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Proposed Business Strategy for PT. Inti Bangun Sejahtera Tbk (IBST) to Improve Competitiveness in Indonesia's Tower Industry

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Abstract - Towers are an important part of telecommunication infrastructure, especially in Indonesia where fixed-broadband penetration was really low. Evolution of telecommunication technology, robust nasional economic growth, and COVID-19 pandemic contribute to the spike of data demand which brings growth opportunities for mobile network operators (MNOs) and tower companies (towerco). However, there are several challenges that might cap the growth opportunities for towercos such as the intense competition among MNOs and economic downturn due to the pandemic, among others.

This paper is written with the objective to provide a strategy for PT. Inti Bangun Sejahtera Tbk (IBST) as a towerco to gain and sustain competitive advantage in the tower industry using analyze-formulate-implement (AFI) framework. Qualitative method is used for the research to gain a deep understanding of the business situations through interview sessions with internal leaders, customers, and competitors, and then using mind mapping method to analyze collected data. PESTEL analysis, Porter's Five Forces, VRIO framework, Value Chain analysis, and Business Model Canvass are used to analyze the business situations of IBST, both internal and external situations.

The result of the strategy formulation is a three-phased strategy, consists of (1) "strengthening the core" which focuses on operational performance and efficiency as well as building core competency and infrastructure for present and future business needs, (2) "delivering unique value" which focuses on providing differentiated product and services, and (3) "growth and scale" which focuses on scaling the infrastructure portfolios. To execute the strategy successfully, the implementation plan has been developed complete with initiatives, timeframe, and programs for each phases of the strategy.

Keywords - strategy, business strategy, strategy formulation, tower industry

I. INTRODUCTION

Information and communication technologies, through the increasing penetration of various telecommunication services, have brought positive changes in the growth of society and also the economic growth of both national and global scale (Qiang & Rossotto, 2009). Furthermore, during the COVID-19 pandemic, telecommunication technology plays a crucial role in helping countries to survive by keeping economies running and connecting people through online-based activities such as work-from-home and learn-from-home (Ahmadi, Hamed et.al, 2020). Normally, the load of connectivity to support these activities from home is on the fixed networks which connect homes. However, according to Frost & Sullivan (2018), due to a lack of investment as well as the geography of Indonesia as an archipelago, fixed-broadband penetration in Indonesia was really low, only below one percent. With such poor fixed-line infrastructure, Indonesia has a heavy reliance to mobile network operators (MNOs) to carry a large amount of interconnectivity and network.

While there are significant increase in data demand, the growth of revenue in the mobile telecom market is being capped by the increased competition among MNOs, highlighting cost-cutting and efficiency initiatives to drive EBITDA expansion. The increasing competition between MNOs and the arrival of new technology such as 5G will make MNOs focus on managing their cost structure in order to keep healthy margins. Moreover, MNOs will try to manage future cash flow by negotiating lower tower rental price on contract renewal.

The competition within tower industry top players have also been increased quite significantly as they competed to achieve scale by acquiring exisiting towers both from smaller towercos and also from operator-captive towers.

PT. Inti Bangun Sejahtera Tbk (IBST) are having a low competitive position due to (1) losing its scale through the sale of approximately half of its tower portfolios, (2) low operational efficiency, (3) cost-cutting pressure from the customers/operators, and (4) increased competition within the tower industry. However, with the substantial increase of data consumption, particularly due to the pandemic, the upcoming arrival of new technology (5G), and strong capital position as a result of tower sales, there are new growth opportunities for IBST to explore.

The conventional way of doing tower business that mainly relies on infrastructure growth and tenancy addition will not be enough to overcome the competition. In order to keep being competitive, IBST needs to swiftly respond to these challenges by transforming its business with a robust new strategy to gain sustainable competitive advantage to success and thrive in the competition.

