

**THE STUDY ON AN ENVIABLE SUCCESS AND REMARKABLE
GROWTH OF Ufone IN THE PREVAILING
TELECOMMUNICATION ENVIRONMENTS OF PAKISTAN**



by

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FORWARD

CELL PHONE - A NECESSITY FOR LIFE

Cellular phones, once used to be status symbol for an affluent class have now emerged as staple need of our life with the turn of new millennium. Exorbitant prices of the mobile phones denied the common people an access to this telecommunication technology in the past. Mobile phone, which was earlier a pipe dream for a common person, is now very much within the reach of everybody. Be it a rehriwalah, a labourer, student, lawyer, journalist or executive in a multinational company, cell phone is contemplated as an essential part of core necessities of life. When introduced for the first time in Pakistan, the mobile sets were so big, heavy and cumbersome that it appeared to be hectic drill to carry them along with brief life of its battery. With the passage of time, the mobile phones manufacturing sector has made unprecedented strides at such a fast pace and the phone sets have got transformed into a mini computers – equipped with a video camera and internet – which can be simply carried in a pocket. The battery life too is now longer than a week’s span.

Mobile phones have now brought about a spectacular change from the days when making a phone call for those not having a phone at home, was a big hassle. A few years ago, people were used to wait for months to get a new connection but now the cutthroat competition between the mobile phone operators has not only sliced down the initial cost of connection but also ensured availability of new telephone connection at a doorstep. The situation is now quite different as companies are offering their connection merely for Rs. 40 only (Ufone latest prepaid).

With the prudent approach pursued by the government and active role of the private sector, the overall tele-density in the country has now reached 35 per cent, said an analyst. “Special attention is being given to consumer safeguard and conducting regular surveys of all services to check their quality” said Chairman Pakistan Telecommunication Authority (PTA) Major General (R) Shahzada Alam Malik.

Telecom services are available to nearly 80 per cent of the population. The overall economic activity in the sector also increased the telecom share in GDP to 2%, which is expected to grow further in the coming years. Mobile phone operators are performing well and Mobilink continues to remain leading operator in the sector with maximum market share in terms of both, subscribers and revenues.

Pakistan has also earned a distinction few days ago for becoming the first country in South Asia that offers Mobile Number Portability (MNP) through which a mobile phone consumer can change a service provide any time while keeping the similar number and code unchanged. Pakistan’s cellular subscription base has now crossed 53 million. By the end of March, subscribers totalled 53.2 million, up from 35 million by the end of June 2007. According to latest estimates, the mobile subscriber will cross 66 million by 2007.

ACKNOWLEDGEMENTS

To begin with my thesis, I profoundly acknowledge the blessings of Allah (subhana hoo) in helping me in my efforts. Additionally, I submit that without the help or kind guidance of under mentioned personalities, my work would never have reached to a dignified concerto:

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- ❖ Mr Qadir Hussein, Director Public Relations, PTA.
- ❖ Mr Naveed Khalid Butt, Chief Officer, Ufone.
- ❖ Mr Saleem A Chauhan, GM Administration & Procurement, Ufone.
- ❖ My fellow students of NIMS MBA2k, 2k1 and 2k2 , who worked in related fields of my Thesis, they shared their knowledge/research and guided me to accomplish my goals of research.
- ❖ A special acknowledgement goes to Mr Saad Sarwar (current advisor) for his indispensable, generous and timely help without whom the thesis would never have reached its culmination.

I am honoured to get incontrovertible support from various Telecommunications Services of Pakistan, in general and Ufone authorities, in particular. Very special thanks to every one whose names could not be mentioned because of paucity of allowance in **Acknowledgements** section of thesis.

ABSTRACT

Ufone GSM is UAE owned ex-Pakistani GSM cellular service provider that was a subsidiary of Pakistan Telecommunication Company. It was the only Pakistani-owned cellular service provider in the country. After the privatization of PTCL, **Ufone-PTML** (Pak Telecom Mobile Limited) is now an Etisalat Telecom Company. The registered name was PTML (Pak Telecom Mobile Limited), while Ufone is the brand name of the service.

The dissertation dwells on the reasons, as to how and why Ufone gained stronghold in the telecommunications environments of Pakistan, right from its inception. The areas focussed, based on the **Hypothesis**, are: **Pakistan telecom industry, Introduction and Comparison of Mobile Operators, SWOT Analysis, Comparison of Ufone vis-à-vis other operators and Ufone's - Organisation Structure, Business and Corporate Level Strategies**, their **Analysis** and conclude with few words on the future outlook of the industry.

Ufone ventured in private sector to compete with giants of the mobile industry, which was an uphill task to survive. However, PTA (Pakistan Telecommunication Authority) gave no undue advantage to Ufone, being a part of PTCL — hence a level playing field. Before that three mobile phone companies: Instaphone, Paktel, and Mobilink were operating. Ufone's major competitor at its launch was Mobilink. In the first four months of Ufone operations, 130,000 customers were gained. The initial advertisement campaigns of Ufone highlighted major feature in shape of its pricing strategy. Observing the leaps to an enviable success and remarkable strategy formulation/implementation, I chose Ufone as my major thesis research area, along with PTCL and other telecommunications elements of the country. I decided to conduct research on overall business strategy of the Ufone and telecommunications environments that were present in the times of Ufone's inception.

The tough Pakistan Telecommunication Authority (PTA) regulations in protecting the interests of the consumer's rights and prevalent threats of substitute mobile service providers, made Ufone to sweat to clinch the laurels. Ufone has reached success in mobile industry in terms of subscribers rapidly. Their mission statement, vision and goals seem to be well communicated in all departments. The study in this thesis would unearth specifics and recommendations brought forth by the writer's knowledge gathered during academic sessions of NIMS.

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SECTION - I
INTRODUCTION

Chapter # 1: CONFIGURATION OF STUDY

SECTION – I INTRODUCTION

Chapter 1 - Configuration of Study

This chapter provides the reader with configurations of chapters and mention of their contents.

Chapter 2- Introduction

The chapter describes as to why the specific area of research was selected, **Purpose** and **Methodology** of the research and **Hypothesis**, based on which I developed my thesis. It also encompasses the basic concepts of telecommunications, small introduction on Ufone, telecom environments of Pakistan and an overview of Pakistan's mobile industry.

Chapter 3 – Literature Review

This chapter contains review of the literature that was consulted during the research.

SECTION – II RESULTS

Chapter 4- Pakistan's Cellular/Land Lines Infrastructure (Comparison and Evaluation)

The Chapter provides History and Pakistan's Telecommunication infrastructure, Telecommunication Operators in Pakistan and Overview & SWOT analysis of PTCL and cellular mobile telecommunication services.

Chapter 5- Ufone Company - A Perusal

In this chapter, I tried to dig Ufone's profile and its future prospects. It also has explanation of typical product life cycle, analysis of vision and mission statement of Ufone, objectives at corporate level, SWOT analysis of Ufone, and a comparison of Ufone with other mobile operators in marketing and operations scenarios.

Chapter 6- Organisational Structure

This chapter provides the overview of Organizational Structure, Ufone Organization of Functions, Ufone's organizational hierarchy and strategies regarding departmental structures.

Chapter 7- Business & Corporate Level Strategies

This chapter reviews the business and corporate level strategies in vogue and later dwelling upon how they are being practiced in Ufone.

SECTION – III DISCUSSION

Chapter 8- Analysis

This chapter contains analysis of all the Findings, how the consumers were approached, the consumer survey results and advertising campaigns of all brands of cellular services in Pakistan. The chapter analyzes the findings based on the research and concepts laid out in the study and literature.

SECTION – IV RECOMMENDATIONS & CONCLUSION

Chapter 9- Conclusion & Recommendations

The final chapter concludes the study and puts across few recommendations.

Chapter # 2: INTRODUCTION

2.1 INSPIRATION FACTORS TO PLUMP FOR Ufone

In the pursuit of getting to select the study on an enviable success and remarkable growth of Ufone in the pretext of PTCL/PTA quality standards and prevailing telecommunications environments of Pakistan, I opted to narrow down my options to only those organizations that were in their early stages. From a small list of newly formed companies, I came down to the mobile industry. As we know, Pakistan Telecommunication Authority (PTA) is a regulatory body for the telecommunication sector in Pakistan entrusted with the task of regulating telecommunication systems and protecting the interests of the consumers. The objectives of the PTA also include ensuring an efficient, competitive and deregulated telecommunication sector in Pakistan. PTCL has been conforming to those, presumably, being a government organisation. Through this comprehensive report, a modest coverage will also be given to “Quality of Service Parameters” as performance indicators for important telecom services.

The obvious choice was “Ufone GSM”- the talk of the mobile-town those days, so I chose to analyze Ufone GSM as the header of my MBA Thesis.

2.2 PURPOSE OF THESIS

To reckon why mobile phone became a necessity and not luxury, by the entry of Ufone in the business. PTA kept growing its roots to ensure rights, values and consumer protection. Paktel first launched mobile service in Pakistan, later Insta and then affordable Mobilink — Jazz Prepaid system. Then came even more affordable Ufone GSM. There were three major companies providing mobile services in Pakistan: Paktel and Instaphone with the AMPS services and Mobilink enjoying a monopoly in providing GSM services vis-à-vis five now with addition of TELENOR and WARID. With the launching of Ufone, the pace of the industry grew many folds. Ufone GSM has their services all over Pakistan now, in contrast to initial presence only in major cities. Ufone not only attracted new customers but also drew customers from, mostly, Mobilink as well as the other two companies. The rivalry between Mobilink and rather the entire mobile industry, Ufone GSM has led to a price war and other various strategic business attacks at each other. These were the environments which lead me to get on this study.

2.3 METHODOLOGY OF INFORMATION GATHERING & CONDUCT OF RESEARCH

Information for this study has been collected from print and online (internet) sources, personnel interviews/visits of various Ufone and PTCL officials, Telecom Wing - Military College of Signals Rawalpindi and officials at PTA Head Quarters, Islamabad.

Questionnaire distributed to potential and present user of mobiles (general masses), and students of NIMS.

Analysis of information collected from the above sources (primary and secondary) and carried out literature review of textbooks and reference books and articles from various sources.

Drew the conclusion and came up with some recommendations.

2.4 SCOPE OF THE THESIS

The prominence of this report is on the:

- Ufone – Surgery of its Working and Stats, SWOT analysis vis-à-vis other Mobile Operators, Organisation Structure, Business and Promotion Strategies
- PTCL and Quality of Service Parameters for telecommunication services of basic telephony (public switching telephone network or landlines), cellular phones etc.

The report will have an allusion to QoS parameters for telecommunication sector, against which telecommunication operators can be judged to protect the consumer interests. The main focus of the report has been on the Ufone and PTCL Strategic Business Units (SBUs) and an analysis of their performance with the company's strategies. Talking about Ufone I would try and concentrate on:

- Can Ufone continue to climb high in the mobile industry, maintain its upward growth, and avoid decline once matured in the Brand Life Cycle (BLC)?
- Reasons behind the initial upsurge of Ufone: just a good reception to new cellular service or good marketing or customer's loyalty to PTCL/PTML?
- How is this emerging giant functioning?
- How are the resources being administered?
- Why Ufone getting fame and success?

2.5 TELECOMMUNICATION AND PTA

Here in Pakistan, the government treats the telecommunication industry on a very high priority. It encourages people to expand the telephone network, increase the number of public call offices, raise the level of digitalisation, and provide its customers with new and improved services in the years to come. PTA is doing lot of efforts in this respect. The government welcomes foreign private investment in this sector, especially joint ventures, which bring-in new technology and help improve the level of efficiency and expertise of the local partner.

Competition in the next several years will remain strong in the country, particularly with the European telecommunication firms because most of the communication protocols have been established by Siemens, Nortel Networks and Alcatel, which are now fully integrated with the PTCL network. Seeing the market lucrative-ness and government support, various new companies like China Mobile (SHEK.0924), Telenor, Warid etc have also ventured in Pakistan.

2.6 AN OVERVIEW OF PAKISTAN'S MOBILE INDUSTRY: ON THE GROWTH PATH¹

Mr Bhatti in his article wrote and I quote, "The overall consensus of industry analysts is that Pakistan is one of the countries with a huge untapped potential for telecom growth and an attractive investment environment. Recently Business Monitor International (BMI) ranked Pakistan as a key destination for telecom growth. The BMI rankings take into account a number of factors including industry situation, growth potential, competitive landscape and economy and political risks etc.

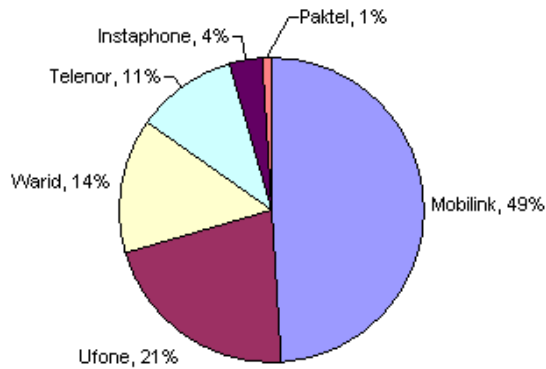
The sudden growth in subscriber base in Pakistan has caused network congestion and service quality problems. The major operators are responding to this problem by upgrading their networks. These multibillion-dollar improvements, along with a regulatory effort to introduce Mobile Number Portability (MNP) next year, should maintain the stiff competition in Pakistan's mobile market.

Pakistan is still an unsaturated market and with the falling cost of handsets there are plenty of new subscribers to compete for, especially in the rural areas. However, eventually, as in saturated markets, if mobile operators want to avoid simply competing on price, they will have to compete on superior service, innovative features and ease-of-use. As an example of new trends there were so

¹ Published by [Adil Najam](#) November 28th, 2006 in *Economy & Development, Science & Technology*.
(Article by Babar Bhatti)

many text messages (SMS) sent on this Eid that the networks of all six companies were kept extremely busy!

Market Share of Pakistan's Mobile Companies
As of September 2006, Source: PTA



Pakistan has also had some strategic wins in the international telecommunication scene. This month Pakistan won the council seat of International **Telecommunication Union (ITU)** and Chairman Pakistan Telecommunication Authority (PTA) was elected as member of Radio Regulation Board of ITU. Pakistan also holds the office of President in Asia Pacific Telecommunity. **ITU has also announced that it will setup a Centre of**

Excellence in Pakistan for telecommunication regulation and policy.

There is still a long way to go for Pakistan's telecom industry. Pakistan needs to increase telecom research and development work within the country. China and India are in the process of becoming world's major R&D centres for technology and telecommunication. Two top Chinese telecom equipment firms have announced their plans to collaborate with Pakistan: Huawei is working with UET Lahore and ZTE will setup R&D centre in Islamabad. The goal of the policy makers should be to increase the rate of transfer of technology from abroad, broaden the pool of local skilled workforce and accelerate the local production of telecom equipment and handset parts etc.



At the top of the list of Pakistani mobile companies is **Mobilink**, the Pakistani unit of Egypt-based telecom company Orascom. It has been in Pakistan since 1994. With 20 million subscribers, it has the largest market share. Its shares are listed on the Egyptian and London stock markets (OTLD).



Ufone, a wholly owned subsidiary of Pakistan Telecommunication Co. Ltd (PTCL), is now under the control of Etisalat group of UAE. With 8.8 million subscribers it is the runner up. For those in Pakistan it is the one company where they can easily invest locally.



In third place is **Warid**, owned by the Abu Dhabi group of the United Arab Emirates and sister of Wateen group. With 5.9 million subscribers it controls 14% market of subscribers.



Norway's **Telenor**, a recent entrant with about a billion US dollar investment in Pakistan has been doing well, based on its recent earning report. It has about 4.6 million subscribers or 11% of the market. Telenor stock is listed in the Oslo stock market (TEL) and Nasdaq NY (TELN).



Paktel and Instaphone are owned by Luxembourg based Millicom International Cellular (listed in Nasdaq as MIC). It is down to 1% of the subscriber share in Pakistan and according to recent news it is on its way out of Pakistan.

One sign of the growth burst of the sector in Pakistan and its self-confidence are the media ads of the various companies. As they fight for market share, that battle is being conducted over the airwaves and newsprint. It is hard not to notice the mobile phone advertising campaigns in Pakistan. The mobile phone and services advertisements are in the media, on billboards and everywhere else imaginable” Unquote.

The quality and aggressiveness of the advertising campaigns indicates the level of effort to gain market share. According to studies, Pakistan has been adding 2 million subscribers each month in 2006. The market segments mobile companies are targeting include:

- ❖ tech-savvy youth
- ❖ business users (due to their higher average revenue per user)
- ❖ first-time subscribers in remote and rural areas
- ❖ previously ignored segments, for instance housewives and women

The ads are vibrant and colourful, conveying a sense of excitement and empowerment - but I did not find them very creative. The pretty picture these ads paint is separated from the real world where poor cellular service has led to PTA to announce that punitive action will be taken if problems persist.

2.7 HYPOTHESES

In view of the foregoing and my initial test market survey, I came to know the various possibilities as to why Ufone achieved enviable success and remarkable growth in the tough and intense competitive environments in Pakistan Telecom Sector. PTA regulations in protecting the interests of the consumer's rights and prevalent threats of substitute mobile service providers, made Ufone to sweat to clinch the laurels. I dwelled my studies on the hypothesis as mentioned below:

- ❖ **Ufone** ventured in private sector to compete with giants of the mobile industry and gained strong hold in the telecommunications environments of Pakistan, right from its inception, as

its SWOT, **Organisation Structure, Business and Corporate Level Strategies** thrashed the competition.

- ❖ **Ufone** – currently the only UAE owned, GSM cellular service provider was previously a subsidiary of Pakistan Telecommunication Company, had an upper edge over rest of mobile operators. The registered name was PTML (Pak Telecom Mobile Limited), probably people thought that Govt supported mobile service would be cheaper and most likely enjoy privileges over and above others, so the masses fell to get a Ufone connection which bolstered its initial business.

My study will reveal the facts and reasons to justify, either support or reject either of the two, hypotheses that I drew. We will see that PTA (Pakistan Telecommunication Authority) was neutral to all mobile operators and gave no undue advantage to Ufone, being a part of PTCL. The competitors: Instaphone, Paktel, and Mobilink were not scared or placed Ufone in their threat list. So they dint have a re-look on their organisation structure or Strategies to thwart the uprising of Ufone. By the time they realised the upsurge then it was little too late.

Chapter # 3: LITERATURE REVIEW

This chapter attempts to provide information on the generic management concerns, organisation structure, marketing techniques and Telecom related articles / reviews / regulations that were applied during my study. The purpose of inclusion of literature review is to prepare and briefly update the reader about the current status of the research findings in the business administration and telecom fields, duly supported by suitable references, that appeared in the bibliography of this study. The relevant literature is scholarly discussed, referred and critically analysed leading to the fulfilment of my study objectives.

Britannica Encyclopaedia (2007) defines TELECOMMUNICATIONS in an article, as science and practice of transmitting information by electromagnetic means. A wide variety of information can be transferred through a telecommunications system, including voice and music, still-frame and full-motion pictures, computer files and applications, and telegraphic data.

3.1 CELLULAR INDUSTRY

Bhatti (2006) elaborated an overview of Pakistan's mobile industry in his article, placed at Para 2.10 in this study. That really shows the Economy and Development of Science & technology in our country. The industry analysts of Pakistan had been craving for investment in untapped areas of telecom, "Recently Business Monitor International (BMI) ranked Pakistan as a key destination for telecom growth". This growth in subscriber base in Pakistan was very well envisaged in early this decade by Ufone to enter in the arena.

Garner² (2006) indicated the global growth of cellular industry in his article and rated this industry to be flourishing with unmatched pace (refer annex). "Worldwide mobile phone subscriptions have reached 2.5 billion, just a year after passing the 2 billion mark". The report was published in September 2006, The Institution of Engineering and Technology - UK, that means another 0.5 billion may have already subscribed by now. "China's market is still expanding at more than 5 million new connections per month. India has moved rapidly up the top ten list, with the rate of new connections quadrupling over the last 18 months to reach a level very close to China's". We can analyse the boom is not just in Pakistan but the round the globe this industry is heading on to cyclone of subscriptions.

Journal Article posted at Jstore (Posted November 12, 2006) points up on concerns of investors and shareholders as PTCL profit's decline. As Ufone is mobile phone arm of the PTCL, it could also get affected by the falling profits of PTCL. The writer conducted the mini SWOT analysis of the

² Garner Martin (Director of Wireless Intelligence), September 13, 2006, Mobile connections reach 2.5bn milestone, © 2007 The Institution of Engineering and Technology - UK

situation. The conclusion drawn is, “*Conclusion*: Lots of potential if Ufone and its parent get its act together and execute well on their expansion and competitive plan. Read on to understand the basis for this conclusion.” PTA is always here to look into any abnormalities, not giving any favour; In April 2005 PTA had issued a show-cause notice to Ufone for providing low quality service and initiated proceedings against it. As PTA continually conducts the survey on quality of service (QoS) and takes immediate action on results. Action could lead to levy of fine in million of Rs or terminations of license. Therefore, it can be confidently said that we have measures and regulatory bodies to keep things straight in favour of consumers and government is on its toes to take charge of any malpractice or non-provision of quality outputs.

*Pakistan Board of Investment*³(2007) official web site, indicates the top 300 companies of Pakistan in terms of INCOME. “PTCL is at 3RD position which is something to really feel pride. In the same site, PTCL is on top of best 300 companies of Pakistan by net profit and net worth. Ufone being its subsidiary gains a definitely gains an upper edge because this financial stability. Sound financial position is one indicator or stability and top management can take bit of risks and venture into new arenas.”

*Leghari*⁴ (2007) in his article explained the future growth of cell phone industry, quoted, “Country to hit 100m mobile phone users by 2010” (refer annex). Being the Minister for Information Technology, his words have greater significance. “It is anticipated a growth of 100 million mobile phone users up till 2010 that calls to a need for telephony and modern services to be provided by operators to entertain their customers. The right kind of signals for the nature of healthy competition and innovative services, the phone users are going to benefit from in the coming years.” It could be understood with an act of entry of worlds largest Telecom company China Mobile into Pakistanis telecom market, which is the company launched by China Mobile to run the former Paktel operations in Pakistan.

Journal Article posted at Jstore (January 24, 2007) pronounces, “Up till now the total subscribers have reached 48.2 millions, shows mobile density of 31%” (refer annex). The mobile trends have been indicated in a snap shot for the year 2006. There are two new companies - Warid and Telenor – causing the rise in competition as they have entered the mobile open market, which spurred growth in Pakistan’s mobile sector. Marketing campaigns have become hilarious and public getting curious and crazy fro some new offers and innovative packages being offered by all corners of mobile industry. Mobilink leads with over 22 million customers but its market share has declined to 46%.

³ http://www.pakboi.gov.pk/Useful_links/by_income.html

⁴ Leghari Awais Ahmad khan, May 04, 2007, Article - The Future Growth of Cell Phone Industry, Technology Review – Magazine, 18-19.

Ufone is next with over 10 million customers. Warid has over 7.6 million and Telenor about 6.6 million. Paktel has 1.3 million customers and Instaphone has only 0.25 million customers. In addition, most recently the uncertainty about future of Paktel ended with China Mobile buying it. The article also shows the numbers and market share at the end of 2006. there were apprehensions of compromise on quality of service with this mega growth in this field.

3.1.1 Mobile Cellular Policy⁵. *PTA policy (Jan 28, 2004)* clearly enunciates promotion and flexibility of mobile industry and support of govt in healthy competition (p.4). “The mobile users are tripling in the numbers every second year. That is the growth potential of this sector which was tipped by PTC L by introducing Ufone. The economic indicators as mentioned in the same document show Pakistan to be promising heavens for future investment and flourishing in the telecom sector(p.5-9). PTCL being the sole land line support network of Pakistan , seems to have monopoly but the facts are not the way they look. There are obligations imposed to facilitate market liberalisation, interconnectivity switches, availability of serviceable lines etc”(p.18). The vision of PTA as mentioned below is what they are adhering to and which is in best interest of Pakistan mobile industry growth and competition:

“Create a Fair Regulatory Regime to provide Investment, Encourage Competition, Protect Consumer Interests and ensure high quality ICT services”⁶

3.1.2 Cellular tariffs and Value Added Services⁷. *PTA (Jan 28, 2004)* has ensured that pricing and tariffs don't go hey why but remain under some control (p.5,14).. They keep checking the rates and advises are sent to all mobile operators, if any sharp rise or fall comes in the way. In the pretext of my study, where I am observing Ufone in contrast to other operators, a very nice comparison is available at one window place. There is cold but active war on for all operators that is clearly seen in the tariffs and value added services, this is what we term as healthy competition, where only the fittest will survive.

3.1.3 “I got a cell phone”.⁸ *Hasan (2007)* in her article, that appeared in Young Magazine of The Dawn Newspaper, threw some light on the uses of cell phones, both positive and negative aspects. It is becoming fashion and talk of the town for kids to have mobiles in their bags (p.5,14). The writer furnishes views of different parents that why they have bought their kids cell phone.

