

# **PORTER'S FIVE GENERIC STRATEGIES APPLIED TO INTERNET BROADBAND INDUSTRY**

**GROUP MEMBER NAMES**



# BRIEF EXPLANATION OF MODEL



Source: Porter (2008)

# BRIEF EXPLANATION OF MODEL

- **COST LEADERSHIP STRATEGY**

- AIMING TO BECOME LOWEST COST PRODUCER
- THE FIRM CAN COMPETE ON THE PRICE AND EARN HIGH PROFITS
- COST REDUCTION IS THE FOCUS OF THIS STRATEGY
- TARGETS A BROAD MARKET
- COMPETITIVE EDGE IS ACHIEVED BY DRIVING DOWN COSTS
- A SUCCESSFUL COST LEADERSHIP STRATEGY IS THAT FIRM IS THE COST LEADER AND IS UNCHALLENGED IN ITS POSITION
- IT IS ESPECIALLY BENEFICIAL WHEN CUSTOMERS ARE PRICE SENSITIVE

**Source: Porter (2007)**

# BRIEF EXPLANATION OF MODEL

- **DIFFERENTIATION**

- A DIFFERENTIATION STRATEGY CALLS FOR THE DEVELOPMENT OF A PRODUCT OR SERVICE THAT OFFERS UNIQUE ATTRIBUTES THAT ARE VALUED BY CUSTOMERS.
- CUSTOMERS PERCEIVE THE PRODUCT TO BE DIFFERENT AND BETTER THAN THAT OF RIVALS.
- THE VALUE ADDED BY THE UNIQUENESS OF THE PRODUCT MAY ALLOW THE FIRM TO CHARGE A PREMIUM PRICE FOR IT.
- DIFFERENTIATION CAN BE BASED ON PRODUCT IMAGE OR DURABILITY AFTER-SALES QUALITY, ADDITIONAL FEATURES.
- IT REQUIRES FLAIR, RESEARCH CAPABILITY AND STRONG MARKETING.

**Source: Porter (2007)**

# BRIEF EXPLANATION OF MODEL

- **FOCUS STRATEGY LOW COST STRATEGY**
  - IT CONCENTRATES ON A NARROW SEGMENT
  - OUTPERFORMS RIVALS ON COST
- **FOCUSED DIFFERENTIATION STRATEGY**
  - FOCUSES ON NARROW BUYER MARKET
  - OUTPERFORMS COMPETITORS BY OFFERING FULL-COST PRODUCTS IN A NICHE MARKET

**Source: Porter (2007)**



# BRIEF EXPLANATION OF MODEL

- **AN INTEGRATED (BEST) COST PROVIDER STRATEGY**
  - TRIES TO GIVE MORE VALUE FOR MONEY
  - OFFERS EXCELLENT PRODUCTS AT LOWER COST THAN RIVALS
  - OBJECTIVE IS TO OFFER LOWER COST AND PRICES OF ATTRACTIVE FEATURES OF PRODUCTS
  - ALSO KNOWN AS HYBRID STRATEGY

**Source: Porter (2007)**

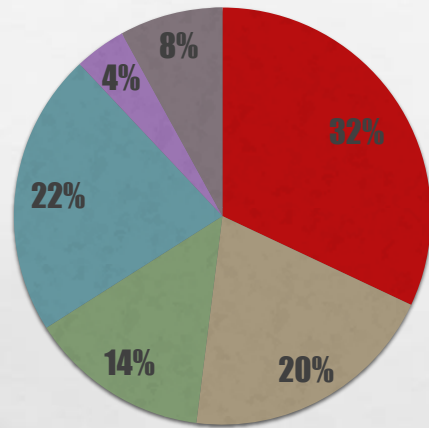
# INTERNET BROADBAND INDUSTRY OF U.K.

- **BIG MARKET PLAYERS ARE:**

- BRITISH TELECOM
- VIRGIN MEDIA
- TALKTALK
- SKY
- ORANGE
- EE
- OTHERS SMALL COMPANIES

**Source: OfCom (2016)**

# INTERNET BROADBAND INDUSTRY OF U.K.



■ British Telecom ■ Virgin Media ■ TalkTalk ■ Sky ■ EE ■ Others

| Facts                                                          | 2016                |
|----------------------------------------------------------------|---------------------|
| Average time spent per month browsing online on PCs or laptops | 30 hours 42 minutes |
| Number of UK fixed residential & SME broadband lines           | 24.7 million        |

Source: OfCom (2016)



# DIFFERENTIATION STRATEGY OF VIRGIN BROADBAND

- **VIRGIN MEDIA HAS POSITIONED ITSELF AS A PIONEER OF UNIQUE FEATURES**
  - ITS FOCUSES ON INNOVATION AND NEW PRODUCT LAUNCHES
  - IT OFFERS HIGH SPEED AND NETWORK COVERAGE
  - IT IS KNOWN AS FIRST FAST SPEED SERVICE PROVIDER
  - ITS PRICES ARE HIGHER THAN ORANGE, SKY, O2 AND OTHERS
  - IT TARGETS THE BROAD MARKET AND CURRENTLY FOLLOWS THE MARKET PENETRATION STRATEGY

**Source: Shim (2013)**

# COST LEADERSHIP OF SKY BROADBAND

- IT HAS LOWER PRICES THAN ITS RIVALS
- ITS FOCUS IS ON PROVIDING HIGH QUALITY AT LOWER POSSIBLE PRICES
- IT PROVIDES SPEED WITH LOWEST PRICES
- IT IS CONTINUOUSLY INVESTING IN ITS RESEARCH AND DEVELOPMENT FOR REDUCING THE PRICES
- IT HAS DEVELOPED SIGNIFICANT CAPABILITIES OF REDUCED COST WHICH ARE HARD TO BE REPLICATED

