

STRATEGIC OPTION OF MOBILE PHONE OPERATOR ORANGE UNDER CRISIS CONDITIONS

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Abstract: The current financial and economic crisis has affected many sectors, but companies have tried to implement marketing strategies adapted to the context. Telecommunication field was affected to a lesser extent, given the customers' need for communication, need that doesn't go away, but that can be achieved through orientation to other service providers. As a research methodology, we used qualitative methods and empirical data on the evolution of Orange mobile operator under crisis conditions, and compared with other operators. The main advantage of these methods is the adaptation to existing resources and external identifying limitations. The objective of this study is to understand how to manage effectively a crisis by applying different marketing strategies adapted to the changing customer needs.

JEL classification: M10, M30

Key words: telecommunications; strategy; crisis; opportunity;option

1. INTRODUCTION

The economic dictionary¹ defines as economic crisis the situation where a country's economy is experiencing a sudden fall brought by a financial crisis. The economy that faces an economic crisis will experience a decrease in GDP, diminishing of liquidity and increasing/decreasing of prices due to inflation, deflation respectively. Economic crisis may take the form of a recession or depression.

Crisis management is a systematic attempt to avoid organizational crisis or to manage those specific events of the crisis that may occur (Pearson&Clair, 1998). The crisis is a major unpredictable event that threatens to affect the organization and its shareholders. Although crisis events cannot be foreseen, they are not unexpected (Coombs, 1999).

Crises can affect all segments of society – companies, churches, educational institutions, families, nonprofit organizations, governments, and they are caused by a variety of factors. Although definitions vary considerably, three elements are common

¹ <http://www.businessdictionary.com/definition/economic-crisis.html>

to most definitions of the crisis: a threat to the organization, the surprise element and short decision time (Seeger, Sellnow&Ulmer, 2003).

An effective management enables the organization to maximize its opportunities and to minimize the dangers it faces. Crisis management involves five major stages (Daniel Serban, 2003):

- “at warm” reaction – involves taking responsibility;
- “thought” reaction – involves explaining the situation and initiating offensive actions;
- Continue the debate – requires a gradation of interventions and a clear delimitation of responsibilities;
- Initiative resumption, the formation of alliances and changing the battlefield;
- Return (post-crisis management situation) – involves a communication strategy able to compensate for previous goals and an assessment of events during the crisis.

While some companies struggle to survive the deep economic recession, others are in a better position, using the crisis as an opportunity. We see three opportunities which many companies have not yet exploited. One is the rapid assimilation of the changing profile of consumers that companies can use to adjust their offer to lower prices – a strategic approach will continue to bring important benefits to companies, based on more effective use of product portfolio.

A second opportunity is to use the pressure started by the crisis to involve the whole company to support the price strategy, by increasing efficiency, minimizing the risks and cutting costs in key areas.

Last but not least, the new economic environment provides opportunities for companies with a stable financial situation, enabling strategic acquisitions that could reposition their brands and also their business portfolios, ensuring the success continuance under austerity conditions.

In time of crisis, managers develop creative solutions, not always the most complex but that generates better results. After all, there was no unique manner for managing the crisis that rocked the world in the past year. Since the beginning, government officials worldwide have doubled their efforts in finding alternatives for the effectiveness of the production sector, i.e. provide jobs and sustainable economic growth.

It is true that global economic engine does not operate at its full capacity. To make it work further, without failure, it is necessary the involvement of all: government, industry, financial system.

The global economic crisis is causing massive dismissals in Romania and strikes the Romanian industry giants. The most affected areas are metallurgy, textiles, automotive components, automobiles and chemistry. But there are also areas of the Romanian economy which, so far, seem to face well the global crisis. This includes in particular those areas which focus on the immediate consumption goods, from which the Romanian citizen does not want to restrain himself.

2. STRATEGIES OF MOBILE PHONE OPERATOR ORANGE ADAPTED TO CRISIS

Telecommunications field is less affected by the crisis than other sectors of the economy, registering in 2008 a growth of 7.2% to 4.5 billion euro, but in countries like Romania players are not immune: business segment customers are trying to reduce their costs as much as possible, and private clients tend to save more and consume less, especially if their income is reduced.