⁵ <http://www.pta.gov.pk/media/MCP.pdf>

⁶ http://www.pta.gov.pk/index.php?option=com_content&task=view&id=240&Itemid=102

⁷ http://www.pta.gov.pk/index.php?option=com_content&task=view&id=546&Itemid=565

⁸ Hasan saniya , June 30, 2007, I Got A Cell Cell Phone, The Dawn – Young World Magazine, 5, 14.

“Some of them says that it would be useful to trace their child anywhere anytime, other says it is helpful in keeping an eye on them but what is the surety that their kids don’t lie to them of what they are doing and where are they”.

In addition to that, our young generation is also using it for showing off by getting cool and latest cell phone irrespective of their father salary and position. These expensive cell phones are also a risk to the owner life. As we know, mobile snatcher take away 100s of mobiles at gunpoint daily and the people are even killed on resisting. The crux of the matter is that having mobile phone has become part and parcel of our lives and it is destined to be like that no matter what.

3.1.4 “Mobile phones – different people, different choices”.⁹ *Majid (2007)* gives her views in the article that cell phone was made for communicating purpose and with the passage of time it gained more and more features making it an entertainment gadget. Therefore, different people go for different choices according to their needs and affordability. Students today want to have a multi functional cell phone just to meet their desires.

“I have got a walkman phone because I love music and I have to stay in the college from morning to evening where I cant enjoy music on TV or CD player, this is why this little walkman cell phone is an ideal device for me”.

For the business executives, cell phones with internet facility is a great blessing as they can communicate and chat and e mail their relatives and friends, no matter where they are. Hence, today one can enjoy one’s wishes, desires and requirements by simply using a suitable cell phone. The boom to cellular industry is just a balloon which will deflate sooner or later, it is destined to grow bigger and bigger in times to come.

3.1.5 Ufone to inject \$550m into network expansion¹⁰. Correspondent of THE NEWS (20 AUG 2007) paper reported in his article that the country’s second largest telecom service provider - Ufone - on Thursday boasted of bringing “the country’s largest ever expansion of its network amounting to \$550 million”. The implementation would begin from November while its network is envisaged to cover over 1,500 cities, towns, villages and all major highways in the country. The plan focuses on the expansion of the network in terms of capacity and coverage in existing and new cities besides providing high-speed wireless data services based on EDGE technology. This is the current growth of Ufone.

⁹ Majid Sahar, June 30, 2007, Mobile phones – different people, different choices, The Dawn – Young World Magazine, 5, 14

¹⁰ http://www.thenews.com.pk/daily_detail.asp?id=24062 20 Aug 2007

3.2 HUMAN RESOURCE MANAGEMENT

3.2.1 Work Flow Analysis¹¹ *Noe, Hollenbeck, Barry and Wright (2001)* explained the work flow analysis in an organisation (p.137). “Work-flow design is the process of analysing the tasks necessary for the production of product or service, prior to allocating and assigning the tasks to a particular job category or person.” TQM approach of seeing the INPUTS, ACTIVITY and OUTPUT is the key factor for any business to succeed in its operations. Be it industrial sector, manufacturing or Telecom, the workflow designs, if set in an artistic and technical feasible manner warrant the firm performance to the laurels. “The latest trend of analysing the efficiency and workflow of an organisation starts from the results or output. This is called customer based approach of seeing the businesses and its successes. Analysing the three features; Output of mobile company is service, which is combination of tangible and intangible facilities. The important determinant of effectiveness of any organisation is the efficiency with which it provides the services as perceived by the customers” (p.139). Once output of the work has been identified, then comes the examination of work processes used to generate the output. Here the personnel and work units play their role. The final incumbent in the procedure is Input, which has raw materials, Equipment and Human Skills. When studying the efficacy of any organisation these inputs, the back bone, need to be considered.

“It is important to note that a flawed product can be caused by deficiencies at any phase in production” (p.142). Conclusively, it can be commented that the workflow analysis and its study gives you the insight of any organisation laurels and success reasons.

3.2.2 Organisation Structure and Strategy Analysis. *Noe, Hollenbeck, Barry and Wright (2001)* mentioned about the dimensions of structure in terms of centralisation and departmentalisation (p.142). It tells us the command and control in the levels of an organisation, for instance how tall should be the structure or how much flat really helps the operations. Additionally the configurations in terms of functions, divisions, geographic locations or customer/products focussed structure, go hand in hand with the essence of one business (p.142-146). Likewise, the Organisation Analysis involves the Strategy and its implications in a business. Be it Concentration, Internal growth, External growth, Disinvestment Strategy (p.256); all have their merits and demerits, but importantly the goal congruence with vision and mission statement would finalise which one to be implemented.

3.3 MARKETING THEORIES AND PRACTICES

¹¹ Noe Raymond A, Hollenbeck John R, Gerhart Barry and Wright Patrick M, (2001), “Human Resource Management” 4th Edition.

Marketing Environment¹² *Jabar's Course Pack (2007)* Marketing environment is made up of microenvironment, consists of the persons close to the company, and macro environment, consists of the larger societal forces, which affect the microenvironment (p.64-72). “Marketers need to be good at building relationships with customers, in company and also with external partners. To do this effectively they need to be well aware of their environment and know how to maintain a relationship with target customer. As with the passage of time, environment changes rapidly so the marketer must be a trend tracker and also an opportunity seeker. To collect information from marketing environment, marketers have two special aptitudes –marketing intelligence and marketing research- so by this scheme they can achieve their goal to meet a new market place challenges and opportunities. Conclusively for any organisation to get laurels has got to analyse deeply the environments of its business before venturing its operations.”

Product Life Cycle. *Jabar's Course Pack (2007)* outlines the life cycle of product in the chapter of *Designing a Customer-Driven Marketing Strategy and Marketing Mix*, which is an important consideration in doing research of any industry where you plan to introduce your company (p.290-298). After launching new product, the management wants to enjoy long and happy life of product. All products and industry has a life cycle with five stages: product development, Introduction, growth, maturity and decline. These PLC five distinct stages play a pivotal role in any product. It needs flexible strategies and changing plans to keep own product in its growth and maturity stage avoiding decline as much as possible. The competition is also onto same strategy, which gets very conspicuous if industry is on boom as we have our mobile industry and rivalry is intense, here Ufone had troubles and fierce competition, but probably the strategies and flexible planning helped it to get laurels.

Advertising & Promotions. *Jabar's Course Pack (2007)* outlines the advertising and promotions criteria and its after-effects in impressing brand awareness and popularity of any product brand, in the chapter of *Advertising, sales, promotion and Public Relations* (p.455-467). “Advertising has big history which supplements its worth and cost worth spending. The effort is done to make the brand name renowned to the minds of customers. The bombardment of ads and tvc and other techniques with a suitable promotion statement or leading logo line really plays havoc for bringing the product in the inert set of customer minds”. Setting advertisement objectives, budget allocations, media decisions, message encoding, selecting right advertisee and evaluating campaign effectiveness are the main features of promoting products. Its money worth spending. It looks so heart warming when public sings your title song of advert.

¹² Jabar Zeenat, (2007), Course pack “Marketing Theories & Practices”, serial 1, Chapter – Marketing environments.

3.4 BUSINESS-LEVEL STRATEGY¹³

www.albany.edu (2007) in its website (faculty lecture4) explains the business level strategy and advises that organization's core competencies should be focused on satisfying customer needs or preferences in order to achieve above average returns. "This is done through Business-level strategies. Business level strategies detail actions taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product or service markets. Business-level strategy is concerned with a firm's position in an industry, relative to competitors and to the five forces of competition. Customers are the foundation or essence of a organization's business-level strategies. Who will be served, what needs have to be met, and how those needs will be satisfied are determined by the senior management". *www.albany.edu* puts across few questions:

Who are the customers? Demographic, geographic, lifestyle choices (tastes and values), personality traits, consumption patterns (usage rate and brand loyalty), industry characteristics, and organizational size.

" **What** are the goods and/or services that potential customers need? Knowing ones customers is very import in obtaining and sustaining a competitive advantage. Being able to successfully predict and satisfy future customer needs is important. (Perhaps one of Compaq's mistakes was not understanding who their real customer was and what that customer -- end user -- wanted.)

How to satisfy customer needs? Organizations must determine how to bundle resources and capabilities to form core competencies and then use these core competencies to satisfy customer needs by implementing value-crating strategies."

Business-Level Strategies

There are four generic strategies that are used to help organizations establish a competitive advantage over industry rivals. Firms may also choose to compete across a broad market or a focused market. We also briefly discuss a fifth business level strategy called an integrated strategy.

Cost Leadership – Organizations compete for a wide customer based on price. Price is based on internal efficiency in order to have a margin that will sustain above average returns and cost to the customer so that customers will purchase your product/service. Works well when product/service is

¹³ <http://www.albany.edu/faculty/ja0754/bmgt481/lecture4.html>

standardized, can have generic goods that are acceptable to many customers, and can offer the lowest price. Continuous efforts to lower costs relative to competitors is necessary in order to successfully be a cost leader. This can include: Building state of art efficient facilities (may make it costly for competition to imitate), Maintain tight control over production and overhead costs, Minimize cost of sales, R&D, and service.

Britannica encyclopaedia (2007) explains in an article the competitive environments of business in terms of Porter's Model. A cost leadership strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- Rivalry – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits (Airlines).
- Customers – Powerful customers that force firms to produce goods/service at lower profits may exit the market rather than earn below average profits leaving the low cost organization in a monopoly positions. Buyers then loose much of their buying power.
- Suppliers – Cost leaders are able to absorb greater price increases before it must raise price to customers.
- Entrants – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.
- Substitutes – Low cost leaders are more likely to lower costs to entice customers to stay with their product, invest to develop substitutes, purchase patents.

In the article it is told that how to Obtain a Cost Advantage? By Determining and Controlling Cost and Reconfiguring the Value Chain as Needed. And the risks involved could be because of Technology , Imitation and Tunnel Vision. The **Value Chain** – A framework that firms can use to identify and evaluate the ways in which their resources and capabilities can add value. The value of the analysis lays in being able to break the organization's operations or activities into primary (such as operations, marketing & sales, and service) and support (staff activities including human resources management & procurement) activities. Analyzing the firm's value-chain helps to assess your organizations to what you perceive your competitors value-chain, uncover ways to cut costs, and find ways add value to customer transactions that will provide a competitive advantage. The article also defines **Differentiation** - Value is provided to customers through unique features and characteristics of an organization's products rather than by the lowest price. This is done through high quality, features, high customer service, rapid product innovation, advanced technological features, image management, etc. (Some companies that follow this strategy: Rolex, Intel, Ralph Lauren). We Create Value by: *Lowering Buyers' Costs* – Higher quality means less breakdowns,

quicker response to problems, *Raising Buyers' Performance* – Buyer may improve performance, have higher level of enjoyment and *Sustainability* – Creating barriers by perceptions of uniqueness and reputation, creating high switching costs through differentiation and uniqueness.

There could be risks of Using a Differentiation Strategy : Uniqueness, Imitation and Loss of Value. While in the **Focused Low Cost**- Organizations not only compete on price, but also select a small segment of the market to provide goods and services to. For example a company that sells only to the U.S. government. In **Focused Differentiation** - Organizations not only compete based on differentiation, but also select a small segment of the market to provide goods and services. Focused Strategies - Strategies that seek to serve the needs of a particular customer segment (e.g., federal govt). Companies that use focused strategies may be able serve the smaller segment (e.g. business travellers) better than competitors who have a wider base of customers. This is especially true when special needs make it difficult for industry-wide competitors to serve the needs of this group of customers. By serving a segment that was previously poorly segmented an organization has unique capability to serve niche. The risks of Using Focused Strategies: Maybe out focused by competitors (even smaller segment), Segment may become of interest to broad market firm(s). **Integrated Low-Cost/Differentiation Strategy** is new strategy may become more popular as global competition increases. Firms that use this strategy may see improvement in their ability to: Adaptability to environmental changes, Learn new skills and technologies, More effectively leverage core competencies across business units and products lines, which should enable the firm to produce produces with differentiated features at lower costs.

3.5 A TYPICAL PRODUCT LIFE CYCLE¹⁴

Wikipedia.org (2007) in the official website explains various stages of Product_Life_Cycle and its Management tips. The summary is listed below. “Products tend to go through five stages. The peculiar characteristics are appended along with each stage:

1. **New product development stage:** very expensive, no sales revenue , losses.
2. **Market introduction stage (Ufone entry in the market):** cost high, sales volume low, no/little competition - competitive manufacturers watch for acceptance/segment growth, losses, demand has to be created, customers have to be prompted to try the product.
3. **Growth stage (Cellular Industry of Pakistan Stage):** costs reduced due to economies of scale, sales volume increases significantly, profitability, public awareness, competition begins to increase with a few new players in establishing market, prices to maximize market share.
4. **Mature stage:** Costs are very low as you are well established in market & no need for publicity, sales volume peaks, increase in competitive offerings, prices tend to drop due to the proliferation of competing products, brand differentiation, feature diversification, as each player seeks to differentiate from competition with "how much product" is offered, very profitable
5. **Decline or Stability stage:** costs become counter-optimal, sales volume decline or stabilize, prices, profitability diminish, profit becomes more a challenge of production/distribution efficiency than increased sales’.

3.6 ORGANIZING PROCESS AND STRUCTURE DEVELOPMENT¹⁵

Telecollege.dcccd.edu (2007) explains very comprehensively in an article that appeared on its website about management, organizing processes and structure development. “A key issue in accomplishing the goals identified in the planning process is structuring the work of the organization. **Organizations** are groups of people, with ideas and resources, working toward common goals. The purpose of the organizing function is to make the best use of the organization's resources to achieve organizational goals. **Organizational structure** is the formal decision-making framework by which job tasks are divided, grouped, and coordinated. Formalization is an important aspect of structure. It is the extent to which the units of the organization are explicitly defined and its policies, procedures, and goals are clearly stated. It is the official organizational structure conceived and built by top

¹⁴ http://en.wikipedia.org/wiki/Product_Life_Cycle_Management

¹⁵ http://telecollege.dcccd.edu/mgmt1374/book_contents/3organizing/org_process/org_process.htm

management. The formal organization can be seen and represented in chart form. An organization chart displays the organizational structure and shows job titles, lines of authority, and relationships between departments.”

The informal organization is the network, unrelated to the firm's formal authority structure, of social interactions among its employees. The personal and social relationships arise spontaneously as people associate with one another in the work environment. The supervisor must realize that the informal organization affects the formal organization. The informal organizations can pressure group members to conform to the expectations of the informal group that conflict with those of the formal organization. This can result in the generation of false information or rumours and resistance to change desired by management. The supervisor should recognize the existence of information groups, identify the roles member play within these groups, and use knowledge of the groups to work effectively with them. The informal organization can make the formal organization more effective by providing support to management, stability to the environment, and useful communication channels.

Tom Burns and G. M. Stalker (1961) in their study of electronics firms in the United Kingdom w.r.t **Organizational Structure**, developed one widely used classification - the twofold system (mechanistic versus organic forms of organizational structure) (p.19).¹⁶ Even though the differences among organizations are enormous, there are many similarities that enable them to be classified.

Telecollege.dcccd.edu (2007) in an article, tells us , “the **Mechanistic Structure** is the traditional or classical design, common in many medium- and large-size organizations. Mechanistic organizations are somewhat rigid in that they consist of very clearly delineated jobs, have a well-defined hierarchical structure, and rely heavily on the formal chain of command for control. Bureaucratic organizations, with their emphasis on formalization, are the primary form of mechanistic structures.” Analysing the contents of article of the article with Pakistan’s system of bureaucracy, i can safely say Ufone had the touch of bureaucracy, as being part of PTCL and govt functionaries, which they tried to get away with. We know that bureaucracy is a form of organization characterized by a rational, goal-directed hierarchy, impersonal decision-making, formal controls, and subdivision into managerial positions and specialization of labour. Bureaucratic organizations are tall consisting of hierarchies with many levels of management. In a **Tall structure**, people become relatively confined to their own area of specialization. Bureaucracies are driven by a top-down or command and control approach in which managers provide considerable direction and have considerable control over

¹⁶ Burns, Tom and G. M. Stalker, *Management of Innovation*, London: Tavistock Publications, 1961, p. 19.

others. Other features of the bureaucratic organization include functional division of labour and work specialization.

In the same article, On the other hand, it is explained that the organic structure is more flexible, more adaptable to a participative form of management, and less concerned with a clearly defined structure. The organic organization is open to the environment in order to capitalize upon new opportunities. Management and employees interact in a friendly environment characterized by mutual confidence and trust. Comparing with Ufone, it can be deduced that was what Ufone adopted to cope up with the existing environments of the Telecom in Pakistan.

Organization Design¹⁷

Liker and Rensis, , New York: McGraw-Hill (1967), define in their book about designing an organization, which involves choosing an organizational structure that will enable the company to most effectively achieve its goals (p. 4-10). It states, “ Organization design is the creation of an organization's structure, traditionally functional, divisional, and/or matrix. Perhaps Ufone did the same and started off by adopting with matrix structure being subsidiary of PTCL and later converted not a mix of functionary designs and got independence from PTCL in term of opting to another division of PTCL with naming itself as PTML. Functions or divisions arrange traditional organizations. In a **functional organization**, authority is determined by the relationships between group functions and activities. Functional structures group similar or related occupational specialties or processes together under the familiar headings of finance, manufacturing, marketing, accounts receivable, research, surgery, and photo finishing. Economy is achieved through specialization. However, the organization risks losing sight of its overall interests as different departments pursue their own goals. In a **divisional organization** as explained in the same book, corporate divisions operate as relatively autonomous businesses under the larger corporate umbrella. In a conglomerate organization, divisions may be unrelated. Divisional structures are made up of self-contained strategic business units that each produces a single product. A central headquarters, focusing on results, coordinates and controls the activities, and provides support services between divisions. Functional departments accomplish division goals. A weakness however, is the tendency to duplicate activities among divisions.”

In a matrix organization, teams are formed and team members report to two or more managers. **Matrix structures** utilize functional and divisional chains of command simultaneously in the same

¹⁷ (See Likert, Rensis, , New York: McGraw-Hill, 1967, pp. 4-10).

part of the organization, commonly for one-of-a-kind projects. It is used to develop a new product, to ensure the continuing success of a product to which several departments directly contribute, and to solve a difficult problem. Project managers have authority over activities geared toward achieving organizational goals while functional managers have authority over promotion decisions and performance reviews.

3.7 PAKISTAN TELECOMMUNICATION COMPANY LIMITED (PTCL)¹⁸

In Telecom pk press (2007), An article posted on April 29, 2007 at <http://telecompkwordpress> site examines the challenges faced by PTCL and its future prospects. “As we know the Etisalat owned PTCL has been engaged in battles with new competitors and regulatory body (PTA) on one hand and faces internal organizational issues on the other. Its profits have been sliding. Notwithstanding the grand claims by its executives, Will PTCL be able to reverse the trend and prove to be a good investment?”

The Government of Pakistan is actively pursuing a program to promote the development of telecommunication services in the country. In pursuance of that policy, the Pakistan Telecommunication Company Limited (PTCL) has rapidly modernised and expanded the telecommunication infrastructure. Liberalization and reforms in the telecommunications sector began in 1990, when the government converted the then T&T department into a state-owned corporation (Pakistan Telecommunication Corporation), and subsequently into PTCL (Pakistan Telecommunication Company Limited). This proved to be a major step in deregulating the telecommunication sector and in giving the PTCL the authority to plan, build and operate telecommunication services as well as to allow its Board of Directors to seek domestic and foreign loans independently.

PTA further states, “Overall capacity of overseas gateway exchanges has been raised from 1,500 to 4,600 circuits, carrying daily traffic of over 350,000 telephone calls. Digitalisation of the telephone network has reached nearly 80% and is increasing rapidly. Almost 97% of the new lines added in 1997/ 98 comprised state-of-the-art digital systems. The nation-wide direct dialling facility has now been extended to more than 700 locations. In order to improve service to its customers, PTCL has introduced Universal Access Number (UAN), Integrated Services Digital Network (ISDN), 0-800 toll free service, and other digital facilities as 0-900 service etc. The provision of nearly 3.5 million telephones in the next five years by the Pakistan.”

¹⁸ Posted April 29, 2007 <http://telecompkwordpress.com/2007/4/29>

3.8 *Pakistan Telecommunication Company Limited in its official website - <http://www.ptcl.com.pk/>* (2007) opening para states, “PTCL is proud to be Pakistan’s most reliable and largest converged services carrier providing all telecommunications services from basic voice telephony to data, internet, video-conferencing and carrier services to consumers and businesses all over the country. Whether it is an office in the largest city of Pakistan or a home in a small village, we are present in every corner of Pakistan to serve our customers.”

SECTION - II
RESULTS
(Findings)

Chapter # 4: PAKISTAN’S CELLULAR/LAND LINES INFRASTRUCTURE (COMPARISON AND EVALUATION)

4.1 HISTORY

The report will now address only those cellular companies, which were operating when Ufone came into being: Instaphone, Paktel and Mobilink. In year 1990 Paktel and Instaphone launched services in Pakistan. At that time the cost for keeping a cellular phone was quite high (50,000 to 70,000 Rs) and it was known as “Rich Man’s Toy”. As few people could afford it, so the companies provide their services in selected cities only.

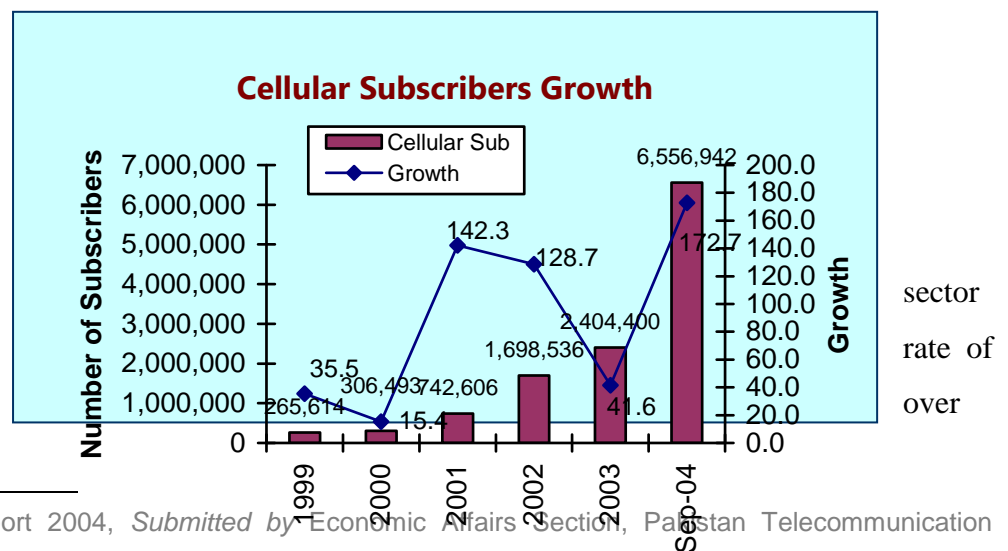
In year 1994 Mobilink GSM was launched on the block. During year 1995 the Government affected the business of cellular companies a lot. Owing to political instability and security purpose, Mobilink had to shutdown the business in Karachi. To regain the situation in hands, companies started to cut prices of their packages. Instaphone went for north after Paktel. Mobilink started to penetrate the corporate sector. 1997 was the year when there were big problems for Mobilink and Instaphone, the Mobilink’s technical partner “Motorola” got rid of Mobilink and Paktel went for sale.

Mobilink launched pre-paid package “Jazz” in 1998 which was a big flop for the company. Same year PTML was granted with the License and Paktel was still up for sale. Year 1999 was the best time for the cellular industry as the prices came down a lot and there was a tremendous growth in the market. In addition, there was an anxious wait for PTML to launch its services. Cellular market activated once again in year 2000 as “Jazz” was re-launched. Paktel was finally bought and at the user end CPP (calling party pays) was introduced.

