

# Introduction to the MOB game



Jan Markendahl  
December 6, 2013

1

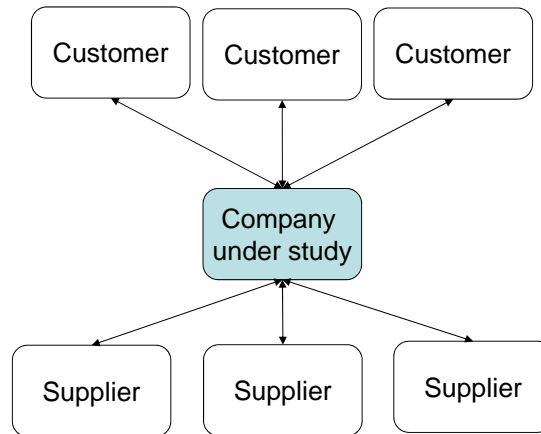
## Today

- The first hour
  - Visit at Ericsson Studio
- The second hour
  - Introduction to the MOB game
  - Game preparation and summary reports
  - HW2 final reports
  - Q&A for HW3



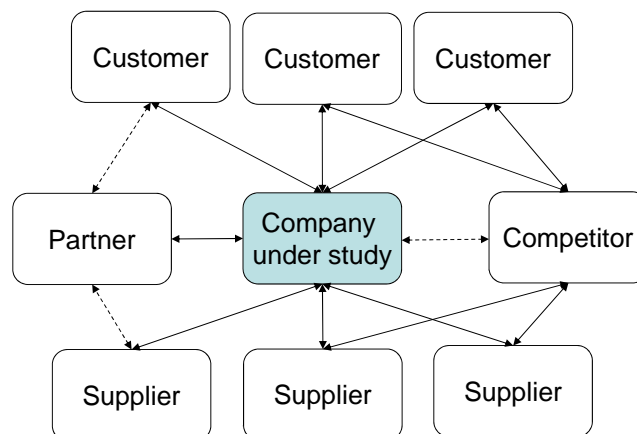
2

## Cooperation: Market Actors and Relations



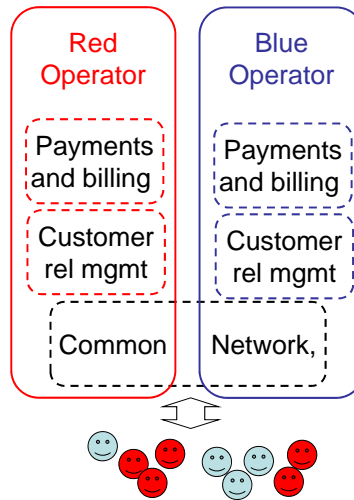
3

## Cooperation: Market Actors and Relations



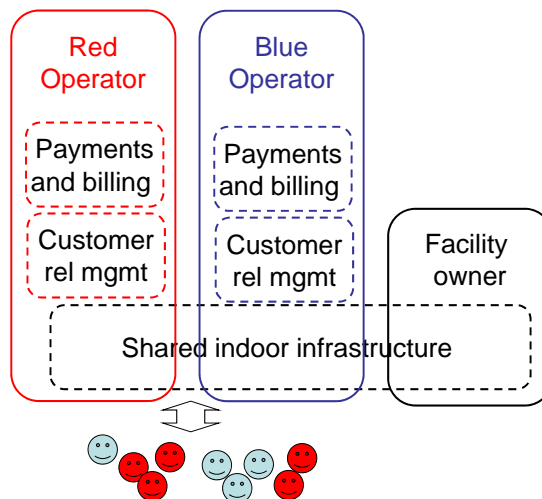
4

## Network sharing



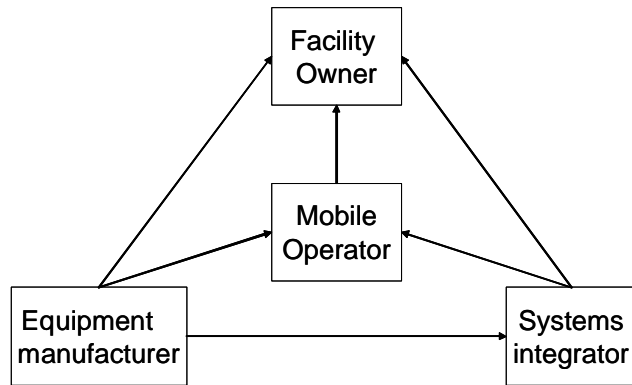
5

## Shared indoor infrastructure



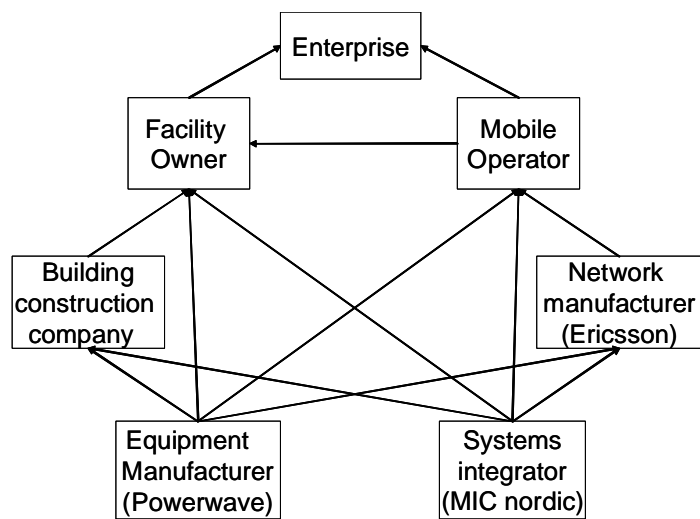
6

## Actors and relations indoor wireless access systems



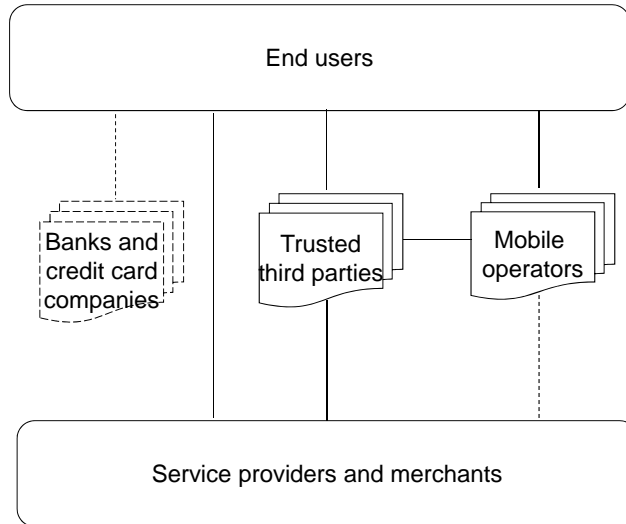