Romanian mobile market is characterized by a strong competition between the 4 mobile operators: Orange, Vodafone, Cosmote and Romtelecom.

The figures provided by mobile operators show that at the end of September 2008 there were 21.4 million users (in Romania, statistics show that there are 21.56 million people), which means that the Romanian mobile market reached its maturity.

Orange Romania, the market leader, is part of the France Telecom Group, one of the largest communications company in the world, with over 182 million customers on five continents. The network of the phone operator counts 102 unit nationwide and 1000 partner stores throughout the country.

Orange's success in Romania is due not only to attractiveness that the mobile phone represents but also to the quality, service and brand.

Representatives of Orange Romania, leader on the local mobile market, with 10.3 million customers, believe that the local telephone market will follow the recent years' trend in terms of lower prices charged by operators that will focus on the added value services and use of mobile Internet. The future of the mobile market on medium and long term depends on the intensity of the economic crisis.

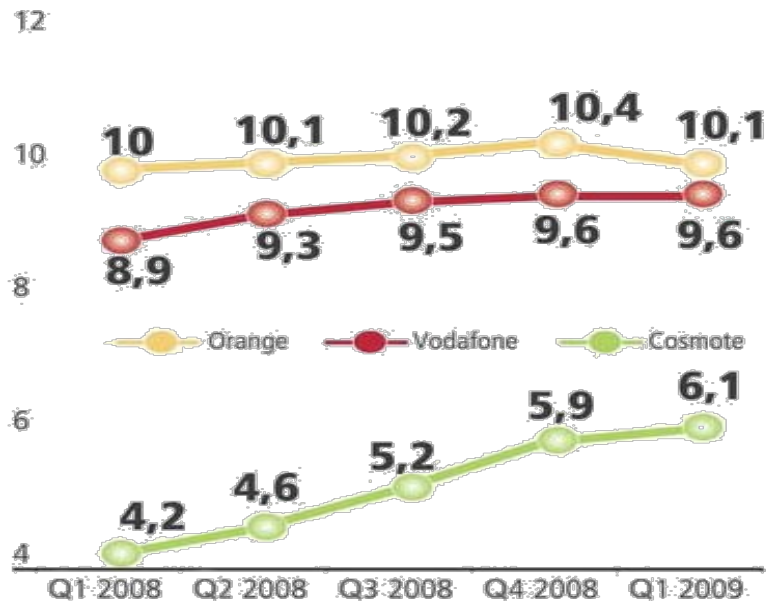


Figure no. 1 Evolution of the total number of users of the first 3 mobile operators in Romania

Source: www.orange.ro

The first signs of the financial crisis began to be felt by the largest telecom operator of the Romanian market since September last year, as in most industries. But, unlike the rest of the companies of France Telecom, Orange Romania was the first division that designed and implemented a crisis strategy.

Orange recorded in the first quarter of this year revenues of 264 million euro, with 14% less than in Q1 of 2008. This variation reflects the negative evolution of

15.3% of the exchange rate, the impact of regulate prices, the combined effects of lower retail prices and the adjustment of consumption in some segments.

In the second quarter, the number of Orange customers increased by 236,000 and the revenues recorded an increase of 267 million euro from Q1, despite a still uncertain economic climate.

To minimize, since the beginning of the crisis, the impact that it might have on the company, Orange developed offers based on as many benefits as possible – unlimited calls up to 50 numbers within the network and unlimited Internet access, reductions in roaming charges by Orange Travel offer, 180 minutes for calls to any national network at any time plus 50 text messages and 500MB for browsing the Internet, for the new iPhone 3G subscription, discounts on phones and accessories according to each degree recorded over the reference temperature of 25 degrees or subscription under three symbols that define different types of customer communication: Dolphin, Panther and Butterfly.