4.2 TELECOMMUNICATION INFRASTRUCTURE

GROWTH OF TELECOM SECTOR IN PAKISTAN¹⁹

Pakistan telecom though grew but its growth remained slow



¹⁹ Industry Analysis Report 2004, Submitted by Economic Affairs Section, Pakistan Telecommunication Authority Headquarters, F-5/1, Islamabad

the years. Now the competition has been introduced in the telecom sector, which has shown positive impact on the growth of the sector in short span of time. It is also expected that sector will grow further when new operators will roll out their network in the current year. A brief account of the growth in telecom sector is given below, as appeared in the Industry Analysis Report:

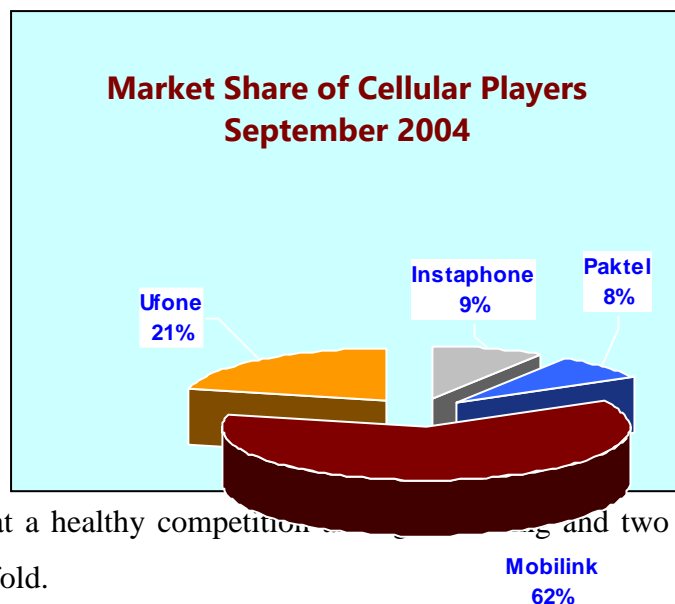
“Mobile Sector

Fruits of the competition in the telecom sector introduced by PTA have been passing on to the consumer in just few months in terms of reduction in tariffs and extension in coverage. On the eve of Independence Day, Ufone offered free connections and added approximately 3, 48,000 customers in just one month. Mobilink, the leading mobile company in Pakistan, also offering various packages to attract more customers. Recently, Mobilink offered free connection with Rs. 300 scratch card before it was offered bundle package and offered free hand set with connection.

At the end of year 2003 the mobile subscribers were almost 2.4 million, which has increased to 6.5 millions till the end of September 2004. In the year 2003-04 sector grew by 173% (Figure -). This unprecedented growth can be attributed to series of events that have taken place during the year. This includes award of license to two new mobile companies thus creating competitive environment for existing operators. These operators have started acquiring market share as much as possible by brining down the prices of new connections to zero. Similarly, PTA initiative to reduce activation tax from Rs 2000/ to Rs. 1000/- on new mobile connection have played an important role in increasing the subscriber base as the benefit was completely transferred to the consumers.

Figure depicts the market share of four existing mobile operators in Pakistan mobile market.

Mobilink being the market leader owns about 62% market share in terms of cellular subscribers. Ufone the competitor of Mobilink in GSM has share of about 21% in total subscribers of the mobiles in Pakistan. Instaphone and Paktel have market share of about 17%. Recently, Paktel has started GSM service and it is expected it would be able to add more customers in future. It is also expected that a healthy competition among existing and two new entrants would encourage growth by many fold.

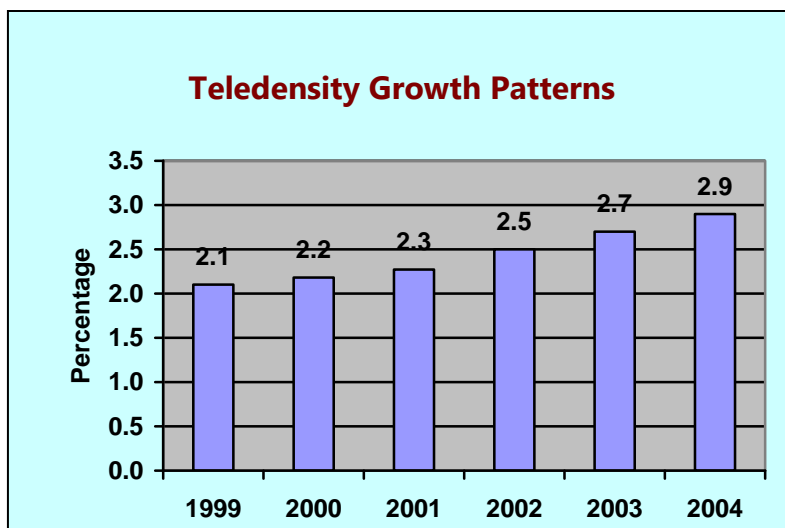


Fixed Line Sector

Fixed line Services in Pakistan have also shown magnificent growth patterns over the years. This has been evident from the increased teledensity over the years. Currently the teledensity has reach to 2.9%, which was just 2.2% in year 2000.

PTA has been working towards increasing teledensity; in this regard PTCL tariffs have been reduced drastically not only for local but also for nation wide and international calls. PTCL has been forced to bring in schemes for provision of fixed line connection on easy terms.

Geographically, Punjab is the region, which is largely connected with telecom services and has teledensity 3.4% in the year 2004. Teledensity in the province of Punjab was 2.8% in the previous year. Baluchistan has the lowest teledensity in Pakistan, which is only 1.5% in the year 2004.”



4.3 TELECOMMUNICATION OPERATORS IN PAKISTAN

4.3.1 PTCL is the dominant telecommunication carrier in the country with a monopoly on fixed lines, domestic and international services. It owns a PDH based fibre optic backbone transmission network in the country. PTCL has been given a 25-year (renewable) license by the PTA for providing basic telephone services. The company enjoys a tax holiday until 30 June 1999 and monopoly on service until 1 January, 2003. PTCL has an extensive network in the major urban areas. It has a total installed capacity of 3.2 million lines; 2.6 million of which are operational. Approximately 78 % of PTCL’s network is digital. A large number of switching equipment/exchanges installed at PTCL is made by Siemens-Germany in collaboration with Telephone Industries of Pakistan at a factory jointly owned by Siemens and PTCL. It also uses Alcatel and Ericsson exchanges at international gateways. PTCL has three operational gateway exchanges; one at Karachi and two at Islamabad. The international gateway exchanges have capacity of 8,000 international circuits, about half of which are operational.

4.3.2 Threats and Weaknesses

- PTCL is in court dispute with PTA. Bandwidth rate dispute with PTA is been dragged in court: if PTCL loses it will be a major *cost*, EVEN IF PTCL wins the case their artificially high bandwidth rates cannot be sustained.
- Increased competition in long distance continues to exert pressure.
- PTCL is utilizing VOIP technology (from iBasis) and as a result, it has reduced its international rates drastically in 2007. Rs 2/min call to US is cheaper than 2.5/min call to mobile phone.
- Paknet, the Internet service provider arm of PTCL continues to incur losses due to poor management and lack of network optimization.
- PTCL-V, the fixed wireless phone service is poor. They should use some their marketing Rupees and use it for better service delivery, correct billing and competent customer service.

3.3.3 Strengths and Opportunities

- Global connectivity reliability has been improved. PTCL is expanding the long distance and infrastructure side through spreading out two SEA-ME-WE submarine cables.
- Made large capital expenses on network improvement to stay competitive.
- Ufone is performing well. PTCL and Ufone's profitability increased by 49.2 percent to Rs 977 million in 1H/FY07 as compared to Rs 655 million in the corresponding period last.
- IPTV rollout can change the game, if done right it will tilt the odds in PTCL's favour. It will make sticky bundles possible (tv+pohne+mobile) with say a single bill for convenience.
- With over 2 million lines, PTCL is the largest WLL provider. 1134 base stations cover 720 cities and capacity is being added.
- Has vast infrastructure and real estate assets, which can be leveraged further.

4.4 CELLULAR MOBILE TELECOMMUNICATION SERVICES – OVERVIEW & SWOT ANALYSIS

List of Mobile Operators Last Updated (Tuesday, 13 February 2007)

S. No	Organization	Address	Licensed Region		Brand Name
			PAKISTAN	AJK / NA	
1	M/s Pakcom Limited	75-East Blue Area, Fazal-ul-Haq Road, P.O. Box 1681, Islamabad. Tel: 051-2273554, Fax: 051-2271112	Yes	No License	Instaphone
2	M/s Pakistan Mobile Company Limited	Kulsum Plaza, Blue Area, Islamabad. Tel: 051-2273984-9, Fax: 051-2270966	Yes	Yes	Mobilink
3	M/s Paktel Limited	Paktel Centre, 68-E, Jinnah Avenue G-7/F-7, Islamabad Tel: 051-2271116, Fax: 051-2826992	Yes	No License	Paktel
4	M/s Telenor Pakistan Limited	13-K, Moiaz Centre, Bhattai Road, F-7 Markaz, Islamabad Tel: 051-111-345-700, Fax: 051-2651923	Yes	Yes	Telenor
5	M/s Warid Telecom Limited	7th Floor, EFU House, Jail Road, Lahore. Tel: 042-5715750-54	Yes	Yes	Warid
6	M/s Pakistan Telecom Mobile Limited	13-B, F-7 Markaz, Jinnah Super, Islamabad Tel: 051-2651546, Fax: 051-2653481	Yes	Yes	Ufone

4.4.1 PAKISTAN MOBILE COMMUNICATIONS (Pvt) LTD. (BRAND NAME: MOBILINK)

Mobilink covers approximately 85 percent of Pakistan's urban population. It has the fastest growing network and is the introduced the GSM platform for the first time. Mobilink also offers several value added services such as single access code, caller line identification, call waiting, call holding, call forwarding, fax & data service, etc. Mobilink service was launched in 1994.

Mobilink introduced a pre-paid cellular service called “Jazz”. They are the first cellular service provider in Pakistan to operate on a 100% digital GSM technology. In addition to providing advanced voice communication services, they also offer cost efficient data services to their customers. Keeping in mind the customers’ convenience, they also deal in mobile handsets, either sold independently or bundled in All-in-One Packs. Mobilink GSM has the most efficient distribution channels that facilitate the sales of their products and services in more than 30 cities and towns across the country.

4.4.1.1 Value Added Services

- ❖ Mobilink package include Short Message Service (SMS), Mobilink GSM-The News Info services, Mobilink GSM G-Mail, Mobilink GSM Fax & Data Services, International Roaming, Secure Communication and Innovative tariff structures.
- ❖ With increasing usage of the Internet and the convergence between data and cellular technologies, they plan to invest heavily in Value Added Services.
- ❖ High Memory Capacity SIM’ s, Mobile commerce & Mobile Banking with a number of Banks personalize services, Bill presentment on the web site, On-line bill payment facility for customers, Wireless Application Protocol (WAP) services for customers to access Internet and Applications on WAP enabled Mobilink handsets.

4.4.2 PAKCOM (BRAND NAME: INSTAPHONE)

Pakcom was incorporated in 1991 as a subsidiary of Sanbao Telecom (a subsidiary of Millicom International Cellular S.A.). It offers countrywide coverage and operates in all provinces of Pakistan. Instaphone has launched a pre-paid cellular service called “Insta-One”. The company is now in the process of installing Digital Radio Base Stations (DRBS) nationwide. Through these DRBS, Instaphone has been able to provide its customers with data communication services, fax data transmission, short message service, combined with greater voice clarity and improved coverage. Instaphone offers a variety of value-added services such as caller line identification, call waiting, conference calling, call forwarding, etc.

Instaphone (Pakcom Ltd) is a subsidiary of Millicom International Cellular (MIC) S.A., based in Luxembourg. MIC S.A. Instaphone was the second cellular phone operator to start its operations in Pakistan. Instaphone presently has a subscriber base of 65,000/- nationwide. Instaphone, the only cellular phone company, which was offering its services in all provinces of Pakistan. Instaphone has been in Pakistan’s market enjoying a good brand image amongst mobile phone users. In spite of heavy competition among cellular phone companies in this region, Instaphone is renowned for developing strategic customer service facilities. Instaphone was also the first to launch prepaid services, which was later followed by its competitors Paktel, Mobilink and Ufone. As a part of on-

going investments in Interphone's cellular infrastructure, their transaction from AMPS to TDMA technology ensures customers access to real digital benefits, including a congestion free environment, instant connectivity, optimum sound clarity, call privacy, enhanced battery life, and a plethora of digital value added services.

4.4.2.1 Value Added Services

To further facilitate the customers, Instaphone offers a wide variety of Value-Added Services like CLI (caller line identification), Call Waiting, Conference Calling, Call Forwarding, billing information through e-mail, customer services through e-mail and Payment of monthly bill by checks through TCS Drop Boxes.

4.4.3 PAKTEL

Paktel is the pioneer cellular phone operator in Pakistan. Paktel started its operations in April 1990. It was launched by Hasan Associates (Private) Limited Karachi in association with Cable & Wireless of United Kingdom. Cable & Wireless is one of the biggest cellular companies in the world with operations in more than 55 countries. Paktel operated on AMPS or analogue system, which have Radio Base Station (RBS) and Mobile Switching Centre (MSC). It was a joint venture between Cable & Wireless (80%) and Hasan Associates (Pvt.). Ltd. (20%). The company's operations cover all the principal cities of Pakistan. Paktel was one of the first two companies to establish cellular service in the country. In past, it had the largest market share, but its growth rate gradually declined in face of stiff competition from Instaphone, Mobilink and Ufone. Later Cable & Wireless started disinvesting its share in Paktel for strategic reasons. They failed to maintain the lead, as they did not introduce any new motivations in their products and services. They did not launch prepaid cards until the year 2000, while Mobilink and Instaphone are offering prepaid cards since 1997-98. Therefore, Paktel though managed to gain an early advantage but they failed to capitalize on it. Even the company shifted to GSM, but could not hold grounds in the fierce competition and finally gave up. The company is presently almost finished and very soon acquired by Chinese or Koran Company. I will discuss Paktel in its past comparison when Ufone started to grow roots, not the present almost dead Paktel.

4.5 A comprehensive SWOT Analysis of the mobile operators being discussed, conducted by myself, is placed in the annex of this study, which is analysed and result oriented discussion conducted at the section three.

Chapter # 5: Ufone COMPANY - A PERUSAL

The Ufone official website states the story of its brand on the home page as in the under mentioned paras:

“UFONE - STORY OF BRAND”²⁰

At Ufone, it's always about you...

In order to evolve with our customers and to keep pace with your needs, we rejuvenated and revamped our image by changing our visual identity. At Ufone, we understand the value of words and the need to communicate effectively and efficiently at all levels of society, which is why our primary focus is on U, our valued customers bring strength to our company. With a fresher look than is accepted and appreciated across the board by people of all ages, we aim to connect with you and provide you state of the art services. No matter whom you are, where you are, what you want to say, how you want to say it or how you feel, you are our focus. Because at Ufone, **it's all about U!**

Ufone subsidiary of PTCL was established to provide cellular services across Pakistan. Ufone is currently providing quality services across Pakistan. Ufone currently lowered their calling rates across other networks as low as 2.50/min which is currently the cheapest prepaid rates available in the market. Ufone with the backend support of PTCL always provides quality services to its subscribers.”

Ufone GRPS services are the best available in the market Ufone has a good customer support they are always cooperative and listen to your queries and solve them as early as possible. Internet Bill payment is the special feature offered by Ufone for the first time in Pakistan they are always ahead from others in providing quality services. Web2SMS chat Mobile banking Pay via SMS is the best features offered by Ufone. With premium services of Ufone like picture messages, ring tones, operator logos, coloured wallpapers and animated greetings added value to Ufone services. Ufone claims to have 3 million subscribers and still growing. Ufone is one of the best cellular company in Pakistan with reliable network and coverage to over 100 key cities and prominent highways.

5.1 COMPANY PROFILE²¹

The company commenced its operations, under the brand name of Ufone, from Islamabad on January 29, 2001. During the year, because of PTCL's privatization, 26% of its shares were acquired by Emirates Telecommunication Corporation (Etisalat). Being part of PTCL, the management of Ufone has also been handed over to Etisalat. During the year July 2005 to June 2006, Ufone continued on

²⁰ http://www.ufone.com/about_brand.aspx

²¹ Ufone official website www.ufone.com

the path to success. The Company further expanded its coverage and has added new cities and highways. Ufone has network coverage in more than 750 cities, towns and across all major highways of the country. Ufone successfully completed the network expansion of Phase IV in existing as well as in new cities and towns, which amounted to more than US Dollar 170 million. As a result the asset base of the Company has increased from Rs. 20 billion to Rs. 27 billion. Ufone adopted the policy of simplified tariffs with no hidden charges, which resulted in positive impacts on the usage trends of subscribers as well as total subscriber base, which has increased from 2,579 k in June 2005 to 7,487 k in June 2006. Ufone currently caters for International Roaming to more than 150 live operators across 79 countries and introduced International roaming facility for prepaid subscribers in Saudi Arabia and United Arab Emirates with lowest rates, featuring no security deposit and activation charges. The company has also been awarded a new License for providing cellular services in Azad Jammu & Kashmir and Northern Areas.

Operating Performance

Ufone's operational performance has been very encouraging. Despite the stiff competition in Pakistan telecom market which has led to reduction of prices to bare minimum level, due to its aggressive policies and exercising strict control over expenses the Company managed to improve its revenue and after-tax profit by 87% and 54% respectively, as compared to last year.

Future Plans

Keeping in view the growth potential of the cellular industry there is no option but to be aggressive in order to remain a potent force in the cellular industry. In order to extend cellular network to new cities, towns and highways and enhance its current installed capacities in existing cities, Ufone has finalized a huge network expansion contract amounting to about \$ 550 million, which will enhance the subscribers' capacity by 10 million. This is the largest ever expansion project of Ufone. A strong focus will be on maintaining high quality of service, which is always a benchmark of Ufone, increasing usage and exploring new revenue streams on value added services, market visibility through various market initiatives to fulfil subscribers' satisfaction and demand and above all to increase the value of investment for the shareholders.

Ufone launched on January 29, 2001, offered by Pak Telecom Mobile Ltd., which was a 100% owned independent subsidiary of Pakistan Telecommunications Corporation Ltd. In the first year of its launching despite being a newer cellular operator in Pakistan, they have achieved a customer base of 115,000 to the present 3 million in 100 cities. At its developing stage when they adopted its share-building strategy, they launched their operations in Islamabad only. As they were in such a high demand soon after their launch, they were in the growth stage, skipping introduction stage of BLC in matter of months. Their customers increased rapidly and their revenues have been increasing. In growth stage they adopted a cost leadership strategy investing little on R & D, capitalizing on their

early boosted profits and Concentration strategy while operating at Islamabad only as niche, it started up entering new markets including Lahore, Karachi, Peshawar, Kohat, Jehlum and other areas. These areas came under consideration also hold a lot of demand for Ufone and so it was rightly forecasted that this Ufone's growth stage would continue for some time to come.

5.3 UFONE & PRODUCT LIFE CYCLE

I have explained the life cycle of any product, which has five stages, in the chapter of literature review. As regards Ufone and mobile industry, Ufone straight away went into introduction stage and started to get revenue with least of R & D or Product Development, thanks to the sponsor. Whereas, the mobile industry was and is still in the growth stage, thereby offering great potentials of further growth in the future.

5.3.1 Market introduction stage (Ufone entry in the market)

- ❖ Generally cost high but Ufone kept lower prices for Market penetration.
- ❖ Here sales volume remains low; what we saw for Ufone its sales volume leaped up right from onset.
- ❖ Generally no/little competition - competitive manufacturers watch for acceptance/segment growth. Ufone had tough competition as the big giants were settled in the business and had kinda monopoly in the field.
- ❖ Company do suffer losses in this stage, which was not the case for Ufone.
- ❖ demand has to be created and which was created by slogan of low-cost and affordable prices by Ufone.
- ❖ Customers have to be prompted to try the product which was done and laurels were achieved, figures do support the results.

5.3.2 Growth stage (Cellular Industry of Pakistan Stage)

- ❖ The costs started to reduce due to economies of scale.
- ❖ Sales volume increased significantly and kept on the rise until the demand grew to weaken. Mobile industry has still very high demand in Pakistan, so future of mobile operators seems quite bright.
- ❖ Profitability decreased as the competition came in and demand got to slow, yet the cost of production continues to get down.
- ❖ Public awareness got on the hike and now Pakistani people of all lifestyles have complete knowledge of all packages of mobile operators. Therefore, no company can bluff them.

- ❖ Competition began to increase with a few new players in establishing market came up like Telenor, Warid, China Mobile etc
- ❖ Now the prices were set to maximize market share and keep the consumer bank loyal to each operator. Now the one who performs absolute to the needs of public will lead.

5.3 ANALYSIS OF VISION AND MISSION STATEMENT OF Ufone

5.3.1 MISSION STATEMENT

PTCL Mission Statement

“To achieve vision by having

- *An organizational environment that fosters professionalism motivation and quality*
- *An environment that is cost effective and quality conscious.*
- *Services that are based on the most optimum technology*
 - *Quality and time conscious customer service*
 - *Sustained growth in earnings and profitability”*

Ufone Mission Statement

“To become the best cellular communication option available in the country for “U””

The MISSION of Ufone connotes to:

- ***They have set targets to achieve***

Not to clinch stars but to earn a handsome profit quantifying what goals to get. They dint have a big and flowery claims or long statements to impress people but one lined straight objective aim. With setting quantifiable goals and aiming for being THE BEST, it is evident that they are out to become the best mobile service in the country and that is precisely what they want to be their mission statement.

- ***They mentioned loud and clear that it for “U”, the target customers.***

Immediately creating a sense of this company being customer oriented and wanting to give what the customers want but not what it has to offer. In addition, that certainly has been evident with the sort of welcome that Ufone has received.

5.3.2 Ufone’ S VISIONS OF ITSELF AS AN ORGANIZATION

The company’s vision statement is quite self-explanatory and its analysis is quite adequately embroidered inside.

“We define an organization as one that seeks to create its own future; assumes learning as an ongoing and creative process for its members; and develops; adapts and transforms itself in response to the needs and aspirations of people, both inside and outside itself; In out view the

organization is a community of autonomous people who skilfully, consciously and responsibly cooperate with others to employe and account for enormous human potential in their dynamic roles as share holder; executors producers, consumers and community members”.

5.4 FOCUS ON TEAM WORK

Unlike normal tendency to achieve organizational vision by sharing same procedure, Ufone believes that instead of achieving individual vision at any organizational cost through any means, they suggest that everyone has equal chance to accomplish their vision by keeping themselves as united team with harmony at the same time their focus towards accomplishing the organizational vision. It clearly suggests that they want to develop a strongly bonded unit of their employees to seek commitment in combined form and to groom all of individual expectations and point of views to achieve best possible accomplishment of corporate vision.

5.5 OBJECTIVES AT CORPORATE LEVEL

Ufone rep informed that they have set two main corporate level objectives that they want to achieve through their operations.

- To obtain market leadership in four to five years
- Make Ufone a commercially viable company to satisfy all stakeholders

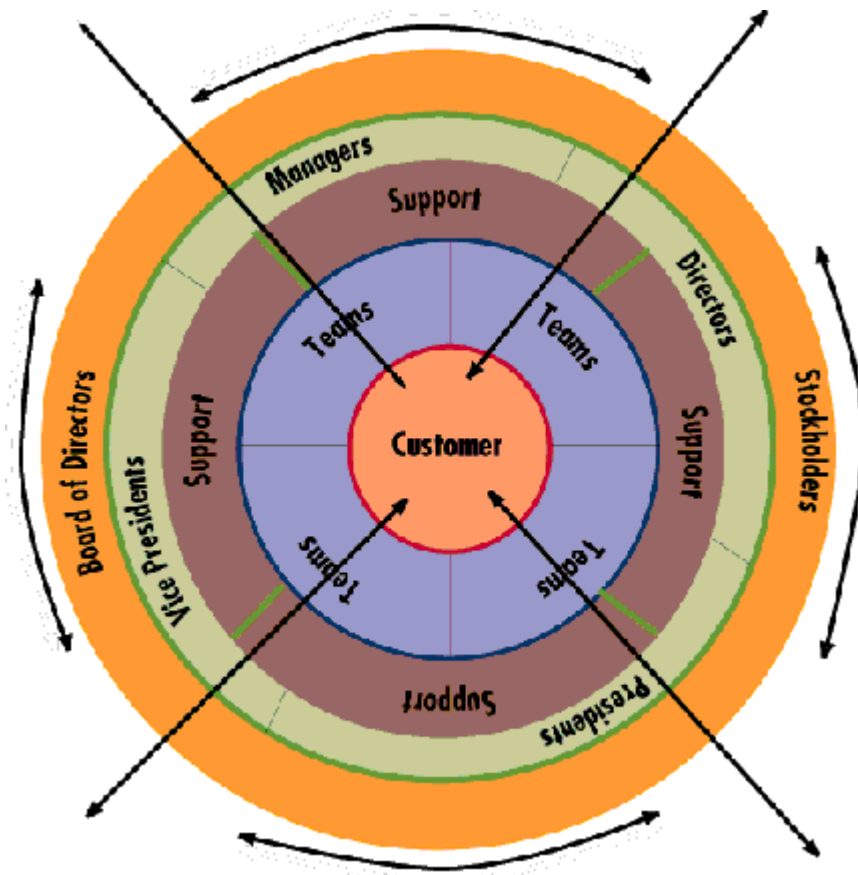
The first objective is to become the market leaders in terms of number of subscribers and revenue generated. The second objective is to make Ufone a commercially viable entity for all stakeholders, ranging from motivation of employees to satisfaction of customers to right interests of the creditors. When Ufone entered the mobile industry everybody was aware of the fact that they would become a major competitor within a considerably short span of time. However, what happened once they did launch was what no one had expected. People subscribed to Ufone by the masses, it became more of a household name rather than a company trying to create awareness of its services. So Ufone can more than satisfactorily say that it is geared towards achieving its first objective i.e. to become the market leaders in four to five years time, however, will not be without challenges. Ufone faces stiff competition from its competitors in the form of, mainly, Mobilink and then Paktel and Instaphone. Therefore, to get there they have to come up with more innovation and better strategies.

