Introduction to the MOB game

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November 12, 2012

Today

- **The first hour**
  - About the remaining weeks of the course
  - Introduction to the MOB game
  - Game preparation and summary reports
  - More on operator strategies
- **The second hour**
  - Guest Lecture by Greger Blennerud, Ericsson

About the remaining weeks of the course

- Part 2:
  - HW2
    - Reviews
    - Oral presentation (Nov 15)
    - Final version (16 nov)
  - Mobile Operator Business Game
    - Introduction (Nov 12)
    - Preparation of operator strategy (hand in Nov 23)
    - The game session (29 nov -> 28 Nov)
- Part 3: network dimensioning and deployment
  - 19 nov System architecture & configuration (Cleas Beckman)
  - 20 nov Intro to wireless infrastructure economics (Jens Zander)
  - 21 nov Study visit at Tele2 office in Kista
  - 26 nov Intro to HW3 and to network dimensioning (Jan)
  - 3 dec, 4 dec more lectures on dimensioning (Claes and Jan)
  - HW3
    - 26 nov Intro and assignments
    - 3 dec (morning) draft report
    - 4 dec (evening) reviews
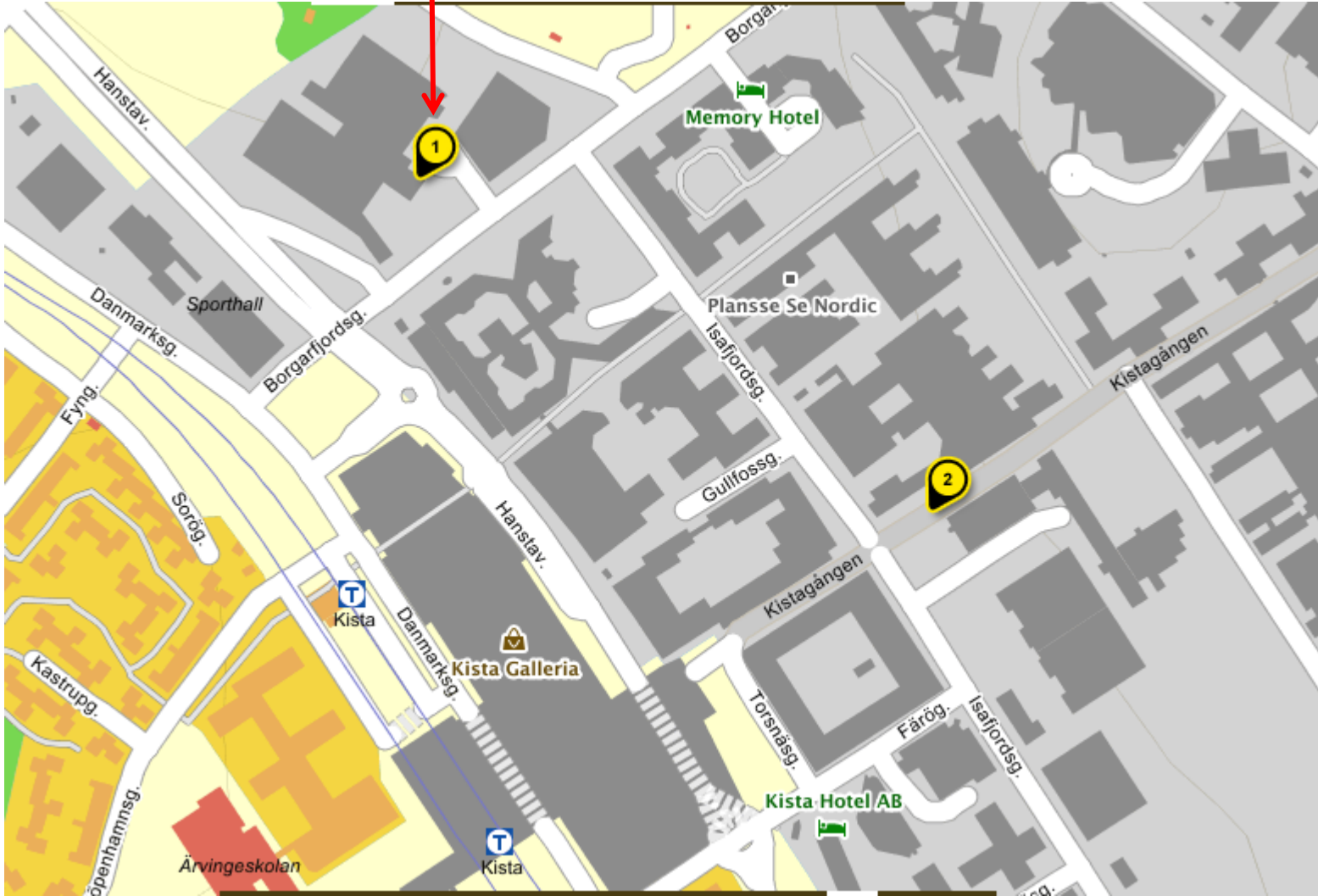   - 6 dec final report
    - 7 dec oral presentation

