

Losing the Landline Market: A Critical Analysis of Pakistan Telecommunication Company Limited (PTCL)

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Abstract

Pakistan Telecommunication Company Limited (PTCL) covers the 96% of fixed local lines subscribers. It acts like a monopoly in the landline market but facing the sluggish growth in last eight years. We analysed the major causes of this back-through in this era of modern telecommunication and technology. We used primary data collected via well-structured questionnaire from subscriber of PTCL landline. They revealed that the major determinants of slow down are introduction of smart mobile phones, innovative offerings and promotions and customer's facilitations service centres response. The validity of argument is tested with the help descriptive as well statistical techniques. Bar diagrams and Chi-Squares supports the argument validity. Introductions of smart mobile phones greatly exaggerated the declining trend in fixed line subscribers. Innovative offerings and promotions has nonentity significance except DSL facility to landline subscriber. Customer facilitations centre response is too poor and act as a major retarding factor for growth of PTCL fixed line subscriber. On average minimum 3 days are required to remove the technical fault faced to fixed line subscriber. The study suggests that the firm may focus on providing services in adjoining areas of cities, introduce smart mobile phone wireless connections, offering competitive and economic bundles to landline users, innovative and quality after sale services to his landline subscribers to recap the market.

Key Words: Telecommunication, Innovative offerings and promotions, Customer satisfaction, Market Share

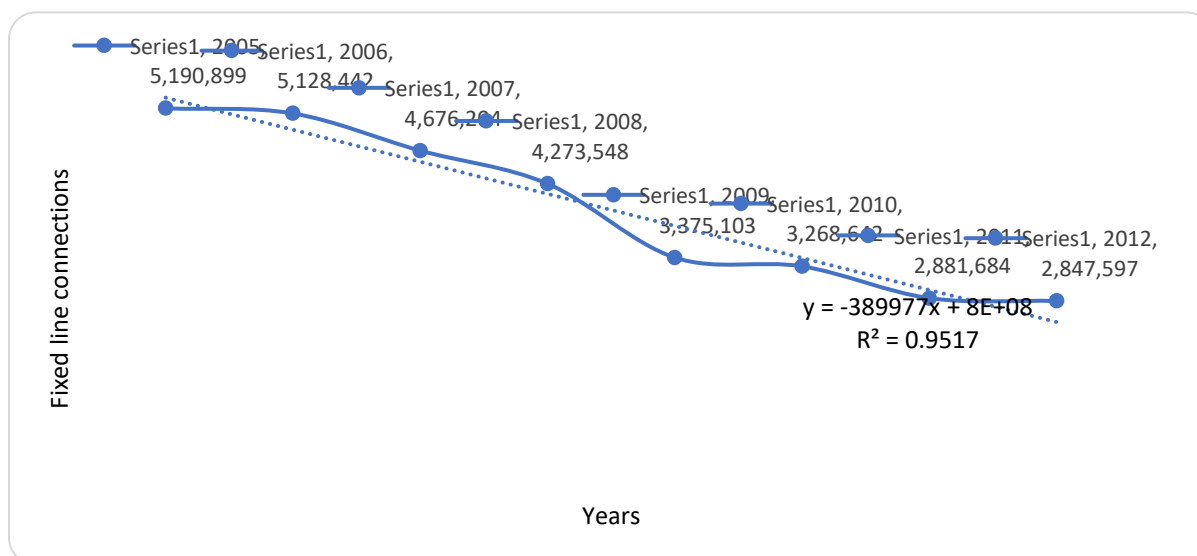
JEL Codes: L25, L96, O31, M31.

