

Analysis Of Telkom's Strategy And Business Model Fixed Broadband To Achieve Sustainable Competitive Growth

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Abstract

This study aims to understand the resource potential of doing Telkom's fixed broadband business, understand the environmental influences on Telkom's fixed broadband business, and determine the strategy and business model of Telkom's fixed broadband to achieve sustainable, competitive growth. This study used a descriptive analysis method with a case study strategy that combines the dominant qualitative approach (interviews, focus group discussions, and literature) and accompanied by quantitative data (questionnaire). The objects of research are Speedy existing customers in the cluster housing Griya Inti, Sunter, North Jakarta, to get feedback on the experience of existing fixed broadband services, and Broadband Division management as strategies and business models designers of fixed broadband services in Telkom Indonesia. The results of the analysis of internal and external evaluation matrix show that appropriate strategies for Telkom's fixed broadband business now are hold and maintain. While the results of the interviews and focus group discussions show that in order to achieve a sustainable competitive advantage in the fixed broadband business, the best service experience is very important. This conclusion is also consistent with the results of the analysis of the questionnaire related to Telkom's existing customer experience stating that the customer still feels less than getting a satisfactory service experience in using Telkom's fixed broadband products, while they are willing to pay more if Telkom is able to offer fixed broadband products of a higher quality and may ensure the best experience to the customer.

Keywords: *Sustainable Competitive Advantage, SWOT Analysis, fixed broadband.*

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INTRODUCTION

The needs and desires of the world community for internet services are increasing both in terms of quality (*speed, bandwidth, features*) and quantity (*coverage, accessibility*). To meet this need, technology *broadband* become a solution that is quite popular at this time because with *broadband*, internet access becomes faster and many other services besides internet connectivity can be offered by operators *broadband* to customers, such as telephone, television, video, and various applications. One way to provide service *broadband* is with technology *fixed broadband*, which uses fiber optic media (*Fiber To The Home*) or a combination of fiber optic and copper cable (*Fiber To The Curb*). Service *fixed broadband* can be used by residential customers (both housing and apartments), internet cafes, schools, campuses, and public places that require internet access. Compared with mobile broadband which is also quite popular, fixed

broadband technology has advantages in terms of internet connection stability and internet access speed capabilities.

Responding to technological developments fixed broadband For this internet service, telecommunication operators which previously only focused on the telecommunication business (telephone and SMS services), have now transformed into internet service operators with business broadband-his. Telkom Indonesia as one of the telecommunication operators already has an internet service product called Speedy which basically also uses technology fixed broadband. However, Speedy's current business model is still focused on internet connectivity services only, even though it uses technology broadband there are still many opportunities to innovate other products that can generate revenue for Telkom Indonesia. Plus, penetration fixed broadband in Indonesia it has only reached 8%, while property development is increasing, public consumption is increasing, and economic growth is quite good, which means that there is still a lot of potential for housing and apartment clusters that can be used as a share of the business market fixed broadband Telkom.

As a telecommunications operator as well as a state-owned enterprise engaged in business broadband in Indonesia, Telkom must immediately formulate and implement the right strategy to take advantage of market potential broadband whose penetration is still low so that business broadband This can be a mainstay of the company to achieve sustainable competitive growth. In line with developments broadband in the world, the government through the MP3EI program also wants to make broadband as a means of digital media to connect communication with all people in all parts of Indonesia. Telkom as the spearhead of the government to realize the MP3EI target in the field of broadband. It has also announced infrastructure development broadband on a large scale with a target of 15 million homepass broadband and 2 million WiFi until 2015, to realize a project called Indonesia Digital Network.

Telkom also has to consider the business environment broadband which in the future will be even more fierce with the possibility of the entry of new players (new entrants) and increasingly complex substitute products, as well as anticipating regulations and technology broadband which is always growing.