As far as the second objective is concerned Ufone seems to be in turmoil. There is no doubt from the way they operate that they want to achieve this objective but the question here is that, will they be able to? The amount of customers that they attracted showed the very fact that people thought of them as a good commercial option and the increasing tendency of customers suggests that customers are satisfied from what Ufone has so far offered. But the problem here is that Ufone may be able to satisfy existing customers but it has not been able to intake those customer that did knock on the

doors of Ufone but due to one reason or the other Ufone wasn't able to take them in. Those customers are now shifting to other services thus making Ufone a commercially non-viable option. The bigger problem here is that because of the bureaucratic background of Ufone's parent company, they haven't been able to do something about increasing their capacity for new customers.

Chapter # 6: ORGANISATIONAL STRUCTURE

6.1 UFONE ORGANIZATION OF FUNCTIONS



In Ufone the organizing function dealt with all those activities that result in the formal assignment of tasks and authority and a coordination of effort. The supervisor staffed the work unit, trained employees, secured resources, and empowered the work group into a productive team. The steps in the organizing process included (1) review plans, (2) list all tasks to be accomplished, (3) divide tasks into groups one person can accomplish - a job, (4) group related jobs together in a logical and efficient manner, (5) assign work to individuals, (6) delegate authority to establish relationships between jobs and groups of jobs.

Supervisors performed workflow analysis to examine how work creates or adds value to the ongoing processes in an organization. **Workflow analysis** looked at how work moves from the customer or

the demand source through the organization to the point at which the work leaves the organization as a product or service to meet customer demand. Thus, Ufone workflow analysis was used to tighten the connection between employees' work and customers' needs. In addition, it helped to make major performance breakthroughs throughout **business process reengineering (BPR)**, a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in costs, quality, service, and speed.

6.2 DEPARTMENTALIZATION

After reviewing the plans, Ufone took the first step in organizing the process of departmentalization. Once jobs were classified through work specialization, they were grouped so those common tasks could be coordinated. **Departmentalization** is the basis on which work or individuals are grouped into manageable units. The five traditional methods for grouping work activities were considered by Ufone:

1. Function	2. Product
3. Geographical Regions	4. Process
5. Customer	

Ufone has departmentalization in terms of functions mixed up with geographical regions. Therefore, I will only focus on these two aspects:

- **Departmentalization by function** organizes by the functions to be performed. The functions reflect the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialities and people with common skills, knowledge and orientations together in common units.
- **Departmentalization by geographical regions** groups jobs based on territory or geography. For example, Merck, a major pharmaceutical company, has its domestic sales departmentalized by regions such as Northeast, Southeast, Midwest, Southwest, and Northwest.

**Functional
Departmentalization**

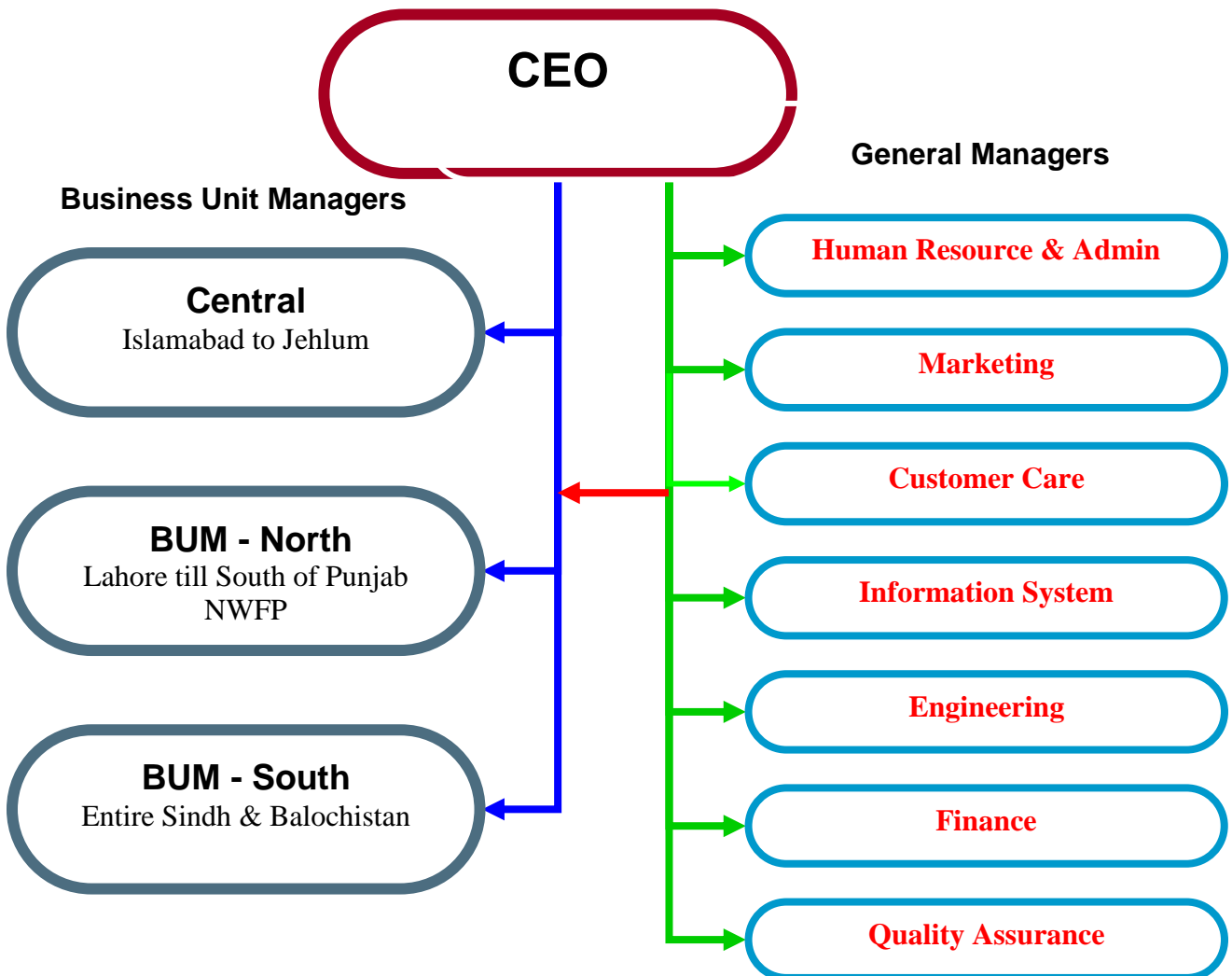


**Geographical
Departmentalization**



6.3 UFONE ORGANISATIONAL STRUCTURE

Now I will discuss deeply about Ufone organisational structure, and critically analyse in the light my research. Their structure is as shown below.



6.4 ORGANIZATIONAL HIERARCHY

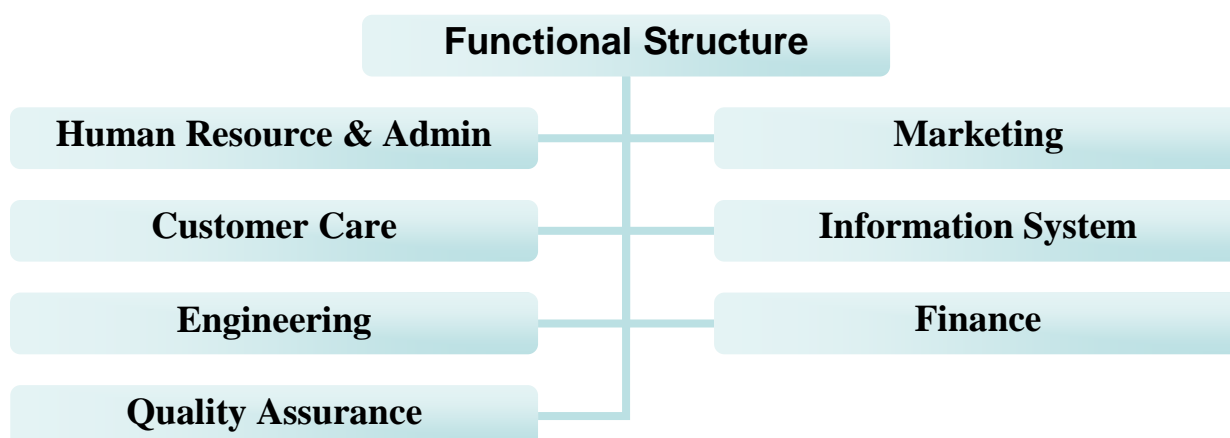
CEO heads two major branches of organisation: Seven different departments each headed by a General Manager and three BUMs (Business Unit Managers). All three BUMs report directly to the CEO as well as to all of the GMs of the 7 other departments.

6.5 ORGANIZATION STRUCTURE - A CRITICAL SURVEY

This structure as shown above seems a formal and quite nice flat structure but it has few grey areas. The major grey area is that the BUMs are subordinate to CEO as well as all GMs of various functions. This creates confusion and slows down the operations and decision-making process of BUMs. This shows the beaurocratic atmosphere of the Ufone administration. When the responsibility is given to BUMs, it does not automatically gives the adequate authority in their respective regions. There was another flaw that the Strategic Decision Making is not INTEGRATIVE or even TWO-WAY, in any decision regarding the technical issues and operations. This means the BUMs are responsible in achieving only the targets that are set, without any participation in strategy planning.

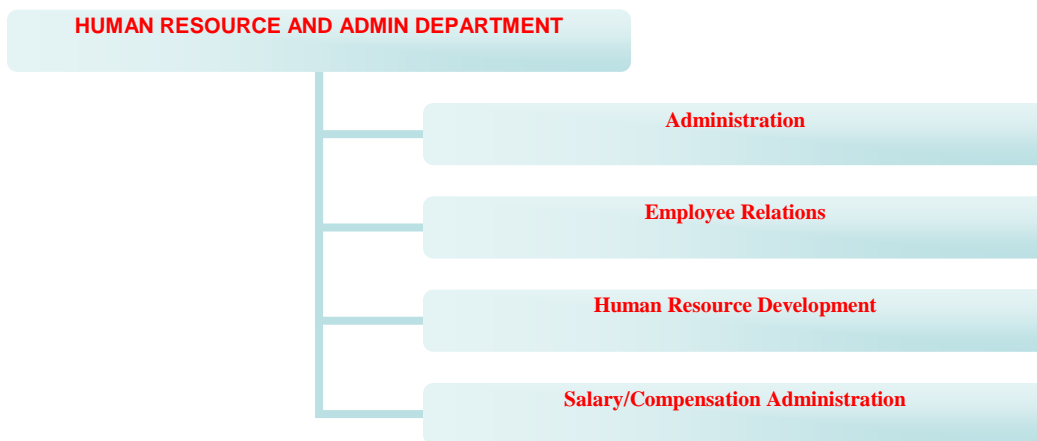
6.6 STRATEGIES REGARDING DEPARTMENTAL STRUCTURES

This section will focus on the internal environment and departmental structures. Ufone has seven departments, each headed by a GM. The details of the functioning will be mentioned briefly in the upcoming section, the focus will be in the critical analysis, which follows at the end of this section.



In my study I will focus on HR, Marketing and Customer Care departments, as I analysed they are key areas that brought Ufone to its laurels in business success. Furthermore, other departments do exist and performing as well, but with no formal structure and in a very orthodox manner. I feel that Ufone and its major share of recent problems would have lessened largely had these two departments been in place in an innovative and aggressive manner.

6.6.1 HUMAN RESOURCE AND ADMIN DEPARTMENT



6.6.1.1 ADMINISTRATION

This department is basic function of HR, which is subdivided into 3 further divisions.

1. Government regulation

It is there for dealing with all government agencies including the police, vehicle registration departments, insurance, estate management, government liaison, transport fleet management, provision of power and telephone facilities etc.

2. House Keeping

This division is meant for maintenance of the office and work areas, which includes cleaning, maintaining a hygienic atmosphere, support services, small electricity related work etc.

3. Stores and Procurement

It covers all phases: demand, purchase, storage, delivery and maintenance of office equipment.

6.6.1.2 EMPLOYEE RELATIONS

- ❖ **Man Power Planning.** It includes procedure of requirement, selection, hiring and placement of the employee.

- ❖ **HR Policies**

These two are explained in the under mentioned bullets:

1. HIRING

- ❖ **Internal Hiring:** First preference is given to existing Ufone employees.
- ❖ **Recommendation of Employees:** Second option is to hire on recommendation of the current employees.
- ❖ **Walk in interviews and the HR System:** Ufone has developed HR software through which they maintain a huge data bank of CVs that have been dropped at Ufone by the

walk-ins looking for job. Then that list is narrowed down by the HR department and follows till hiring.

- ❖ **College and Universities:** Requirement ads are placed in universities and colleges so fresh graduates can apply.

2. Need of Man Power - Reacquisition Form

The department needing new position or a new employee, have to fill out a Man Power Reacquisition Form. Then that goes to CEO for new positions or if it was for existing then it is sorted out at GM level.

3. Selection

- ❖ **Tests:** The short listed candidates are called in for a test. This test is divided into two categories. One is for non-technical jobs (comprises of an I.Q. and English section) and the other for the technical ones.
- ❖ **Interviews:** The survivors of the test are then called in for interview. The interviews are conducted by the respective department, the HR department and in the end by the GM/CEO. An interesting fact is that the GM/CEO interviews every new employee.

4. Position Description (Job Description) and Orientation

- ❖ The the job description is prepared including: objective, activities, work hours etc for the selected employee and an orientation of new job as well as the work place is conducted.

6.6.1.3 HUMAN RESOURCE DEVELOPMENT

1. Training and development. The first is internal training to give the employee a know how of his job. Then external training is recommended aboard or at any renowned place to special cases that performs well on the job.

2. Performance Appraisal

• Distinctive Feature (HAY POINT EVALUATION SYSTEM)

Ufone uses a method called 'The Hay Point Evaluation System' according to which different points are assigned to different tasks and they are awarded on the successful completion of that task within the given period.

• Probation System. This period is divided into two distinctions based on departments and management positions, conducted by HR and respective deptt:

- ❖ 6 months for management positions
- ❖ 3 months for non management positions
- ❖ A monthly evaluation system is in place that keeps a check on employees every 30 days.

6.6.1.4 SALARY/COMPENSATION AND ADMINISTRATION

This division covers pay scales along with incentives and compensation activities.

• **Pay scales.** However, they haven't set any pay scales according to any strict grading system but they have certain guidelines that award different pays to different people along, what they call a 'Band'.

This band ranges from positions M1 to M8 depending on seniority. The band ranges are as follows:

- ❖ CEO M1
- ❖ GM M1-M2
- ❖ Manager M3—M5
- ❖ Section Head M4 — M6
- ❖ Lower Staff M7 - M8

6.6.2 MARKETING DEPARTMENT

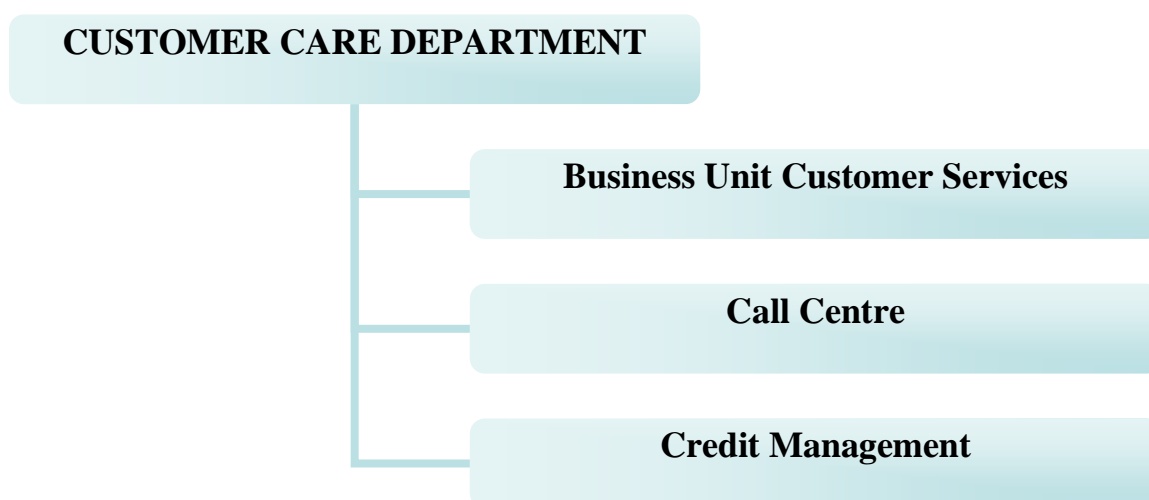


- ❖ **Market Research.** This includes the basic environmental analysis along with competitor analysis and afterwards a marketing report is made and targets are set in terms of over all subscribers along with revenue generation. The basic work was done before the launch but now they are keeping a close eye on the competitive moves as well as demand trend.
- ❖ **Strategic Planning.** It includes all the phases mostly of which have already been implemented by Ufone, including product development and implementation, over all marketing plan , tariff development and monitoring, customer service policies and international roaming management.
- ❖ **Marketing Communication.** This subdivision is mainly meant for promotional activities: building an identity for the corporation and brand, managing advertising campaigns,

sponsorships (example: the Junoon concert), media relations (newspaper coverage, press releases, press conference before launching etc), point of sale material preparation (brochures, tariffs, flyers etc), website management etc.

❖ **Dealer, Retail & Direct Sales.** This subdivision ranges its activities from managing the dealer network to monitoring their performance, training and developing dealer channels and motivating and developing loyalty. Ufone also manages its own retail/direct network of sales. Focusing on opening their own outlets, managing card inventory, SIM card, all retail products and more importantly pre-paid sales.

6.6.3 CUSTOMER CARE DEPARTMENT (CC DEPTT)



Ufone has the best **Customer Care Centres** in the business. The outlet of Ufone are attractive and housed by the committed customer care team. Customer care operations at Ufone are divided into three cells: Business Unit Customer Services, Call Centre and Credit Management.

1. Business Unit Customer Services. It looks after billing co-ordination, customer services, change of tariffs, help line, technical services, sales activations, credit monitoring, recovery and record keeping.

2. Call Centre. Ufone has a unique and modern call centre setup. Besides employing a very friendly staff, they have also equipped them with state of the art technology so that they can make their services as much tailored to each customer that calls in. when you pick up your Ufone and try out dialling 333, an onscreen display controlled operator will call your name and start to communicate.

3. Credit Management. The GM IS coordinates this area of Ufone. It is an interface between credit management, billing and finance. The processing and management of billing is done by IS and finance departments respectively while this credit management provides the basic info and data to be processed.

6.6.4 INFORMATION SYSTEMS

The information systems department is one of the most friendly atmosphere area of Ufone.

Information system department is divided into three subdivisions:

- ❖ Billing
- ❖ IS
- ❖ System Enhancement

I dint see much of details as I find it outside my purview to analyse it technically, as it dint match to the enviable success of Ufone. The other mobile operators have about the same kind of setup.

Chapter # 7 BUSINESS & CORPORATE LEVEL STRATEGIES

7.1 COMPARISON OF UFONE AND THEORY OF BUSINESS LEVEL STRATEGIES

As explained in the literature review chapter about the strategies prerequisites and porter's guidelines, we can easily compare Ufone employment of business level strategies. Upon launching the services of Ufone, there were three main alternatives regarding business level strategies:



- ❖ To become the Cost — Leaders
- ❖ To get competitive advantage through differentiation
- ❖ To focus their activities on a particular segment.

7.2 The Ufone strategy planners observed Mobilink (the main competitor) and other service providers closely and figured out the main issues were quality and cost of connection. Their network had problems. Mobilink was having a monopoly in the GSM sector of the mobile industry despite of high connectivity complains and poor service provision. While at the same time the AMPS based services were providing satisfactory coverage and service yet charging decent fares. People then demanded the introduction of a service that would make GSM mobile users appreciate what GSM is all about and at cheaper rates. As directed by their CEO, Ufone had planned to adopt merger of two business level strategies:

- ❖ Differentiation
- ❖ Cost Leadership

7.2.1 DIFFERENTIATION

Ufone focused upon getting competitive advantage through differentiation along with the cost leadership strategy. The targeted areas of differentiation were:

- ❖ **Customer Services:** When Ufone entered the market adopted to global style of customer services; treating the customer as owners of Ufone, “U” tactics. Customer services were one area that was not paid a lot of attention in Pakistan. Therefore, Ufone managed to established itself as the one with the best customer services ahead of all others, yet low coverage but best service in limited areas.
- ❖ **Slogan:** “Tum He Toh Ho” Where all other mobile companies were focusing on either the wide coverage or having the most affordable mobiles, Ufone came up with a totally “U” centred approach. Ufone focussed on its features of their product with simple image of being a company that offers the best for you.
- ❖ **Technology:** The technology of NORTEL was considered second to none, Ufone had the most up to date equipment amongst all of its competitors, who were using comparatively older technology. This resulted in best quality of reception in the entire mobile industry.
- ❖ **Complete Market Coverage:** Ufone came up with a company that was for everyone. All of the other 3 mobile companies had targeted a particular area of the potential mobile consumer market. Ufone totally went through all boundaries and targeted simply every one.

7.2.2 COST LEADERSHIP

The prices were set to average out that most of the potential consumers would be lured in, who couldn't afford the high prices of other operators. They aimed at becoming the Cost Leaders. All of the under mentioned facts suggest that Ufone was able to achieve their goal of being the cost leaders and in return give the customers the most affordable and economical packages.

They had the advantage because of:

- ❖ **PTCL Support.** Being a subsidy of PTCL, Ufone enjoyed some exemptions of various charges that other companies had to pay, bringing their costs down.
- ❖ **Debt Servicing.** The debt that Ufone had picked up prior to its launch was priced at 12% due to government backing compare to others; Mobilink paid interest at 36% and Paktel also 36 percent, when they launched.
- ❖ **Tech Price Reduction.** In 1995, GSM technology was comparatively expensive, when Mobilink launched its services. As Ufone came into being the technology price had come down, resulting low cost and low price benefit to Ufone in the industry.
- ❖ **Research and Development Cost.** Ufone also saved a lot of Research and Development cost in terms of technology and its feasibility because of their strong initial bond with their supplier,

NORTEL. Ufone enjoyed Nortel's experience and their famous Research and Development capabilities almost free of cost.

7.3 CORPORATE LEVEL STRATEGIES

As we know, there can be many other tactics and tricks of trade to gain strong roots in the industry, namely adding value and getting competitive advantage to current operation at a lower cost by integration methods, vertically or horizontally.

7.4 VERTICAL INTEGRATION

Ufone opted successfully the Vertical Integration, in two ways:

- 1. Backward Integration:** To overcome the negative impacts of bargaining powers of suppliers, done by producing their own inputs. Ufone directly indulged in a backward integration with the Research and Development of their supplier i.e. NORTEL. Therefore, by forming this strategic partnership and alliance with NORTEL Ufone saved millions in R & D and earned the benefits.
- 2. Forward Integration:** To overcome the negative impacts of bargaining powers of distributors, done by acquiring all retail outlets of their services and deliver them personally to the end customer.

SECTION - III
DISCUSSIONS
(Analysis)

Chapter # 8 ANALYSIS

In this section the analysis is discussed upon examining the first two sections of INTRODUCTION and RESULTS.

8.1 TELECOM & PTCL ANALYSIS

Upon examining the information on SWOT comparison and studying the PTA and PTCL scenarios in Chapter 4 of the study, the following is analysed:

8.2 DEDUCTIONS - PTCL

- PTCL does not have innovative service offerings for instance, bundles (tv+phone+mobile) with say a single bill for convenience. The service is quite possible with the technology available.
- Has been unclear about its IPTV and WiMAX plan and strategy (trials are in progress)
- Overall PTCL still behaves as a monopoly, rightly so being the only land-line service provider, it has to change its attitude. At a minimum, avoiding billing errors and providing competent and courteous service to its customers is essential if PTCL wants to show that it is transforming itself to a competitive company which cares for its customers.

It is said that the best assets of a company go home to their family in the evening. Can the culture of PTCL be changed to a *performance and service based organization*? According to the latest director's report from PTCL the organization is being revamped. Its *Wait And See Policy* for consumers, if organisation would change in its true sense.

8.3 TELECOM INFRASTRUCTURE. In order to analyze the competitive situation in the entire Telecom infrastructure, the total market for telecom services can be divided into five sub-markets: the market for voice telephony (fixed lines), mobile telephony, card-operated pay phones, voice over internet protocol and data communication market. My report only discusses the segments of voice telephony and mobile telephony as the rest three are not taken in the purview of this study.