1) Introduction

Telecommunication plays a vital role in the development of an economy. Every individual, businessman, firm, corporation, and all other entities are linked with the world of information & technology. World has arisen as a global village. A single household is in contact with all over the world. He can access all sorts of information, can manage his business in every corner of the world and have to be delivered every product needed in his usual life at his door steps due to e-marketing. Telecommunication sector also shown remarkable progress in last decade due to foreign direct investment, openness and privatization. At the time of independence of Pakistan only 14000 landline of telegraph and telephone was present to meet the needs of administrative setup. In 1962, both department separated and emerged as independent postal department and telephone and telegraph department. Due to changing demands of household, business sector and globalization, Pakistani government took some reforms in his communication sector. Telephone and telegraph department converted into Telecommunication Corporation on December 15, 1990. Later on in 1996, Pakistan Telecommunication Authority (PTA) and Pakistan Telecommunication Corporation Limited (PTCL) incorporated. PTCL also listed on the Stock exchange in the same year.

PTCL earns billions of dollars every years by providing domestic and international voice and data services like broadband, landline, carrier and wholesale services, international business and corporates services. PTCL also manufactures some IT related products. PTCL was a state owned enterprise but in 2005 privatization commission approved the privatization of PTCL. In 2006, PTCL owns 62% of shares, 26% owned by Etisalat Telecommunications and remaining 12% owned by general public. PTCL is first largest firm in Pakistan telecommunication market with almost 65000 employees, 6 million customers including 0.8 million V-fone users. PTCL is also largest CDMA operator in Pakistan. In last seven years, PTCL fixed line/landline connections significantly reduced. The maximum number of connections were recorded in year 2005. After that the market of smart phones saturated and peoples preferred to use wireless smart phones. The trend is clear in the following graph-1 that almost number of connections reduced to half of the connections as compared to year 2005. On average PTCL is losing 40,000 customer in each year.

Graph-1: PTCL fixed line connections

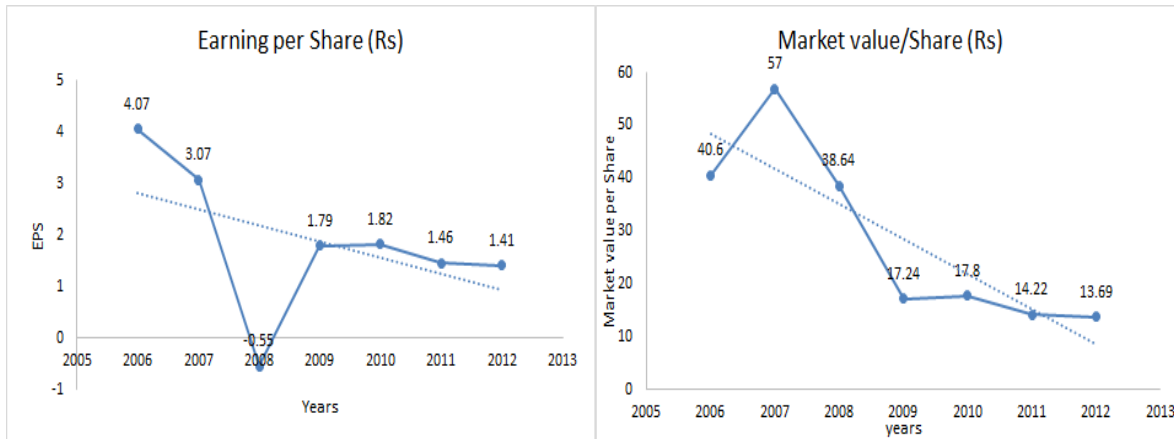


Source: *Pakistan Telecommunication Authority*

PTCL is the largest firm providing the broadband facility on its landline connections. Broadband users split into DSL and 3G-EVO wireless broadband. DSL facility is provided on PTCL landline while 3G wireless facility is provided in the form of 3G-EVO devices and smart EVO tabs. The mere increase in the broadband user is due to 3G-EVO devices. Better and economical offerings of other mobile cellular service provider causes reduction in the number of landline connections and hence reduction in DSL subscriber. The PTCL provided infrastructure to other corporate agents in the country and launched mobile data services in 1998 in the form of Ufone and Paknet. Paknet got lose his identity in the corporate market but Ufone still is a largest telecommunication firm providing cellular services. Now it becomes a gigantic investment area for foreign firms also. It significantly contribute to the gross domestic product of the Pakistan.

