

# “4P+4I” as a new functional concept for incumbent operators

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**Abstract** — This paper is introducing the new concept of functioning of incumbent operators, and it's described from the incumbent point of view. The 4P+4I concept is based on traditional 4P concept (Product, Price, Promotion and Place) and in addition it is developed with 4I principals (Innovation, Integration, Interaction, I-regulation). This concept could be the base for introduction of a new management of incumbent operators and implementation of new technologies. Transition into modern operator will secure the sustainable revenues and profitability on a long term.

**Keywords** — New concept, Incumbent, Innovation, Integration, Interaction, I-regulation, 4P+4I.

## I. INTRODUCTION

In almost all countries in the world, the incumbent telecom operators are facing the issue of changing the functional concept in order not only to maintain the leading market position, but also to maintain the profitability in the long run. On one hand, they are facing regulatory measures and new technologies that lead to increased competition and loss of market position, while on the other hand they are facing internal problems of redundant technologies, outdated operational concepts and, above all, obsolete management culture.

The basic dilemma for these operators is how to get sustainable revenues and profitability in the long run.

The transition towards modern operators that would ensure the profitability of the companies in the long run needs to be conducted with a new and modified functional concept that should lead to the implementation of new technologies and a new manner of management.

In this article, the primary topic will be the proposal for a new concept of work for the incumbent operators. The views and the concept are treated from the aspect of the operator. This concept considers the traditional 4P concept (Product, Pricing, Promotion, and Place) [1], but it is supplemented with 4 new principles:

1. Innovation
2. Integration
3. Interaction
4. I-regulation

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This essentially promotes a new and upgraded concept that can serve as the basis for introduction of a new way of management of the traditional incumbent operators and the introduction of new technologies.

## II. 4I PRINCIPALS

4I principals are upgrading the essential 4P concept on a cross-matrix way, as it is explain below.

TABLE 1: MATRIX OF 4P+4I CONCEPT.

	Product	Pricing	Promotion	Place
Innovation	New products based on new technologies.	Pricing in line with the market segments and the competitive environment	Use of new alternative communications and resources	Use of alternative sales potentials; exploiting various partnerships
Integration	Integration of products based on various technologies and networks	Integrated pricing policy regardless of the technology	Unique message to the customers and the market	Integrated Points of Sales: everywhere and everywhere.
Interaction	Creating new products based on interaction with the customers and the partners.	Influencing the customers' habits through an active pricing policy.	Adapted messages suitable to the expectations of the customers.	Approach and ask, instead of waiting to be asked and called.
I-regulation	Fewer barriers, more creativity.	Lead the pricing changes instead of following the competitive regulations.	Quick reaction, flexible relation.	Improvement of customer process (loosen the rules).

### A. Innovation

#### *New products based on new technologies*

It is obvious that the product development in the telecommunications industry has its highest peaks and most visible changes with the introduction of new technologies.

Until the 1980s, the only offer on the market was for fixed voice services, and then, with the emergence of new wireless technologies, i.e. the mobile telephony, the customers experienced the greatest leap of products on the market. Such product development was based primarily on the essential mobility of the voice service, but also on new devices that later laid the foundation for value-added services. The same thing happened with the Internet. With the introduction of Internet technology, content services were offered (Internet services and content), but it also offered voice over the Internet - VoIP that was the basic reason for the changes in the prices of products in the

international traffic.

In line with the above, it is clear that the implementation of new technologies is the bearer of new products. That is the reason why, in order to preserve the competitive advantage, while considering the financial power and the customer base, the incumbent operators need to be the leaders of promoting new technologies. If we also consider that integration is part of the 4I concept, the development of NGN integrated networks is the direction of the development of the incumbent operators.

#### ***Pricing in line with the market segments and the competitive environment***

Considering the fact that different customers have different needs, the innovation should lead to defining the product portfolio that would meet the needs of all market segments. Thus, one of the basic elements of defining the product – the price – should be adjusted to the customers' expectations, it should be acceptable in order to impose new habits for the customer.

The development of the products and the pricing policy should be based on the market segments, not on the nature of the service. This means that the products and the pricing policy should be segmented on personal communications, home-based services, and services for business customers, and each segment should have a different approach in defining the prices of the services, depending on their needs and the competitiveness on the market.

#### ***Use of new alternative communications and resources***

The innovativeness of the communications with the customers is one of the prevailing elements for creating the perception of the customer of the innovativeness of the company offering the product. That is exactly why the demonstration of the innovativeness in the area of communication is the first signal the customer gets regarding the image of the company.