Exam:
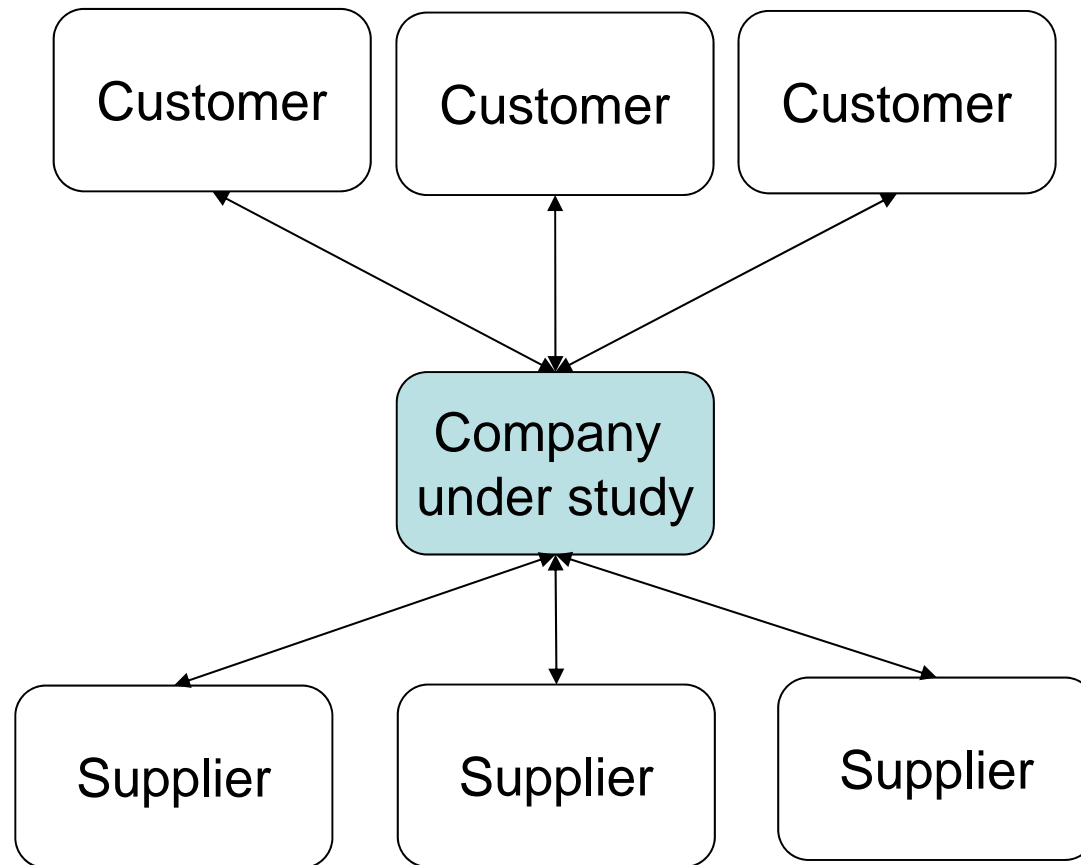December 14; 14:00-18:00
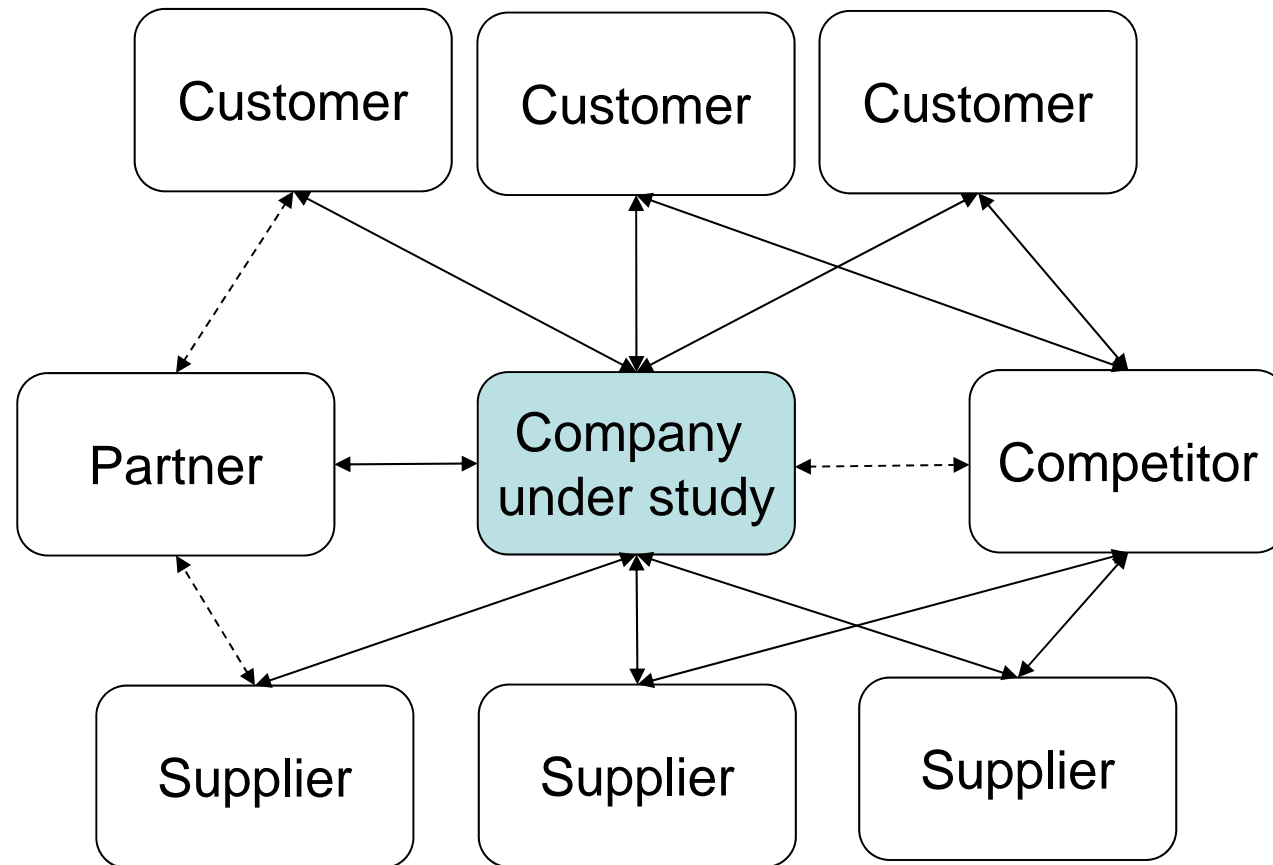Can we move to
Dec 13 or dec17?
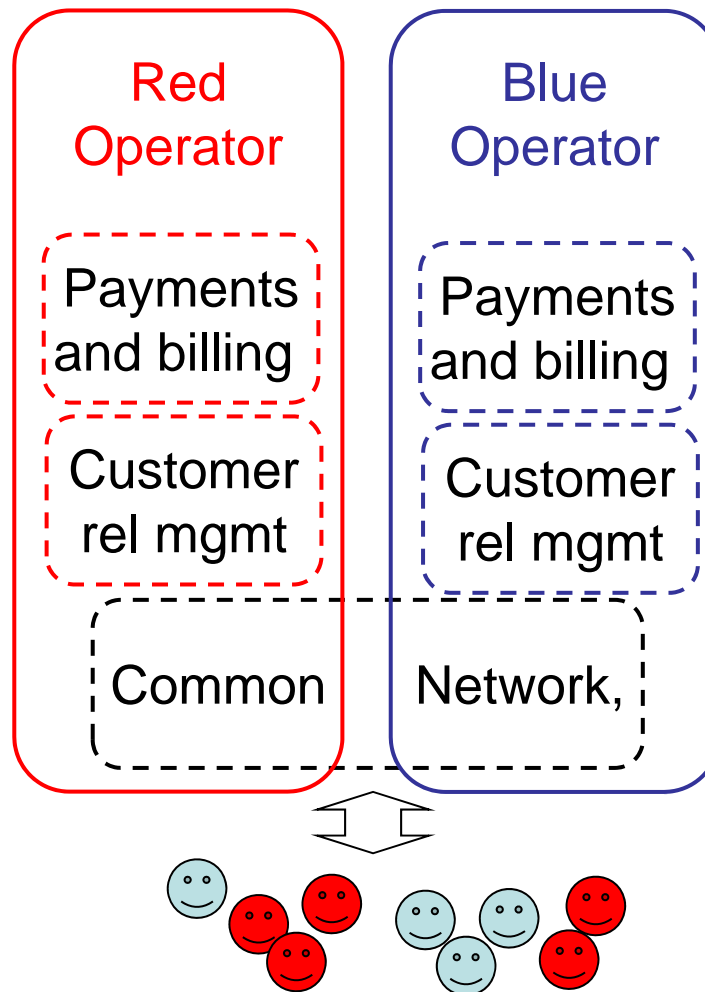Or to dec 14 before lunch