7

## Actors and relations indoor wireless access systems



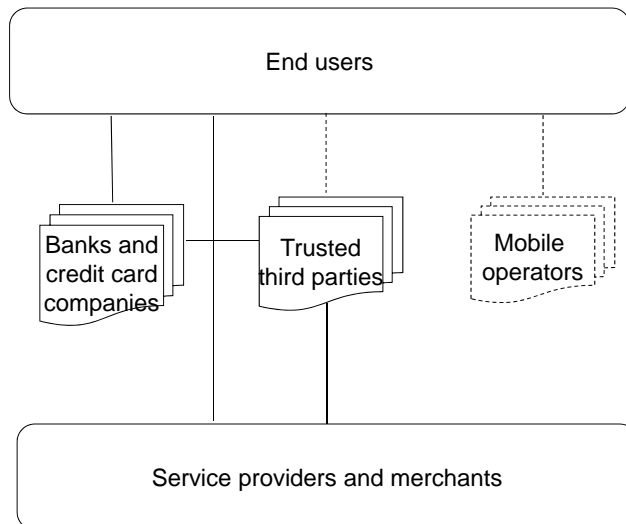
8

## Premium SMS



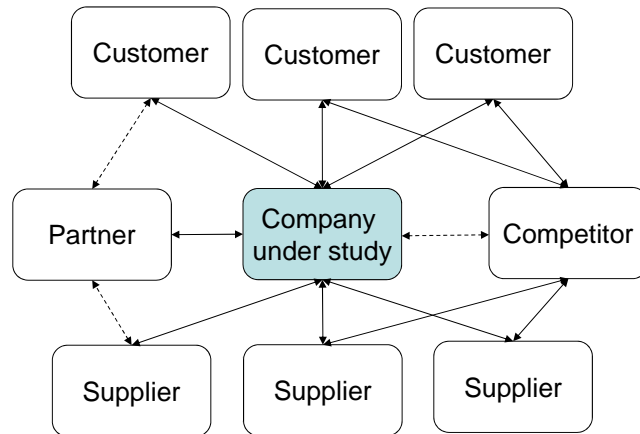
9

## Bank SMS



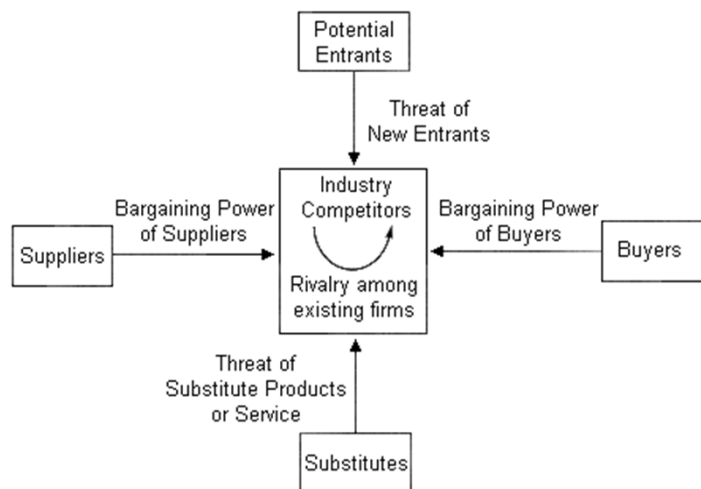
10

## Cooperation: Market Actors and Relations



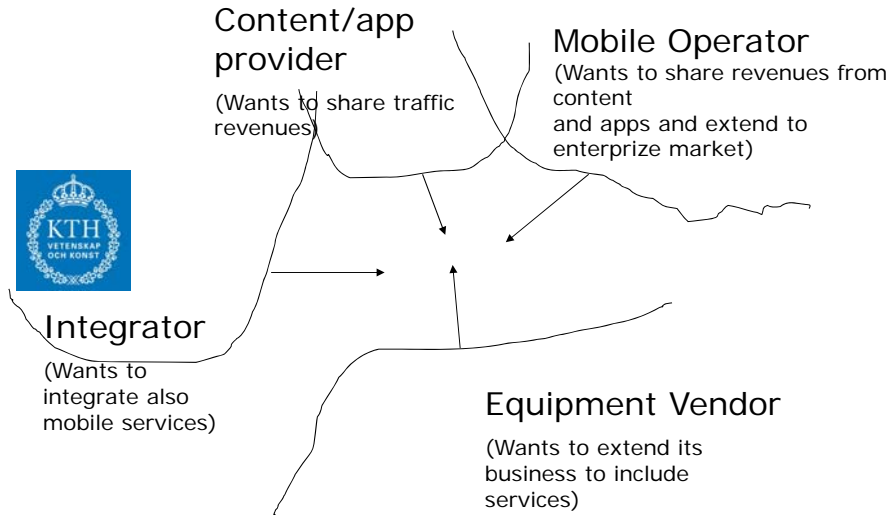
11

## Porters five market forces



12

## The mobile business battle



13

## 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)

14

## 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

15

## Schedule for MOB game and preparations

- Preparation
  - Comparison of operator strategies from your HW2; what is the largest observed difference between any of your HW2 operators ?