Due to the close connection between the promotional activities and the means of communication, the telecom operators need to pay special attention to alternative ways of communication and they need to stimulate the promotional activities through their own resources. One of the efficient ways for the incumbent operators to promote their own services is 3-screen advertising. [2] Also, it will produce additional revenue via utilizing the marketing potentials of the 3 screens: mobile phone screen advertising, PC screen web advertising and TV screen IPTV advertising.

#### ***Use of alternative sales potentials; exploiting various partnerships***

Similar to promotions, the innovation should be the basic elements of the final interaction between the customer and the service. The communication services for different customer segments are differently perceived. For most of them, these services are a daily need, and therefore, the expansion and the presence of the contact

points between the operator and the customer are important elements of the entire process. The innovations should be applied in two directions: Identifying and defining partnerships and Alternative sales methods.

The operators should stimulate partnerships and wholesale, and view them as partners, not competitors, that mediate between the operators and specific customer segments. The operators need to start managing alternative manners of financial transactions.

#### ***B. Integration***

#### **Integration of products based on various technologies and networks**

The integration of telecom operators has become more than obvious, i.e. the consolidation thereof, on local (national) as well as global level. One of the first examples of the consolidation of telecom operators is the example of France Telekom Orange [3], and currently there is ongoing consolidation or integration of the biggest European telecom operator, Deutsche Telekom [4], that is being integrated under the T brand. The integration is inevitable, both in the organisation of the companies, and in the part of product offers.

It can be noticed that the division between mobile and fixed communications will no longer be an issue. Why is this the case?

It is already evident that the personal communications are being integrated into mobile communications and in mobile devices that support multimedia services. In this segment of personal communications, the fixed telecommunications can be used only as support, in segments that have better performances than mobile communications, and that is usually the home or office environment of the customer.

In the area of home products, the fixed technology still dominates, supported by short-range wireless services. In the segment of business customers, there is a combination of all technologies, without an obvious domination of neither fixed nor mobile technology.

It can be concluded that the product integration depending on the technology must be surpassed, and offer the market segments products that are technologically independent from the customer.

#### **Integrated pricing policy regardless of the technology**

In the case of product integration, it is natural to adopt a single, i.e. integrated pricing policy for the services. But can the integration of the pricing policy occur prior to the technological integration?

The answer is yes. If there are various products targeting the same group of customers (for example, personal communications), but based on various technologies, it is possible to offer price packages that combine these services and offer certain benefits to the customer.

This is the case with the so-called bundled products. Nonetheless, the development of telecommunications confirms that an integral pricing policy is one of the manners to expand the revenue lines of the operators, and a powerful tool to keep the most valuable customers. It is exactly this principle that is used to offer services such as 2-play (that may include voice services and television or voice services and Internet), 3-play (which includes voice services, Internet and television), or 4-play (that includes all of the previously listed with an additional component of mobile services).

#### **Unique message to the customers and the market**

For the purposes of more efficient and clearer presentation, the telecom operators are using global brands more and more often, i.e. there is an integration of communication messages of the operators on global level. At the same time, the messages of fixed and mobile operators are also being integrated.

The operators need to completely integrate the communications with the customers by integrating the brand communication, marketing communication of products and services, and all PR communication messages.

#### **Integrated Points of Sales: everything and everywhere.**

The integration of Points of Sales of the operators is already noticeable, and it is mostly implemented for the needs of the customers, as well as cost savings of the companies, as well as for the companies to increase their efficiency.

What could be the prevailing issue is how are the telecom operators going to integrate into large sale franchises, and how are they going to build partnership with the distribution companies, primarily with the ones from the related industries?

The telecom operators need to integrate their Points of Sales, and offer as many products as possible, not only from their own portfolio (fixed and mobile telephony), but also to expand their products with related products. The telecom operators need to be integrated into the daily sales network of the customers.

### *C. Interactivity*

#### **Creating new products based on interaction with the customers and the partners**

The interaction between the customer and the operator is an element that is becoming more and more important when creating products. Specifically, the interaction can be present in multiple phases of product creation and maintenance.

In the phase of product definition, the interaction consists of the operator considering the expectation of the customers for the product the operator is creating.

In the phase of product presentation, attention should be paid to communicate a message that emphasises the value the customer gets for the money and the comparable advantage over the competition.

In the phase of product maintenance, it is expected that, based on customer needs and the changing habits, the product is to be improved.

#### **Influencing the customers' habits through an active pricing policy**

An active pricing policy includes dynamic definition of prices of the set of products that the customer is using. Specifically, active pricing policy motivates the customer to obtain more services and a higher scope of services.

The active pricing policy also includes creating product prices based on the needs of the customers and market needs, and not based on regulatory measures.

