

**Disruptions in Supply Chain of Telecom Industry of Pakistan during
and Post Covid-19 – A Case on ZONG CM PAK**



Abdul Hadi Raheel

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Supervisor

Dr. Nabeel Safdar

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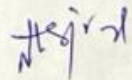
NUST Business School

**National University of Sciences and Technology (NUST),
Islamabad, Pakistan.**

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Signature of Supervisor with stamp: Dr. Nabeel Safdar



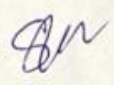
Date: _____

Programme Head Signature with stamp: Dr. Adeel Ahmed



Date: _____

Signature of HoD with stamp: Mr. Saad ul Marwat




Date: _____

SAAD KHAN ALMARWAT
HoD, Finance & Investments
NUST Business School (NB8)
Sector H- 12, Islamabad
Tel: 051-90853150

Countersign by

Signature (Dean/Principal):



Principal & Dean
Dr. Naukhez Sarwar
NUST Business School

Date: _____

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EXECUTIVE SUMMARY

The Telecom Sector of Pakistan is one of the leading sectors of the country. It has seen massive growth over the years. For the very same reason, we can see that many operators have shown interest & have invested heavily here. Side by side, due to enormous competition in this sector we can see that the mobile phone is now in reach of every common man which was once considered as a luxury & premium item. Currently there are 4 main telecom operators in the country namely, Jazz, Zong, Ufone & Telenor.

It would not be wrong to state here that the sector has in some manner reached its maturity as the market has saturated. However when we talk about the recent pandemic – COVID 19 & the impact it had on this industry, it was unbelievable. Despite the negative impacts on different departments within this sector, the telecom sector showed massive growth. The major reason behind it was because of the work from home policies being adopted by organizations nationwide.

On the contrary, it would also not be wrong to state here that the supply chain segment was affected adversely. This is because this sector heavily relies on the imports for many of its products. Many shipments got delayed due to the pandemic & as a result the margins, policies & procurement was affected.

This project is about the disruptions in the Supply Chain of ZONG during & post COVID 19. We will have a look at how the pandemic affected this organization, the major issues faced by the supply chain department & how it affected their operations. Lastly we will also have a look at the loopholes & how the organization dealt with this issue – what measure it took & give some of my recommendations as well.

Contents

- 1. INTRODUCTION..... 1
 - 1.1 Background of the company 2
- 2. Pandemic & the Telecom Sector of Pakistan 3
- 3. Zong’s Supply Chain Department – A rollercoaster of emotions 4
- 4. CONCLUSION & RECOMMENDATION 6
- 5. REFERENCES..... 7

1. INTRODUCTION

Back in 1994 the Telecommunications Ordinance created Pakistan Telecommunication Authority (PTA) which would act as a regulator. It was the first independent body in this sector. At that time there was lack of competition & so only PTCL existed. Due to this, the costs were very high & also customer service was very poor. However since people did not have any other option available, they were stuck. Due to this, the government was forced to open the market for new companies & at the same time had to protect PTCL as well which was a state owned organization. Thus in 2003, the government de-regularized this sector, as a result encouraging foreign companies to invest here.

The telecom sector is amongst those very few sectors which have flourished globally during the pandemic. The major reason behind this has been the service which they are offering & also the nature of the product. Due to the work from home policy being adopted by organizations around the globe, there was seen an immense increase in the demand for voice as well as data traffic. As a result of this, it would not be wrong to state here that COID-19 did impact this sector in a positive way. Where many companies were doomed, the telecom operators were seen enjoying huge profits. The telecom sector Pakistan is currently being controlled by 4 operators namely:

1. Zong
2. Jazz
3. Ufone
4. Telenor

As per the latest stats of PTA, the market share of these operators is shown as below:

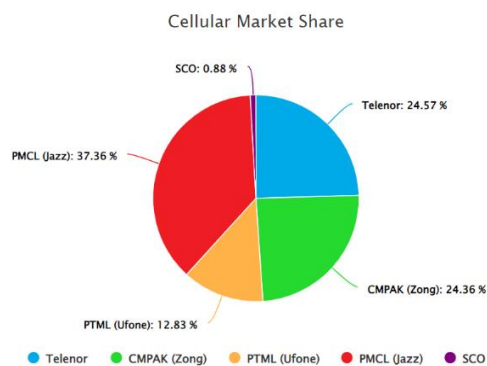


Fig 3 ~ As per June 2023-PTA

This study focuses on ZONG CM PAK. The aim is to see how the company worked during the pandemic, the challenges it faced & the measures it took to overcome those challenges.