Tele2 office

Cooperation:
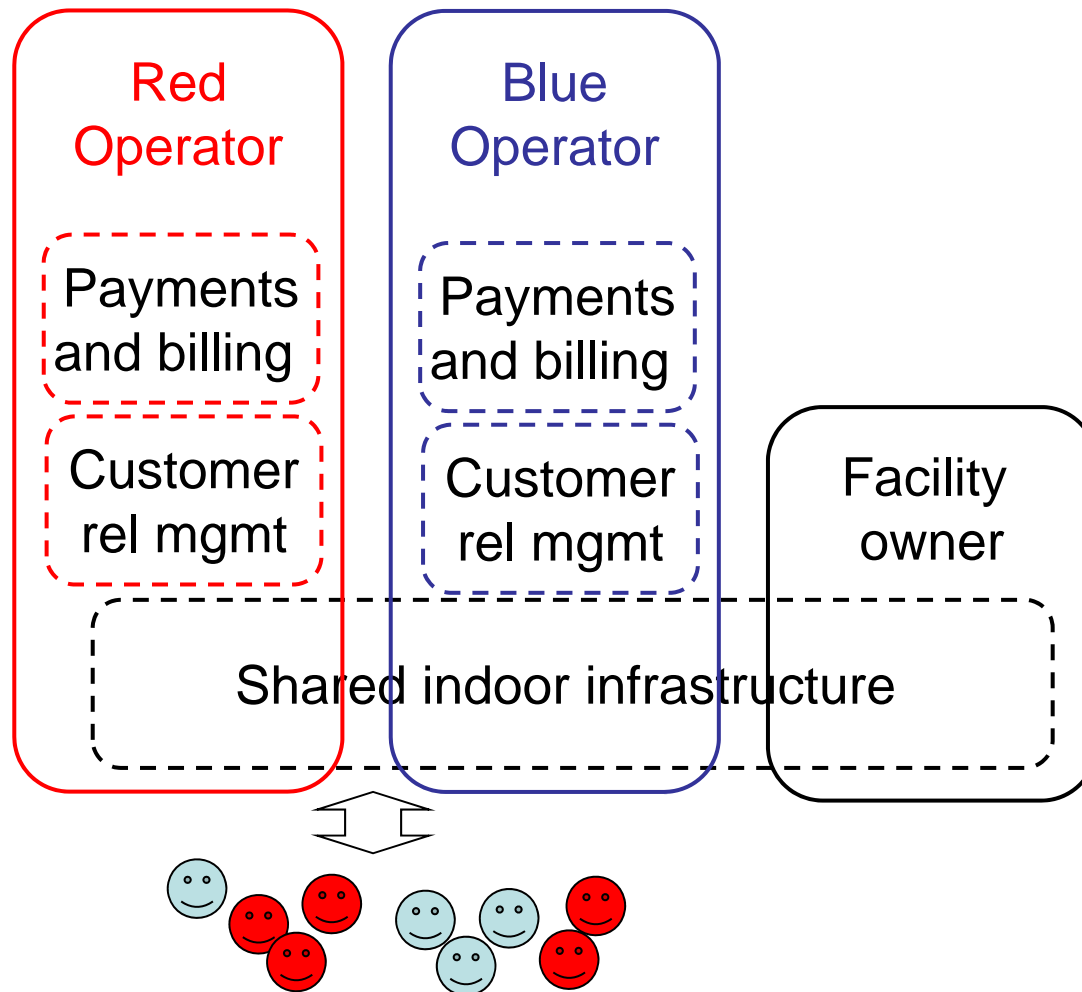# Market Actors and Relations