This research will try to analyze the things mentioned above as related and integrated factors which will then become the basis for consideration in determining the strategy and business model broadband which is appropriate to be implemented by Telkom in its goal to achieve sustainable competitive growth.

RESEARCH METHODS

The research method used in this study is a combination of qualitative approaches and quantitative data. The dominant method is a qualitative approach and is supported by quantitative data. The qualitative method in this study was used to obtain data and information from the management of Telkom Indonesia's Broadband Division through in-depth interviews (*in-depth interviews*), *focus group discussions*, and document reviews (benchmarking consultation reports, and Speedy performance reports), while quantitative data were obtained through related questionnaires *experience* existing Telkom customers in using Telkom broadband service (Speedy).

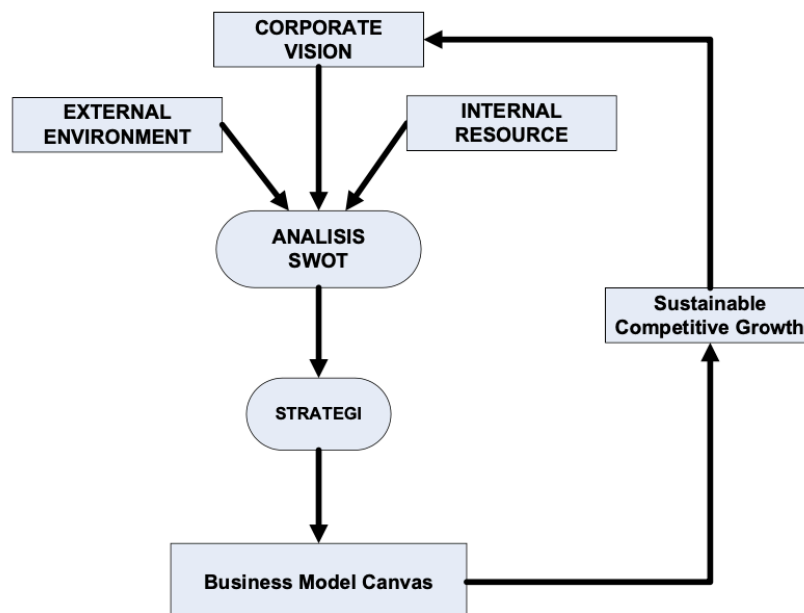
This research was conducted in two main places, namely the Office of the Broadband Division of PT. Telekomunikasi Indonesia Tbk. which is located at Jalan Gatot Subroto Kav.52, Graha Citra Caraka, Jakarta, and cluster the Griya Inti Sentosa

housing complex in Sunter, North Jakarta. The Broadband Division office is the location for interviews, focus group discussions, and document reviews. Whereas clusters Griya Inti Sentosa housing is the place where the related questionnaires were distributed experience existing Telkom customers in using broadband services (Speedy). Clusters was selected with the following considerations.

1. Fixed broadband penetration is quite high (80%), Speedy's dominant market share (60%), relatively high churn rate (10%)
2. Speedy's average sales and revenue growth in the last six months has been stagnant (0.3%)
3. The majority of the population belongs to the upper middle class economy
4. Fiber To The Home (FTTH) development pilot project

The strategy of a company starts from a dream or *corporate vision*. Telkom's vision related to the broadband business is to become a company that is able to achieve *sustainable competitive growth*. In realizing its vision, the company must pay attention and consider *internal resources* as well as *external environment* that affect the company's business. *Internal resources* and *external environment* will be identified and analyzed using a SWOT analysis. The results of the analysis will become a strategy and then it will be implemented using the help of tools *Business Model Canvas*. Based on this description, a research thinking framework model is compiled as shown in Figure 1 below.

Figure 1. Broadband Strategy and Business Model Framework for Telkom Indonesia



RESULT AND DISCUSSION

The results of this study are as follows.

1. The factors that determine the potential of Telkom's internal resources in running the fixed broadband business and the weight of their influence are as follows.