The study focuses only on PTCL landline market. PTCL is acting as monopoly for landline in telecommunication market since its incorporation. But in last five years some other firms enters in the metropolitan areas to offer internet services only. With the privatization of this market, number of other firms (JAZZ, Warid, Telenor, Zong, Instaphone, and Ufone) enters in the market. They offered same cellular and data transfer and mobile services at economical rates. Only that customer preferred to use PTCL landline who were using DSL services. If we analyse the financial statements of PTCL, it's clear that earning per share and market value per share has decreasing trend as shown in graph-2.

Graph-2: EPS & Market Value per Share

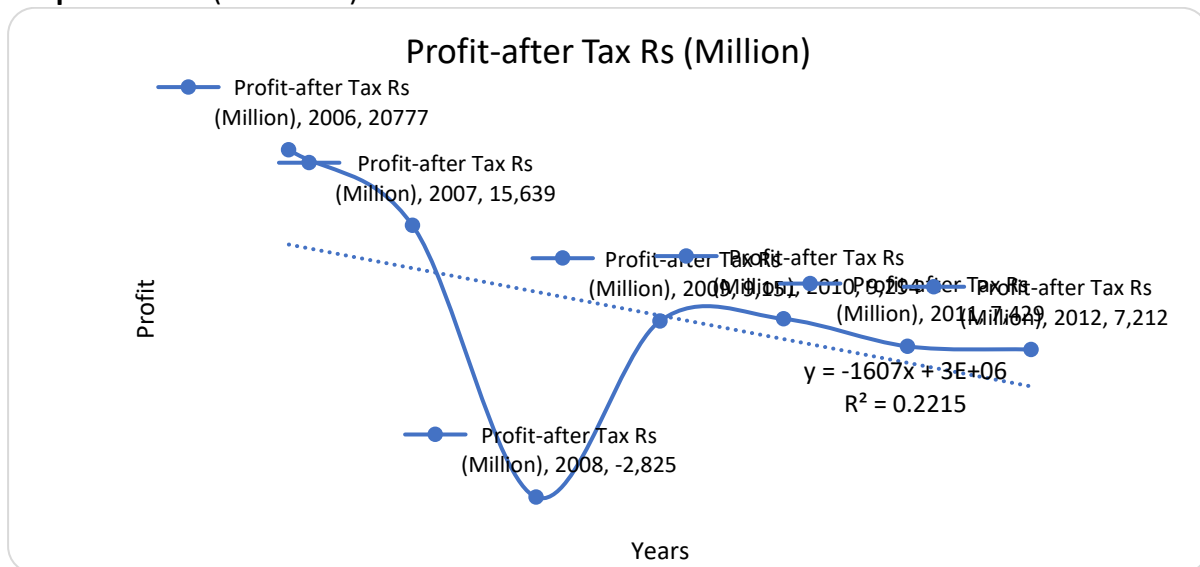


Source:
PTCL
Year-end
financial

statements June 2012

In short, PTCL loses its monopoly market due to lack of mobility of landline connections. Smart mobile phones significantly contributed to the loss of PTCL landline. Smart mobile phone also provide internet facility. There are number of factors that affects the usage level of PTCL landline. Here we have to analyse some factors that why peoples are going to prefer other mobile service provider instead of PTCL landline. Although PTCL earns millions of rupees but its profit share per year is going towards decline. The graph-3 is reflecting the scenario and trend line depicting decreasing level of profits.

Graph-3: Profit (Million Rs)



Source: PTCL Year-end financial statements June 2012

The availability of landline in remote and adjoining areas of cities is still a problem while other telecom operators offered their services in remote areas. They captured the market share and consumer database which was demanding landline before the arrival of such companies. Not just the telecom services and availability were problems but the quality of customer facility services were a major problem of concern. PTCL landline with reference to its competitors was providing very poor and unsatisfactory customer relation services. The customer facilitation officers did not respond to complaints made by customers in time. Their competitors get advantage of this weakness to attract the customers towards more quick and efficient networks. Innovative offerings by cellular services contribute the usage level of a particular firm. The PTCL offered many new products and services but fails to provide

innovative offerings to his landline customers. In short our objective is to analyse the factors that causes reduction in the usage level of PTCL landline. In the forthcoming pages, the researcher have to focus on relevant literature review, research methodology, data issues, results and discussions, conclusion and policy lesson.

