

# **The Zappofon Case Study Brief**

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## Background

Zappofon Telecoms is about to be formed from the merger of two separate companies.

Fixedbuzz is a fixed line Communications Service Provider with a major presence in Europe. It has been the leading incumbent operator in many European countries for decades and has also grown by acquisition so that it now has over 80,000,000 customers throughout the European region.

Traditionally Fixedbuzz has been successful by providing a reliable and economic fixed line service to consumers without any extras. Recently the company has decided to enter the 21<sup>st</sup> Century running and to take maximum advantage of new technology and new opportunities. In order to achieve this, the first part of the strategy is to transform the infrastructure from a mixture of circuit switches and other technologies into an all IP Network. This will enable the company to provide a range of new services including: Fixed Line Telephone Service with Voice Over IP, Broadband Internet and IPTV. Within the Industry this powerful offering has been branded Triple-play

Mobipow is also a world-leading Communications Service Provider focussing entirely on the Mobile arena. It has about 120,000,000 Customers world-wide mainly in Europe but also with interests in the Far East and the USA. This company operates a range of Mobile Technologies including GPRS and UMTS plus a number of older technologies for which there are still subscribers. The company strategy is to roll out a complete mobile IP network using UMTS. Mobipow does not offer a Broadband service or Wi-Fi Access and realises that it is in danger of being overtaken by these competitive technologies.

Fixedbuzz have just appointed a world leading Entrepreneur as their new CEO. Sir Robert Pickle has vast experience transforming organisations and has a new vision for the futures of Fixedbuzz and Mobipow.

In fact he wants to form a new organisation by merging Fixedbuzz and Mobipow into one company. The new company will be called Zappofon.

Here is what he has to say:

## **Business Context – Statement from Sir Robert Pickle**

The next 3 years are going to see dramatic change in the Telecommunications and Media sector at a pace we have never seen before. We have already begun to see the vision of triple-play where we offer High Speed Data Services over Broadband, Voice over IP and the upcoming IPTV offering.

I am going to extend this to Quad-play – where we will be offering high speed access to all these services at any time from anywhere.

We have therefore agreed that Fixedbuzz and Mobipow will merge. There are tremendous synergies between these two great organisations – there is significant overlap in our customer base and we want to offer a seamless service to all our customers.

The customer experience will be to access all these services from a single device which will access the network in the cheapest way at any time – i.e. through the wireless network when the customer is mobile and through the fixed line network when the customer is at home.

Eventually we want the home television to be operating on the same network.

There are significant challenges ahead of us – research has shown that call centre costs could increase by a factor of 4 if we don't get our quality of service right – we actually want to decrease the combined call centre costs of both companies.

At the moment the technology spend of the two organisations is about 5% of gross revenue – the industry average is about 3% - but we are both investing heavily in new technology over the medium term.

Our ARPU is still strong – about \$40 per month for our fixed line customers and about \$30 for our mobile customers, but we need to grow our revenue by providing new services and increasing customer satisfaction. Our mobile customers generally come from the lower end of the market.

We also need to provide a seamless transition for our customers of both organisations by offering a choice of single or multiple bills for the services they subscribe to.

These are exciting times – I hope you will join me in realising this vision for this remarkable new organisation.

### **Technology Challenge – Statement from Alessandro Totti – new CTO**

As the Chief Technical Officer of the new company I see a number of challenges:

The Technical Infrastructure of our two organisations is very different and we need to find ways of bringing them together.

Each company has previously grown through acquisition so our subsidiaries still have a variety of legacy systems which still need to be integrated. In fact I know that between the two organizations we now have 5 different Billing Systems and 7 different CRM Systems. We also have a variety of ERP systems but in fact there are really only 2 major players in this arena.

We will also need better knowledge of our customers and their behaviour in order to provide them with world-class customer service and to anticipate their needs. In order to meet the goal of reducing demand on call centres we will need to enable customers to do more for themselves via the web – for example to subscribe to new services, change their service packages and resolve their own billing enquiries.

At the moment I think everything out there is a bit of a mess and it will be difficult to get this kind of information. There is the danger that customers are going to get fed up if they keep receiving several bills from the same organisation, and even more so if there are lots of mistakes in the bills.

I am going to build a strong team around me – a CIO to take care of all the software we need and a Head of IT Infrastructure to take care of all the hardware and internal systems. There will also be a Head of Network Infrastructure to be responsible for the fixed-line and mobile network. It will be my responsibility to make sure we achieve synergies in all these areas.

## Business Processes

The business processes for Fixedbuzz and Mobipow are different:

When a Customer subscribes to a new service for Fixedbuzz they are taken through the following process:

The Customer calls a number which passes through an IVR system to direct them to the appropriate call centre agent for their language and requirement. Once a sale is agreed then either the customer is set up as a new customer, or an additional service is added to their existing account. The service is activated directly through the network by the call centre agent and the costs of the service are added to the customer bill. Fixedbuzz do not have any retail outlets.

A Customer may subscribe to a service from Mobipow through a number of different channels – e.g. through a store, through the internet or via a call centre. In the case of a store for example: the customer visits the store and either chooses a new handset or requests some additional services on their existing handset. The store's customer service representative may set the customer up as a new customer or if they are an existing customer may make changes to the customer's account and then request provisioning or activation for the new service. Within a few hours the customer can begin using the service and being charged for it.

## Organization Structures

Fixedbuzz is active in the following countries:

UK, Ireland, France, Spain, Portugal, Italy, Germany, Austria, Switzerland, Belgium and the Netherlands

They have Call Centres in UK, India, Belgium, Switzerland, Brazil and Argentina. Calls are routed to agents with the appropriate language skills for the caller.

