providers to escape the Red Ocean Traps?
- iii. What are the innovative suggestions that help the Malaysian mobile providers to be sustainable within the business?

1.4 Research Objective

The purpose of this research is to focus on methods that can release Mobile Provider in Malaysia from the Red Ocean Traps via Blue Ocean Strategy. With the intention, the mobile provider industry can make a quantum leap over their current situation.

- i. To examine the causes that have entrapped the Malaysian mobile providers in the Red Ocean trap
- ii. To investigate the Blue Ocean strategy to help the Malaysian mobile providers to escape from the Red Ocean Traps
- iii. To propose an innovative suggestion that helps the Malaysian mobile providers to be sustainable within the business

1.5 Scope of the Study

The scope of this project is to investigate the causes that have entrapped the mobile provider in Malaysia in the Red Ocean, which also include the type of traps and characteristic of the Red Ocean. Besides, the study will also identify strategy that being use to achieve the Blue Ocean in order to help the mobile provider in Malaysia. This study is conducted in Kuala Lumpur where all of the headquarters are located to gain reliable and comprehensive information

The responded will be focused on the three major mobile provider company which is Celcom, Maxis and Digi as they are the three largest mobile providers in Malaysia. Furthermore, the respondent will be divided into two groups. First category is consisted of executives from the middle management. For example, regional operation manager, operation Manager, operation supervisor, and account manager. This group is responsible for the direction which the company will take. Ten respondents will be selected form this this category. While the second respondent is being directed to the staff that encounter with the customer for daily basic. In this case, the staff will be the sales executives and the outlet executives. Twenty respondents will select for the second category.