2) Literature Review

Innovations are new ideas, new products, new services and new objects to be introduced in the market. Basically it is a multidimensional phenomenon as defined by number of researcher: Brouwer and Kleinknecht (1996) called it “newness to the firm”, Song and Montoya-Weiss (1998) called it “newness to the customer”, and Atuahene-Gima and Ko (2001) called it “newness of the product. World is acting like a global village due to advancement in technology and telecommunications. Peoples in twenty first century demand sophisticated and innovated products to satisfy their wants. Every firm especially in competitive market, must focus on its innovative and adoptive strategy (Hivner, et al. 2003). Kanter (1988) and Wolfe (1994) stated that the firm must apply innovative ideas to initiate new or improving a product, process or any service offered. Innovation brings advancement in products and services that makes the customers to be well rewarded with the best possible services provided in the same cost.

Customer facilitation centres is the only department of PTCL that has direct interactions with his users. It greatly play a role to the customer satisfaction and loyalty. Homburg and Bruhn (1998) detailed that customer satisfaction is experience based evaluation by customer of his service provider. He judged that how his client is following his expectations. Oliver et al. (1993) elaborated that customer service centre response is a major driving force influencing the psychological behaviour, emotions and personal feelings towards consumption experience. Bauer et al. (2006) concluded that service quality positively affects the customer satisfaction. Wang et al. (2004) analysed communication industry of China, Kim et al. (2004), Tung (2004), Turel and Serenko (2006) examined the mobile sector of South Korea, Singapore and Canada respectively and conclude that customer satisfaction is influenced by service quality and customer service centre response.

Mobile phone has several advantages over landline fixed connections. The great edge is of mobility. Peoples prefer to stay connected everywhere. It may bring gains in their pleasure and profits. Samuel, Shah, and Handingham (2005) stated that use of mobile phone increase profits of the firms, save time of the executives and improve communication with suppliers for small and medium enterprise. In Pakistan number of firms enters in the market and peoples from rural areas are especially got benefitting with mobile phones. Because there is no way or substitute available to communicate. It is the nature of human being to adopt the inventions and innovations. Conley and Udry (2010) suggest that improved communication means improve the social networking and influence the rate of new technology adoption. Peoples are using varieties of facilities offered on mobile phones like mobile banking, reservation, making bills payments and transferring money to other peoples.

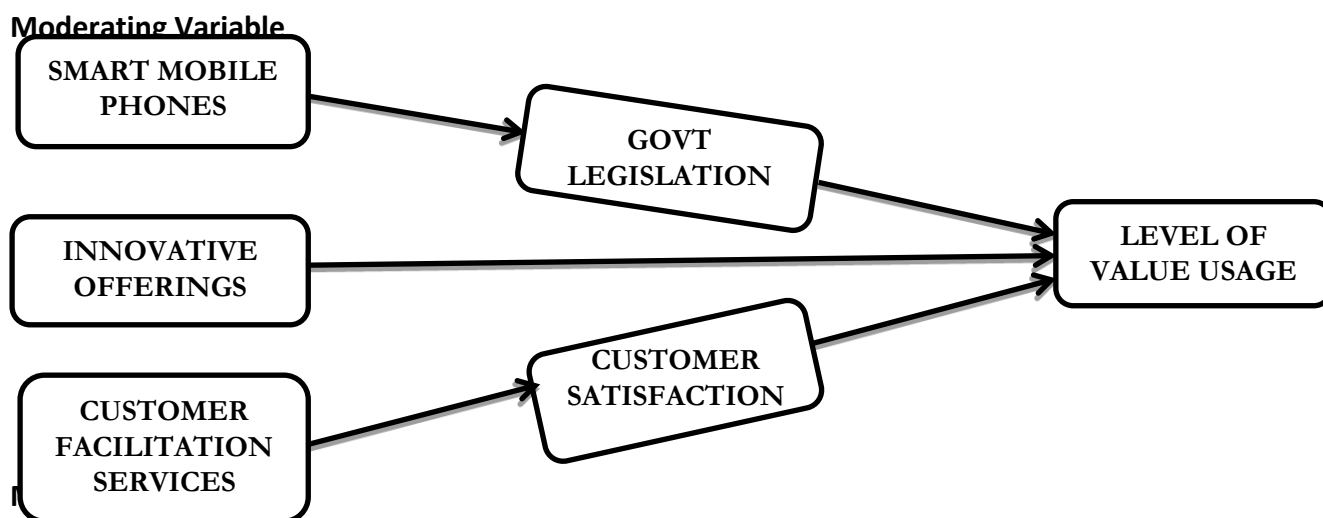
Mobile phone technology evolve to fourth generation (4G) technology but no innovations made to landline connections. Mobile phones also used as a low cost device to transfer data. They are helpful for campaigns in elections and marketing information. Aker (2009) found that low cost mobile phones are promoting level of literacy in Nigeria. The illiterate peoples found numbers and letters on mobile phone, they learn to send text messages because they were almost seven times cheaper as compared to call rates. All of the above discussion conclude that mobile phones have several advantages over landline fixed connections and

