

A Work Project, presented as part of the requirements for the award of a Masters Degree in Management by the Faculdade de Economia da Universidade Nova de Lisboa

A Technology Market Transfer for the

zonadvanced

Video Technology

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Masters Number: 196



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1. Executive Summary

This work project's objective is focused on developing a Technology Market Transfer for the implementation in an international market, **France**, of a Video Home Telephone Service which technology belongs to Zonadvanced, a company that works on a **B2B Basis** and aims at providing Telecommunications solutions for the **B2C market**.

As a Management Masters student I have performed a complete analysis of the firm, product, and environment. The **B2B market** for the product is National Telecommunications Operators and the **B2C market** is people having Fixed Home Telephone. **The competitors** are other Telecommunications Devices that allow communication through **Fixed Networks or Mobile Networks**.

The **Core Service** of the product is executed through software for Telephones. Zonadvanced should launch its product as a new Video Technology used to provide Free Telephone Calls to the User through advertisement revenues to satisfy the need of paying *low Telephone bills* to talk freely. The service is meant to satisfy *the communication needs* of people who want face-to-face communication through Video Calls. The last need is *the informational* one, services will be provided by a Virtual Portal.

The **Communication** efforts were concentrated on the B2B perspective, a Pull Strategy will be used through *Personal Selling*. Zonadvanced will insure the **Distribution** of the product between its headquarters and the Telecommunications Operator headquarters. The **pricing** will be cost based.

The **Implementation** will involve the settlement of headquarters in France, the product launch is scheduled for September 2009, and **Payback** will be reached 1 year and four months after the launch.

2. Methodology

This work project was elaborated through two types of Research Findings. On one hand, extensive research was performed through internet, using as a fundamental tool an internet research engine – *Google* - to find data about the *French Telecommunications Market* from both B2B and B2C perspectives. On the other hand, a *field research* was conducted to support some of the conclusions that this project undertakes. This field research was executed through Interviews with Telecommunications Professionals (Zonadvanced CEO and AR Telecom Product Manager), Questionnaires and one Focus Group to the final consumer¹. The Readings were essential for the guidance of the Marketing Plan.

3. Mission and Objectives

- **Mission:**

“To Develop Video Communication Concepts which today are a tendency and tomorrow will represent a need” (*Zonadvanced*).

- **Objectives:**

Because Zonadvanced is a Portuguese *Start-up* company and has not yet expanded to any international market, the primary objectives of the company are to have *one good B2B Client* to work with in France and then consolidate its presence in the country with a step by step growth since the company is still quite fragile in terms of mass demand needs. The initial *objectives* related to the performance of the product are to accomplish payback in no more than 1 year and three months and achieve approximately 110.000 subscribers in the first year. These objectives are considered to be reasonable and realizable.

¹ To know the timing of each research phase please consult Appendix1

4. Selected Technology/Market Situation Analysis - S.W.O.T.

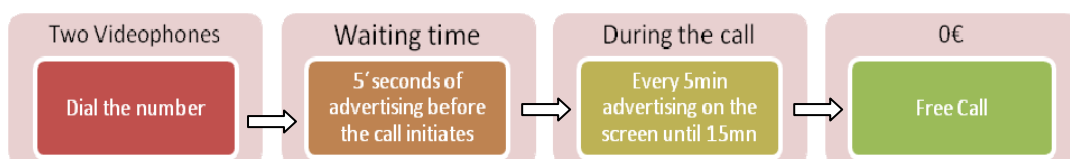
o Technology

The Technology in this Market Transfer consists of two distinct Video concepts. The first one is the “*Video Call²*” software, which was not created by Zonadvanced, whereas the “*Video Call Browser³*” software was a genuine Zonadvanced invention. These two concepts are both Video Communication solutions developed *to be used in the B2C Telecommunications market*, although the *company will sell this service in the B2B market* together with an Internet Protocol (IP) Video and Voice Telephone hardware.

o Business Model

It did not seem enough to launch a product without a special differentiating characteristic in a *red ocean* like the Telecommunications industry. The Marketing Plan is based on a different business model when compared to other Telecommunications products. In fact, the revenues from Video Calls and from Voice Calls will be acquired from advertising and not from the final user⁴ as it is every service today. Calls to fixed and mobile networks will be covered by this business model. The idea is to give *free telephone calls* to the customers in the French Territory. This business model is the biggest point of *differentiation when comparing to the competitors and it is a complete novelty in the telecommunications market*. So, this business model was an attempt of creating a small blue ocean in the red ocean. For more detail consult Appendix 2.