- In **the segment of voice telephony**, PTCL enjoys a monopoly situation and will maintain this status until many years. Most of the software protocols have been established by Alcatel, Siemens and Nortel. Networks and these protocols now form an integral part of the PTCL network. However, PTCL is up for privatization and multinational firms can look into the opportunity of acquiring a strategic share in this organization.
- In **mobile telephony**, although the U.S. was a late entrant, Motorola has made rapid strides in partnership with its local affiliate Saif Telecom. Mobilink--a Motorola network was the fastest

grown mobile telephone service in Pakistan, and this group was poised to take lead even when satellite telephone technology was introduced in Pakistan. But the interventions of other mobile operators ruined its dreams. The mobile industry grew very competitive with many potent players.

- **End-user Analysis.** The report analyses major end-users of telecommunication services in the public sector are the government-owned autonomous corporations, government agencies and all the ministries. In the private sector: banks, airlines, oil companies, internet service providers, schools, hospitals, private businesses and individual subscribers are the major users. The mobile operators need to target these end-user besides the individual users, so as to get maximum of profits and brand popularity.

The expansion of the telecommunication sector has been steady in Pakistan; however, the demand outstrips supply in most segments. The high rate of customs duty on import of components and equipment along with high taxes on various telecom services have been some of the drawbacks of this industry. The overall telecom market is expected to grow by over 15 percent annually; however, potentially the number of end-users can grow more rapidly, which presently is limited by the current levels of investment in this sector.

8.4 Ufone SWOT ANALYSIS

Now I will cover the internal and external environments analysis (SWOT) as it is done for all other mobile operators (see annex) and PTCL in the chapter 4 and then establish the positioning of Ufone with those operators. This analysis will give an insight as to what could be new arenas for Ufone or which areas to be avoided to get the operations going on smoothly.

8.4.1 STRENGTHS

- ❖ **Government Backing.** The low debt service rates right from onset and being the subsidiary of PTCL has always been the biggest plus factor that Ufone has, as it brings the government backing and gives it an access to many extra benefits. Along with these, Ufone also enjoyed a strong financial backing at the time of launch. Moreover, more over it enjoys that backing at a very good interest rate. The debt that it was given was at 14% while other players in the industry were paying back at rates of around 36%. Ufone took complete advantage of this favourable situation and took leaps of successes before it could have got any problem.
- ❖ **NORTEL – Colossal Supplier support.** Ufone also enjoys a good relationship with its suppliers, mainly NORTEL. The biggest advantage that it got came in the package of good technology being handed to them by NORTEL and that they paid them in local currency, saving many foreign exchange payment drawbacks in terms of Research and Development costs.
- ❖ **NORTEL – State Of Art Ancillary Support.** NORTEL is the sole provider of almost all of the technology that Ufone is running on. Their systems are superior to those of most of its competitors and that their (competitors) technology is older as compared to what Ufone has installed in its facilities. Their newer systems are more flexible and can adapt to changes a lot faster than what Mobilink or Paktel can manage. Technologies with slight introduction of new equipment thus making the overhead costs very low as compared to the other companies in cellular industry operating in Pakistan. The other strength for the company is the use of Digital Technology (GSM technology) in which the scanning for the calls is not possible. Ufone' s GSM 900 network includes a General Packet Radio Services (GPRS) solution, which enables Ufone to offer consumers wireless Internet access, e commerce, virtual private networking, and other value-added mobile multimedia services.
- ❖ **Best Management.** As the Telenor stepped in the market grabbing the best work force at phenomenal salary packages, Ufone claimed to have managed to pick up the best concerned people in the Pakistan mobile industry. They seem to have a high percentage of employees that have labels of prestigious educational as well as organizations attached to them. It is fact

when I met few of their staff members I found them well learned and quite an impressive professionals.

- ❖ **Impressive Recruitment and Selection Procedures.** As discussed later in the research, they have a very well established and controlled employee intake system. Starting from the basics of the recruiting process to maintaining high motivation and check levels, Ufone has done an excellent job. Their use of the Hay Point System has enabled them to maintain high employee motivation.
- ❖ **Strong Customer Loyalty.** Ufone's customers turn out to be their major strength. My survey as well as common perception reveals that Ufone has been able to build very strong customer loyalty.
- ❖ **Customer Services.** Customer Care is also one of their strengths. Ufone has one of the best customer care services in the country regardless of industry being measured in. Their customer services are back not only with state of the art technology but also a highly efficient staff.
- ❖ **Brand identity.** Ufone has also been able to build a very strong brand identity that others have taken much more time to achieve. This brand identity makes many options easier for them to avail. In order to create awareness of a new package or service all they have to do is hang a banner in the colours of Ufone, and they can be sure people will take notice of it as a message from Ufone. Colour coding is easy to get impressed.
- ❖ **Low Cost Low Price.** The economy of Ufone is also one of their major strengths and that was evident from the masses that they drew just on the basis on their low prices. This fact is also evident in our own survey. They are providing the best services to the customers at a much cheaper price. Price has been one of the factors in astonishing success of Ufone. Therefore, this alone has spared a substantial amount of money for them. No other competitors have the ability to do so.
- ❖ **Promotion Statement.** "Believe in last to enter - first to venture" is strength of the company as its providing unique services to its customer such as they are the first one to introduce the WAP (wireless application protocol) services for its users. Ufone is the only company in the country that's offering the customer the service of switching their packages between post-paid and pre-paid packages without changing their mobile numbers and also with many other services. Calls from Ufone network to PTCL /other networks are connected via PTCL leased lines. As per obligation of PTA (Pak Telecom Authority) to enjoy, healthy cellular competition Ufone will avail the facilities from PTCL like all other operators. Calling rates to UAE, Saudia and other countries of America etc are far much cheaper than rest of competitors.

8.4.2 WEAKNESS

To every good there is bad likewise to every strength there could be weaknesses, let's now discuss the weaknesses of Ufone.

- ❖ **Red Tapism Behaviour.** Ufone is under the shadows of the bureaucratic approach of PTCL. That makes their corporate level decisions slow and late in coming. This is evident from the lag that they have suffered in making a decision regarding their expansion. It is more than clear to every one in and outside Ufone that they need to expand and inside Ufone, they know that their proposal is ready but it is the red tapism of PTCL's bureaucratic nature that is making them linger around more or less a stand still.
- ❖ **Focused Only on Pre-Paid Customers.** Through our report and survey, it is shown that Ufone has a mostly one sided clientele division. That is almost 90% of their customers are on the pre-paid side of their services, which is not what Ufone had originally planned. They were expecting around a 60% — 40% division in favour of their pre-paid package. The area of post paid has been neglected, which turned out to be big weakness.
- ❖ **Initial Low Coverage.** In the early times, when focus was only on quality and package for masses the biggest weakness of Ufone had been their low coverage in terms of geographical area covered. Many customers have not shifted to Ufone in spite of their low cost and good quality just because they do not cover a lot of geographical area. I surveyed the suburbs of Sargodha, as I have land in those areas, most of the farmers do not want to have Ufone, because of no service.
- ❖ **Inaccurate Target Market Forecast.** Ufone's Strategy planners dint target the customers well, as well as forecasting their quantity prior to their launch. First, they forecasted an estimate of around 60,000 customers would join them within the first 6 months of operation. The actual figures nearly doubled that mark. Another failure for the marketing department was that they were not able to determine and maintain particular target market segmentation and ended up having 30% more pre-paid customers than have wanted to.
- ❖ **Website.** In this age of e-commerce and lot of awareness in the masses, no site or bad site is criminal. However, an ignored factor but Ufone also has lost on the advantage that the internet can provide a company. While Mobilink maintained a very efficient website, Ufone's website did launch but then soon disappeared off view and stayed that way for a considerable period. However, they have launched a new website but that too lacks awareness, as no one seems to know it exists, unless it was heard from the horse's mouth.

8.4.3 THREATS

- ❖ **Strong Competition.** In the pre-launch scenario of Telenor and Warid, the mobile industry relied on only 4 major players and out of those 2 joined forces (Paktel and Instaphone), so the major competition had been between 3 main companies. Ufone was the newest in the lot, so it faced very stiff competition from the other two. With the two very strong and giants companies: Warid and Telenor, the competition is now fierce.
- ❖ **PTCL Privatisation and Shares of Etisalat.** PTCL is no longer an entirely government entity as being partner of Etisalat. The future of Ufone has been uncertain as the management function has been taken over by Etisalat. As this is an external and unclear factor so it is hard to say what the exact effects it will have as far as Ufone's operations are concerned but Ufone views this as a threat if new regulations go against their purpose.
- ❖ **Price War.** Ufone itself agreed that though they gained huge popularity and customer base but they regret having started a price war. From what is expected is that mobile services prices will keep on getting lower and lower resulting in lesser profits for all. Other stronger competitors would come down in prices, as they have stronger customer base and financial strengths to do so. The giants could come down to dangerous level, and only fittest would survive, can Ufone survive in that scenario, is big question mark.

8.4.4 OPPORTUNITIES

- ❖ **Caller Party Pays (CPP).** Caller Party Pays (CPP) has been viewed as something that has caused mobile industries all over the world to grow at amazing rates. It was the case with the Pakistan mobile industry. I rate this as an opportunity because as long as there is CPP the mobile industry will keep on growing. This service is somewhat related to friends and family packages, which now all companies are offering, but in earlier times it was big opportunity.
- ❖ **Privatisation.** Ufone sees its being privatized as an opportunity because it may be able to free itself from the shackles of PTCL's bureaucratic style of operations and move into a fast and tightly managed private industry. The scenario would be worth seeing as to how it copes up with it.
- ❖ **NORTEL.** Technological opportunities will remain open to Ufone as long as it sticks to NORTEL as its supplier. This is because NORTEL is considered one of the leading Research and Development companies.
- ❖ **More Geographical Arenas.** With a lot of demand for mobile services and in particular GSM technology the demand graph is continuously on the rise. As Ufone is present in only a limited geographical boundary, so it still has many markets to tap and increase their business. However, it has covered all the main cities and road networks, still the rural areas are yet to cover.

8.5 Ufone VS OTHER MOBILE OPERATORS – A COMPARISON

Before Ufone launched itself with a bang, other mobile service providers did little or no advertising. Especially television advertising was unheard of before the launch of Ufone. When Ufone was launched, along with making mobile phone connection affordable for the masses of the country, it started a new trend of creative television advertising for mobile service providers. Its humorous series of ads featuring the ordinary person on the street, Faisal Qureshi and his beloved Salma, became immensely popular with the target audience and Ufone was able to achieve its sales target for the entire year within three months.

8.5.1 Mobilink Vs Ufone

Thanks to NORTEL, as far as quality of the service is concerned Ufone is far ahead of Mobilink. Their equipment and technology is much more sophisticated as compared to Mobilink. Other weaknesses of Mobilink include a perceived poorer reception and coverage, mismatch between staff, customer, and inconsistent policies of the management. Their strengths include an up market image, prepaid card, strong corporate presence and good advertising. Ufone should discover ways through which it could expand its corporate presence. Mobilink also has an edge over Ufone in terms of area that Mobilink is covering. Ufone should expand its coverage to all major cities and highways.

8.5.2 Paktel Vs Ufone

Paktel had been concentrating more on rural areas to expand its customer base so it is not expected to pose any serious threat to Ufone, but Ufone should try to expand its rural presence, which has a very good potential for growth.

8.5.3 Instaphone Vs Ufone

In comparison to Ufone, Instaphone developed a strong customer base in relatively rural areas. It will be a tough challenge for Ufone to penetrate in those areas. However, as the Instaphone and Paktel monopoly has ended now, this is the big opportunity for Ufone to penetrate.

8.6 UNIQUE SELLING PROPOSITION OF MOBILE SERVICE PROVIDERS

8.6.1 Mobilink. Previously Mobilink was following a differentiation strategy and in line with its strategy, it was promoting itself as a classy brand. Various advertising campaigns of Mobilink highlighted the variety of features that Ufone was not offering, besides promoting it as a mobile phone connection for those having a certain class and life style. Off late Mobilink has shifted its focus from a value added classy connection to a low priced connection in its

prepaid category, A shift in its USP has diluted the brand image of Mobilink and would result in short-term revenue growth only.

8.6.2 Instaphone. Instaphone used to take pride in the fact that it offers the widest coverage among the other mobile service providers. Instaphone covered maximum number of cities in Pakistan and it highlights this factor quite strongly in its advertising campaigns. Now its popularity is dieing and so as its services, the lesson may be learnt.

8.6.3 Paktel. The services died and company collapsed may be because it did not have a clear USP. Although it was the first to enter the mobile service providing market of Pakistan, yet it was unable to take advantage of its first mover strength. Paktel had followed the lead of other mobile service providers and promoted itself as the lowest cost provider without realizing that lowest cost is the USP of Ufone and no existing mobile phone company can position itself on this aspect. It got defeated by this USP at the hands of Ufone.

8.7 TAG LINES

- ❖ **Ufone:** Tum hee tau ho
- ❖ **Mobilink Indigo:** Reshaping Communications
- ❖ **Mobilink Jazz:** Life Mein Jazz Lao
- ❖ **Insta One:** You Bet!
- ❖ **Insta Excite:** Talk Freely!
- ❖ **Paktel Tango:** Is se Sustee sirf khamoshi
- ❖ **Ufone** -The Pioneer

8.8 DEDUCTIONS

- ❖ Ufone has succeeded largely in changing the image of the cell phone from a luxury to a necessity and it has precisely set the stage to give the cellular phone to low income brackets and students.
- ❖ Generally, customers are satisfied with their coverage, call connectivity as compared to the competitors. However, they need to improve it to compete internationally. In addition, major improvements regarding seamless coverage on highways and in basements are needed.
- ❖ The cellular phone market of Pakistan is still unsaturated and there are vast opportunities for the companies operating in Pakistan. Ufone has the biggest opportunity to take advantage of this situation because of its customer friendly image.
- ❖ Ufone is the only cellular phone company making the base for the latest communication trends in Pakistan.
- ❖ One of the factor that is vexing Mobilink customers is the fluctuation in tariff rates.

- ❖ Ufone's staff is cordial towards its customers. The customers of Ufone are generally satisfied with the billing and staff courtesy. The introduction of online billing facility has won the heart of customers.
- ❖ The non-availability of Ufone's connections resulted in the loss of potential customers, but now they are running with full throttles.

8.9 ANALYSIS ON ORGANISATION STRUCTURE - UFONE

8.9.1 HUMAN RESOURCE AND ADMIN DEPARTMENT

I found the HR department to be the backbone of Ufone. Every department is somehow or the other linked with the HR department. Its importance was also evident from the fact that the HR head was involved in a lot of the decision, in which other GMs are not involved. As on paper, the CEO has to be present while any one is being appointed. However, I found out that if the CEO is not able to be present the decision then lies solely with the HR head. This holds true for every employee except when hiring GMs. Moreover, the HR department has an informal control in almost each department in terms of keeping an eye on every employee's performance and activities.

Despite its importance and being the most effective of all the departments, I found two major areas that need to be addressed.

- ❖ I see that Position Specifications do not highlight the job titles to lower staff below the middle management. Sales/field staffs when named as SALES EXECUTIVE or FIELD STAFF OFFICER, gets motivated to work with more zeal and zest. Ufone HR department needs to address this issue and try and rename the job titles to some respectful way or to make it look honourable.
- ❖ Ufone HR department claims to be the best trainers and career developers in the business, this could be a good motivation tactics for middle and upper management but for the lower staff the financial factor is more lucrative rather than just mere boasting.

8.9.2 MARKETING DEPARTMENT

Market Research Division. The market research division of Ufone management admitted that they had under estimated their demand based on their initial market research. They had predicted to achieve 60,000 subscribers with a cushion of an extra 5,000 subscribers but they have far exceeded that prediction as they grabbed 115,000 subscribers just during the first year of its introduction. Ufone as having achieved glorified success in the eye of the common person but at the same time, this has become the biggest challenge for Ufone. Now to maintain and upkeep the system and keep the track up they need to adopt focussed strategy.

Marketing Communication/Promotion. As far as marketing communication is concerned, one very big success that they have achieved, that is, they have built a very strong brand and corporate identity of Ufone. Starting with their logo choosing campaign to their punch line "Tum He Toh Ho" they have established an image of Ufone the way they wanted to as a consumer oriented company. I was told that they wanted to portray Ufone as a company that had technology in terms of quality as well as prices as their strength. More over they planned their target market to be a mixture of both corporate users as well a common person. However, they focused so much on their low prices and

middle/lower target markets in their advertisement campaigns that there is a huge difference between their forecasted and actual division of their common and corporate users. They lost the war with other operators in the fields of grabbing the corporate and high-class executives.

WWW of Ufone. Ufone launched their website after lot of hues and cries from public, which hurt their image. Now with new site they might regain some of lost respect and could capture more customers.

Admirable Dealer Sales. Ufone had a very well established and placed dealer network, which clearly indicates the efficiency of the Dealer Sales. Each one of their dealer outlets appeared to be a mini-Ufone building as they had the same colour effects as well as the same interior outlooks. Recent ordeal between dealers and Ufone is bit hard to comprehend .the dealers were satisfied with the way things were going with Ufone. However, that has more than changed over the past couple of months. As Ufone stopped, issuing more subscription the dealers were the people that were affected the most. Though it was indicated by Ufone that the dealers are being compensated for the loss in sales but still they feel a cloud of uncertainty for the future.

8.9.3 CUSTOMER CARE DEPTT

Customer satisfaction asks for bit more than just good features, though Ufone had nice set-up but there is lot of room for improvement. In the survey, I came to know few innovations being applied in other mobile operators like employing a ticket machine, where the customers do not have to stand in queue waiting to be served. Ufone needs to quickly employ these latest trends and talks of town.

8.10 ANALYSIS OF BUSINESS & CORPORATE LEVEL STRATEGIES

8.10.1 BUSINESS LEVEL STRATEGIES

Ufone with its low cost strategy initiated price war amongst the service provider, though it is a healthy competition but gave a wrong idea of people to image of Ufone to be only for poor people. However, due to cost, Ufone being a cost efficient company, they will suffer less than others in terms of profit margin if this price war continues. Nevertheless, we can conclude that masses will be able to afford mobile phone in the wake of this price war.

As far as differentiation goes, they have achieved all of the above-mentioned factors except for one area and that is the segments of the market that they targeted. By promoting their low prices more and more, they generated the impression of being a cheap Service rather than a service that portrays quality. Therefore, what happened was that most of the high-end market, including the corporate sector, still does not consider them as a viable option. Ufone is unable to gain entry and strong roots in corporate/executive class consumers and Ufone seem not cognizant of this fact, or they are unable to cope up with this scenario.

8.10.2 CORPORATE LEVEL STRATEGIES

NORTEL may not be completely acquired by Ufone in terms of their technology or applications provisions. As far as backward integration goes, firstly it's not a complete backward integration as Ufone has not acquired, rather it does not have the potentials to acquire complete set of technology or R & D resources of NORTEL, just a mere sharing of resources may not be long term solution.

As PTCL has been acquired, this can be a beneficial to operations of Ufone. On the brighter side, Ufone will come out of the shadows of PTCL and its bureaucratic approach of operations and move into a much more charged up private sector.

8.11 ANALYSIS OF PUBLIC SURVEY

The survey conducted during data collection is attached at the annex; the salient features of the survey are as follows:

8.11.1 SAMPLE SIZE, METHOD EMPLOYED AND TYPE OF SAMPLING

- Sampling Method: written questionnaire and personal Interviews.
- Sample Size: 265 subjects were questioned and interviewed. Convenience was criteria in selecting sample size from the population, as per the criteria mentioned in next Para.
- Sample Criteria: Staff associated with Telecom sector, officials of various mobile companies, University students, general opportunity customers at street and members of households were either handed over questionnaire or asked structured/unstructured interview to obtain their views/comments.
- The age group was of less of cognisance, as I was targeting the existing and potential mobile users. In case of officials (telecom sector) or staff of mobile companies, the age criterion was not considered; the knowledge base was the main criterion.
- Additionally, Views and comments of general public on Pakistan telecommunication mobile industry, taken from net and analysed.²²

8.11.2 SEQUENCING OF QUESTIONS

The questions started from general observations and moved towards specific issues. The questionnaire starts with defining creativity and moves onto find the recall and response of audiences towards Ufone and other cellular services ads and finally asks the critical comparison questions.

Problems With The Questionnaire: A few of the respondents felt that some of the questions lacked "Others" option while two or three of those surveyed were of the opinion that the first question related to defining creativity should have a "All of these" option as well. Some of the respondents also took the reference to Mobilink ads as foreign ads and had to be informed that only Pakistani Ads of Mobilink were to be considered.

Unstructured Interviews: Some of the target consumers were asked to reveal their feelings about ads of Ufone and other cellular companies ads and their comments were recorded. There was no set pattern of these interviews and one question led to another. 3-4 such interviews were conducted and the responses recorded.

²² <http://pakistaniat.com/2006/11/28/pakistan-telecommunication-mobile-industry/feed/>

8.11.3 ANALYSIS / FINDINGS

- ❖ The first service that comes to mind in the public is Mobilink followed by Ufone and others.
- ❖ GSM technology might make AMPS obsolete in near future; being cheaper, famous, easy to switch to other number or company, many innovations, new tech features etc
- ❖ The people suggested Ufone, would be able to compete with Mobilink in next few years provided it expands its network and continue to be cost effective yet consistent in connectivity. It means that in recent times Ufone has captured the subconscious of mobile users. It could be due to two main reasons. One that it is all because of its being new or that it has establish Mobilink itself as a generic name in the Pakistan mobile industry.
- ❖ Though over all Mobilink has more customers but in our survey Ufone came out to be at reasonably good position seeing it's just in introduction phase of PLC. I believe that this happened because of cost sensitive consumers and Ufone being subsidiary of PTCL had the potentials to get advantage form government and people may be able to talk on landlines on cheaper rates.
- ❖ This result came out according to our predictions. That pre-paid packages have out numbered post paid by fair margin. This is regardless of service subscribed to.
- ❖ Most people turned out to be satisfied with their current service providers.
- ❖ This area showed that people believe Ufone to be in most demand these days suggesting once again that Ufone has been able to not only create customer awareness but also customer attractiveness.
- ❖ Regardless of any service provider it turned out that people gave the maximum weight to economy of use and then to service width and quality. This means that people are more price conscious than quality conscious.
- ❖ Majority of the interviewees were of the opinion that Ufone has helped a slow mobile industry to pick up speed. Once again, most of the people suggested that their most distinguished Mobile feature was their low pricing.
- ❖ However, maximum non-Ufone users do not want to switch to Ufone if the opportunity arises but there were few that did want to switch, which suggested that Ufone has been able to create a drawing power. But those that did not want to switch were mainly staying away due to a high switching cost and then due to Ufone' s limited coverage in its initial days.
- ❖ In the slogan war majority of the people were aware of the Ufone slogan though I personally believed Mobilink to be on top in this category, which, by the way, was not far behind.
- ❖ The findings to the previous question were further confirmed by this one, which resulted in signifying that most people believed Ufone's slogan to be the most stimulating one.

- ❖ Almost every colour was matched with the right service expect Instaphone. However, I expected Ufone to be on top here but Paktel came to be the one. I believe that this happened because Paktel is the only one with a very different colour i.e. Green.
- ❖ Though not representative of the over all mobile consumer market by any means but our survey did suggest a few things. One that Ufone is the market leader in terms of demand and awareness, now. Secondly, that people expect a lot from Ufone. They believe it to have delivered what they always wanted (affordable mobiles) and believe that Ufone is here to stay.

8.12 MARKETING/PROMOTIONAL RELATED SURVEY (AD FOCUSED CAMPAIGN)

The Questionnaire as attached in the annex, was circulated among the target audience to explore and later analyze their reactions about the ads and ad campaigns of mobile operators vis-à-vis the ads and ad campaigns of Ufone. The survey brought the following results.

- ❖ **Creative ads.** In response to best creative ad question, most of the respondents replied that they want unique and innovative ad concept to be labelled as a creative ad, mere showing humour or emotional exploiting wont work. It could be Ufone showing humorous advertisements or Mobilink's 'Living Moments' campaign highlighting the family bonding in a novel way.
- ❖ **Long lasting ads in the Memory.** The second large percentage found visually appealing ads as creative ads. Other things notwithstanding, an appealing ad remains in the memory of the target audiences even if- the product promoted through the ad goes into the background. Respondents cited examples of ads filled with visual imagery and breath taking spectacles to be the ads finding place in their memory. Most of the respondents could recall sports or showbiz stars featuring in those ads. Ufone and other operators were influencing the public using these as brand ambassadors.
- ❖ **Ufone humour.** The business level strategy of Ufone is low cost leadership. In keeping with that strategy, Ufone devised a humorous television campaign. This campaign was a new concept in the mobile service providing industry since none of the other mobile service providers was advertising on television before Ufone. This strategy has worked well for Ufone and most customers can identify Ufone campaign. Again the point of matter is, would these ads keep up the image of a reputed company?
- ❖ **Ad Comparison.** Most of the respondents rated the ad campaign of Ufone as number 1. The reason cited was that Ufone's campaign was humorous and had been featuring the same character ever since Ufone was launched. With every successive campaign, the brand name is strengthened and people have come to relate humour and Ufone together along with the inevitable presence of

Faisal Qureshi. This shows the success of the campaign of Ufone. Now it seems high time to get something novelty.