got preferred. The same situations is observed in Pakistan and number of landline subscriber goes on diminishing with the passage of time. Even the use of mobile phone increase the consumer and producer surplus in developing countries (Jensen 2007, Aker 2008).

3) Theoretical Framework

The study attempts to explain that why a monopoly firm loses his mere market segment. Theoretically, a firm value usage depends upon numerous factors. But for the ease of parsimony and data availability, the researcher focuses just on its some behavioural aspects of study. Level of value usage of PTCL is the dependent variable which is the variable of primary interest. We attempted to explain this problem by taking three independent variables, one mediating and one moderating variable. Moderating and mediating variables are used for controlled analysis. Independent Variables considered are introduction of smart mobile phones, innovative offerings like broad band facility for landline customers and other economics packages and customer facilitation services like getting information, justification of bills, settlement of complaints and dealing technical problems etc. Moderating variable and mediating variables are government legislation and customer satisfaction.

Smart mobile phones have a significant impact on the value and usage level of PTCL. PTCL has availability problem over the country in far-away areas as compared to its competitors in telecom sector. Pakistan is not a metropolitan country. It has vast remote area and to provide landline connections services is far difficult. Peoples prefer to use wireless mobile phones. So its leads to decline in its value and usage level. Competitor’s availability as well as mobility played a significant role to reduce the value of PTCL landline as perceived earlier as well as its usage rate. Innovative offering include broad band facility, smart wireless phones and other facilities like 2G, 3G and 4G networks. The variable of government legislation is moderating and having a contingent effect on independent variable. Because no new firm can enter into the market or to sell his product without government permission and satisfaction of legal restrictions. The variable customer satisfaction is mediating ,as we may say that customer facilitation services an independent variables adds to the mediating variable customer satisfaction and in turns explain that why people go for using PTCL or not which leads to an incline or decline in its value and usage level. Diagrammatically the relationship between dependent and independent variables is expressed as under.



Independent Variables**Dependent****Variable**

A number of issue addressed daily by customer facilitations centres like getting new information, correcting overbilling, handling tax matters and also get complained for technical faults. These issue especially technical faults takes days to be removed. That' why lack of prompt and quick response at facilitations centres causes to be less and less dependence on landline connections. To justify the above statements, it's necessary to test the validity of the argument. The research question is addressed as;

H1: Invention of smart phones negatively effects the value usage of PTCL.

H2: Innovative offerings for landline users positively effects the value usage of PTCL.

H3: Quick customer facilitation response positively influence the value usage of PTCL.

Present study utilize the descriptive as well as statistical techniques to test the validity of above three alternative hypothesis. Bar diagrams are constructed to present our results in most convenient way. Chi-Square Test is used to check statistical reliability of the argument.

