

PRACTICING INTERNATIONAL MANAGEMENT CASE

BT in Local and International Markets

BT Group PLC is the world's oldest telecommunications company, dating back to the 19th century. Based in the United Kingdom, it is the largest telecommunications service company in the world and has operations in more than 170 countries. Customers include individuals and small businesses as well as multinational corporations. Its operations and market, however, are not limited solely to the United Kingdom.

BT has made strategic alliances with telecommunications companies worldwide, which give BT access to overseas markets and facilitate its international operations. In June 1994, BT launched a new \$1 billion joint venture company, named Concert Communications Services. The joint venture was with MCI Communication Corporation, the second-largest carrier of long-distance telecommunications services in the US. The alliance provides BT with a global network of end-to-end connectivity for advanced business services. BT also entered into another joint venture with AT&T, the American telecommunication giant, in 1999 to serve the needs of its business and individual customers.

Acquisition has been another strategy of BT to expand its global market share. In 2005, BT acquired a world-leading provider of voice and data network services to corporate customers, Infonet (rebranded as BT Infonet). In the same year, BT bought Radianz (renamed as BT Radianz later). Moreover, BT acquired Albacom, the second-largest telecommunications operator in the Italian business market. The acquisitions expanded BT's coverage and increased its capability to supply networked IT services to international organizations and financial markets across the globe. Furthermore, they provided BT with more buying power in certain countries and enhanced its position as a leading provider of communication solutions across the world.

In local markets, BT has always tried to be a leader and first mover. In the broadband service market, BT launched its commercial broadband service in March 2000 and achieved its target of 6 million broadband lines by the summer of 2005. Thanks to its well-structured and well-distributed network across the United Kingdom, in 2000, BT provided other telecommunications operators access to its copper local loops (i.e., the connection between the customer's premises and the exchange) to connect directly with their customers. By mid-2005, more than 100,000 lines had been unbundled.

In 2004, BT launched its very ambitious and radical next generation network transformation program, called 21st Century Network (21CN). 21CN facilitates communications between an extensive range of devices including computers, laptops, PDAs, mobile phones, and home phones.

BT, however, is confronted with many challenges in the UK market these days. It has lost its market share to other network owners, new arrivals, innovative companies, and low-cost followers. In the residential broadband service market, BT has lost its first position to TalkTalk, a provider of broadband, home phone, mobile phone, and television that

came to the market in 2003 as a subsidiary of The Carphone Warehouse Group PLC. TalkTalk is now the UK's largest residential broadband provider. It serves nearly 4.3 million customers in this market, which gives it a share of more than 25 percent. TalkTalk announced £115 million profit before tax in March 2010—while BT showed a loss months before it. TalkTalk's focus on low-price residential broadband and phone services has been its main competitive advantage.

BT's other rival is Virgin Broadband, which is also a major owner of the UK's telecommunications infrastructure. Virgin Broadband was launched in 2006, following the merger of NTL and Telewest. It currently has the third place in the UK broadband service market, after TalkTalk and BT. It serves around 4 million customers. Virgin Broadband aims to be the market leader in super-fast broadband services. Its new target is a 100Mb broadband service that will make Virgin Broadband services absolutely exceptional. It is expected that by mid-2012 all of Virgin Media's fiber-optic cable network will have access to this super-fast speed.

Low-cost broadband providers on the one hand, and technologically advanced broadband providers on the other hand, put more and more pressure on BT in both local and international markets. BT constantly works on its fast broadband networks and its operational costs. In addition, in 2009, BT decided to cut as many as to 15,000 jobs. The broadband sector in the UK is preparing for a next generation of broadband service, and BT is still trying to be a first mover in this business.

Thinking Globally

1. As the first to set up telecommunication infrastructures, systems, and services in the United Kingdom, BT is recognized as a first-mover in the telecommunication industry. Discuss advantages and disadvantages of being a first mover like BT.
2. Compare and contrast being a first mover in a service sector (e.g., telecommunications) and in a manufacturing sector (e.g., SONY or Airbus). Discuss opportunities and threats for first movers in each sector.
3. When it comes to global expansion and setting up affiliates abroad, how is a service company's focus different from that of a manufacturing company? What elements are necessary for a service company to achieve global success? What are the obstacles to global expansion?
4. Why do you think BT is losing its market share to smaller companies in the UK? Explain.
5. What challenges do you expect for BT in international markets?

Sources: "United Kingdom—Telecom Country Profile 2010", Research and Markets Web site, (www.researchandmarkets.com); "BT vs Virgin Media vs Cable and Wireless vs Talk Talk", Cloud Net Web site (www.cloudnetuk.com), April 8, 2010; BT Web site (www.BT.com); TalkTalk Web site (www.talktalkgroup.com).