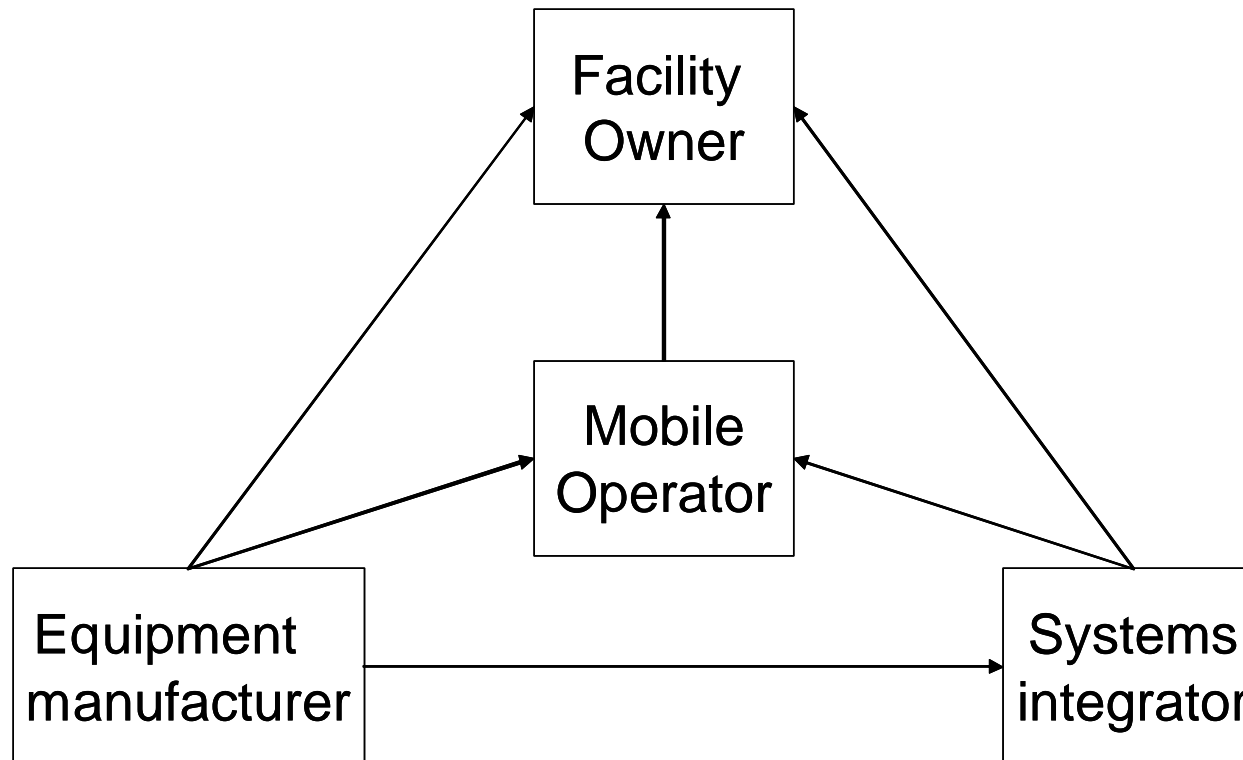
Cooperation:
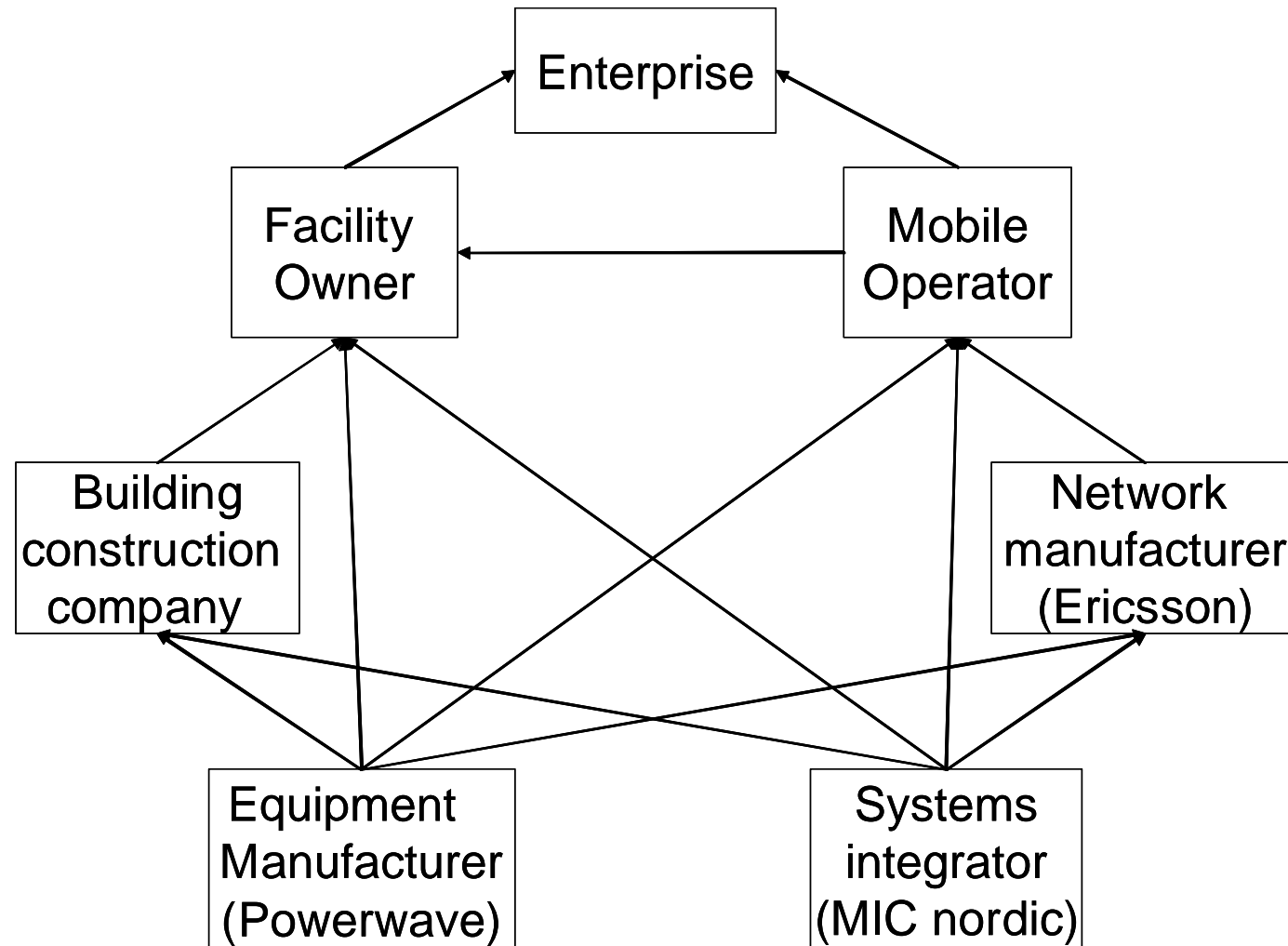# Market Actors and Relations