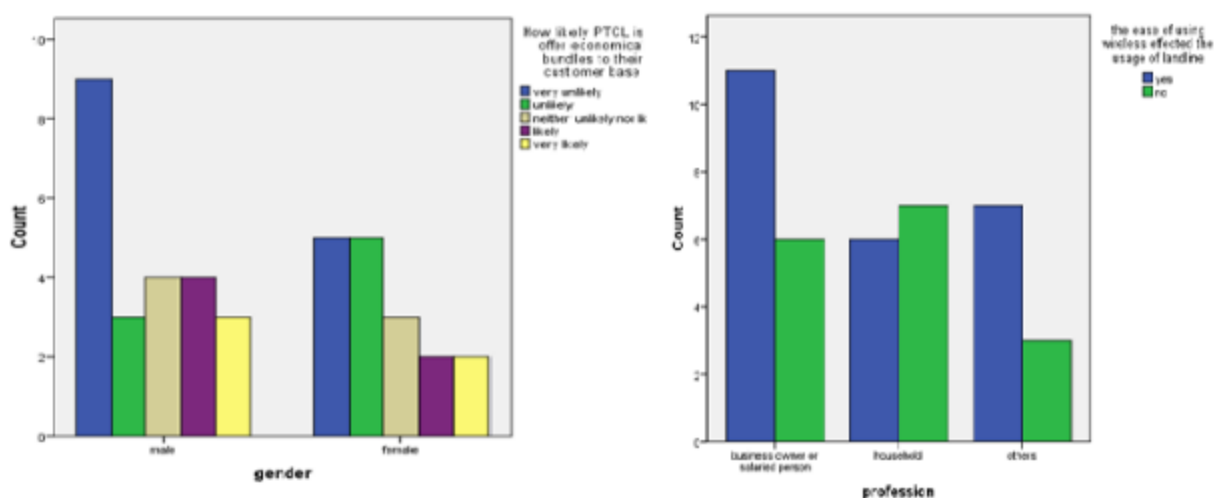
4) Data Sources and Collection Issues

The study is based on primary data obtained from the major market area of PTCL from district Layyah. Our basic sources of gathering information are respondents like males and females customers like businessmen, business executives and some persons that are directly associated with telecommunication industry.. In order to collect information from respondent we used a well-structured questionnaire and filled them personally by our respondents to avoid any error (non-response error and delayed response error). The value of Cronbach's Alpha is 0.83. The minimum acceptable of Cronbach's Alpha is 0.60 estimated by Cronbach (1951). A mixture of five point scale and others scales were used in questionnaire. The simple random sampling procedure is adopted to get information from a sample size of forty customers. According to gender, 58% respondents were male while all others were females.

5) Results and Discussion

If we do descriptive analysis of data collected; the introduction of wireless communication devices causes to be less demanded the landline communication lines (diagram-1). Wireless devices have extra advantage of mobility, ease of net surfing at desired place and carry them to use everywhere because of less weight and slim size make them to be attractive and hence less demand for PTCL landline connections. These wireless communication services are offered by PTCL itself all other telecommunication operators prevailing in the country. PTCL fails to provide economical bundles to their customers. It is logically true that PTCL charge more price for bundles offered because it is working as a monopoly protected by government for providing landline connections. This factor also played a greater role in losing landline market share. While all other operators are providing economic bundles to both male and females. The bar diagram-1 shows that PTCL fails to offer economical bundles and promotions and right pane of the figure depicts the ease of using wireless mobile phone affected PTCL landline market share.

Diagram-1: PTCL economic offerings and ease of using mobile phones



Summary of statistical analysis is shown in the table-1. Detail is available in appendix under table-2, 3 and 4. The results shows that only results of introduction of smart mobile phones are statistically significant at 3% level of significance. It significantly hampered the market of PTCL landline. The company must expand his optical fibre network in adjoining areas of big cities. Big towns still have potential to offer the landline services. In early 2000, number of adjoining areas connected each other but after 2005 these connections disconnected due to non-serious response by maintenance department of PTCL. In 2010 a campaign were started to increase the connections but remained partially successful. It's very difficult to regain previous credibility and customer loyalty. Innovative offerings for landline customers are insignificant at 5% but significant at 7%. It reveals that DSL facility to landline users and other economic bundles like new budget packages, super Sunday offer and special promotions on Ramadan, Hajj, Christmas, Eid and New Year significantly contributed to the usage level of PTCL. These promotions and economic bundles are still not satisfactory for landline users.