II. LITERATURE REVIEW

According to Rothaermel (2017), in developing a successful business strategy, one must understand that competitive advantage is determined by both industry and firm effects. The five forces model can be used to evaluate an industry's profit potential. On the other hand, firm effects, such as value position and cost position reliative to competitors, are also important to understand since they allow one to look into businesses and explain

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why they vary based on their resources, capabilities, and competencies.

In accordance with the theoretical framework, the first stage of this research is to understand the industry (external) and firm (internal) conditions that effects the competitiveness of a business, in which case is tower business of IBST. After gaining the understanding regarding the industry and firm effects, researcher then can proceed to formulate the business strategy and implementation plan that align with the analysis results.

PESTEL analysis and Porter's Five Forces model will be used to evaluate industry (external) effects. On the other hand, Value Chain Analysis and VRIO framework will be used to analyze firm (internal) effects. As for strategy formulation, Porter's Generic Strategy framework will be used as the general framework for the strategy formulation.

III. METHODOLOGY

In order to get a thorough understanding of the issues covered in this study, researcher choose qualitative method to explore the problem. According to Creswell (2017), the typical process of qualitative study would involve five stages, in which researcher try to go through in this study: (1) Determine the topic and problem/issue that needs to be studied, (2) Ask open ended research questions to explore the problem further, (3) Collect, organize, and store field data related to research questions, (4) Analyze, examine, and interpret data to get more general perspectives, i.e. themes, codes, categories, and (5) Present the findings and shape the narrative of the findings to address the problem.

For this research, researcher uses interview sessions with internal senior leaders of IBST (4 persons) as well as with IBST customers (2 persons) and competitors (3 persons) as the primary means of data collection to capture and gain a deep understanding of the condition both internal and external of IBST business. The researcher also uses literature study through various related references such as textbooks, academic journals, annual reports, and articles to support and complement primary data and get a broader context of the problem.

TABLE I

INTERVIEW MIND MAPPING RESULT (DETAILED)

Super Category	Category	Sub Category	Detail/Description	Mentions count	Subtotal
Internal Condition (Firm Effects)	Resources	Capital	capital position to support business operation	2	78
		Conglomerate/ Group Previledges	Access to vast business networks of Sinarmas Group	1	
			Partnership with exclusive area	1	
			Partnership with Smartfren	3	
		Asset Infrastructure	fiber optic portfolio	3	
			strategic location	6	
			tower portfolio	4	
	Capabilities	Organization Structures	Structure to run existing business	1	
	Activities	Marketing & Sales	customer relationship management	7	
		Operational	after sales service (operation & costumer support)	15	
			Engineering and infrastructure design	6	
			time-to-market (project delivery)	4	
		Product Solution	asset utilization (smart city, IoT, etc)	10	
			integrated solution (tower & fiber connection)	7	
			Partnership with exclusive area	7	
			power solution	1	
External Condition (External Effects)	Macro Effects	Ecological	impact of infrastructure construction to environment	2	49
		Economical	impact of pandemic to economic & market condition	6	
		Socio-Cultural	changing awareness in the needs of telecommunication	3	
			community issues (openness to new investment)	4	
		Political	MNO consolidation plan by government	8	
		Technological	Network capacity optimization	6	
			new technology (5G) rollout	5	
		Legal	effects of omnibus law	3	
			new regulation to support new technology	3	
			regulation synergy from central & regional government	9	
	Industry Effects	Substitute products/services	Availability of substitute products/services	2	79
		Competition from new entrants	likelihood of disruptions from new competitors	2	
		Effects of Suppliers (Partners)	contractors and service price	3	
			Land owner and land lease price	7	
			Main suppliers and raw material price	6	
		TP competition landscape	capital intensive business	9	
			price uniformity	3	
			scale factor	9	
		Telecom industry	Changing needs of end customers, from legacy services to data	6	
			lower margin due to price competition	8	
			Market saturation	5	
			massive efficiency effort to drive down cost	7	
			Pricing Pressure	8	
			reduced coverage expansion	4	
Grand Total				206	206

IV. FINDINGS AND DISCUSSION

From the interview, researcher gains valuable information as the basis for analyzing both internal and external conditions of IBST business. Based on the results of the interview, researcher uses mind mapping method to gain a deeper insight and correlation regarding internal and external conditions of IBST business using 3 layers of categories: super category, category, and sub-category. The categorization is based on the correlation of the answer within the context of internal and external conditions that could impact IBST business. The number of mentions indicates how many times any interviewer mentioned or answered the questions which correlates with the defined category. The result of mind mapping can be found in Table 1 (detailed version) and Table 2 (summary version).