Figure 1: How the service works



² This software enables the user to make Video Calls when installed in a Fixed Videophone

³ This software enables the Fixed Videophone to provide other Video services to the user

⁴ See Appendix 8- Questionnaire Analysis; Section 5 Graph 18, to confirm use acceptance of this type of service

S.W.O.T. Analysis

Table 1

<p style="text-align: center;"><u>Strengths</u></p> <p>Unique Offer: Distinct Service in the French market.</p> <p>Free Calls: Business Model Based on advertisement sponsorship for Telephone calls</p> <p>Flexibility: The service is customizable to meet clients needs.</p> <p>Always on: Unlike VOIP internet based programs this technology is always ready to receive telephone calls.</p> <p>Video Telephone calls: Relates to face to face communication.</p> <p>User friendly: The software is usable by people of all ages.</p>	<p style="text-align: center;"><u>Weaknesses</u></p> <p>Portability: Not portable in the house</p> <p>Design: Does not match the latest tendencies in Telephone Design</p> <p>Availability of Content: Some of the content can also be found in the internet, ex: News</p> <p>No Patent: Neither Technology have a patent</p>
<p style="text-align: center;"><u>Opportunities</u></p> <p>VOIP and Broadband Usage in France: High usage for both technologies</p> <p>Service Enhancement: Both software and hardware can be improved for better image resolution</p>	<p style="text-align: center;"><u>Threats</u></p> <p>Replicability: Technology is easy to replicate</p> <p>Substitutes: Although not perfect substitutes we have mobile Telecommunications services, Programs like Skype and Internet(Information)</p>

Note: For more detail about the SWOT analysis see Appendix 3

5. Marketing Plan for product for Zonadvanced' video technology

A. Market Selection

For the market Selection the starting point was the whole, I performed a funnel with two stages. The *first Stage* has 3 filters with minimum requirements that were considered important for market entry, while the *second stage* filters analyze market attractiveness and competition. For more detail concerning the choice of market selection criteria see Appendix 4.

- **1st stage filters, Countries with:**
 - > 50% internet penetration
 - > 40Million inhabitants
 - GNI per capita > 30.000 €/year
- **2nd stage filters, three attractiveness and one competitiveness filters:**
 - Fixed Analog Line Penetration % and Evolutionary Trend
 - Mobile Line Penetration %
 - Fixed Voice over IP (VoIP) Penetration %
 - Telecoms providing other Fixed Videophone services

The country chosen after this set of filters is **France**; more detail is available in Appendix 5.

B. Strategic Triangles

The strategic triangle for the product requires two perspectives, *the business perspective and the consumer perspective (Wood, 2008)*. Firstly, we need to work on the consumer perspective because it is essential to provide a consumer driven product, and to evaluate the attractiveness of this market for the companies that are possibly buying the product. Secondly, the business perspective will allow seeing more clearly to which company the product should be *targeted*.

B1. Business to Consumer Strategic Triangle

➤ Segmentation B2C

The segmentation⁵ of this market has been performed crossing the *fixed home Telephone usage* and *the fixed internet usage*. This has been done because the home telephony and internet often are proposed by Telecoms as an integrated package, these two merge one into the other sometimes (*VoIP Telephony*). The technology has some

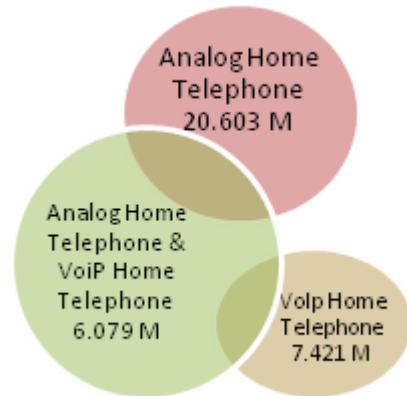
⁵ Every data from the B2C market segmentation was sourced from ARCEP, which is the authority that regulates the French Telecommunications Market and stands for "Autorité de Régulation des Communications Électroniques et des Postes"

applications/contents and the users associate these services to internet usage when ranking them in the questionnaires. For more detail consult Appendix 6.

The product is for households and therefore a subscription accounts for one household. The population of France is slightly over **60 Million**, which accounts for an approximate number of **28.5 Million households**. According to ARCEP, the French

Figure 2: Fixed Phone Segmentation

territory accounts for **40.172 Million subscriptions** for the home telephone in 2008. That means that we have more subscriptions than households, and it happens because some subscriptions are double, meaning that some households have both **Analog** and **VoIP Subscriptions (ARCEP)**.