Table-1: Summary Statistics

Variables Test Statistics	Smart mobile phones by other firms	Innovative offerings (Landline)	Customer facilitation services (Landline)
Chi-Square	16.000	8.750	6.750
Degree of freedom	3	3	3
Asymp. Significance	0.003	0.068	0.150

The customer facilitation centres provide a lot of information and services. Our objective is to analyse whether the response of customer facilitation centres is satisfactory or not. Statistically results are insignificant. The reason is that landline user usually face technical faults. It takes more time to be maintained. A mean response time is one week. Means if any technical faults occurs, it usually take three days to one week to be corrected. This is very alarming and quite unsatisfactory practice. That's why customers get lost their loyalty and preferred to use landless connections.

6) Conclusion and Recommendations

We have analysed some factors that seems to be responsible for the decline in usage level of PTCL landline. PTCL is the sole service provider of landline connections in Pakistan. In last seven to eight years, PTCL has lost its control on his landline monopoly market. The major reasons contributing to this tragedy are introduction of wireless mobile phone, limiting landline service to metropolitan areas, lack of innovative services (Except DSL) and economical bundles to landline users, no proper customer care centre response to landline users, frequent technical faults in landline connection and too delay in maintenance process of landline connections. This is the age of information technology and people prefers to use innovative devices to get connected with social world. Although PTCL showed a remarkable progress in other areas like providing broadband 3G-EVO, EVO tabs, CDMA services etc. but our study concern is limited to landline market only. Monopolies ever ruined with the invention of substitutes and same faced by PTCL landline market. The firm should address the above cited reasons to get back the landline customer credibility and loyalty. The major focusing areas may be introduction of smart mobile phone wireless connections, providing landline service in adjoining areas (small populous towns) to cities, offering competitive economic bundles and improvement in customer facilitation centres response to landline queries and complaints.

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Appendix

Chi-Square Test:

Table-2: Frequencies; Availability of smart mobile phones decrease the value usage of PTCL

	Observed N	Expected N	Residual
strongly agree	5	8.0	-3.0
agree	18	8.0	10.0
neither agree nor disagree	7	8.0	-1.0
disagree	5	8.0	-3.0
strongly disagree	5	8.0	-3.0
Total	40		

Test Statistics

	Availability of smart mobile phones decrease the value usage of PTCL
Chi-Square	16.000
df	4

Table-2: Frequencies; Availability of smart mobile phones decrease the value usage of PTCL

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strongly agree	5	8.0	-3.0
agree	18	8.0	10.0
neither agree nor disagree	7	8.0	-1.0
disagree	5	8.0	-3.0
strongly disagree	5	8.0	-3.0
Asymp. Sig.	.003		

Table-3: Frequencies; Customer facilitations centres response to landline users

	Observed N	Expected N	Residual
Seldom	4	8.0	-4.0
neither seldom/nor often	11	8.0	3.0
Often	11	8.0	3.0
Very often	10	8.0	2.0
Always	4	8.0	-4.0
Total	40		

Test Statistics

	Customer facilitations centres response to landline users
Chi-Square	6.750
df	4
Asymp. Sig.	.150

Table-4: Frequencies; The offerings made by PTCL Landline are innovative

	Observed N	Expected N	Residual
Seldom	7	8.0	-1.0
neither seldom/nor often	15	8.0	7.0
Often	6	8.0	-2.0
Very often	4	8.0	-4.0
Always	8	8.0	.0
Total	40		

Test Statistics

	The offerings made by PTCL Landline are innovative
Chi-Square	8.750
df	4
Asymp. Sig.	.068