Specifically, some of the incumbent operators, in order to achieve short-term financial effects, try to sustain a status-quo situation, hoping that it would stall the competition and strengthen their competitive position. But the truth is that by doing so, the focus of the incumbent operators strays from the customers and their needs and the incumbent operators lose their sense of the actual market situation. This opens a window of opportunity for the competition, and at some point, the incumbent operators find themselves in a situation of having major financial declines or face the need of fast and thorough restructuring.

The pricing policy of the company needs to be a part of the long-term plans and strategic commitments. The pricing policy should balance the current sales prices, the regulatory barriers and the costs.

#### **Adapted messages suitable to the expectations of the customers**

Despite all the world-wide trends of innovativeness and integration of the communication, an important element in defining the messages is the readiness of the customers to accept that message. Accordingly, regardless of the fact that these are world-wide brands of telecom operators, each message conveyed needs to consider the local culture, habits and the degree of education regarding the telecommunication services.

#### **Approach and ask, instead of waiting to be asked and called**

The interaction in the phase of direct contacts with the customers means to be proactive. The telecom operators do not need to build their success on the irrational attitude of some customers or their passive relation that is first and foremost result of the loyalty of the customer towards the operator, but they should have an active approach towards the offer of rational and new solutions for the customer.

### *D. I-regulation*

### **Fewer barriers, more creativity**

The products require greater innovations which require fewer barriers and more creativity. I-regulation means that incumbent operators need to strive towards lower regulation on product level which can be done by timely performance of appropriate activities and timely opening of the competitive market.

Knowing that the basic intention of the regulatory bodies is to ensure market competitiveness, the main question the incumbent operators need to ask themselves is what is the company strategy regarding this issue?

There are several scenarios that can be chosen.

The first and most commonly used scenario, that provides short-term results but cause loss of customers in the long term, is the passive relation of the operators towards the development of market competition, i.e. the policy of maintaining the monopoly position for a long time. The second scenario is an active attitude of the operator towards market changes, acceptance of the challenge to face the competition, and – within reasonable limits – to open the door to a competitive contest that, on the other hand, opens the door to a more flexible regulatory framework.

Specifically, the operator need to embrace the challenge of competition, and to define the right time when to offer wholesale services on the market at their own initiative, and not when so imposed by the national regulator. The active relation towards this policy would lower the regulatory barriers in the definition of the product portfolio (retail and wholesale), and emphasise the creativity of the operator in creation products.

### **Lead the pricing changes instead of following the competitive regulations**

As consequence of the above, two scenarios regarding the pricing policy are possible: passive and active.

In a passive relation, the regulator is forced to seek the use of models for activity-based costing, and identifying and imposing wholesale products in line with that model. Should the operator fail to implement these models, the regulator is entitled to impose even more rigorous pricing policies, such as lower retail prices, comparative analyses on regional level, etc. Regardless of which of these methods is used, the operator becomes dependent and its pricing policy is led by external subjects.

In the second scenario, although obviously the regulatory obligations cannot be completely avoided. But it is also obvious that by gradually opening the competition at own initiative, it gives more room for focusing on customer needs, thus acquiring the possibility to affect the customers and the market on a higher scale, educating them on new services and technologies, creating additional needs for new services. In other words, it is opening the possibility to model the market in the direction of development that benefits the operator, customers and competition.

### **Quick reaction, flexible relation**

In order to increase market competitiveness, the regulator tries to control the reaction time of the incumbent operators. But, considering the dynamics of the market, this is generally a hindering and limiting circumstance for the incumbent operators. The solution can be found by creating an active regulatory policy towards both the regulatory body and the competition. This means, at the beginning of the liberalisation process, quick reaction towards the demands of the competition, in order to later ensure quick reaction in the area of retail. In addition, creating an environment of uncertainty and silence towards the regulatory body and the competition creates a completely same reaction in the other direction in the later phases of the market liberalisation process.

### **Improvement of customer process (loosen the rules)**

One of the internal problems of the incumbent operators is customer relations processes. The operators need to completely change the behaviour culture and the company management culture. They need to quickly realise that the customer related process, that were applied in the period of monopoly, are counterproductive in a competitive environment.

For this purpose, the incumbent operators need to create a complete and rigorous change in the customer-oriented process, i.e. to i-regulate them, thus providing: quicker and easier acquiring new services, without a lot of formalities and limitations, with the possibility to choose from multiple options; quicker and easier migration and change of services.

This improves interactivity with the customers, their satisfaction and loyalty towards the company. Otherwise, the customers are pushed right in the hands of the competition.

## **III. CONCLUSION**

In this paper, new “4I+4P” concept was introduced. The concept is giving the theoretical guideline for the new management model of the incumbent operators. An important step for the incumbents is the implementation of the concept. Only via implementation and continual monitoring, this theory will be confirmed that brings positive results on a long-term.

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