Network sharing

Shared indoor infrastructure

Actors and relations
indoor wireless access systems

Actors and relations
indoor wireless access systems

Premium SMS
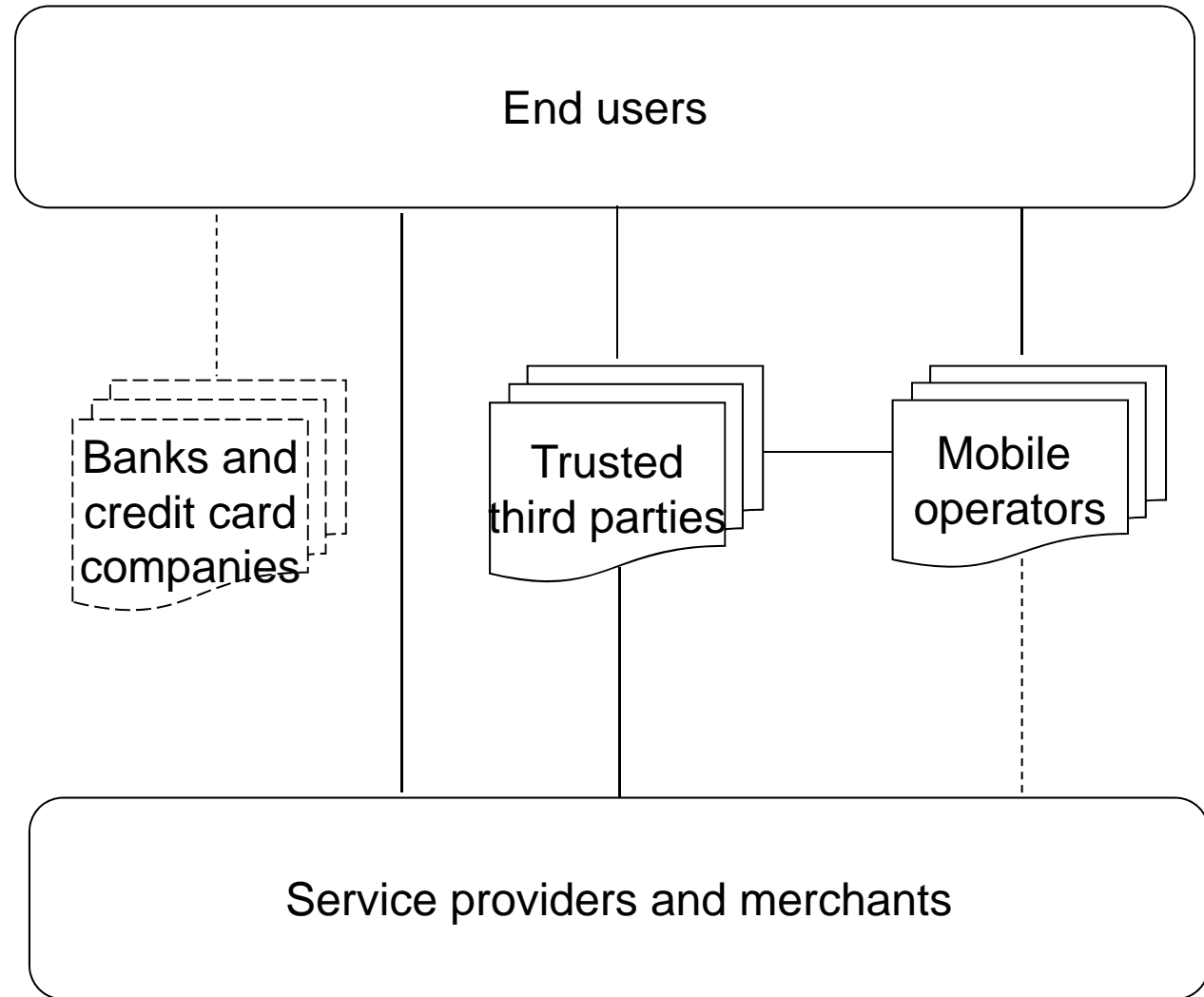
Cooperation:
Market Actors and Relations
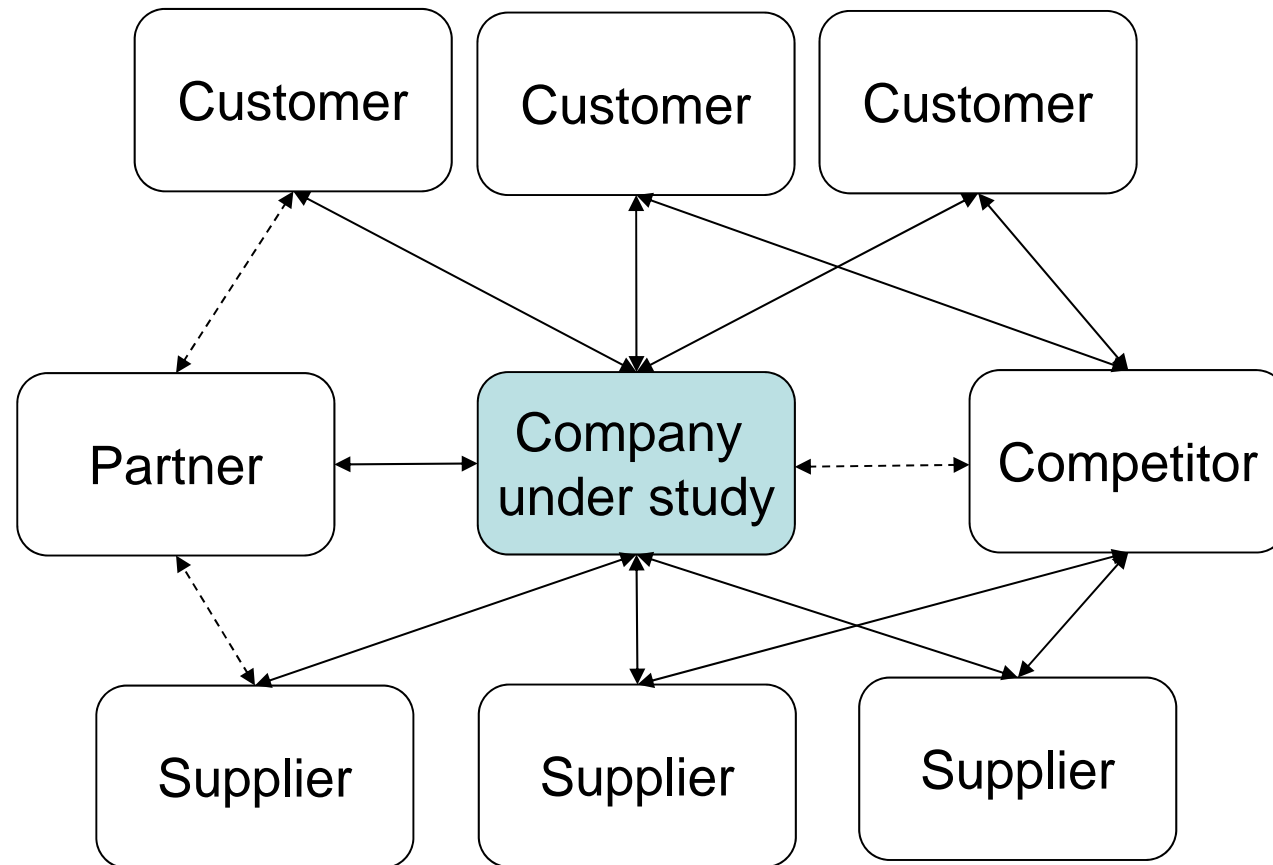
Porters five market forces
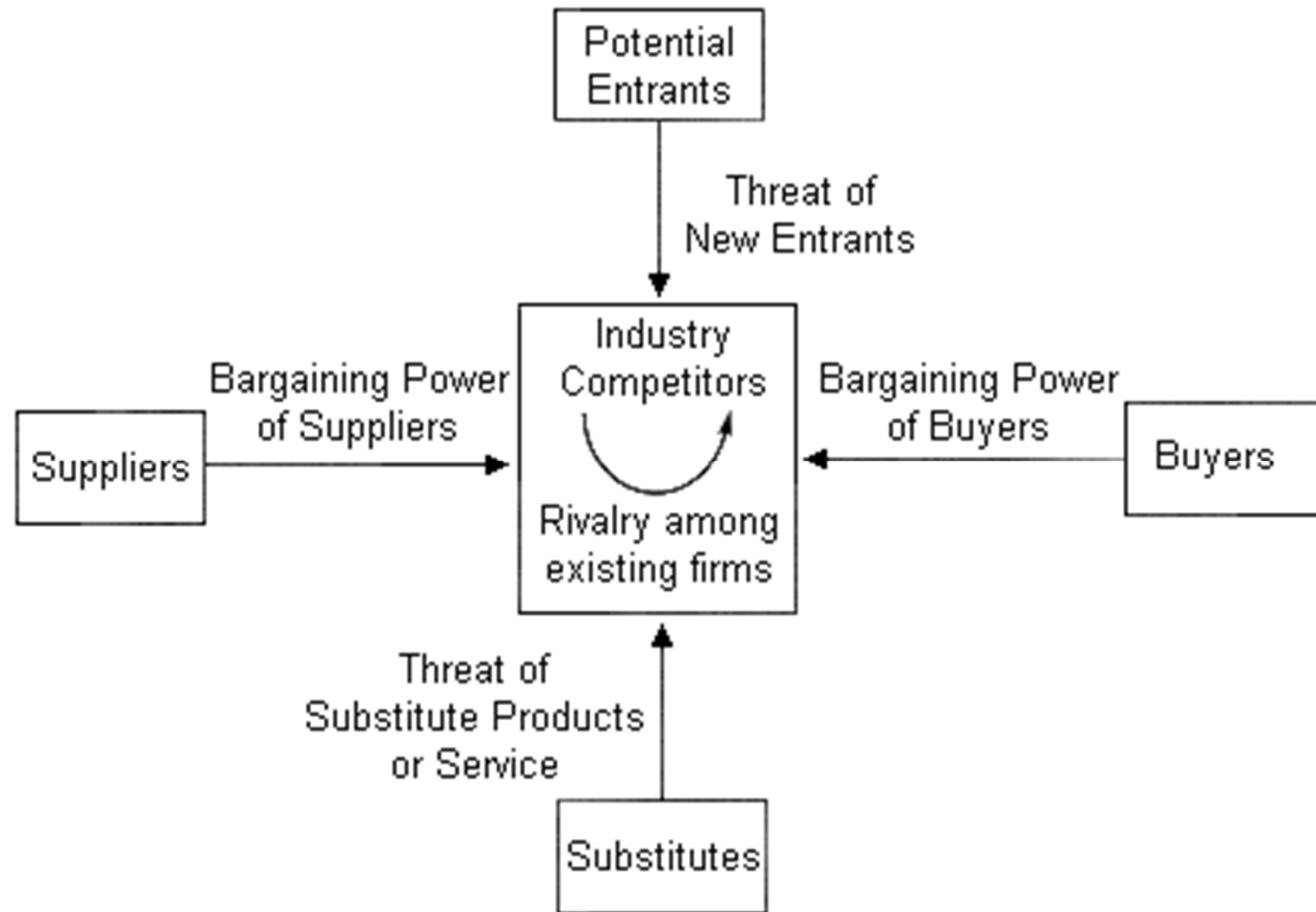
The mobile business battle

Content/app provider

(Wants to share traffic revenues)

Mobile Operator

(Wants to share revenues from content
and apps and extend to enterprize market)

Integrator

(Wants to integrate also mobile services)

Equipment Vendor

(Wants to extend its business to include services)

Porters generic strategies

Target Scope	Advantage	
	Low Cost	**Product Uniqueness**
Broad (Industry Wide)	**Cost Leadership Strategy**	**Differentiation Strategy**
Narrow (Market Segment)	**Focus Strategy** (low cost)	**Focus Strategy** (differentiation)

Porter and the MOB game

According to Porter, there are three fundamental ways through which a company can achieve sustainable competitive advantage.