  - Preparation of strategy for the MOB game chose a "Porter" type of strategy
  - Hand in December Dec 9, 16:00
- During the game day, December 10
  - 08:15-15:00 The "game"
  - 15:00-16:00 Preparation of summary report
  - 16:00-17:00 Presentation of summary reports



Team summary report  
-Initial strategy  
-What happened?  
-How did you manage?  
-Lessons learned?  
-Who did win?

16



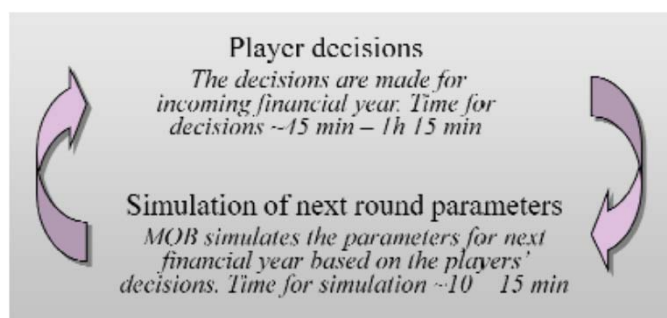
## MOB game – the market

- 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



17

## Several rounds (seasons)



18

## MOB game – main page

**MOB** Main

Name of Team: **Team** Get new results  
Team Number: **1** Send decisions  
Season: **1** Save decisions -button pressed!