Orange Romania’s decision to change the entire portfolio of subscriptions for individual customers was necessary in the context of the previous offer that left no place for development, and the commercial messages of the operator had reached a dead end. Among the weakness of the previous Orange offer, was the lack of differentiation from commercial packages of other market players, the individual user hadn’t been attracted with an element that would bring a plus.

The process of amending subscriptions began 6 months ago, with the emphasis on market studies and research among customers. The campaign of dividing subscriptions into categories was initiated in the Great Britain, two and a half years ago, the concept being adapted to the local market through adjustments and new items.

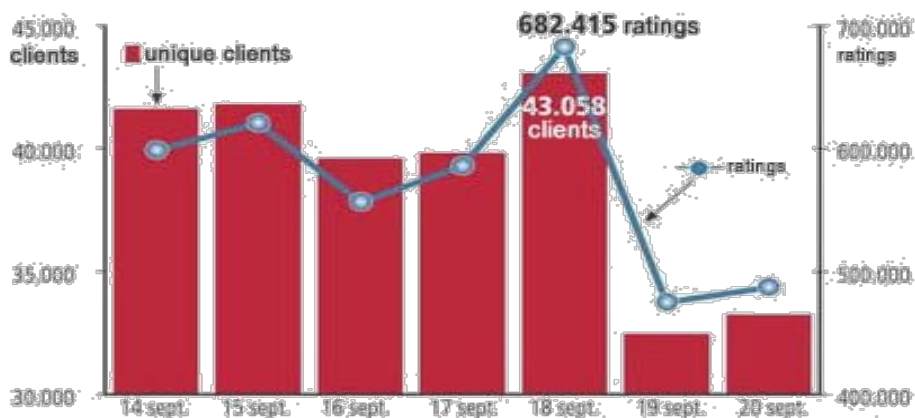


Figure no. 2 Evolution of clients’ number on launching new offers day
Source: SATI (BRAT)

So, the operator packs subscriptions focused on voice service plans under Dolphin name designed for those who need more minutes to talk. Users can choose between the eight types of subscriptions, priced between four and 60 euros. For example, for eight euros a month, the operator includes 400 minutes on the network and 100 national minutes.

Panther subscriptions include the full range of services - voice, text messages and mobile Internet - available in six variants, priced between eight and 80 euros. For subscription Panther 12, users get 600 minutes on the network and 120 national minutes, 600 text messages on the network, unlimited access to Orange World mobile portal and traffic for Internet browsing on the phone and computer, with 12 euros a month.

Butterfly package is addressed to customers who need better control as a cost and are attracted by Prepay offers. Besides the subscription with 100 network minutes and 5 MB for Internet access, for nine euro a month, the package provides access to prepay options. Customers can always replenish their account with specific arrangements for recharging prepaid cards and receive bonuses for this.

> SUBSCRIPTION	> PRICE
Dolphin	4-60 euro
Panther	8-80 euro
Butterfly	9 euro plus extraoptions

Figure no. 3 Subscriptions types

Source: www.orange.ro

Regarding tariffs, it is noticeable that the decreasing tendency in the last years is still maintaining. Analyzing the tariffs evolution curve for telecommunication products and services in the last ten years, we can notice a constant decrease of them, even accelerated, on the basis of intense competitiveness. Once with the intensifying pressure on tariffs and the level of the average revenue per user (ARPU) will decrease. At present, for Orange the monthly value of ARPU is 10-11 euro and analysts estimate a fall of 8 euro in the following years. The greatest diminishing of the income per user happens in the case of prepaid packs.

In this situation, Orange will try as much as possible to maintain the level of incomes and will focus especially on retaining the existing customers, secondary being the attraction of new customers and focus on services (integrated services of fix and mobile communications, expansion of broadband network and exploitation of fix-mobile platform).

Orange revolutionized the sales strategy and the approach for data transmission segment: if early last year it sold only 100 packages monthly that include unlimited internet and laptops, at the end of 2008 there were 2,000 requests per month, that represents 5% -10 % of laptop market, which benefited from lower prices being sold to package of voice and date services. So, data services represent the main target segment in 2009 and will remain a priority in 2010.

