Sanchez, Ray

Matav - Individual Case Analysis C

What is Matav’s strategy? Has it been successful?

Matav’s strategy has been to expand their operations into other countries like Hungary, Macedonia, Montenegro, and internationally. They have looked into options to expand into the Balkans and Bulgaria. In Hungary, Matav realized that they should split up the business into four different areas. This would make it easier to focus on the individual units and have dedicated management teams according to the business unit. The four different categories were business services, residential services, internet services, and mobile services.

 Their strategy was based on the idea of the overall telecom industry to classify time periods of the business. Euphoria, disappointment, retrenchment, and sustainable growth were the four different time periods that the worldwide telecom industry went through. The strategy team of Matav realized that they were in the retrenchment period and that they had to focus on their core customer base, financial performance, maximizing productivity, and building on growth opportunities such as broadband.

 Business for Matav has been successful so far but they began to see the changes in the industry. The challenge is to mitigate the changes and decide which direction to go in order to maintain profitability. As mobile phones became more available and popular, the fixed line phones were becoming a thing of the past. The sales of the fixed line services were beginning to suffer, but broadband and mobile services were the thing of the future.

Does Matav have competitive advantages in its domestic market?

 Matav did have competitive advantages in the domestic market that it was operating in. In terms of business services, they had a 61 percent market share which supplied an entire range of communications such as leased lines, info communication solutions, IT, and telecommunications outsourcing. For residential business services, Matav had 81 percent of the market. They secured 2.9 million fixed lines and 18.3 percent were digital (ISDN). They were able to secure this market with free local calls during certain times and a program that made it possible to apply half of the monthly subscription fee to local or long distance phone calls. In addition, Matav allowed their customers to log on to the internet for the price of a local phone call.

 Matav’s internet services 300,000 subscribers and 44 percent of the market. Their services were catered to residential, business, and online content markets. The internet services division has seen amazing growth for the last 3 years. Matav internet services was growing at a 40 percent rate. Their mobile business services were called Westel but then changed to T-Mobile. They had 47 percent market share with 3.8 million customers. The mobile business services have realized a continuous growth and they acquired many awards along the way. The clear competitive advantage of Matav was due to their strategy, performance of revenue growth, return on investment, and after-tax profits.

Do Matav’s international expansion plans make sense?

Matav was able to successfully enter Macedonia and has plans to enter Montenegro and the Balkans. They know how to deal with the governments and the workforce of the countries. Buying into businesses in other countries comes with challenges like cutting costs and restructuring the company. Matav has the experience of these challenges and is fully capable of overcoming them. The share price of the company has remained constant and Matav is looking for other opportunities for growth.

 In Macedonia, Matav bid on the company MakTel in order to acquire it. They based the purchase on 10 different things such as country risk, market size, market growth, revenue, market share, and other criteria. Matav has the experience behind them and the foresight to assess their business risks. They saw this opportunity and went for it after careful due diligence. I think it does make sense for Matav to further explore international expansion in other countries. They may need to adjust their business models to cater to each individual country, but it is definitely an opportunity for dynamic growth.

If you were a member of the strategy group, what would you recommend to Andras Balogh?

 If I was a member of the strategy group, I would recommend that Matav continue to expand in other countries. There is declining growth in Hungary because of the mobile phones. People are using the mobile services instead of fixed land lines. While Matav does have mobile service market share in Hungary, they are reaching market saturation. This means that they need to expand into other countries in order to maintain growth. Matav should shift their marketing focus on mobile and internet services instead of continuing to push fixed lines. It’s all about what the consumers demand and the company has to adjust their business model accordingly. In addition, to international expansion, Matav should also find ways to cut costs in operations and procurement. Also, bundling fixed services with internet and broadband could be a great way to continue revenue growth.