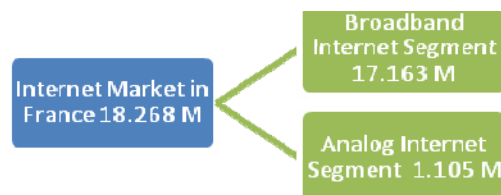


The three segments composing the entire Fixed Home Telephone market account for 40.172 Million subscribers (ARCEP). A part of these subscribers only have **Analog Home Telephone**, this is the first segment and it **Analog Home Telephone and VoIP Home Telephone** has 20.603 Million subscribers. The second segment represents the consumers that have a **VoIP Home Telephone**, they account for 7.421 Millions. The third segment represents the consumers that have both, they account for 6.079 Million subscribers.

The Internet market was segmented by internet **Bandwidth**. According to ARCEP, in France the Internet market has

18.268 Million subscribers in Total. The **analog internet segment** corresponds to 1.105 Million subscribers. The **broadband internet**

Figure 3: Internet Segmentation



segment corresponds to 17.163 Million subscribers (16.299 ADSL subscribers).

After crossing information from fixed Home Telephone Market and Fixed Internet Market, we established the *final segments*. The first segment represents the consumers that do *not have a Home Telephone and have Internet*, this is a very small segment with only approximately 0.5 Million users. This is not an interesting segment because it is too small comparatively to other segments. The second segment represents the consumers that have an *Analog Home Telephone and do not have internet*, this segment is the biggest with 16.587 Million. The third segment represents the consumers that have *Analog Home Telephone and Analog Internet*; this segment is very small since it has just 1.105 Million people. The fourth segment represents consumers that have *Analog Home Telephone and Broadband Internet*; this is a medium size segment with 9.5 Million people. The fifth segment represents consumers that have a *VOIP home telephone and Broadband internet*, this segment is also medium size with 7.421 Million people. The sixth segment represents consumers that have both *Analog Home Telephone and VOIP Home Telephone and Broadband Internet*, 6.079 persons are in this segment.

➤ Targeting B2C

This section was carried out by following the *recommendations given by (Wood, 2008)* for the analysis and targeting of segments. Each segment has been analyzed accordingly to 5 criteria; each segment has a final composite score.

The *first criterion* intends to measure the growth potential of each segment. The more the segment will grow and more attractive it will be for the product. This product requires a high volume of potential clients because it benefits from the existence of economies of scale. The weight for this criterion is 2/10 because these segments are all big.

The *second criterion* analyzes the actual volume of each segment, the greater the volume and more attractive it will be. The weight for this criterion is 1/10 since the future tendencies are more important than the actual ones for the product.

The *third criterion* analyzes the consumer probability of subscribing the service for each segment. The principles for the scores given are that the more services people are subscribing and more they will be interested in having this service. Basically, if the clients are subscribing an advanced bundle of services they are theoretically more willing to have this service additionally. So, if a client has broadband internet and VoIP home telephone they will be more willing to have the Zonadvanced product than if he simply has analog telephone because those clients are considered to have less communicational and informational needs. Thus, the weight for this criterion is 3/10.

The *fourth criterion* analyzes the attractiveness of each segment knowing that in France the number of minutes spoken through the analog line was 55% of total and the number of minutes spoken through internet (VoIP) was 45%. Since the VoIP subscribers are still substantially less than fixed line subscribers it is clear that VoIP subscribers represent a more intensive use of the home telephone than analog subscribers. Hence, the weight for this criterion is 4/10.

<i>Table 2</i> Final Segments	Rate for segment growth potential (W: 2/10)	Rate for actual Segment Volume (W: 1/10)	Rate for probability of subscribing the service (W: 3/10)	Rate for the use given to fixed Telephone in minutes ⁶ (W: 4/10)	Overall Rate
S1: Analog Telephone & No Internet	●●	●●	●	●	●
S2: Analog Telephone & Analog Internet	●●	●	●	●	●
S3: Analog Telephone & Broadband Internet	●	●	●	●	●
S4: VOIP & Broadband	●	●	●	●	●
S5: Both & Broadband	●	●	●●	●●	●
Scoring Key:	●● Very Unattractive	● Unattractive	● Average	● Attractive	●● Very Attractive

⁶ The total minutes spoken through Fixed IP represent 47% of the total traffic spoken in national calls starting in Fixed Telephones. This means that VoIP subscribers are very dependent to the Fixed Telephone.