- ❖ **Mobilink Ad.** The second best campaign was that of Mobilink followed closely by Instaphone while Paktel lagged miles behind in terms of effectiveness of its campaigns and audience recall of its ads. Most of those who rated Mobilink's campaigns as good did so on the basis of Mobilink's 'Living Moments' campaign for Mobilink's post-paid connection Mobilink Star. The recent 'Indigo' campaign did not get any positive reaction from the audiences either. People are now more learned and they point out errors, unlike old times, so now one has to be quite artistic and innovative to stir up feelings and impress brand image through ad campaigns.
- ❖ **Instaphone.** Instaphone is remembered because of the Shabbir Jan ads featuring him as a villager and using mobile phone to keep in touch with his son studying in the city. Many people disliked the ad as well but since they disliked it, so much it remained in their memory. On the other hand, many respondents rated the ad high in terms of creativity and remembered it as well. The net result, Instaphone got to the aims that ad was remembered along with brand.
- ❖ **Success of Ufone.** As majority of the consumers expressed that Ufone's ads are definitely more creative than other's ads. This is one of major factors of Ufone initial laurels in the market and got support of huge bulk right from the onset.

8.13 ANALYSIS ON ADS OF OTHERS MOBILE OPERATORS VS UFONE

Instaphone. USP of Instaphone was its widest coverage in Pakistan. Through Adnan Siddiqui and Natasha ads, the company tried to highlight and emphasize upon the same USP. This is why a lot of people still remember those ads. Other than the widest coverage campaign, the other ads highlighting different value added services are not recalled by the target market since those services were irrelevant to consumer needs for the most part. So focussed approach as done by Ufone in terms of humour was big success in short terms.

Mobilink. Mobilink focussed on differentiation strategy and capitalized on its unique and different image and client base as compared to the low prices and mass appeal of Ufone that took the market by storm. In keeping with its image Mobilink used to come up with emotional advertising campaigns such as the campaign called 'Living Moments'. It was the most popular Mobilink Campaign of its time and showed three separate emotional sequences where family and close ones communicated through Mobilink. Mobilink's Jazz campaign featuring Zara Sheikh was immensely popular as well. Here the company made a concerted effort to associate the class of Mobilink with the glamorous appeal of Zara Sheikh. However, ever since the company changed its USP from a classy brand to a low priced affordable brand, its advertising themes are quite vague and unforgettable. Ufone needs to learn a lesson to get on to something classy with touch of emotions and appeals.

Paktel. Paktel has never focussed on ad campaigns, as it should have been, which could be one big cause of its demise performance and getting out of run. For the most part Paktel has been unable to create a distinct positioning for itself in the market place. It was first to enter the market, yet it was unable to position' itself as a major player. Paktel has always followed the lead of other mobile service providers when it comes to advertising. It created humorous ads for its prepaid card Paktel Tango after the stupendous success of Ufone's humorous campaign. Ufone never bothered about Paktel as it overtook quickly.

8.14 UFONE'S POSITIONING

To conclude the section of promotions and ad campaigns I can surely say that Ufone has positioned itself as an affordable mobile phone connection with a good quality service directed towards the not-so-affluent class of the society. This positioning of Ufone has been done through: Showing an average Joe in the different ad campaigns giving a chance to the target audiences to relate to this person with a guy next-door image. However, the ads were humorous yet they gave a chance for people to relate to Ufone and hence aptly conveyed the Ufone message that 'It's meant for you'.

8.15 POPULARITY OF UFONE'S APPEAL

The crux is promoting a mobile connection provider on television in a humorous manner was unheard of before the arrival of the Ufone campaign. Mobilink, Insta Phone and Paktel were not doing above-the-line advertising when Ufone entered into the scene. The idea of television advertising got so popular that other mobile service providers like Mobilink started advertising on TV while Paktel started producing humorous ads just as Ufone had done. However, the followers in any campaigns don't get that benefit of innovative thought and grabbing of market, as done by Ufone, the leader in the ad campaigns.

SECTION - IV
CONCLUSION & RECOMMENDATIONS

Chapter # 9 CONCLUSION & RECOMMENDATIONS

9.1 CONCLUSION

This report ventured into many aspects of this upcoming giant of mobile service providers industry, Ufone. After getting over with the report and researching in all possible areas of Ufone, I can safely conclude that Ufone has reached success in mobile industry in terms of subscribers rapidly, which was well worthy of. All odds were in favour of Ufone, their strategy formulation, grouping of departments and coordinated efforts and lot many factors as discussed earlier brought enviable success to Ufone. Their mission statement, vision and goals seem to be well communicated in all departments. Though being a Government owned subsidiary, Ufone managed to develop a culture of a private entity. To survive further the expansion of network and reaching the fantastic areas is need of the hour with excellence in post-paid services.

Following the end of monopoly structure in basic telephony and introduction of more competition in cellular market of Pakistan, it is expected that both of sectors will grow considerably in the next few years. The **HYPOTHESES** drawn in the beginning of the study came out, by and large, fairly true in terms of Ufone enviable success. As a reminder, the hypotheses are reprinted below:

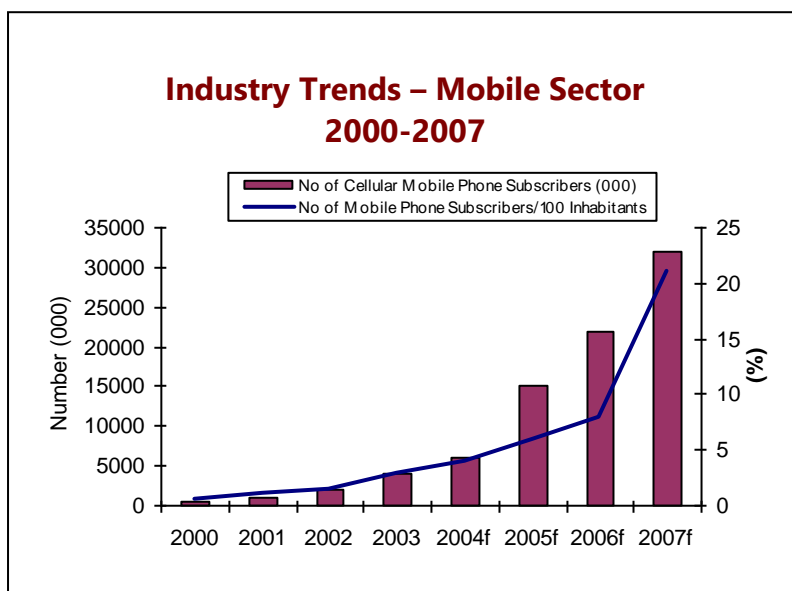
- ❖ **Ufone** ventured in private sector to compete with giants of the mobile industry and gained strong hold in the telecommunications environments of Pakistan, right from its inception, as its exploitation of **SWOT analysis, Organisation Structure, Business and Corporate Level Strategies** thrashed the competition.
- ❖ **Ufone** – currently the only UAE owned, GSM cellular service provider was previously a subsidiary of Pakistan Telecommunication Company, had an upper edge over rest of mobile operators. The registered name was PTML (Pak Telecom Mobile Limited), probably people thought that Govt supported mobile service would be cheaper and most likely enjoy privileges over and above others, so the masses fell to get a Ufone connection which bolstered its initial business.

As regards to first part of hypotheses, it seems genuinely impressive that policy, vision and adhering to the objectives and mission statement gave a tremendous boost to Ufone's popularity and it provided the public what it offered. Ufone achieved an enviable success in hostile competitive environments of Telecom because of its apt application and analysis of SWOT, rightly planning and implementing its Organisation Structure, shaping up its Business and Corporate Level strategies, which thumped the competition in the initial laurels.

The thought in the second part of hypothesis which states being subsidiary of PTCL might have given edge to Ufone, came out as not generally true. It does gave the impression and shaped the mind set of public that government owned subsidiary would get some benefits and would come out with cheaper packages than market. It did have cheaper price packages but still PTA ensured healthy competition and dint let Ufone go off the hook, to do as it felt like. The bindings, restrictions and regulations were equally implemented on all mobile operators, be it government owned Ufone or others.

To conclude the other Telecom sector areas, that were covered in the study it is submitted that number of wireless/mobile operators will start to roll out their networks shortly. A leading firm “Business Monitor International” has forecasted that Access Lines in Service (ALIS) in Pakistan will surpass the 10 million mark in year 2007 which are only over 4.6 million in the year 2004. It is expected that Fixed Line teledensity will reach to 7.1% in the year 2007, which is only 2.9% in the year 2004. Competition in the sector will help to reduce tariffs and improve the affordability for common man.

Mobile sector will also grow considerably with the entry of two new cellular operators and expansion of networks by existing operators. It is expected that cellular subscribers base would reach to 33 million in the year 2007 and cellular penetration would reach to 21% in the same year.



“Setting a trend is easier than maintenance”

9.2 RECOMMENDATIONS

Following is recommended in the light of the research conducted:

- ❖ The Strategy formulation must have INTEGRATIVE or at least TWO-WAY LINKAGE between the BUMs, GMs and CEO. Strategy formulation teams must have H.R representation.
- ❖ Lower staff below the middle management should have job titles. Sales/field staffs when named as SALES EXECUTIVE or FIELD STAFF OFFICER, gets motivated to work.
- ❖ Focus on grabbing the executive/corporate clients is necessary to stay in the business; Ufone should do some efforts in enhancing their efforts to put up new post paid or hi-class customers. They should try to attain a balance between their post paid and pre paid customers. This also holds true for their normal users and corporate users. This really makes the brand more powerful in the eyes of all masses, they may not be the buyer of post paid, but they do get impressed with the services.
- ❖ The culture of red-tapism need to be taken very seriously and Ufone should be run to compete with complete autonomy as civic service.
- ❖ Web plays stupendous role in marketing now a days, exposes the company worldwide, so new features and services must be well communicated to the end consumer. They should manage their website on a more regular basis and avoid changing their domain names in the future. The standard of website has improved though, yet it needs continuous review. As Ufone started a Web2Sms service and hosted of website but did not notify their customers through any means.
- ❖ Augmentation of geographical coverage is necessary, or be ready to face the dome. The biggest need is that they start work on their network expansion as soon as possible. Just mere expansion of services won't solve the purpose until and unless it is supported by the high quality of service and connectivity.
- ❖ They should also focus on their differentiation policy and try to keep a balance between their cost leadership and differentiation strategies. They may use this survey report as a first step towards analyzing the present perception of the mobile customers.
- ❖ Ufone may be out focused by competitors (even smaller segment) if they continue on focussed approach on general masses only. These Segments may develop interest to broad market firm(s).
- ❖ Market research was a grey area, which seems to be looked after well now days, but still if NORTEL was to be trusted for technology and back up support, the venture in Pakistan environments and conduct of genuine research would have been Ufone problem, which was neglected in the start. There may be no second chance, as new rivals are now much more aggressive and big giants of world: Telenor, Warid, China mobile etc.

9.3 RECOMMENDATIONS W.R.T TELECOM SECTOR

The recommendations in relation to Telecom sector may also be submitted as under:

- ❖ The quality of service standards should be reviewed and updated. Their implementation by service providers must be monitored and enforced. I suggest heavy fines and charges may be levied on bad serving companies, when they earn more, they must be able to provide better.
- ❖ The key to progress in cellular industry is strategic investment in the network. The current trend of strategic alliances with service operators and content providers should be adopted. More in number of service provider be encouraged or present ones may be given free hand to compete and improve their services.
- ❖ Immediate focus is needed on the quality of service and broader coverage is the 'name of the game'.
- ❖ Because of better opportunities abroad, a high turn over of skilled human resource has adversely affected the cellular industry. Serious efforts are needed to arrest this trend.
- ❖ The cellular industry in Pakistan offers huge potential in revenues. There still remain untapped geographical segments, particularly in rural areas, which can create a significant market. Perhaps, the post 2007 scenario (when PTCL's monopoly will end) will see an expansion of this industry.
- ❖ The government should strive to build confidence of the existing service providers. It should be a facilitator and an enabler and not a controller (police forcing) of cellular and other telecom services.
- ❖ PTCL needs innovative service offerings, currently it doesn't even offer bundles or a single bill. Overall PTCL still behaves as a monopoly, it has to change its attitude. At a minimum, avoiding billing errors and providing competent and courteous service to its customers is essential if PTCL wants to show that it is transforming itself to a competitive company, which cares for its customers.
- ❖ Content management systems should be adopted for closer collaboration between the government and other content producers. PTA and other Telecom controllers should do more liaison and establish regulations based on some firm research and market survey.
- ❖ Broadcast service providers should manage content through latest state of art equipment, as the recovery of cost is guaranteed in our area of business.

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LIST OF ABBREVIATIONS USED

Qos : quality of service
CPP (calling party pays)
Radio Base Station (RBS) and Mobile Switching Centre (MSC).
AuC Authentication centre
B2B Business to business
B2C Business to customer BS Base station
BSC Base station controller BSS Base station subsystem BTS Base transceiver station
DRBS Digital radio base stations DSL Digital subscriber line
EIR Equipment identity register
I GSM Global system for mobile communication
HLR Home location register
IMEI International mobile equipment identity
IMSI International mobile subscriber identity I ISDN Integrated services digital network
ISP Internet service provider
ITU International telecommunication union
IXT Internet exchange point
MAE Metropolitan area Ethernet MS Mobile station
MSC Mobile service switching centre
NAP Network access point
NWD Nation-wide dialling
PSTN Public switching telephone network
PTA Pakistan telecommunication authority
RF Radio frequency
SIM Subscriber identification module
SME Small and medium organisation
SoHos Small office or home office businesses
SS7 Signalling system number 7
TELCO Telephone company
UAE United Arab Emirates
VLR Visitor location register
VoIP Voice over internet protocol
WAP Wireless application protocol
WLL Wireless local loop

Annexes

SWOT ANALYSIS OF MOBILINK

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<ul style="list-style-type: none"> ❖ Wide Coverage. Mobilink offers its services in more cities than Ufone. ❖ Strong and Brand Image (Strong corporate presence). Mobilink is considered an upper class mobile connection as compared to Ufone, which is considered as low price for ordinary people. Business executives and successful professionals prefer Mobilink. ❖ Large Subscriber Base (Up-market Image). Mobilink, having over 1 billion subscribers, is heading to surpass the PTCL. ❖ International SMS. Mobilink has affiliations with several international mobile service providers making it possible to send SMS to people abroad. Mobilink boasts of 250 roaming partners all over the world, in 105 countries. ❖ Superior Customer Service. Mobilink has: friendly, automated phone mechanism, choice of Urdu or English. ❖ High Advertising Budget. With high marketing budget, they can grab more market shares and impress more masses 	<ul style="list-style-type: none"> ❖ Service Delivery Problems (Customer dissent). Off and on, Mobilink has faced connectivity and network problems. It was nicknamed 'May Be Link' and most of its top management was reshuffled before the company started recovery. ❖ Coverage Issues. Mobilink does cover more cities than Ufone, but still not at par with Instaphone, which covers most parts of Pakistan. ❖ Not Proactive In Offering Value Added Features. Value added services like GPRS, MMS and picture messages were introduced by Mobilink after Ufone introduced. ❖ Misc. Pricing perception, Inconsistent Policies, Staff customer mismatch, Slow reaction time to queries and customer cases ❖ Higher tariffs: the present tariff rates of Mobilink are considered more than other competitors of market.
<i>OPPORTUNITIES</i>	<i>THREATS</i>
<ul style="list-style-type: none"> ❖ Commanding greater market share through increased coverage. Utilizing the financial resources of the Orascom Group, the company can go for a rapid expansion strategy through covering more locations in Pakistan than it is currently doing. This would enable it to fetch a lot of Insta customers who have no option other than Instaphone ❖ Liaisons with other companies. Mobilink can have liaisons with OCS and banks giving customers the facility to submit their post-paid phone bills at their nearest OCS Outlet or branch of the selected banks ❖ Agreement with mobile phone dealers. The company can have an agreement with Nokia or Samsung dealers in Pakistan so that on the sale of every Mobilink connection there is a certain percentage discount on buying a Nokia or Samsung mobile phone 	<ul style="list-style-type: none"> ❖ Competition with Ufone and Two Other New Entrants: Warid and Telenor. Government has given out licenses to two new mobile phone companies: Warid & Telenor. Since these two new are the subsidiaries of giant business groups they would engage in price based competition and offering more value added services ❖ Stricter Government Regulations. After the deregulation of the telecommunications sector government can impose stricter regulations such as increased taxes on mobile service providers, which can adversely affect their profitability. ❖ Dilution of Brand Image. Mobilink was famous to be an upper class mobile phone connection. The competition is affecting the brand image of Mobilink in terms of lost sales and lesser number of new customers opting for Mobilink

SWOT ANALYSIS OF INSTAPHONE

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> ❖ Widest Coverage (Perceived stronger coverage than Mobilink). Instaphone has the unique advantage of offering the widest coverage in Pakistan. It covers more than 185 cities in Pakistan and other mobile service providers are not targeting such a large number of locations ❖ Youth based Image. Unlike Mobilink and Ufone, Insta has tried to create for itself a youth based image. Its promotional campaigns feature youth keeping in touch and communicating with each other through Instaphone. This youth based image of Insta differentiates itself from its competitors and service offerings such as Insta Xcite, which allows users the lowest outgoing airtime after the first minute so that they can talk longer ❖ Backing of Millicom Cellular International. Just like Mobilink the parent company of Instaphone is an international telecommunications company as well, having operations in more than 34 countries providing the financial resource base and experience of other markets to operate in Pakistani Market ❖ Misc. Very Strong Retail Network all over the country, Very strong in the lower end, Quick decision-making, High morale of the staff, Strong and consistent brand image, Knows where it's going 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> ❖ Late in shifting to Digital Technology. Instaphone was quite late to shift from its traditional AMPS Technology. Due to this reason, it lost many customers who wanted GSM and CDMA based technologies. It also hampered the image of Insta in customer's minds who feel it is not proactive or superior service or value provider ❖ Small subscriber base. The company has over 550,000 subscribers and intends to grow by one million subscribers per year. (News line Website, August 2004) However, the company is not growing largely as it expected. The reason for this was earlier its APMS Technology and now the relative unpopularity of its TDMA Based Handsets ❖ Unpopular TDMA Based Handsets. TDMA handsets on which Insta operates have not been as varied and popular as GSM (global system mobile) despite the actual service being as good as and frequently better than the GSM service
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> ❖ CDMA Technology. Instaphone shifted from TDMA to CDMA Technology to larger extents, but still could not achieve what it wanted. CDMA technology is the newest state of the art cellular technology and is now being deployed in North America, China and India. This technology is superior to what is available with cellular networks in Pakistan today ❖ Misc. Investment Shy, Network deployment Speed, Poor market image, AMPS, Call centre, VAS, Low corporate market penetration 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> ❖ Threats from two new cellular companies. Warid and Telenor are subsidiaries of international telecommunication. These two companies have a host of resources at their hand and future competition is going to be more priced based, advertising and marketing oriented making Instaphone spend not only large sums of money but be non-competitive in the long run as well ❖ Slow rising customer base. The customer base is not growing to the extent that it should have because of unpopular handsets and technology. Insta will have to shift to its CDMA handsets completely.

SWOT ANALYSIS OF PAKTEL

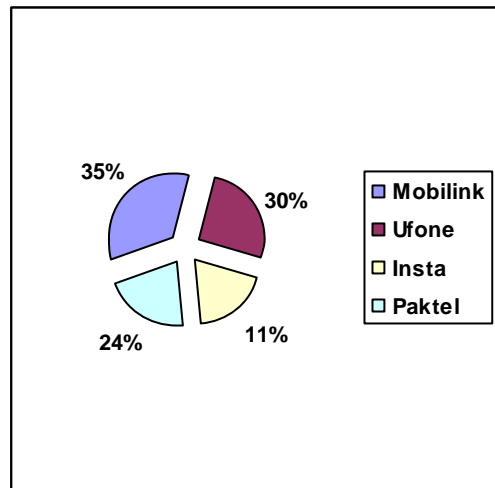
<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> ❖ Wide Coverage (Nationwide coverage). Paktel covered most of the cities and towns in Pakistan and had it not been for Insta, a lot of the customers would have no other choice but to opt for Paktel. In the future as Paktel shifts to GSM Technology, its customer base was expected to increase as Insta is operating on TDMA and not GSM technology right now ❖ Separate Website for its SMS Users. Paktel was the only mobile service provider in Pakistan that had a separate website designed specifically for its SMS Users. The website was colourful and offered many interesting and fun activities to indulge into with a Paktel connection ❖ Paktel-Nokia Nexus. Paktel and Nokia joined hands in marketing and ended up in a strategic alliance as a precursor to the launch of Paktel's GSM network. According to the contract, Nokia is one of the two preferred handset suppliers to Paktel's franchise nationwide. Paktel facilitated provision of counter-space to Nokia and display Nokia's handset and other promotional materials ❖ Misc. Brand name, first to enter the industry, Customer loyalty 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> ❖ Inability to Exploit First Mover Advantage. Although Paktel was the first company to enter the mobile service providing market of Pakistan, yet it was unable to exploit its first entry advantage since it was not until Mobilink and later Ufone entered the market did the industry start to lower prices, increased customer base manifold and advertised aggressively. Paktel has always remained a follower and has never been able to become the leader ❖ Sticking to APMS Technology. Like Instaphone, Paktel also remained with the outdated APMS technology for far too long and felt the need to shift to GSM only when Mobilink and Ufone did so. Before the year 2004, the company was stuck with AMPS technology and was losing out customers because of it ❖ Insignificant customer base. Paktel has just over 300,000 customers, which is a very small number as compared to the other mobile service providers. (Dawn Website, August 2004) ❖ Weak Advertising. The advertising campaigns of Paktel are lacklustre and are imitations and cheap rip offs of the ideas of others. Due to this reason, Paktel's campaigns are largely not remembered or recalled by customers ❖ Misc. Confusion in taking decisions, No Prepaid Cards till year 2002, Billing system is weak, Morale of the staff is low due to no job security
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> ❖ Increasing customer base through shift to GSM Technology. In many rural and far-flung areas only Paktel works. Its shift to GSM Technology would increase its customer base. ❖ Aggressive advertising for stronger brand image. The company needs to work with an advertising agency to highlight its own USP instead of resting its campaigns on borrowed USPs. There is need to impress strong brand image aggressively. 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> ❖ Threat of Being Sold Out. Since Millicom International owns the majority shares in Paktel and Millicom also happens to be the parent company of Instaphone. Millicom might decide to pullout of Paktel, sell its shares in the company and leave

ANALYSIS ON SURVEY QUESTIONNAIRE

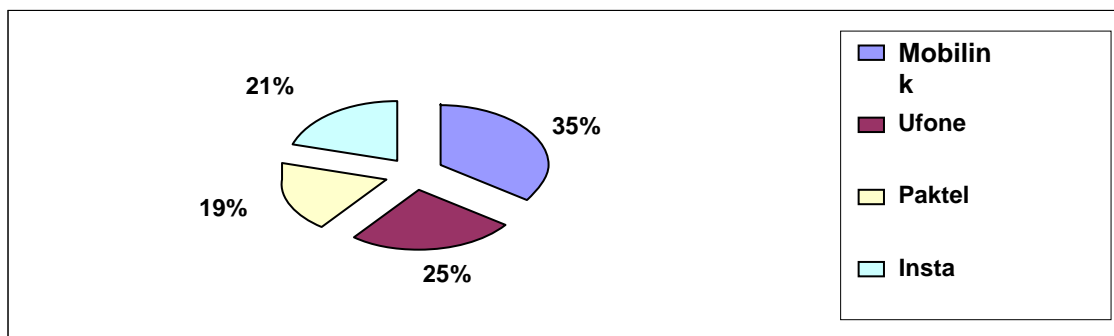
(General Aspects)

Variety of questions was asked from public. That was done to ascertain the positioning of Ufone vis-à-vis other mobile operators. Open-ended questions were not included since most of the respondents do not have time to answer open-ended questions and leave such questions blank. The analysis of the questions and answers is laid down in terms percentages to come to some deductions for the research.

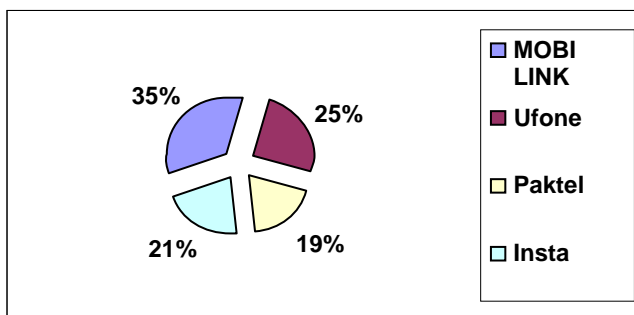
1. Which brand of mobile service provider the target audience use?