Table 1. Internal factors of Telkom's Fixed Broadband Business

Faktor Strategis Eksternal		Bobot	Rating	Skor
Opportunities				
1	Perkembangan trend <i>digital lifestyle</i> masyarakat	0,2	4	0,8
2	Penetrasi <i>fixed broadband</i> di Indonesia yang masih rendah	0,1	3	0,3
3	Meningkatnya pembangunan properti baik perumahan maupun apartemen	0,1	2	0,2
4	Meningkatnya golongan ekonomi menengah ke atas di Indonesia	0,1	2	0,2
5	<i>Monetizing</i> infrastruktur eksisting Telkom yang sudah tergelar	0,1	2	0,2
Total Skor Faktor Opportunites				1,7
Threat				
1	Masuknya pemain-pemain baru di bisnis <i>fixed broadband</i> dengan layanan yang beragam dan harga yang kompetitif	0,1	3	0,3
2	Pemain di bisnis <i>Over The Top</i> , <i>digital media</i> , dan <i>content provider</i>	0,15	1	0,15
3	Persepsi masyarakat akan produk lama <i>fixed broadband</i> Telkom yang <i>inferior</i> (performansi kurang baik)	0,1	2	0,2
4	Regulasi <i>fixed broadband</i> yg belum terbentuk	0,05	3	0,15
Total Skor Faktor Threat				0,8
Total Skor Faktor Opportunites & Threat		1		2,5

2. External environmental factors affecting Telkom's fixed broadband business and their weights are as follows.

Table 2. External factors of Telkom's Fixed Broadband Business

Faktor Strategis Eksternal		Bobot	Rating	Skor
Opportunities				
1	Perkembangan trend <i>digital lifestyle</i> masyarakat	0,2	4	0,8
2	Penetrasi <i>fixed broadband</i> di Indonesia yang masih rendah	0,1	3	0,3
3	Meningkatnya pembangunan properti baik perumahan maupun apartemen	0,1	2	0,2
4	Meningkatnya golongan ekonomi menengah ke atas di Indonesia	0,1	2	0,2
5	<i>Monetizing</i> infrastruktur eksisting Telkom yang sudah tergelar	0,1	2	0,2
Total Skor Faktor Opportunites				1,7
Threat				
1	Masuknya pemain-pemain baru di bisnis <i>fixed broadband</i> dengan layanan yang beragam dan harga yang kompetitif	0,1	3	0,3
2	Pemain di bisnis <i>Over The Top</i> , <i>digital media</i> , dan <i>content provider</i>	0,15	1	0,15
3	Persepsi masyarakat akan produk lama <i>fixed broadband</i> Telkom yang <i>inferior</i> (performansi kurang baik)	0,1	2	0,2
4	Regulasi <i>fixed broadband</i> yg belum terbentuk	0,05	3	0,15
Total Skor Faktor Threat				0,8
Total Skor Faktor Opportunites & Threat		1		2,5

3. Telkom's strategy and business model of fixed broadband

Based on the calculation of the scores of internal and external factors in the internal and external matrix, the appropriate strategy for Telkom's fixed broadband business is hold and maintain. Meanwhile, according to the TOWS matrix, the right strategy for Telkom's fixed broadband business is as follows.

a. Strategy Strength - Opportunity (SO)