If we look deeper into the industry effects, we can learn that the dynamics of telecom industry is perceived to have a major impact with total mentions of 38 (48% of industry effects mentions). The competition within tower companies (21 mentions) and the effect of suppliers/partners (16 mentions) come second and third, while the possibility of new entrants and new subtitutes products/services (both 2 mentions each) are of little significance.

For the firm effects, operational efficiency and product solutions/offerings are the two biggest concerns with 25 mentions each. The portfolio of asset infrastructure comes third with 13 mentions, while others such as marketing & sales acitivites, organization structure, conglomerate previledges, and capital position have a lesser impacti than the other three.

On the other hand, the macro effects don't have any dominant concerns with legal factor (15 mentions), technological factor (11 mentions), and political factor (8 mentions) being the top 3 of macro effects.

TABLE II

INTERVIEW MIND MAPPING RESULT (SUMMARY)

Super Category	Category	Sub Category	Mentions count	Subtotal
Internal Condition (Firm Effects)	Resources	Capital	2	78
		Conglomerate/Group Previledges	5	
		Asset Infrastructure	13	
	Capabilities	Organization Structures	1	
	Activities	Marketing & Sales	7	
		Operational	25	
		Product Solution	25	
External Condition (External Effects)	Macro Effects	Ecological	2	49
		Economical	6	
		Socio-Cultural	7	
		Political	8	
		Technological	11	
		Legal	15	
	Industry Effects	Substitute products/services	2	79
		Competition from new entrants	2	
		Effects of Suppliers (Partners)	16	
		TP competition landscape	21	
		Telecom Industry	38	
Grand Total			206	206

From these results, we can learn that:

1. As a towerco that still heavily rely on MNOs as

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its primary customers, the dynamic of telecommunication industry will also heavily effects the business situations of IBST. Indonesian towercos have a small number of customers to reach due to the small number of MNOs. In addition, due to intense rivalry among MNOs, they are constantly looking for ways to cut costs, such as renegotiating tower lease prices on contract renewal and lowering on-site power consumption costs. Tower lease prices are highly affected by MNO terms across the market, but since the variation in lease prices between MNOs and towercos is considered small, MNOs will often standardize their lease prices for whatever towercos they prefer.

2. Operational efficiency is key to the sustainability of towerco business. Due to cost-cutting initiatives by the MNOs, the increase of rental price is highly unlikely as MNOs will always prioritize to cut cost at any level possible, especially in infrastructure. With this condition, to be able to sustain the business, any towercos must have a high level efficiency within its business operations to keep their margin healthy. This would be a really big challenge due to the rise of prices over time, especially material and land lease prices.

3. Product solution/offerings is critical to differentiate a towerco from its competitors. Due to the mostly standardized nature of the business, both in terms of best practice operations and also pricing of products/services, IBST needs to have a competitive product offerings so that it can differentiate and provide more value to the customers so that they can sustain existing customers and gain new customers.

4. The rivalry within the towerco market is fierce, with a huge number of rivals compared to a small number of customers. All towercos are attempting to secure a share agreement or contract with a small number of MNOs. The major towercos have the size advantage that MNOs frequently favor due to the need for fast time-to-market and fair pricing with consistent service quality.

5. As an infrastructure provider, legal dan political factor would always be the dominant macro effects that can impact the business, aside from technological factor (in terms of the advancement of telecommunication technology). All of the three factors are related to regulation and the government since telecommunication industry is quite heavily regulated as it has strategic importance to the government both in terms of economic contributions and also national security.