Porter's three generic strategies are as follows:

- A *cost leadership strategy*
- A *differentiation strategy*
- A *focus strategy*

Choose ONE strategy for the MOB game

Prepare activities in order to implement the strategy

Schedule for MOB game and preparations

- Preparation
  - Preparation of strategy for the MOB game chose a "Porter" type of strategy
  - Comparison of operator strategies from your HW2; what is the largest observed difference between any of your HW2 operators ?
  - Room C21 is available 08:00-10:00
  - Hand in Nov. 23, 16:00
- During the game day, November 28
  - 08:15-15:00 The "game"
  - 15:00-16:00 Preparation of summary report
  - 16:00-17:00 Presentation of summary reports

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Team summary report
–Initial strategy
–What happened?
–How did you manage?
–Lessons learned?
–Who did win?
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MOB game – the market

- Western European country before 2005
- Still some new voice users to attract
- Only low data rate services are available
- The big mobile data growth to come
- Business intelligence data is available in the end of the player instructions

Several rounds (seasons)

Player decisions

The decisions are made for incoming financial year. Time for decisions ~45 min – 1h 15 min

Simulation of next round parameters

MOB simulates the parameters for next financial year based on the players' decisions. Time for simulation ~10 – 15 min
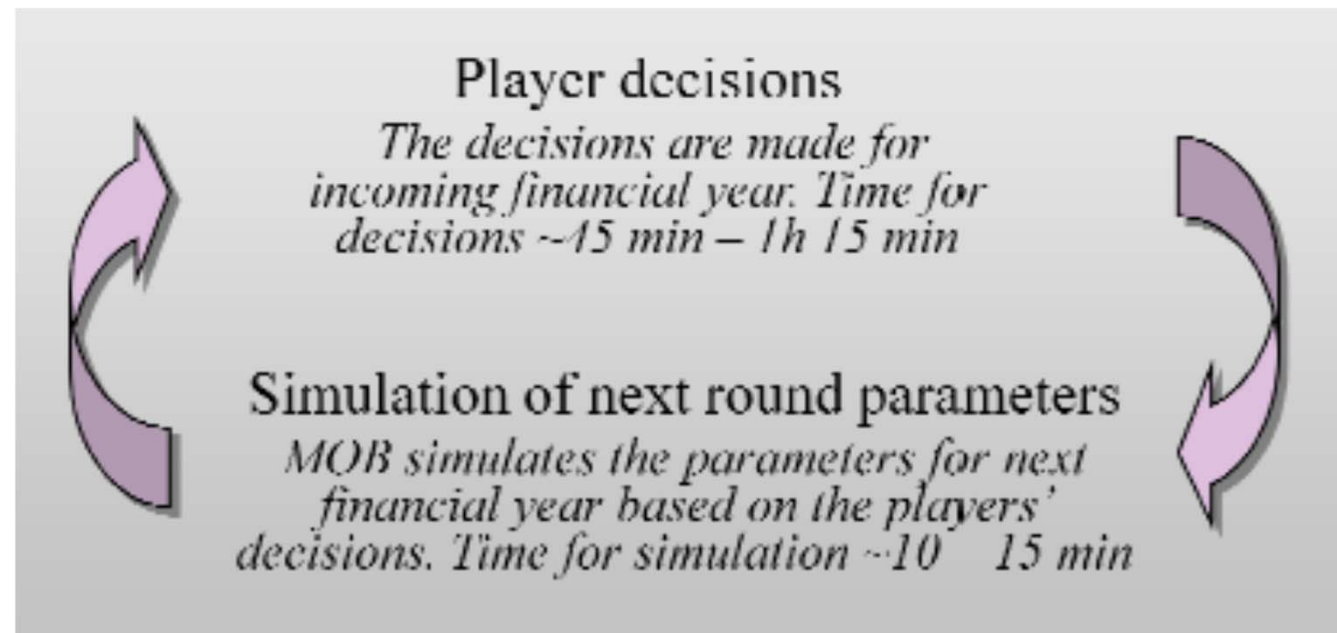
Schedule for MOB game activities

- During the game day
  - 08:15 Start of the game
  - 09:45 Deadline for input season 1
  - 11:00 Deadline for input season 2
  - 12:00 Deadline for input season 3
  - 13:15 Deadline for input season 4
  - 14:00 Deadline for input season 5
  - 14:45 Deadline for input season 6
  - 15:00 End of Game
  - 15-16 Preparation of summary report slides
  - 16-17 Team presentation of summary reports

MOB game – main page

MOB

Main

| Main |
| Consumers |
| Corporations |
| Mobile Content |
| Sales & Marketing |
| R&D |
| Network CapEx |
| Network OpEx |
| Mobile Devices |
| HR |
| Finance & CFS |
| IS & BS |
| Market Data |

Name of Team: **Team**
Team Number: **1**
Season: **1**

Get new results

Send decisions

Save decisions -button pressed!

Remember to print the Market Data in the beginning of each season!