Once with the expansion of broadband network in more than 500 cities, it repositioned the offer of mobile data so that the new tariff plans be more advantageous in terms of price for most of users. Consequently, in 2008, the degree of using mobile Internet services with your phone and PC has grown 65% yearly.

Orange continues to rely on increases in the share of mobile data and much of the investments are concentrated in the area of Internet access services. Potential local broadband market will continue to be very attractive for operators who have the ability to invest in network expansion mobile data and increasing speed of access. In general, mobile data services in broadband growth are a promising resource for operators competing in mature markets.

Another news of the mobile operator is launching a new service, namely the transfer of content - contacts, messages, photos, music and other multimedia information on one or another cell phone, on a memory stick containing USB. Transfer service is available for all mobile users in Romania.

Orange officials said they intend to better exploit in the next period the converged model from France Telecom group, so as to introduce more new services like mobile internet or live TV via mobile.

Orange is launching a new converged service Orange Blog. This is the first telecommunication operator to launch a local blog platform that can be accessed by computer via Internet or by phone via WAP access service offered by Orange. Online and blogging enthusiasts can create their free blog on www.orangeblog.ro. Here you will be able to write articles, upload videos and pictures, check comments and messages to interact with their readers. Also, blogs can be updated by sending an image via multimedia message to number 2564. Image will appear on the blog of the user who sent the multimedia message. Orange blogs created on the platform can be customized according to the structure, colors, banners, title, WAP or web layout. Blog Orange service is free. Orange customers who access the blog directly from the mobile phone will pay the WAP or Internet traffic in accordance with the activated data package.

Another Orange strategy is to develop a program of long-term investment in education, for students to receive specialized training, in diverse fields. Orange Educational Program is the latest stage of its collaboration with Polytechnic University of Bucharest, a project begun 11 years ago. 500.000 EUR have been invested in scholarships, the endowment and the creation of training center and GSM test networks between universities in Bucharest, Cluj and Timisoara. Orange Educational Program is certainly a long term project.

During the 2007-2008 academic years, the graduates of Orange Educational Program have participated in courses held by various specialists of Orange, in a program covering 28 specialist disciplines. In addition, to better understand how to work in Orange, students participated in courses such as "Main processes in the technical department", "Project Management", "Budget and Logistics", "Services and Marketing, Human Resources" etc.. It can be said that educational institutions, business and future professionals can collaborate successfully.

3. CONCLUSIONS

In the world there are millions of people whom distance apart, speaking different languages and having different lifestyles. But all share mostly the same: to communicate as they feel, to look with openness and optimism to the future. Orange closes them all, whether living in Britain, France, Israel, Hong Kong, Switzerland, Australia and Romania. Creativity, courage, dynamism, openness, attention to detail, consistency define Orange in everything it does.

Orange is more than technology, mobile phone or GSM, is a brand created to make communication easier between people and bring value to the communities in which it operates. To create a brand so well defined and easily recognizable as Orange, people need ambitious, talented, capable performance and solid training in various fields.

For telecom market is beginning a year that promises to be difficult, mobile operators need to rethink their strategies. Greater customer orientation, exploring new market opportunities or quitting bad projects are some of the trends of the telecommunications market in 2009. Because the company is in constant dynamic, information needs daily faster and more innovative ways of communication.

Orange strategy is to make technology accessible to all its customers to offer them simple, easy to use, to bring them value. Currently, the biggest challenges the first operator of mobile telephony market in Romania facing with refer to mature industry and the economic crisis, that according to CEO of Orange, is difficult to estimate when it will end and what will be its future effects.

As regards medium and long term objectives, the Executive Director T. Millet says that his goal is to turn Orange operator in the best suited one to the conditions that will be on the telecom market over two or three years. Medium term priority is the development of new activities and services beyond just mobile.

Use of appropriate economic strategy must take into account the new domestic and international conditions in which a company operating in the field in this way be able to define the needed ways and means to be used and could lead to sustainable economic orientation to guide company management to achieve the objectives in terms of profitability.

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