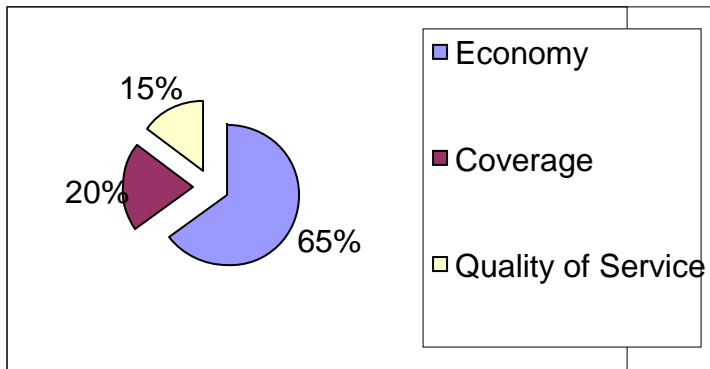
2. When you think of mobile service which service comes to mind first?



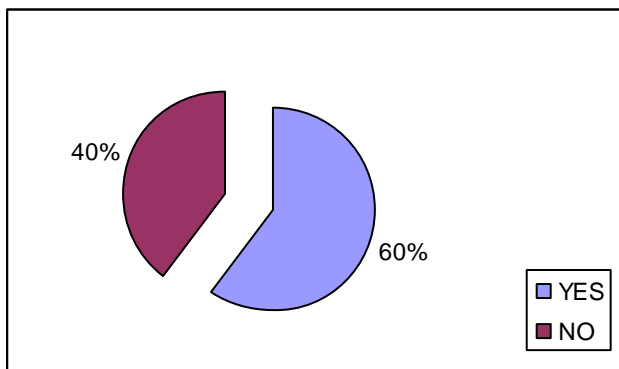
3. Which mobile service are you currently subscribed to?



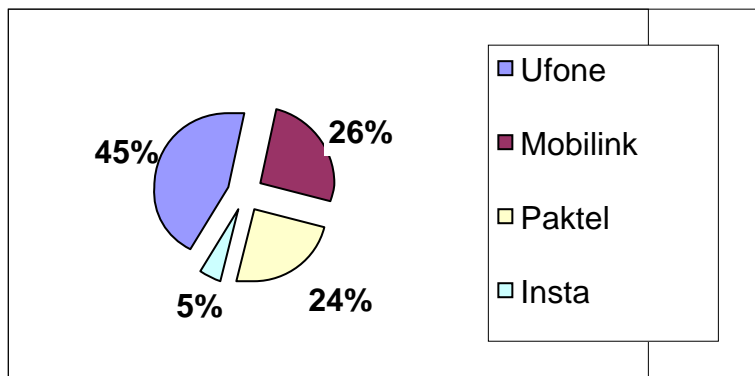
4. What are the most important item that you will look for when opting for any mobile service?
Quality of Service, economy, coverage.



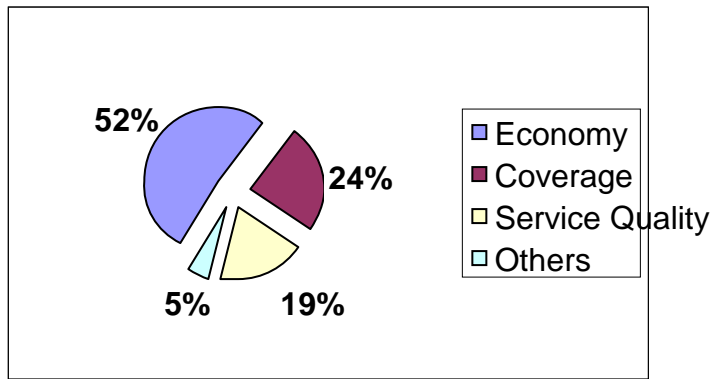
5. Are you satisfied with the standards of present day Mobile Services?



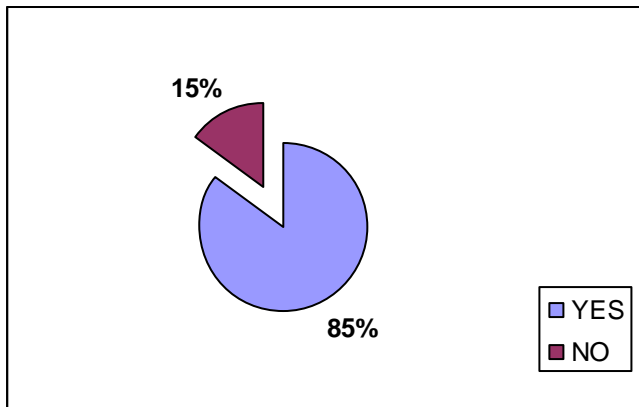
6. In your opinion, which mobile services is in most demand these days?



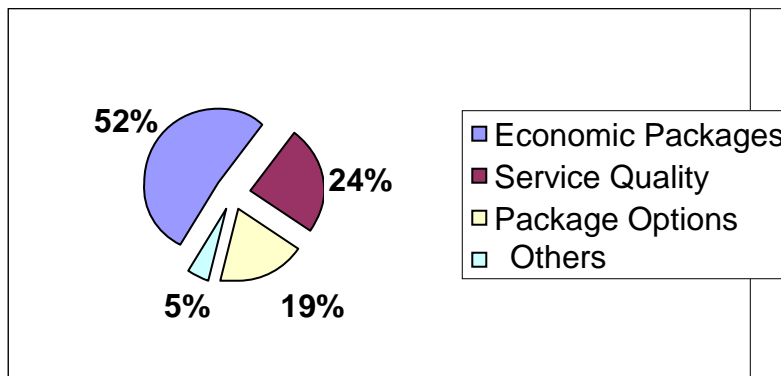
7. Due to which reason?



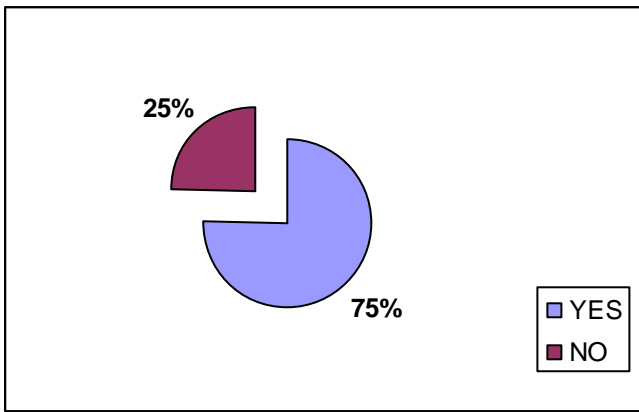
8. Do you think that “Ufone” has given a boost to the cellular industry?



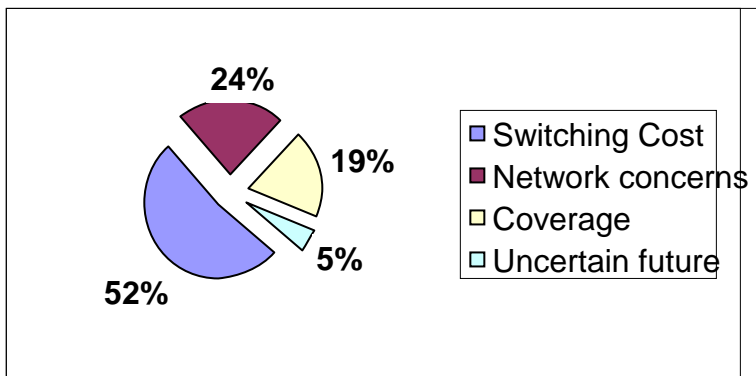
9. If yes than which of the following has been their distinguished feature?



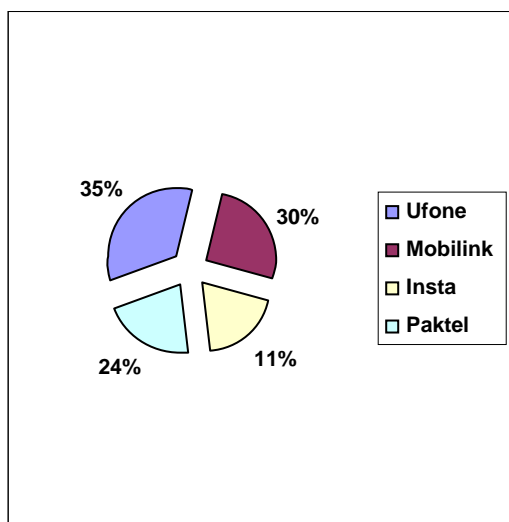
10. If given the choice would switch service to Ufone? (Ignore if already Ufone subscribed).



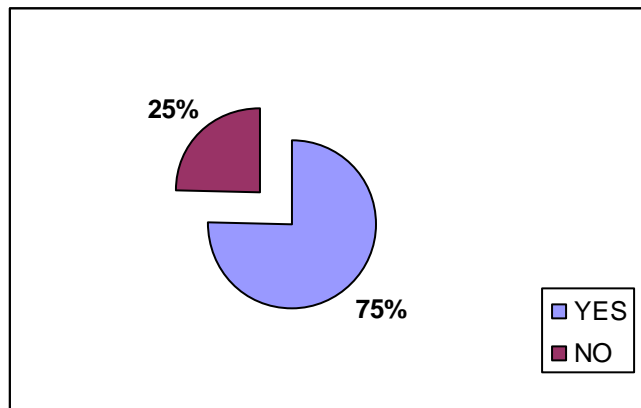
11. If no then due to which reason?



13. Which company has the most attractive and stimulating slogan?



14. Do you think that Ufone can sustain its existing demand in the long run?



MARKETING AND AD RELATED QUESTIONNAIRE

1- How would you define a Ufone ad campaign?

Choices: Different from the rest, Visually Appealing, Emotionally charged

Why?: This question was asked so as to translate a subjective concept of creativity into an objective concept making it easier and unambiguous for the researcher to tap the later responses about creativity and how much influence it generates on public.

2- What is one distinct thing you can recall about Ufone ads?

Choices: Faisal Qureshi, Salma, The humour in those ads, nothing at all

Why?: This question was asked to test the recall of audiences related to Ufone ads. If the audience do not recall much about ads or just have vague idea about them, they are less likely to rate the service better than other services. In addition, to put the researcher's assumption to question that makes him believe that the humour contained in the Ufone ads makes them memorable amongst the other ads

3- Do you think Ufone or Mobilink has better ad campaigns?

Reason for asking the question: This question is asked in two parts. The first part aims to look at the advertising of Ufone in comparison with its biggest rival Mobilink and establish whether Ufone is the most effective advertiser in the cellular industry

4- On a scale of 1-4 how would you rate the ad campaigns of the following mobile service providers? (1 best, 4 poor) . . Choices: Mobilink, Ufone, Instaphone, Paktel

Why? This question checks out the standing of Ufone ads in a growing market of mobile service providers where advertising has become an important tool to stay in the minds of the consumers. If the respondents rate Ufone's advertisement campaigns very low as compared to Mobilink and others, it would be an indication that Ufone has not been effective in sending its message across and its strategy of using humour in its ads is not as effective as the researcher tends to think. Answers to this question would also lead to a close look at the ad campaigns of the mobile service providers rated better than Ufone in terms of advertising. In addition, it would make no sense to compare the low rated ads of a local brand with low rated ads of a foreign brand. Knowing about standing in the industry in terms of advertising is essential to the research study.

5- Do you think Ufone would grow to the size of Mobilink or be its close competitor?

6- If yes, what is the reason for liking Ufone ads better?

Choices: Frequency of ads, your favourite stars, other companies are not positioning well

Why? It looks at the reasons why people like Ufone ads better than others. However, the third option given in the question confused most respondents since a lot of those surveyed did not know the concept of positioning and the researcher had to explain it to them.

7- Other mobile operators ads are more creative than Ufone's?

Choices: Strongly Disagree, Disagree, Indifferent, Agree, Strongly Agree

8- You can recall other services ads much easily and quickly than Ufone's ads?

Choices: Strongly Disagree, Disagree, Indifferent, Agree, Strongly Agree

Why? Questions 7 and 8 were asked to test the main hypothesis that aimed to find out whether other mobile services ads are more creative and have higher recall than Ufone or not.

INTERVIEWS (Q & A)

Q- What would you say about the ads of Ufone?

A-Ufone is very effective in terms of advertising. The outcome is highly focused and straightforward. Ufone rightly claims its all about U. The ads have an element of humour and therefore are highly attention seeking and stays in people's mind. They do not focus on celebrities...rather the average middle class characters that can easily be associated to ones living at your home or in your neighbourhood.

Q- Do you remember Faisal Qureshi featuring in a number of ads of Ufone?

A-Yes. Faisal has run all of Ufone's advertising campaigns except the initial ad that focused on family values and bonding. The ads use a common story of "Salma & Faisal" on the basis of which newer messages are aired & put across.

Q- Any specific Ufone ad that you remember?

A-This one was for Ufone call centre near which Salma had her home, so all the details were given with the ending line "I was just asking kyon kay salma ka ghar us kay samnay wala hai!"

Q- Why do you think people still remember the ads of Ufone?

A-People don't forget the campaign because of one major person running the whole campaign. It is a big HIT for those having a liking for such funny jokes and admirers of Faisal's style. However it excludes the target audience that do not appreciate the silly humour involved as well as the corporate class is excluded because no professionalism is shown in the ads and no such features are revealed. The target market is not customized to diverse target groups despite the fact that it has advanced features of GPRS for internet connectivity that no other service provider has as yet. (Crucial for the corporate class).

Q- Do you like Ufone's ads?

A-Ufone's ads are creative as far as the humour element is concerned but the biggest problem with this company's advertising is the fact that they launched their service with ads focused entirely on the humour element.

Q- Don't you Ufone's ads have been concerned?

A-I do not think that such is the case. Masses do not get much impressed or affected from such kind of messages and they have a greater chance of either being lost in the memory or recalled by the consumer not because of the service quality or features but the humour character of the ads.

Q- Where, do you think, the company went wrong in projecting itself?

A-The company should have concentrated more on the quality of service and the features offered rather than just focusing upon the use of humour.

Q- What other reasons you see contributing to the failure of the campaign?

A-Other operators are now advertising as well besides offering a range of services from which people can choose. Especially after the arrival of new GSM services, have more options now.

Q- Do you find the Ufone campaign successful or not?

A-I Ufone campaign in my opinion, has really been successful. An effective advertisement as the purpose of initially acquainting the audience with the product and secondly convincing the consumers that the product provides a superior value than competitors fulfilling the needs of the consumer, I think Ufone did that successfully.

Q- Which can be Ufone's target market for their advertising?

A-Ufone identified a section in the market that was untapped and focused their marketing efforts on that segment. The ads focused on the lower middle class and lower segments of society that had a need for mobile connections but could not afford one.

Q- Were the Ufone ads good by your standards?

A-The ads were funny, light and conveyed the message without offending their target market, which in my opinion, was a smart move by the company.

VIEWS AND COMMENTS OF GENERAL PUBLIC ON PAKISTAN TELECOMMUNICATION MOBILE INDUSTRY

²³Responses to “Pakistan's Mobile Industry: On the Growth Path”

[1 Owais Mughal Nov 28th, 2006 at 12:12 am Quote](#)

Great post Babar Sahib. Very informative.

[2 Prophecy Nov 28th, 2006 at 1:40 am Quote](#)

Is there any investment in manufacturing or technology transfer as well? - for instance Motorola setup cell phone plant in India to design and produce cheap sets for Asian markets , any one coming to Pakistan?

[3 Adnan Siddiqi Nov 28th, 2006 at 4:07 am Quote](#)

AFAIK, there is no such transfer of technology but yes MOTOROLA with Wateen Telecom did sign an agreement to setup a nationwide WiMAX network. It was covered worldwide by different news sources like Cnet and Slashdot etc.

Intel again with Wateen Telecom, a sister company of Warid Telecom of Abu Dhabi Group is setting up call centres in different cities of Pakistan.

The irony is that after all such *development* in Pakistan, one has to pay Rs.1,500 for 128kbps DSL line. For 1GB, you have to pay around Rs,5000. These are Cyber net ISP rates.

[4 Saadia Khan Nov 28th, 2006 at 5:19 am Quote](#)

Advertising campaign of mobile phones must be good in Pakistan that's why the reason we can see only one good representation of Pakistan in CNN- Europe is Mobilink advert., which shows the landscape and some Pakistani heritage in its advert. Otherwise I have never seen any single contribution for promotion in European Media of Pakistan tourism, govt. or any other business industry.

[5 Bilal Zuberi Nov 28th, 2006 at 10:16 am Quote](#)

Babar:

Is there any hope for entrepreneurial activity in the telecom space in Pakistan? Are there any start-ups promoting new services etc or does it all happen within the larger telecoms?

[6 Babar Bhatti Nov 28th, 2006 at 1:24 pm Quote](#)

Sadly there isn't much transfer of technology or local manufacturing. We import near a million mobile phones every month. I have heard that Indian state-owned telecom company has made it mandatory for handset makers to produce 30% or so of the sets locally.

Most of the activities seem to be around providing voice and internet services using imported technology (hardware and software). With more providers, new undersea cables by Transworld for increasing bandwidth and newer technologies such as WiMAX the prices will eventually come down.

Bilal - to answer your question, there is definitely hope for entrepreneurial activity in telecom industry e.g. software, security, sales/marketing. I am not sure how well Pakistan's local equipment/hardware industry can compete with cheap and efficient markets of Asia.

[7 Bilal Zuberi Nov 28th, 2006 at 2:47 pm Quote](#)

²³ (<http://pakistaniat.com/2006/11/28/pakistan-telecommunication-mobile-industry/feed/>)

Any idea who sang the Ufone commercial? I love the style. Very innovative! Better than most 'pop' music coming out of Pakistan that I have heard recently.

[8 Yahya Nov 28th, 2006 at 3:21 pm Quote](#)

Any idea who sang the Ufone commercial? I love the style. Very innovative! Better than most 'pop' music coming out of Pakistan that I have heard recently.

I want to know that too. Searching on the lyrics brings nothing.

We are pretty "batooni" people. No wonder telecom industry is on the growth path. 😊

[9 TURAB Nov 28th, 2006 at 4:07 pm Quote](#)

I would like to share a funny experience of my friend...

Therefore, he was strolling down the road and saw and sewer (gutter) cover open.... All of a sudden out of no where this jamadar comes out yelling " HELLO AWAZ NAHIEN AARAH I HAI?? NEECHAY SIGNAL NAIHEN AARAH THA... MIEN 20 MIN MIEN WAHAN ATA HOON!"

I think it is great to see technology trickle down to everyone in society... now only if we can stop mobile snatching... Which I heard kids are doing just for the thrill of it.... 😊

[10 king_faisal Nov 28th, 2006 at 5:50 pm Quote](#)

The explosive and entirely unexpected growth in Pakistan's telecom sector is an indication of what can be achieved in Pakistan through a combination of right government policies and private initiative. Growth would not have been possible without stability in Pakistan's macro-economic environment. Furthermore govt's policy with respect to the telecom sector provided further impetus to growth. Just for comparison, after 50 years of independence, the number of telephone lines in Pakistan stood at around 5 mm . In the next five years, no of lines went up by 3 million and in the next 5 by 40 mm. Pakistan's tele-density is now 10% higher than India's teledensity, which stands at around 15%.

Individual credit for driving growth goes to naguib sawiris - the man behind Egyptian company Orascom that is the parent of Mobilink. Sawiris deserves accolades because:

Orascom put money in Pak at a time when Pakistan's standing among investors was that of a leper.

The growth achieved by Mobilink due to business strategy and operational excellence. Orascom was a relatively late entrant in Pakistan's mobile market. After Orascom takeover over in 2001, Mobilink was the entity most responsible for market expansion. Since June 2005, Mobilink has added 13 mm subscribers. This expansion was made possible due to rapid scaling up of the network, distribution channels and i.t. systems. Mobilink's success attracted two more players to the market. However Mobilink still retains 50% market-share and is now expanding into other areas such as broadband.

In contrast to the growth in mobile sector, performance of internet broadband sector has been very disappointing because govt's policy has been all over the place esp. on tariff. In addition, this segment is dominated by the local wire-line utility.

Overall though telecom sector policies provide a blueprint for the sort of policies govt should implement in other sectors such as power.

[11 ahmed Nov 28th, 2006 at 6:47 pm Quote](#)

I heard it was only Paktel going out of business Instaphone might just stay and what will happen to the consumers?

[12 king_faisal Nov 28th, 2006 at 7:53 pm Quote](#)

On my last trip to Pak, I saw this ad. For a mobile company, possibly Warid, which was very tastefully done? The song in the background went “moray sawan aayo” (I think). This was one of the best Pakistani ads I have seen and the song has stayed stuck in my head for a very long time. I will be very grateful if anyone can provide any details about this song such as artist, or name or link to video.

[13 Abrar Siddiqui Dec 2nd, 2006 at 1:42 am Quote](#)

I think we should keep into view the innovations that took place in MOBILE PHONE TECHNOLOGY. Rarely, we see a relatively new technology improve service and being its cost down at the same time.

Many innovations from Motorola, Nokia and Ericsson are behind this factor. Then when these innovations meet the cheap labour countries, the growth really comes up to help tickle the technology down to the common man!!

However, we must say keep the policies and initiatives a country would put in place to drive this economy. As with every big economic sector, tele-sector has brought windfall into many other local industries. I guess, the article highlighted the local advertising industry as one of them.

[14 Babar Jan 8th, 2007 at 6:20 pm Quote](#)

Ahmed - Paktel's future is still uncertain. For more info you can read:

<http://telecompk.wordpress.com.....of-Paktel/>

[15 Babar Jan 8th, 2007 at 6:22 pm Quote](#)

Abrar - spot on. If executed right, these technologies can stir growth and opportunities. We have a long way to go. The digital divide is still a reality. See:

<http://telecompk.wordpress.com.-there-f-or-the-poorest/>

[16 Babar Jan 23rd, 2007 at 11:46 am Quote](#)

There are some interesting new developments: China Mobile has bought Paktel from Millicom.

<http://telecompk.wordpress.com.....ys-paktel/>

Now we have Europeans, Arabs and Chinese competing for Pakistan's business!

[17 malik imran Mar 1st, 2007 at 3:06 pm Quote](#)

dear king faisal u asked for “Moray Sawan aayo” it was sung by FUZON, if u want I can send it to your mailbox but I haven't your email ID .so if u want then contact me at 0321-6820161 [malik imran Lahore Pakistan]

[18 Mubashir Mar 13th, 2007 at 2:14 am Quote](#)

hello to all, my mane is Mubashir Minhas I am in gujranwala city and I am doing job in a private company

[19 Mubashir Mar 13th, 2007 at 2:17 am Quote](#)

hello to all. my name is Mubashir Minhas I am in gujranwala city and I am doing job in a private company

[20 Hafeez Apr 5th, 2007 at 8:05 pm Quote](#)

The advances in this area have been quite spectacular in Pakistan.

[21 Armaan0321-3842514 Apr 23rd, 2007 at 1:38 pm Quote](#)

thanx babar bhai. it sat very much fit on my MPA(prev) thesis topic . I visited u first time. my next month topic would be on defence forces as I m the part of PAF so I have selected myself this topic, so if u would have informative things 4 me, so plz I shall b very much thankful 2u. Flt Lt Armaan (armaani_jeanz@hotmail.com)

[22 Ahmad R. Shaid Apr 23rd, 2007 at 2:29 pm Quote](#)

Pakistan's mobile subscriber base crossed the 50 million mark in March this year. Assuming a total population of 170 million, with 40% urban, makes a total of 68 million urban population. Also assuming that the bulk of the mobile phones are in the cities, people in rural areas have much lesser buying power, apparently the urban market is about to saturate if it hasn't already. Remember its also assuming that every old, young and child has a mobile phone. Also remember out of 170 million around 85 million are 19 years or less. Keeping in mind all these facts I don't think that it would take much time for this market to saturate.

[23 Babar May 9th, 2007 at 6:34 pm Quote](#)

Ahmad - rural areas are the focus of intense competition now. Nokia is creating cheap - but tailored with useful features such as easy sharing by multiple people - phones for rural masses of India. Some of my related posts on this are here:

<http://telecompk.wordpress.com/?s=rural>

[24 Ahmad R. Shahid May 10th, 2007 at 5:34 am Quote](#)

Ahmad - rural areas are the focus of intense competition now. Nokia is creating cheap - but tailored with useful features such as easy sharing by multiple people - phones for rural masses of India. Some of my related posts on this are here:

<http://telecompk.wordpress.com/?s=rural>

That would be good if the rural people also get mobile and come on the modem communication bandwagon. Thank you for telling us about it.

Country to hit 100m mobile phone users by 2010, says Awais

Date: 05/05/2007. Technology Review.