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

19

## 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 development
- Finance
  - Increase or decrease debt

21

## MOB game – technologies



- The big mobile data growth to come
- Data services can be based on
  - WLAN
  - 3G/4G
- In order to use new technology you first need to gain competence = invest in R&D
- To use 3G/4G you need more spectrum
  - Spectrum may be allocated
  - Spectrum may be auctioned

22

## 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

23

## MOB game – Input for consumers – voice services

MOB	Consumer Offerings: Subscriptions			
	Voice	Data	Messaging	
<b>Consumers</b>	<b>Postpaid subscription</b>		<b>Prepaid subscription</b>	
Corporations		Season 1	Season 0	
Mobile Content	Nr. of postpaid subs		680 400	Nr. of prepaid subs
Sales & Marketing	Opening charge (€)	3,90	3,90	75 600
R&D	Monthly charge (€/month)	3,90	3,90	Opening charge (€)
Network CapEx	Calls (€/min)	07:00-17:00	0,19	5,00
Network OpEx		Other	0,16	5,00
Mobile Devices	Average min/subs/month: 07:00-17:00		74,80	Calls (€/min)
HR	Average min/subs/month: other		61,20	07:00-17:00
Finance & CFS	Total average min/subs/month		136,00	Other
IS & BS	Estimated nr. of postpaid subs	710 000		0,22
Market Data	Estimated average min/subs/month: 07:00-17:00	75,00		0,19
	Estimated average min/subs/month: other	62,00		
	Revenues (k€)		228 229	Average min/subs/month: 07:00-17:00
	Estimated revenues (k€)	239 272		Average min/subs/month: other
				Total average min/subs/month
				Estimated nr. of prepaid subs
				Estimated average min/subs/month: 07:00-17:00
				Estimated average min/subs/month: other
				Revenues (k€)
				Estimated revenues (k€)

24

## MOB game – Input for consumers - messaging

MOB

Consumer Offerings: Messaging

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

**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€)	40 556	

**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	

25

## MOB game – Input for consumers – data services

MOB

Consumer Offerings: Data

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

**Data services**

	Cellular data		NOT ENABLED
	Season 1	Season 0	
Monthly payment (€/month)	3,00	3,00	
Price of 1 MB (€/MB)		2,50	
Block size (MB)			
Nr. of data users		30 000	
Average MB/user/month		1,50	
Estimated nr. of data users	30 000		
Estimated average MB/user/month	1,50		
Revenues (k€)		2 430	
Estimated revenues (k€)	1 080		0

**Cellular pricing type**

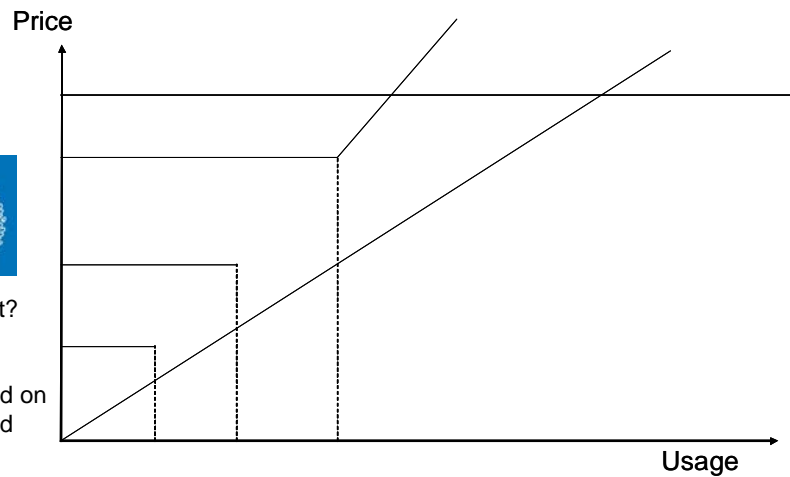
Season 1	Season 0	Block
Flat	Usage	
Flat rate	Usage based	Flat rate
Usage based	Block price	Usage based
Block price		Block price

26

## Different pricing strategies



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



27

## Components in Mobile broad band offers

For the "dongle" business

- Price
- Amount of data
- Length of contract
- Fee for dongle or not
- Data rate
- Conditions when data limit is exceeded



Smartphones?