**Source: Sky Corporation (2014), O'Reilly (2012)**

# INTEGRATED STRATEGY OF BRITISH TELECOM

## COST LEADERSHIP OF BRITISH TELECOM

- IT HAS REDUCED COST AT WHICH THE COMPANY IS ABLE TO PROVIDE ITS SERVICES AND PRODUCTS. THIS HAS MADE IT POSSIBLE FOR BT TO MAKE THOSE SERVICES AVAILABLE TO THE CONSUMERS AT MORE AFFORDABLE PRICES.
- IT IS A LARGE COMPANY WITH SEVERAL SUBSIDIARIES, HENCE COST IS REDUCED. IN ITS 2013 ANNUAL REPORT, THE COMPANY EXPLAINED THAT IT WAS LOOKING TO FURTHER REDUCE COSTS OF PRODUCTION BY TAKING ADVANTAGE OF THE SUBSIDIARIES THAT IT OWNED (BT GROUP PLC, 2013).
- ADDITIONALLY, THE REDUCTION OF WASTAGE IN THE PRODUCTION PROCESS ALONG WITH THE FREEING UP OF RESOURCES HAS MADE IT POSSIBLE FOR BT TO MAKE GENERATE ITS PRODUCTS AND SERVICES IN COST-EFFECTIVE WAYS AND THIS AFFORDABILITY CAN THEN BE EXTENDED TO THE ORGANIZATION'S CONSUMERS (BT GROUP PLC, 2013).

## DIFFERENTIATION OF BRITISH TELECOM

- STRIVING FOR CONTINUOUS INNOVATION
- HAS HIGHEST SPENDING OF RESEARCH AND DEVELOPMENT
- WITH THIS FOCUS ON R&D, IT CAN FULFIL NEEDS OF WIDE RANGE OF CUSTOMERS OFFERING DIFFERENTIATED PACKAGES
- IT HAS A LARGE NUMBER OF PATENTS, HENCE, ITS RIVALS CANNOT COPY

**Source: Tilley (2013)**

# **FOCUSED DIFFERENTIATION STRATEGY OF EVERYTHING EVERYWHERE**

- IT STANDS FOR OFFERING 'FANTASTIC MARKET-LEADING DEALS WHICH OFFER SOMETHING FOR EVERYONE' WHICH SHOWS THAT IT TARGETS BROAD MARKET
- IT IS POSITIONED AS A PREMIUM BRAND WHERE IT DIFFERENTIATES ITSELF ON THE BASIS OF HIGH QUALITY AND INTERNET SPEED.
- IT PROVIDES THE HIGHEST AVERAGE SPEED WHICH IS VALUED BY CUSTOMERS
- HENCE, THERE ARE READY TO PAY HIGHER PRICE FOR THEIR DIFFERENTIATE SERVICES
- IT TARGETS NICHE MARKET AND HAVING PROFITS FROM THAT NICHE MARKET

**Source: Seagul (2014)**

# FOCUSED COST LEADERSHIP OF ORANGE

## FOCUSED

- ORANGE HAS DECIDED ITS PRICE ACCORDING TO MOBILE OR BROAD BAND SERVICE IT PROVIDES, VARIETIES OF PRICES RANGING FROM PRODUCT TO PRODUCT.
- ITS PAY MONTHLY PRODUCT STARTS FROM £15 A MONTH TO £75 A MONTH, THIS PRICING IS TOTALLY DEPENDS UPON THE USAGE AND SELECTION PLAN BY THE CUSTOMER.
- IT TARGETS THE NICHE WHERE IT FOCUSES ON A SMALL GROUP OF TARGET MARKET. IT USES THE PRAETOR PRINCIPLE WHERE IT AIMS TO TARGET THE 20% OF THE PROFITABLE CUSTOMERS TO HAVE 80% OF ITS PROFITABILITY.

## PRICING

- FOLLOWING ARE THE BROADBAND PACKAGES WHICH ARE MADE AVAILABLE TO THE CUSTOMERS
  - RACCOON (USAGE OF DATA FROM 500 MB TO 1.5 GB)
  - AN 18 MONTHS CONTRACT FROM £5 POUNDS TO £10 A MONTH
  - DOLPHIN (3 GB FROM £35 POUNDS A MONTH, 18 MONTHS CONTRACT)
  - PANTHER (UNLIMITED USAGE OF BROAD BAND FROM £35 POUNDS A MONTH)

**Source: Broadband Commission (2015)**

# CONCLUSION

- SKY INTERNET IS FOLLOWING COST LEADERSHIP STRATEGY
- BRITISH TELECOM IS FOLLOWING INTEGRATED STRATEGY
- VIRGIN MEDIA IS FOLLOWING DIFFERENTIATION STRATEGY
- EVERYTHING EVERYWHERE IS FOLLOWING FOCUSED DIFFERENTIATION STRATEGY
- ORANGE IS FOLLOWING FOCUSED COST LEADERSHIP STRATEGY



# FUTURE RECOMMENDATIONS

- MAIN COMPETITORS ARE BT, VIRGIN AND SKY
- POINT OF DIFFERENTIATION FOR BROAD BAND PRODUCTS AND SERVICES
- SUSTAINABLE COMPETITIVE ADVANTAGE THROUGH BROADBAND QUALITY
- BOTH NETWORK COVERAGE AND SPEED SHOULD BE HIGH

# REFLECTION ON LEARNING EXPERIENCE

- HELPED IN SEARCHING RELEVANT SECONDARY DATA ABOUT GIVEN INDUSTRY
- ABILITY TO APPLY THEORY/MODEL ON REAL WORLD
- COMMUNICATION SKILLS

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