The proposed business strategy is formulated based on the analysis results. There are 3 stages of the strategy that IBST has to carry on due to the limited nature of resources and time. Each stage has different focus and initiatives with different effects as its driving forces (see Figure 1 and Figure 2).

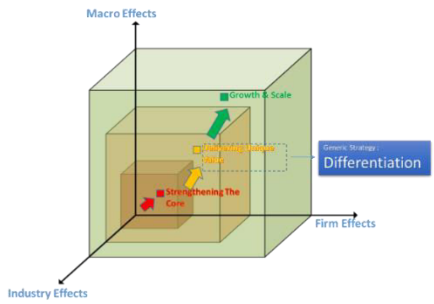

Fig. 1. Proposed Business Strategy for IBST in 3D Model

	Macro Effects	Firm Effects	Industry Effects	Strategy Formulation	Initiatives
Macro Effects		✓	✓	Strengthening The Core	- Cost-cutting effort and improve operational performance - Focus on site fiberisation and small cells rollout
Firm Effects	✓		✓	Delivering Unique Value	- Add value with integrated solutions and data-driven operations - New business models through innovative asset utilization
Industry Effects	✓	✓		Growth & Scale	- focus on infrastructure growth to achieve scale
Timeline	Year 1-2	Year 3-4	Year 5>		
Program	- Organization Restructuring - Lean Business Process - Improve infrastructure design efficiency - Application of Performance Management System (PMS) - Fiberization of sites and small cells in major cities - Internal development and external acquisition of talents	- Digitalisation of operations - Develop 5G ready infrastructure - New business model pilot projects - Explore smart city and IoT opportunities	- Enhance stakeholder management - Accelerate organic growth - Explore acquisitions opportunities		

Figure 2. Proposed Business Strategy with Implementation Plan

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Stage 1 of the Strategy: Strengthening the Core

- Cost-cutting initiatives and improve operational performance
- Focus on site fiberisation and small cells rollout

In the tower business, operational efficiency is critical. IBST must at least be comparable in efficiency to the market leaders in order to compete on the same field as other rivals. While the size gap makes it impossible for IBST to match the efficiency of the top competitors, there are still opportunities for these cost-cutting efforts to succeed.

Although the tower sales significantly decrease IBST's tower portfolio, they provide the company with a strong financial base to invest in new growth opportunities. Building new towers for MNOs and adding tenancy to existing sites would continue to be its key sources of revenue, but IBST should now be able to plan for the future such as strengthen its position in providing complete solution for the MNOs, by combining the existing macro sites with site fiberisation (backhaul) and small cell sites.

Stage 2 of the Strategy: Delivering Unique Value

- Add value with integrated solutions and data-driven operations
- New business models through innovative asset utilization

IBST should respond to the increased competition and more complex portfolios for 5G, which may include a variety of different types of sites to accommodate denser networks, as well as edge servers, power grids, and other infrastructure. To increase customer loyalty and meet business goals, all of these assets must be measured, supervised, and handled as proactively and effectively as possible. In addition, IBST must be able to develop new business models to anticipate multiple use cases, especially in related to the economics of 5G commercialization.

Stage 3 of the Strategy: Growth and Scale

- Focus on infrastructure growth to achieve scale

IBST must focus on the growth of its main assets, mainly macro towers, fiber backhauls, and small cells. In addition, choosing the locations for growth is also critical as IBST would certainly compete with bigger towercos that presumably already entered those locations well before IBST. Stakeholder management, whether with the customers, local and central government, and even the competitors, are a key factor in ensuring a successful scaling effort.

V. CONCLUSION

Understanding the internal and external environments of a business, both for present and future conditions, is the foundation of a successful strategy. Since no strategy can be proved to be right, it's best to think of it as a "hypothesis" that can be evaluated and refined over time. Hence, IBST executives should pay attention for signs that the proposed strategy is working or not, and make adjustments if needed. In addition, all the proposed implementation plan needs to be evaluated in details to ensure execution can be done and it properly align with the strategy and company objectives.

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