- i. Development of fixed broadband infrastructure throughout Indonesia based on fiber optic technology
 - ii. Creation of a new product portfolio that can be bundled and linked in an ecosystem, such as telephony, internet, IPTV, file sharing, cloud computing, e-learning, data center, and Over The Top applications.
- b. Strategy Strength – Threat (ST)
 - i. Performing Telkom Group synergy and SOE synergy to realize the competitive advantage of Telkom's fixed broadband products, namely by bundling fixed and mobile broadband products, fixed broadband and WiFi (seamless connection and mobile 3G offload), Over The Top content, and product packaging that cannot be provided by other competitors.
 - ii. Collaborating to strengthen domestic internet content in the framework of international bandwidth efficiency and strengthening the internet ecosystem (OTT Telkom)
 - iii. Building a Content Delivery Network (CDN) to control non-Telkom OTT business movements while at the same time providing the best experience to Telkom's fixed broadband customers
- c. Weakness – Opportunity (WO) strategy
 - i. Making prepaid fixed broadband products (Speedy Instan) and small denomination payment tools (Speedy Instant Card) to reach the lower middle class who need internet access
 - ii. Breaking Telkom's large organization into several subsidiaries that focus on their core business. Optimization of coordination is carried out by management in a managed service manner under the control of Service Level Agreements and Key Performance Indicators
 - iii. Conducting partnerships with proven distribution channel parties such as Alfamart, Alfamidi, and Lawson as well as improving the registration process and service complaints by utilizing the Telkom web portal and social media
 - iv. Improve Telkom's customer database management to provide caring and product introductions to customers via email, SMS, and social media
- d. Weakness-Threat Strategy (WT)
 - i. Implement clear and fair flexible pricing based on conditions and competition in the fixed broadband market in each region
 - ii. Caring for customers more intensively, rewarding customer loyalty, as well as empowering and involving customers in the community and Telkom's product development
 - iii. Modernizing the fixed broadband access network from copper to fiber optic to provide the best experience for Telkom's fixed broadband products
 - iv. Bundling Telkom's fixed broadband services with IPTV to provide the best experience while forming Telkom's fixed broadband and OTT ecosystem

v. Implementing application-based charging for optimal monetizing non-Telkom OTT

Results of interviews with Telkom Broadband Division management explained that to achieve sustainable competitive advantage in business fixed broadband needed best experience service, starting from the convenience of customers in finding information related to Telkom products, the ease of subscribing, the convenience of using Telkom products, as well as Telkom's response in handling complaints or questions related to Telkom products. This conclusion is also in line with the results of the related questionnaire analysis experience Telkom's existing customers who state that customers still feel they are not getting enough better experience service in using the product fixed broadband Telkom, while they are willing to pay more if Telkom is able to offer products fixed broadband which is of higher quality and can be guaranteed best experience to customers. This is what makes researchers place best experience service as value proposition in the business model canvas fixed broadband Telkom.

One of Telkom's business models to realize *sustainable competitive growth* this with *revenue stream diversification*. Product *fixed broadband* Telkom is no longer just an internet connection and postpaid subscription service, but has also begun to focus on *revenue* from sales of internet content and applications, rental services *customer premises equipment*, advertising, and prepaid access cards. To grab *revenue stream diversification* that, product *fixed broadband* offered has a concept *bundling* ecosystem that includes access devices *broadband*, internet access connection services, provision of multimedia content, and *value added service* other. To fulfill non-Telco competencies related to its broadband business, Telkom is collaborating with *partners* who have experience in the field *customer premises equipment*, *delivery channels*, *digital content*, and *content delivery network*.

CONCLUSIONS

The findings from Telkom's existing customer questionnaire answers show that Telkom is still lacking in implementing strategy *channel* to bring the product closer to the customer, strategy *customer relationships* to maintain customer loyalty, as well as strategy *pricing* which is still not commensurate with the performance of the service or when compared with *pricing* competitors. This problem is solved by using an expansion cooperation strategy *channels* through modern retail stores, strategy *customer relationships* by managing and involving the community, web portal optimization strategy, my Telkom, and *social media* as *digital channels* and *customer relationships*, as well as strategy *flexible pricing* clear and *fair* accordance with market conditions and competition *fixed broadband* in each area. Meanwhile, to overcome the development of OTT competitors and in order to provide *experience* the speed of access to customers, Telkom uses a utilization strategy *application-based charging* as well as *Content Delivery Network* which is able to bring internet content geographically closer to Telkom customers.

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