28

## MOB game – Input for consumers – data services

MOB

Consumer Offerings: Data

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

**Data services**

	Cellular data		NOT ENABLED
	Season 1	Season 0	
Monthly payment (€/month)	3,00	3,00	
Price of 1 MB (€/MB)	2,50	2,50	
Block size (MB)			
Nr. of data users		30 000	
Average MB/user/month		1,50	
Estimated nr. of data users	30 000		
Estimated average MB/user/month	1,50		
Revenues (k€)		2 430	
Estimated revenues (k€)	1 080		0

	Cellular pricing type		NOT ENABLED
	Season 1	Season 0	
	Flat	Usage	
	Block		Block

Flat rate

Usage based

Block price

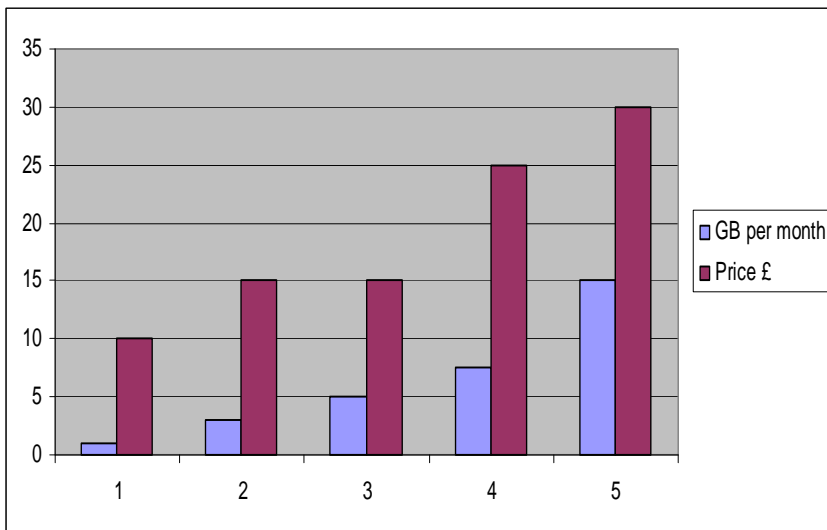
Flat rate

Usage based

Block price

29

## Box pricing - Operator 3, UK



## Market data

MOB

Main

Main

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!

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

←

31

Page 1/4		Season: 1			
Income statement (k€)					
	Team1_	Team2_	Team3_	Team4_	
<b>Revenues</b>					
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	
<b>Total</b>	<b>391 384</b>	<b>437 333</b>	<b>425 451</b>	<b>439 536</b>	
<b>Expenses</b>					
Marketing	78 288	78 288	80 288	88 288	
Mobile content	8 000	8 000	6 500	8 000	
Corporate customer acquisition 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	
<b>Total</b>	<b>323 947</b>	<b>338 338</b>	<b>290 626</b>	<b>291 341</b>	
<b>EBITDA</b>	<b>67 437</b>	<b>98 996</b>	<b>134 825</b>	<b>148 195</b>	
Depreciation from fixed assets	55 529	50 000	50 486	56 353	
<b>EBIT</b>	<b>11 908</b>	<b>48 996</b>	<b>84 339</b>	<b>91 842</b>	
Financial expenses	24 000	24 000	24 000	24 000	
Taxes (26%)	0	6 499	15 688	17 639	
<b>Profit</b>	<b>-12 092</b>	<b>18 497</b>	<b>44 651</b>	<b>50 203</b>	



**Balance sheet (k€)**

	Team1_	Team2_	Team3_	Team4_
<b>Assets</b>				
Fixed assets	638 588	575 000	580 592	648 059
Cash and cash equivalents	73 731	193 497	213 941	150 733
<b>Total</b>	<b>712 320</b>	<b>768 497</b>	<b>794 533</b>	<b>798 791</b>
<b>Liabilities &amp; equity</b>				
<b>Equity</b>				
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
<b>Total equity</b>	<b>137 908</b>	<b>168 497</b>	<b>194 651</b>	<b>200 204</b>
<b>Liabilities</b>				
Short term dept	0	0	0	0
Long term dept	575 000	600 000	600 000	600 000
<b>Total liabilities</b>	<b>575 000</b>	<b>600 000</b>	<b>600 000</b>	<b>600 000</b>
<b>Total</b>	<b>712 320</b>	<b>768 497</b>	<b>794 533</b>	<b>798 791</b>

**Subscriber amounts & market shares**

	Team1_	Team2_	Team3_	Team4_
<b>Consumers:</b>				
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
<b>Corporations:</b>				
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