To input

- Services
  - Consumer segment
    - prices for voice, data and messages
  - Enterprise segment (corporations)
    - prices etc
    - Sales & marketing and customer care
  - Content services (Mobile content*)
- Sales and marketing
  - For consumers only
- Handsets*
  - Subsidies and prices

To input (continued)

- **Networks**
  - "R&D" invest in knowledge in order to deploy
  - "CAPEX" (build capacity to match demand)
  - "OPEX" (maintain networks, ensure quality)

- **Human Resources***
  - Salaries
  - Competence devlopment

- **Finance**
  - Increase or decrease debt

MOB game – Input for consumers – voice services

MOB

Consumer Offerings: Subscriptions

Main | Consumers | Corporations | Mobile Content | Sales & Marketing | R&D | Network CapEx | Network OpEx | Mobile Devices | HR | Finance & CFS | IS & BS | Market Data

Voice | Data | Messaging

Postpaid subscription

		Season 1	Season 0
Nr. of postpaid subs			680 400
Opening charge (€)		3,90	3,90
Monthly charge (€/month)		3,90	3,90
Calls (€/min)	07:00-17:00	0,19	0,19
	Other	0,16	0,16
Average min/subs/month: 07:00-17:00			74,80
Average min/subs/month: other			61,20
Total average min/subs/month			136,00
Estimated nr. of postpaid subs		710 000	
Estimated average min/subs/month: 07:00-17:00		75,00	
Estimated average min/subs/month: other		62,00	
Revenues (k€)			228 229
Estimated revenues (k€)		239 272	

Prepaid subscription

		Season 1	Season 0
Nr. of prepaid subs			75 600
Opening charge (€)		5,00	5,00
Calls (€/min)	07:00-17:00	0,22	0,22
	Other	0,19	0,19
Average min/subs/month: 07:00-17:00			54,99
Average min/subs/month: other			48,76
Total average min/subs/month			103,75
Estimated nr. of prepaid subs		40 000	
Estimated average min/subs/month: 07:00-17:00		55,00	
Estimated average min/subs/month: other		50,00	
Revenues (k€)			19 474
Estimated revenues (k€)		10 368	

MOB game – Input for consumers - messaging

MOB

- Main
- **Consumers**
- Corporations
- Mobile Content
- Sales & Marketing
- R&D
- Network CapEx
- Network OpEx
- Mobile Devices
- HR
- Finance & CFS
- IS & BS
- Market Data

Consumer Offerings: Messaging

| Voice | Data | **Messaging** |

SMS

	Season 1	Season 0
SMS (€/message)	0,17	0,17
Nr. of SMS users		675 000
Nr. of SMS's/user/month		28
Estimated nr. of SMS users	710 000	
Estimated nr. of SMS's/user/month	28	
SMS revenues (k€)		38 556
Estimated SMS revenues (k€)	40 555	

MMS

	Season 1	Season 0
MMS (€/message)	0,55	0,55
Nr. of MMS users		30 000
Nr. of MMS's/user/month		2
Estimated nr. of MMS users	45 000	
Estimated nr. of MMS's/user/month	3	
MMS revenues (k€)		396
Estimated MMS revenues (k€)	891	

Total revenues

	Season 1	Season 0
Total revenues (k€)		38 952
Total estimated revenues (k€)	41 446	

MOB game – Input for consumers – data services

Different pricing strategies

Price

What is what?
-Flat rate
-Box pricing
-Box with add on
-usage based
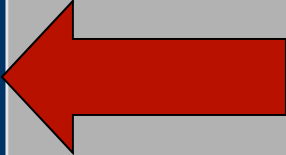
Usage

Market data

Income statement (k€)

	Team1_	Team2_	Team3_	Team4_
Revenues				
Consumer postpaid voice	198 554	247 792	236 276	249 731
Consumer prepaid voice	20 656	21 631	21 204	20 325
Consumer data	1 281	1 291	5 693	1 167
Consumer messaging	39 336	38 379	34 606	39 811
Mobile content	355	549	474	549
Corporate voice	118 242	114 863	115 441	115 413
Corporate data	12 960	12 830	11 757	12 541
Total	**391 384**	**437 333**	**425 451**	**439 536**
Expenses				
Marketing	78 288	78 288	80 288	88 288
Mobile content	8 000	8 000	6 500	8 000
Corporate customer aquisition and relations	25 100	24 200	22 630	22 500
R&D	90 000	105 000	60 000	50 500
Maintenance	21 255	19 255	19 355	19 255
Handset business	0	0	0	0
Personnel	62 166	59 862	59 308	58 845
Total	**323 947**	**338 338**	**290 626**	**291 341**
EBITDA	**67 437**	**98 996**	**134 825**	**148 195**
Depreciation from fixed assets	55 529	50 000	50 486	56 353
EBIT	**11 908**	**48 996**	**84 339**	**91 842**
Financial expenses	24 000	24 000	24 000	24 000
Taxes (26%)	0	6 499	15 688	17 639
Profit	**-12 092**	**18 497**	**44 651**	**50 203**

Balance sheet (k€)

	Team1_	Team2_	Team3_	Team4_
Assets				
Fixed assets	638 588	575 000	580 592	648 059
Cash and cash equivalents	73 731	193 497	213 941	150 733
Total	**712 320**	**768 497**	**794 533**	**798 791**
Liabilities & equity				
Equity				
Share capital	250 000	250 000	250 000	250 000
Previous years profits	-100 000	-100 000	-100 000	-100 000
Profits for this year	-12 092	18 497	44 651	50 203
Total equity	**137 908**	**168 497**	**194 651**	**200 204**
Liabilities				
Short term dept	0	0	0	0
Long term dept	575 000	600 000	600 000	600 000
Total liabilities	**575 000**	**600 000**	**600 000**	**600 000**
Total	**712 320**	**768 497**	**794 533**	**798 791**

Subscriber amounts & market shares

	Team1_	Team2_	Team3_	Team4_
Consumers:				
Postpaid voice (subscribers)	693 818	661 667	653 707	636 808
Postpaid voice (%)	26%	25%	25%	24%
Prepaid voice (subscribers)	71 317	74 720	72 146	75 818
Prepaid voice (%)	24%	25%	25%	26%
Cellular data (subscribers)	9 622	9 839	79 068	9 470
WLAN data (subscribers)	0	0	0	0
SMS (active users)	711 026	687 366	606 621	712 626
MMS (active users)	68 620	70 047	70 188	67 144
Corporations:				
SME voice (%)	25%	25%	25%	25%
NAT voice (%)	25%	25%	25%	25%
INT voice (%)	26%	26%	24%	24%
PA voice (%)	25%	26%	25%	25%
SME data (subscribers)	15 686	15 654	15 840	15 460
NAT data (subscribers)	15 761	15 614	15 709	15 556
INT data (subscribers)	13 180	12 792	12 094	12 046
PA data (subscribers)	7 965	7 960	7 713	7 683