Mobipow is active in the following countries:

Spain, Portugal, France, Italy, Romania, Estonia, Latvia, Lithuania, Germany, Poland, Austria, Slovakia, Czech Republic, USA Central States, Korea, Taiwan and New Zealand

They have a native speaking call center in each country in which they operate.

Mobipow has a Mobile Phone store in each major city where it operates.

See Diagram at end of this Case Study Brief for a proposed organization chart for Zappofon.

### **Centres of IT Resource & Expertise**

Fixedbuzz have Data Centres in the following countries:

UK, Spain, Italy and Belgium

And Network Operating Centres in each country in which they operate.

Mobipow have Data Centres in the following countries:

Spain, France, Germany, USA, Taiwan and New Zealand

They also have Network Operating Centres in each country in which they operate.

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### Subscriber Numbers in each Country

Here are the subscriber numbers for each country for Fixedbuzz and Mobipow

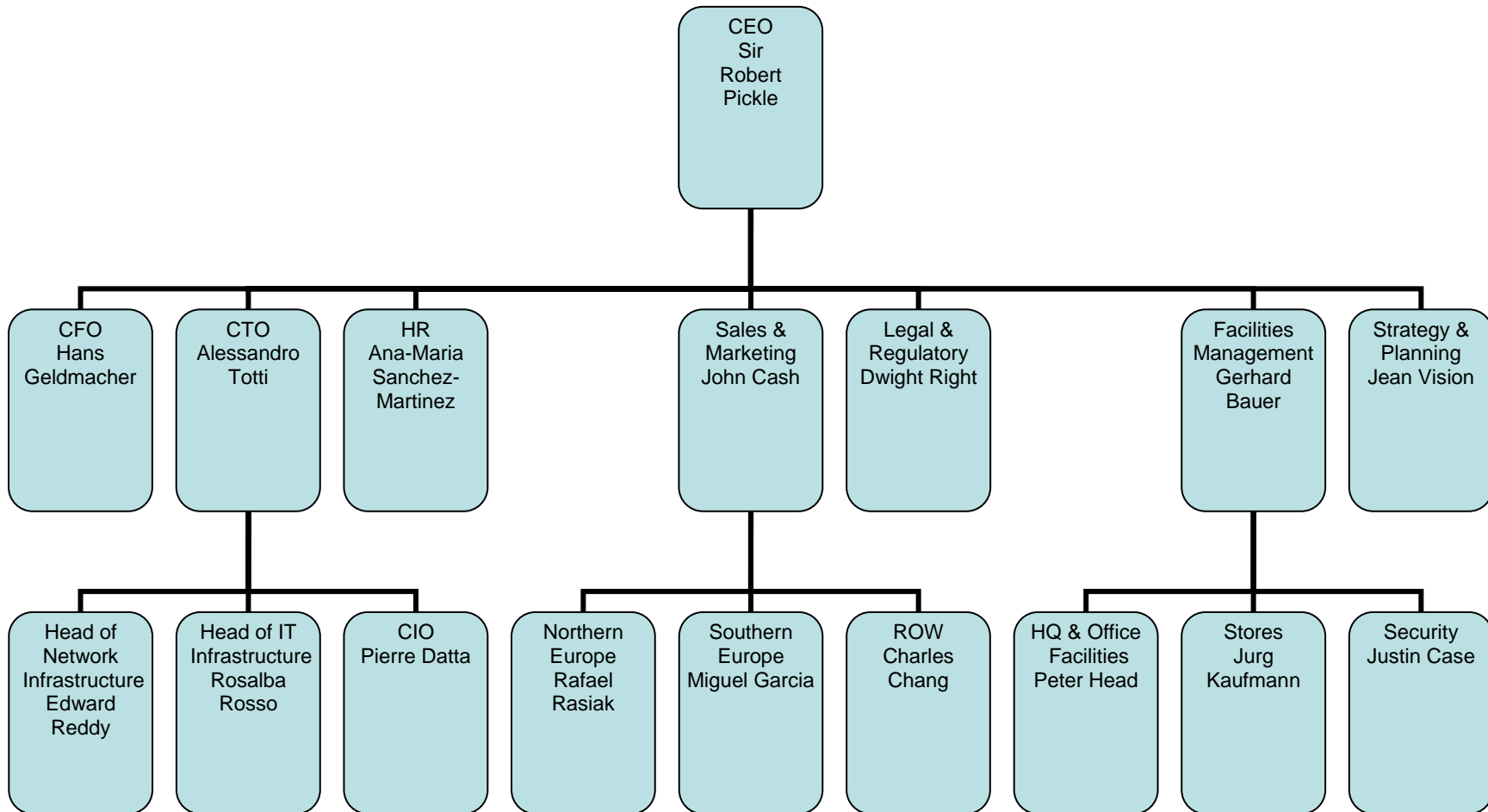
Country	Fixedbuzz - Millions	Mobipow - Millions
UK	18	
Ireland	2	
France	16	20
Spain	12	12
Portugal	2	3
Italy	10	22
Germany	14	23
Austria	2	
Switzerland	1	
Belgium	1	
Netherlands	2	
Romania		3
Estonia		2
Latvia		3
Lithuania		1
Poland		10
Austria		2
Slovakia		1
Czech Republic		3
USA		6
Korea		4
Taiwan		4
NZ		1
<b>TOTAL</b>	<b>80</b>	<b>120</b>



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## Proposed Organization Chart for Zappofon:



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### Glossary:

ARPU – Average (Annual) Revenue Per User

CRM – Customer Relationship Management

ERP – Enterprise Resource Planning

GPRS – General Packet Radio Service (2G +)

IP – Internet Protocol

IPTV – Internet Protocol Television

UMTS – Universal Mobile Telecommunications System (3G)