1.1 Background of the company

China Mobile Pakistan (CM PAK) is a subsidiary of China mobile & is 100% owned by them. It has been almost 16 years now since they came into the Pakistani market. Having their roots back from 2007 & a market share of only 2%, they have grown exponentially. They are amongst the top 2 telco's in the local market led by Jazz. Currently the company owns around 24% of the market share & are amongst the leaders in the corporate sector. The company also leads in the digital market domain with their new & innovative products. Zong engages in the provision of cellular mobile voice as well as data services via 2G, 3G & 4G. Zong also holds the title of "No.1 operator in voice & data services" which was given to them by Pakistan Regulatory Authority (PTA).

The company has the largest 4G subscriber base in the country. Not only this, they also have the widest 4G coverage across the country. Some of the major products they offer are listed as below:

1. GSM
2. MBB Devices
3. Corporate Bulk SMS
4. Direct Internet Access (DIA)
5. Push to talk
6. Employee & Vehicle Tracking
7. SIP & PRI
8. Public Cloud
9. Paymax

Zong has actively been involved in CSR activities as well. They have executed more than 60 projects across 14 different cities. More than 10million lives have been impacted via these activities. Some of their major projects have been E-Education & E-Health where they have provided these services via digitalization.

2. Pandemic & the Telecom Sector of Pakistan

The telecom sector has been amongst the fastest growing sectors of the country. It has experienced exponential growth over the years. However it will also not be wrong to state that it has now reached its maturity stage. For the very reason we see that now these operators are shifting their focus from voice & data to other value added services. One of the major products on which the focus has now been shifted to is Cloud. Recently, Jazz has launched its own cloud as well under the name of “Garaj”. Not only this, the companies are trying to shift their focus towards more innovative products & trying to enter the world of digitalization. Amongst the 4 telco’s, it will not be wrong to state here that Zong has been the market leader in this segment.

The Government has given tax reliefs along with many favorable policies to this sector which are also a major cause behind its growth. Alongside this, over the past few years this sector has also received investment from foreign telecom giants like Orascom & Etisalat.

Where many industries, organizations & sectors suffered during the pandemic – the telecom sector has seen new levels of growth. One of the major reasons behind this has been the product offering as well. Voice & data were the need of the hour. As per the PTA’s report, the telecom sector has contributed more than 128% to the economy & have managed to withstand the impact of COVID-19. One of the major reasons for this was the work from home policies being adopted by the majority of the organizations alongside academic activities being shifted to online platforms as well.

On the contrary, the entire 5G ecosystem was affected by supply chain & logistics disruptions. Even the launch of 5G was delayed due to the pandemic. This situation was seen across the globe. In Pakistan, since the telco’s were not ready for such an increased demand all of a sudden, we saw that consumers started to face more & more issues. Data connectivity issue arose & call quality also deteriorated. The major reason behind this was the sudden load on these telecom towers. Since more traffic was now shifted on them, they were now operating at full capacity.

The telecom sector of Pakistan was actively involved in CSR activities during the pandemic. Jazz & easy paisa contributed almost around 3 billion. Not only this, the employees of Jazz also gave up their salaries for up to 3 days towards the COVID relief fund.

Post COVID-19, the telecom sector needs to evolve & so update their processes as well. This is because with each passing day, the demand of the consumers is increasing & so which in turn needs to be met effectively & efficiently. The major change that needs to be made from these telco's would be to make adjustments to their supply chains which is of great importance. They need to make their supply chains more flexible than before. Since most companies relied on imports from China, we saw that COVID-19 adversely affected these companies. The delay in shipments resulted in extended deadlines to the customers, as a result impacting their serviceability.

The impacts of the pandemic will be long lasting. In the long run, companies would be required to carry out a more holistic approach which would require them to make drastic changes like moving supply chain to other countries & so on. It will not be wrong to state here that COVID has had a bull whip effect on the supply chain of the telco's. This is because we see that all businesses are interconnected via the global supply chain & so the actions of the downstream actors adversely affect the actions of the upstream actors. Learning from experience, the telco's in the future should look for ways in which they could reduce their supply chains. This would not only help them being more cost effective, but would also result in more efficiency. As a result of this, they would also be more close to the consumers.