Country to hit 100m mobile phone users by 2010, says Awais

ISLAMABAD, May 04, 2007: Minister for Information Technology Awais Ahmad Khan Leghari Friday projected a growth of 100 million mobile phone users within the next three years due to what he called a hunger for telephony and innovative services being introduced by operators. He said a fast-paced progress and investment trends in the telecom sector were likely to continue for the next few years with major benefits accruing to the phone users. The entry of worlds largest telecom company China Mobile into Pakistanis telecom market sends the right kind of signals for the nature of healthy competition and innovative services the phone users are going to benefit from in the coming years, he said in his keynote address to the unveiling of CM Pak Limited, the company launched by China Mobile to run the erstwhile Paktels operations in Pakistan. Leghari opined that while mobile companies were expected to be embroiled into a stiff competition in the days ahead, the ultimate winners would be market players excelling in content provision, which had the potential to drive the appetite for phones in coming years. He said the launch of CM Pak was a historic occasion as it was for the first time that China Mobile had come out of China to invest into another country and it also marked a shift in the attitude of Chinese companies which had begun to invest in the service-based sector in Pakistan instead of looking merely for contracts for providing vendors services. He observed that while the progress in telecom sector owed largely to the general appetite for better telephony, the credit was also due for the transparent policies introduced in the sector. At no stage during the deregulation process or afterwards, there was any effort from any quarters within the government to bend rules and reward a sweetheart company or individual, he said, adding the trust of stakeholders and investors in our policies had paid off in the form of a boom in the telecom sector. Speaking on the occasion, Privatisation Investment Minister Zahid Hamid welcomed impressive investment and business plans of CM Pak Limited. He lauded the growth in telecom sector, which he said had been brought by comprehensive economic reforms based on the pillars of privatisation, liberalization and deregulation. He said continuity and consistency had also been the hallmark of policies introduced by the government in recent years. The minister said the \$ 700 million invested into Pakistan by China Mobile so far only reflected on the growing investment trends in the country which received a record \$ 3.9 billion foreign direct investment last year while the figures for the first nine months of this year had been a whopping \$ 5.6 billion, a rare milestone in the economic history of country.

Mobile connections reach 2.5bn milestone

Published on 13 September 2006

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Worldwide mobile phone subscriptions have reached 2.5 billion, just a year after passing the 2 billion mark.

According to estimates from Wireless Intelligence – a joint venture between Ovum and the GSM Association - growth is currently running at an unprecedented 40 million new connections per month, with China and India leading the way.

The cellular industry took 20 years to reach 1 billion connections, three years to reach 2 billion and is on target to reach its third billion in a period of just over two years.

Of the 484 million connections made in the past year, 41% were in Asia Pacific, 30% in Eastern Europe and Latin America, and 10% in Africa. The relatively mature markets of Western Europe, North America and the Middle East took the remaining 20% in more or less equal measure.

The top ten countries were China, India, Russia, USA, Pakistan, Ukraine, Brazil, Indonesia, Nigeria and Bangladesh, which between them accounted for over half of total growth. China's market is still expanding at more than 5 million new connections per month. India has moved rapidly up the top ten list, with the rate of new connections quadrupling over the last 18 months to reach a level very close to China's.

"Most of the growth is coming from cellular markets with lower levels of market penetration than exists in Europe for example," said Martin Garner, director of Wireless Intelligence. "These are often referred to as 'emerging markets', although many of them now have very large, well developed and sophisticated cellular markets with market penetration moving quickly towards European levels."

Wireless Intelligence predicts the next half billion new connections will take a little longer to be added – 16 months – meaning that the market is on track to reach 3 billion connections around the end of 2007.

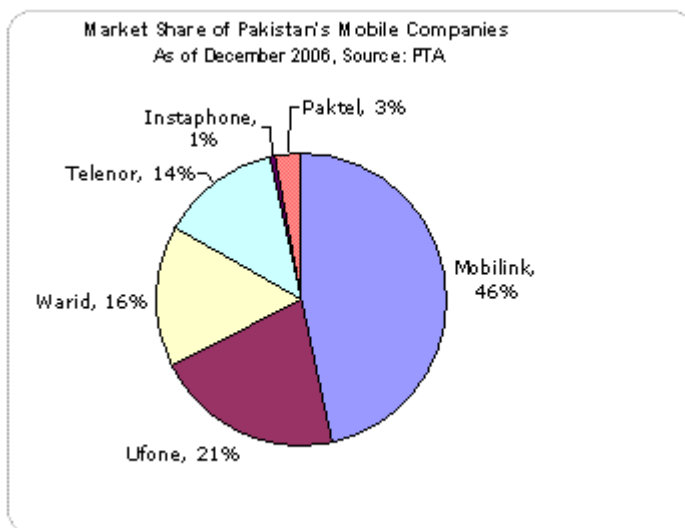
Mobile Trends: Pakistan 2006

Posted January 24, 2007

This is a snapshot of mobile industry's growth in Pakistan in year 2006. By many measures 2006 was an amazing year for Pakistan's mobile companies. **The total subscribers reached 48.2 million, translating to mobile density of 31%.** Two new companies - Warid and Telenor - entered the mobile marketplace and the increased competition from them spurred growth in Pakistan's mobile sector. Ufone and Mobilink announced major network investment plans. [Marketing campaigns](#) were at the centre of Pakistan's mobile growth. In addition, most recently the uncertainty about future of Paktel ended with China Mobile buying it.

Government regulators at PTA must be pleasantly surprised by all this growth in 2006 but they have a lot more to take care of in 2007. One important upcoming change is the much anticipated, but delayed, mobile number portability implementation.

Here are the numbers and market share at the end of 2006 (source: [PTA web site](#))



Mobilink leads with over 22 million customers but its market share has declined to 46%. Ufone is next with over 10 million customers. Warid has over 7.6 million and Telenor about 6.6 million. Paktel has 1.3 million customers and Instaphone has only 0.25 million customers.

According to some analysts Pakistan is likely join the small group of countries with over 100 million mobile subscribers during the second half of 2008, and that by the end of 2010, there could be over 120 million cellular customers in Pakistan. **Lets hope that this growth does not come at the cost of quality or service.**

[Ufone: Profile and Outlook](#)

Posted November 12, 2006

Recent news about decline in profit of [PTCL](#) has concerned many investors and shareholders. Will [Ufone](#), mobile phone arm of PTCL, be able to fight back and reverse this trend? In this post I present a snapshot of Ufone. I'll discuss its strengths, weaknesses, threats to its current position and its future prospects.

Conclusion: Lots of potential if Ufone and its parent get its act together and execute well on their expansion and competitive plan. Read on to understand the basis for this conclusion.

About Ufone

Ufone (official name: PTML) is a PTCL company and Etisalat of UAE owns 26% of PTCL. For more information about Etisalat I recommend reading this [investment report](#) from Shuaa. This report also includes details of how PTCL was privatised earlier this year in April. Please note: PTCL does not report detailed earnings results for Ufone. Therefore we need to look at PTCL results as a whole.

Highlights of Recent Earning Report

The annual 2005-2006 and first quarter 2006-2007 financial reports are available at [PTCL website](#).

For the first quarter 2006-07 ending October 30, 2006 the profit before tax was Rs.7.7 billion with net Profit of Rs.5.1 billion, which is 7% lower than that of the corresponding quarter of last year. For the full year 2005-06 after tax profit was Rs 20.78 billion which was 22% less than previous year's profit.

Dividend of Rs 3 per share was awarded which corresponds to an impressive dividend yield of 12.3% !

PTML (Ufone) - a wholly owned subsidiary has improved its financial performance compared to the first quarter of last year. It added over 1.37 million new subscribers during July to September 2006 quarter, making its total subscriber base in excess of 7.52 million as of end September 2006. Ufone earned a net profit of Rs.666 million compared to Rs.389 million recorded for the same period last year.



Network and infrastructure expansion was carried out in 2006 progress and more is being planned to deploy WLL, WiMAX etc. In the **largest network expansion deal of Pakistan**, PTCL signed up Huawei for a **US\$550 million** deal, which will allow Ufone to double its capacity. Financial reporting standards have also been improved. Details are in the directors report at PTCL website. Note that analysts expect Ufone to be an increasingly major contributor to PTCL earnings. This indicates the growth in wireless sector and the competition in fixed-line and other sectors.

Weaknesses and Threats

- * Increased Competition from new investors (Mobile firms such as Telenor, WLL operators)
- * Poor service (see more on service quality and PTA interjections below)
- * Network capacity and quality
- * Management Style and approach

How to Invest

Through Pakistan mutual fund companies such as [Abamco](#) who offer funds with PTCL as holdings. For example: [UTP-ISF](#) fund has about 10% PTCL stock. You can buy stock directly as well but the Pakistan stock market is not without its risk. In 2005 the Pakistan stock market crashed amid rumours of scandals, which are now under investigation (see this [article](#) from DAWN, [read more here](#) and take a look at the [website of Securities and Exchange Commission of Pakistan](#)).

Here is a professional report (by Imtiaz Gadar - Merrill Lynch, which is from Sep 2006) about Ufone and PTCL (referred to as PakTel):

“Having traded down materially during 1H06, PakTel now offers an attractive yield and substantial upside to our DCF valuation of Rs60. PakTel is marked down for its low earnings growth outlook from increasing wage costs and fixed line deregulation.

High yield may not be sustainable if new strategic shareholder (Etisalat) decides to invest more heavily in wireless. Earnings transparency is below average as mobile earnings are not disclosed to the market. Main positives are potential for long-term cost cutting, and good secular growth prospects in Wireless and internet given low teledensity (3.5%) and high GDP growth (7%).

Clear direction from new owners, management stability and dividend payout certainty are needed to reignite positive momentum. Valuation score have improved with the continued slide in share price and we now rate the stock a Buy.”

For more about Quality Of Service Issues at Ufone

Pakistan Telecommunication Authority (PTA) has announced that it will conduct a countrywide Quality of Service (QoS) survey of all cellular mobile operators in the next two to three months to determine the service quality being offered by mobile operators in the wake of consumer complaints against their service. The Authority has taken strong exception to the problems being faced by cell phone users in the shape of severe congestion, call connection errors, frequent call drops and excessive and unjustified billing due to false messaging.

In April 2005 PTA had issued a show-cause notice to Ufone for providing low quality service and initiated proceedings against it. The PTA said on Monday that the notice to the Ufone was served on the basis of the results of the quality of service (QoS) conducted recently. The PTA has given 30 days to the operator to submit the reply. The proceedings may lead towards the appointment of an administrator or levy of fine up to Rs 350 million, and it can be suspension or termination of licence under section 23 of Pakistan Telecom (Re-organisation) Act 1996.

CELLULAR TARIFF TABLES



Consumer Awareness Bulletin on Cellular Tariffs
(Prepaid)



Last Updated (Wednesday, 21 February
2007)

Cellular Prepaid Tariffs as of February 19 , 2007

Rs. Per Minute

	Mobilink	Ufone	Paktel	Instaphone	Telenor				
	Jazz	Prepay	White		Talk Azadi	Talk Shawk^	Djuice		
	Peak & Off-peak	Peak	Off-Peak	Peak & Off-peak	Peak	Off-peak	Peak & Off-Peak	Peak & Off-Peak	Peak & Off-Peak

Local & Long Distance Calls to Same Network (Rs. per min.)										
Airtime	2.35	2.50	1.50	3.00	1.80	3.99	0.99	2.45*	1.50	2.45
15% GST	0.35	0.38	0.23	0.45	0.27	0.60	0.15	0.37	0.23	0.37
Total	2.70	2.88	1.73	3.45	2.07	4.59	1.14	2.82	1.73	2.82

Local & Long Distance Calls to Other Cellular Network (Rs. per min.)										
Airtime	4.35	2.50	2.50	3.00	1.80	3.99	0.99	3.45*	2.50	3.45
Interconnect	0.00	0.00	0.00	0.00	0.00	1.60	1.60	0.00	0.00	0.00
15% GST	0.65	0.38	0.38	0.45	0.27	0.84	0.39	0.52	0.38	0.52
Total	5.00	2.88	2.88	3.45	2.07	6.43	2.98	3.97	2.88	3.97

Local & Long Distance Calls to Fixed-line Network (Rs. per min.)										
Airtime	3.35	2.50	2.50	3.00	1.80	3.99	0.99	3.45*	2.50	3.45
Interconnect	0.00	0.00	0.00	0.00	0.00	2.01	0.52	0.00	0.00	0.00
15% GST	0.50	0.38	0.38	0.45	0.27	0.90	0.23	0.52	0.38	0.52
Total	3.85	2.88	2.88	3.45	2.07	6.90	1.74	3.97	2.88	3.97

International Calls (Rs. per min.)										
Airtime	2.35 & 20.00	2.50	2.50	3.75		1.95 & 18.00		3.00 & 3.45	3.00 & 2.50	3.45
Int'l Long Dis.-		18.00	18.00	18.00^^		0.00		0.00 & 15.00	0.00 & 15.00	5.00 & 15.00
15% GST	0.35 & 3.00	3.08	3.08	0.56 & 3.15		0.60 & 2.70		0.45 & 2.77	0.45 & 2.63	1.28 & 2.77
Total	2.70 & 23.00	23.58	23.58	3.45 & 24.15		2.24 & 20.70		3.45 & 21.22	3.45 & 20.13	9.73 & 21.22

*2nd minute tariff for on-net calls Rs. 1.68 (including 15% GST) and for off-net calls Rs. 2.82 (including 15% GST)
^ 30-second charging is applicable

Warid Packages (Rs. per minute)

	Per second package		Per 30 second package		Per 60 second package		21 package#		12 to 9 package	
	Peak	Off-peak	Peak	Off-peak	Peak	Off-peak	Peak	Off-peak	Peak	Off-peak
Local & Long distance Calls to Same Network										
Airtime	1.80	1.80	1.50	1.50	1.25	1.25	3.00	3.00	1.50	0.65
15% GST	0.27	0.27	0.23	0.23	0.19	0.19	0.45	0.45	0.23	0.10
Total	2.07	2.07	1.73	1.73	1.44	1.44	3.45	3.45	1.73	0.75
10% AT	0.21	0.21	0.17	0.17	0.14	0.14	0.35	0.35	0.17	0.08
Total	2.28	2.28	1.90	1.90	1.58	1.58	3.80	3.80	1.90	0.83
Local & Long distance Calls to Fixed-line Network										
Airtime	2.40	2.40	2.00	2.00	1.75	1.75	3.00	3.00	2.00	1.00
Interconnect	0.00	0.00	0.00	0.00					0.00	
15% GST	0.36	0.36	0.30	0.30	0.26	0.26	0.45	0.45	0.30	0.15
Total	2.76	2.76	2.30	2.30	2.01	2.01	3.45	3.45	2.30	1.15
10% AT	0.28	0.28	0.23	0.23	0.20	0.20	0.35	0.35	0.23	0.12
	3.04	3.04	2.53	2.53	2.21	2.21	3.80	3.80	2.53	1.27
Local & Long distance Calls to Other Cellular Network										
Airtime	3.00	3.00	2.50	2.50	2.25	2.25	3.00	3.00	2.50	1.75
Interconnect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15% GST	0.45	0.45	0.38	0.38	0.34	0.34	0.45	0.45	0.38	0.26
Total	3.45	3.45	2.88	2.88	2.59	2.59	3.45	3.45	2.88	2.01
10% AT	0.35	0.35	0.29	0.29	0.26	0.26	0.35	0.35	0.29	0.20
Total	3.80	3.80	3.17	3.17	2.85	2.85	3.80	3.80	3.17	2.21
International Calls										
Airtime	2.25 – 36.00		1.10 – 9.00		0.99 – 16.00		0.79 – 21.99		1.99 – 16.99	
Int'l Long Distance	0.00		0.00		0.00		0.00		0.00	
15% GST	0.34 – 5.40		0.17 – 1.35		0.15 – 2.40		0.12 – 3.30		0.30 – 2.55	
Total	2.59 – 41.40		1.27 – 10.35		1.14 – 18.40		0.91 – 25.29		2.29 – 19.54	
10% AT	0.26 – 4.14		0.13 – 1.04		0.11 – 1.84		0.09 – 2.53		0.23 – 1.95	
Total	2.85 – 45.54		1.39 – 11.39		1.25 – 20.24		1.00 – 27.82		2.52 – 21.49	

Value Added Services

SMS Domestic (Rs.)						
To Same Network 15% GST	1.00 0.15	0.50 0.08	0.50 0.08	0.50 0.08	1.00 0.15	0.50 0.08
Total	1.15	0.58	0.58	0.58	1.15	0.58
To Other Network 15% GST	1.50 0.23	1.50 0.23	1.00 0.15	1.50 0.23	1.00 0.15	1.00 0.15
Total	1.73	1.73	1.15	1.73	1.15	1.15
International Outgoing SMS (Rs.)						
International SMS 15% GST	5.00 0.75	1.50 0.23	5.00 0.75	5.00 0.75	5.00 0.75	5.00 0.75
Total	5.75	1.73	5.75	5.75	5.75	5.75
MMS Activation Charges (Rs.)	Not Available	75	Service Not Available	Service Not Available	Free	Free
MMS/GPRS/VAS Charges						
Monthly Subscription (Optional) 15% GST	345 per year	Free	Service Not Available	Service Not Available	Free	50 8
Total						58
MMS Outgoing (Rs.)						
Same Network 15% GST	6.00 0.90 6.90	5.00 0.75	Service Not Available	Service Not Available	5.00 0.75	3.00 0.45
Total		5.75			5.75	3.45
MMS Incoming (Rs.)						
Same Network 15% GST	Not Available	5.00 0.75	Service Not Available	Service Not Available	Free	3.00 0.45
Total		5.75				3.45
GPRS Charges						
Usage Charges per MB 15% GST	Not Available	15 2.25	Service Not Available	Service Not Available	15 2.25	15 2.25
Total		17.25			17.25	17.25
Balance Inquiry (Rs.)						
Balance Inquiry 15% GST	Free	0.50 0.08	0.43 0.07	0.43 0.07	Free	Free
Total		0.58	0.50	0.50		

Miscellaneous Charges

Change of Prepaid Number	100 100	300 300	Not Available	300-450 460	150 150	250 250
Change of Postpaid Number						
Conversion Charges						
From prepaid to postpaid	Free	Free	Free	Free	150	N/A
From postpaid to prepaid	100	250	200	Free	Not Available	N/A
Reactivation of blocked Prepaid number	50 200	Free Free	200 200	Free Free	Free** Free**	Free Free
Reactivation of blocked Postpaid number						
SIM Replacement Charges	50 50	200 200	100 100	150 Free	150 150	200 200
Prepaid						
Postpaid						

Paktel to Paktel calls are charged on per second basis

Warid to Warid calls are charged on 30 sec duration

Instaphone airtime charge for 2nd min onwards is Rs. 1.99 per min in Peak Time

^Telenor to Telenor airtime charges for 2nd min onwards Rs. 1.67 per min, Telenor to other networks 2nd min onwards rs. 2.82 per min (including 15% GST)

^^Rs.(18+3)+3.15=24.15

Off-peak Time: Ufone & Warid 10 pm to 7 am, Instaphone 12 am to 7 am, Paktel 10pm to 7am

**In case of termination Rs. 150

10% Advance Tax is deducted from the purchase value upon Card Activation



Mobile Cellular Services



Last Updated (Monday, 23 April 2007)

- [Cellular Mobile Subscribers](#)
- [Cellular Mobile Density](#)

SUBSCRIBERS								
	Mobilink	Ufone	Paktel	Instaphone	Telenor	Warid	Total	Growth Rate
2000	114,272		80,221	112,000			306,493	15.39
2001	309,272	116,711	96,623	220,000			742,606	142.29
2002	800,000	350,000	218,536	330,000			1,698,536	128.73
2003	1,115,000	550,000	319,400	420,000			2,404,400	41.56
2004	3,215,989	801,160	470,021	535,738			5,022,908	108.90
2005	7,469,085	2,579,103	924,486	454,147	835,727	508,655	12,771,203	154.26
2006	17,205,555	7,487,005	1,040,503	336,696	3,573,660	4,863,138	34,506,557	170.2
July-2006	18,321,599	7,884,703	1,121,821	316,000	3,887,774	5,246,565	36,778,462	-
Aug-2006	19,181,846	8,356,668	1,458,008	302,000	4,262,599	5,632,685	39,193,806	
Sep-2006	20,315,739	8,860,406	1,507,446	285,000	4,597,008	5,936,603	41,502,202	
Oct-2006	21,273,333	9,032,745	1,557,418	262,000	5,172,966	7,054,115	44,352,577	
Nov-2006	22,034,166	9,646,958	1,384,534	250,000	5,833,071	7,276,533	46,425,262	
Dec-2006	22,375,404	10,016,897	1,327,580	329,581	6,624,896	7,614,778	48,289,136	
Jan-2007	23,228,708*	10,556,563	1,055,134	320,208	7,607,269	7,915,591	50,683,473*	
Feb-2007	23,882,013	10,886,123	1,030,883	314,871	8,344,570	8,425,693	52,884,153	
Mar-2007	24,648,917	11,597,183	1,032,982	310,756	9,070,802	8,956,461	55,617,101	

* Revised

CELLULAR MOBILE DENSITY	
Year	Mobile Density
2000	0.22
2001	0.52
2002	1.16
2003	1.61
2004	3.29
2005	8.30
2006	22.21
July-2006	23.67
Aug-2006	25.22
Sep-2006	26.71
Oct-2006	28.54
Nov-2006	29.87
Dec-2006	31.07
Jan-2007	32.61*
Feb-2007	34.03
Mar-2007	35.79

* Revised



▶ Value Added Services

Last Updated (Wednesday, 30 August 2006)

- [Payphones](#)
- [Internet Services](#)

Payphones		
	Total Payphones	Growth Rate (%)
2000	10,400	2.90
2001	66,968	543.92
2002	97,751	45.97
2003	127,910	30.85
2004	180,901	41.43
2005	279,320	54.40
2006	353,194	26

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INTERNET			
	Dial-Up		DSL
	Users (M)	Growth Rate (%)	Subscribers
2000	0.50	150	
2001	0.80	60	
2002	1.00	25	
2003	1.60	60	
2004	2.00	25	
2005	2.10	5	14,600
2006	2.40	14	26,611

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ANALYSIS OF GROWTH IN CELLULAR MOBILE SUBSCRIBERS AND CELLULAR MOBILE DENSITY

(http://www.pta.gov.pk/index.php?option=com_content&task=view&id=650&Itemid=603 , Aug 2007)

Mobile Cellular Services Last Updated (Monday, 23 July 2007)

- [Cellular Mobile Subscribers](#)
- [Cellular Mobile Density](#)

CELLULAR SUBSCRIBERS								
	Mobilink	Ufone	Paktel	Instsphone	Telenor	Warid	Total	Growth Rate
2000	114,272		80,221	112,000			306,493	15.39
2001	309,272	116,711	96,623	220,000			742,606	142.29
2002	800,000	350,000	218,536	330,000			1,698,536	128.73
2003	1,115,000	550,000	319,400	420,000			2,404,400	41.56
2004	3,215,989	801,160	470,021	535,738			5,022,908	108.90
2005	7,469,085	2,579,103	924,486	454,147	835,727	508,655	12,771,203	154.26
2006	17,205,555	7,487,005	1,040,503	336,696	3,573,660	4,863,138	34,506,557	170.2
July-2006	18,321,599	7,884,703	1,121,821	316,000	3,887,774	5,246,565	36,778,462	-
Aug-2006	19,181,846	8,356,668	1,458,008	302,000	4,262,599	5,632,685	39,193,806	
Sep-2006	20,315,739	8,860,406	1,507,446	285,000	4,597,008	5,936,603	41,502,202	
Oct-2006	21,273,333	9,032,745	1,557,418	262,000	5,172,966	7,054,115	44,352,577	
Nov-2006	22,034,166	9,646,958	1,384,534	250,000	5,833,071	7,276,533	46,425,262	
Dec-2006	22,375,404	10,016,897	1,327,580	329,581	6,624,896	7,614,778	48,289,136	
Jan-2007	23,228,708*	10,556,563	1,055,134	320,208	7,607,269	7,915,591	50,683,473*	
Feb-2007	23,882,013	10,886,123	1,030,883	314,871	8,344,570	8,425,693	52,884,153	
Mar-2007	24,648,917	11,597,183	1,032,982	310,756	9,070,802	8,956,461	55,617,101	
Apr-2007	25,213,320	12,488,774	1,026,544	326,855	9,629,533	9,714,131	58,399,157	
May-2007	25,795,009	13,317,768	1,054,663	326,855	10,134,479	10,275,482	60,904,256	
June-2007	26,466,451	14,014,044	1,024,563	333,081	10,701,332	10,620,386	63,159,857	

* Revised

CELLULAR MOBILE DENSITY	
Year	Mobile Density
2000	0.22
2001	0.52
2002	1.16
2003	1.61
2004	3.29
2005	8.30
2006	22.21
July-2006	23.67
Aug-2006	25.22
Sep-2006	26.71
Oct-2006	28.54
Nov-2006	29.87
Dec-2006	31.07
Jan-2007	32.61*
Feb-2007	34.03
Mar-2007	35.79
Apr-2007	37.58
May-2007	39.19
June-2007	40.64
* Revised	