3. Zong's Supply Chain Department – A rollercoaster of emotions

Zong is one of the very few companies that enjoyed profits during the pandemic. However this is what a lay man would see. This is because things at the back end were not smooth at all. Initially since work from home was implemented, it raised alarms as to how things would be done & managed as this was something which was being experienced for the very first time. Especially at the supply chain end, things became complicated. This is because where previously interactions & meetings were being held with vendors on daily basis, now this was not an option. Simultaneously since forecasting was not done & no one knew that COVID would turn into a pandemic, ZONG just like other organizations was not ready for it.

Since work from home was implemented across the country, the traffic on voice & data increased all of a sudden. As the company was not ready for this, they did not have any backup plan as to

how they would cope with it. The demand for mobile connections & devices rapidly increased. At the start no one knew as to how long these conditions would go, the company without having any backup plan enjoyed huge profits & sold the sim cards & devices to the consumers. However soon after when they were running short of stock, they realized that shipments were delayed & they did not have much stock left which could cater the huge demand. Thus what the company did to meet this unexpected demand was that they sold used & repaired devices back in the market at a discounted rate. Simultaneously since it was the need of the hour, consumers also did not stop purchasing. However for sim cards, the company did not have any alternative. The only solution they had & which they opted for was that they sold the previous unused stock of old sims which were not 4G supportive. Due to this though the customers did purchase, but later faced issues in internet connectivity. As a result of this, service issue rapidly grew.

Since the supply chain department relied heavily on imports from china, they did not have any other option but to wait since conditions in China were very severe. The company was not procuring any hardware locally & so only relied on imports. Not only for sim cards & devices, but also for other products including routers, walkie talkies, dishes etc. Besides this, due to complicated internal policies, they were also not allowed to procure any hardware locally as this was against the company policy. Moreover compliance at ZONG is also very strict thus they had no other viable option left. Due to all this, the serviceability was adversely affected.

Besides this, when some stock which was dispatched during the start of COVID arrived, the department massively increased the prices. As a result of this, it again backlashed as it portrayed a negative image of the company. However this was only for short term as when things normalized, they were forced to revise the prices.

Besides this, the motivation of the employees was of great concern in this department. This is because they were highly demotivated. One of the major reason was because they were not use to this new work from home model. Besides this, they could not work freely & go for local vendors as an option as well due to strict compliance. Thus it seemed as if they were stuck. Since shipments were already on hold & no one knew the timelines, many employees felt that their jobs were also at stake since they did not have any solutions to these outcomes. Thus they did not gave much input as well to what could have been done to improve the conditions.

4. CONCLUSION & RECOMMENDATION

During the unprecedented times of covid, most of the companies were unable to meet their basic cost because of which majority organizations in Pakistan were shut down. Very few companies were able to bare the pressures of covid. Because Zong is telecom operator, its demand raised causing an increase in business which helped the company survive. Even though they enjoyed huge profits during these times they too were not prepared for COVID. The following are some of the recommendations and way forward suggested.

The company in the future should look to onboard local vendors as well. Especially for their wireless devices. This is because many companies are already procuring them locally. This would not only help them in cutting down the costs but would also help them in delivery timelines. However to get this processed, they would have to fight internally. Since there policies & SOP's are already very strong & they are highly compliant, this would be an issue. But then again, the supply chain department should take this pandemic as a case study & put it in front of the management & convince them. This would be beneficial in the long run for them.

Side by side, the company should keep a stock for a minimum of 90 days. There procurement cycle should be such that they should be ready to place the next order when they are left with 90 days. This would be a proactive approach. As a result of this, shipments would be arriving before the start of every quarter & so they would be able to utilize the resources in an effect & efficient manner.

As already discussed above, we saw that there were severe service issues during the pandemic. As a result of which the quality of service decreased. Besides this, employees were already demotivated as well since they could not find out a solution to these supply side constraints. Thus I think that the company should encourage idea generation within the organization. This would not only encourage employees to present their ideas, but would also help in providing better solutions.

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