➤ **B2C Market Size**

The B2C market for the product is around 34Million customers. This number represents the number of customers that have an analog fixed Telephone, a VoIP Telephone, or both. These customers are not in the same Operators but since they can change for their actual Operator they are part of the Market Size for the product.

➤ **Market Strategy and Ideal Customer**

The ideal clients are the ones from segment 4 and 5; they have big dependence on the fixed phone, the segment size is very attractive and growth predictions are favorable, their probability of subscribing is high since they already have VoIP services and their Fixed Line Usage is high.

The different segments must be targeted with distinct strategies (*Wood, 2008*), because they have different needs. Considering that the Operator has a higher skill in detecting the best segment to enter and each strategy for each segment we will only advise the prioritization of entry in the *fifth segment as our ideal Customer*.

➤ **Positioning**

The positioning statement for the B2C perspective is (*Kotler 2008*): For people that are very dependent to the fixed home telephone and have broadband internet (*Target*), this Video Technology enables face-to-face communication and has also optional contents (*Concept*) with Free Video and Voice calls and useful informational content (*Point of Difference*) due to an innovative business model based on the sponsorship of Video and Voice calls (*Reason to Believe*).

➤ **Competitor Analysis**

These are the competitors that this technology, together with the Fixed Video Telephone hardware faces (Appendix7):

- **Analog Fixed Telephony:** The traditional Fixed Telephone
- **VoIP Fixed Telephony:** A fixed Telephone connected to internet
- **Skype:** Offers three distinct services, they all compete with our technology but in different ways. First, we have the standard Skype, which needs a pc to work. Second, Skype also proposes a voice over IP terminal that does not need a pc to work. Third, is the new Video Telephone that Skype has developed in partnership with ASUS, it is indeed a VERY strong Competitor.
- **Mobile Telephony:** Telephones connected to mobile networks.

Graph 1: Radar Chart, three main competitors of Zonadvanced



The following table compares our product to other products in the market, and as we can see *competition is fierce*. These attributes were chosen because they are the most valued by the customer according to our *Focus Group Session in Appendix 8*. The weights for each attribute are based on the “*grade*” that was given to them in our focus group session. As the most important we have the price.

Table 3: Competitors and Zonadvanced

Attributes	Weight given by consumers	Zonadv	Skype 1	Skype 2	Skype 3	Analog Telephony	VOIP Telephony	Mobile Telephony
Price	54 %	+++	+++	++	++	++	++	+
Portability	14 %	---	---	--	+	--	--	+++
Video Calls (relatives and close friends)	10 %	+++	+++	---	++	---	---	+
Ease of use	4 %	++	---	--	--	+++	+++	++
Always ready to receive calls?	9 %	+++	--	+++	---	+++	+++	++
Applications/Optional Services	9 %	++	---	---	---	+	+	+++
Scoring Key	Major Strength +++	Good Strength ++	Strength +	Weakness -	Big Weakness --	Major Weakness ---		

Analyzing this table we can see that as major strengths Zonadvanced product has the *Price*, because calls are financed by advertising whereas the other product do not have this feature. The *ease of use* is greater when compared to other Video Call supporting devices like Skype and it is a permanently internet connected hardware that is *always ready to receive calls*.

B2. Business to Business Strategic Triangle

➤ Segmentation B2B

In this section, the objective is to seek the most favorable companies to sell the product. In the telecommunications market in general different kinds of companies compete. This market sells four main services: Internet, Television, Fixed and Mobile Telephony. Some companies sell all of these services; other companies sell only one of them.

The French telecommunications market is very competitive. Companies absorb each other or form partnerships in the fight to have the most complete and competitive offer possible. This is why it is very hard to perform a proper segmentation using only mutually exclusive segments.

In fact, companies often sell all of the services in one competitive bundle. If the analysis is narrowed to the telephony market only, there are mobile telephony companies and fixed telephony companies. All the companies selling fixed Telephony services sell also TV and internet services, they have what is called *triple play* offers for their clients. The mobile phone companies are divided in two: The *Mobile Network* owners and the *Mobile Virtual Network Operators (MVNOs)*' (ARCEP). The mobile Network owners are operators that have their own network and they are the leaders of the mobile telephony market. The MVNOs' are companies that sell the mobile telephony service using the network from mobile Network owners.

- **Segment 1: Regional Telecoms**

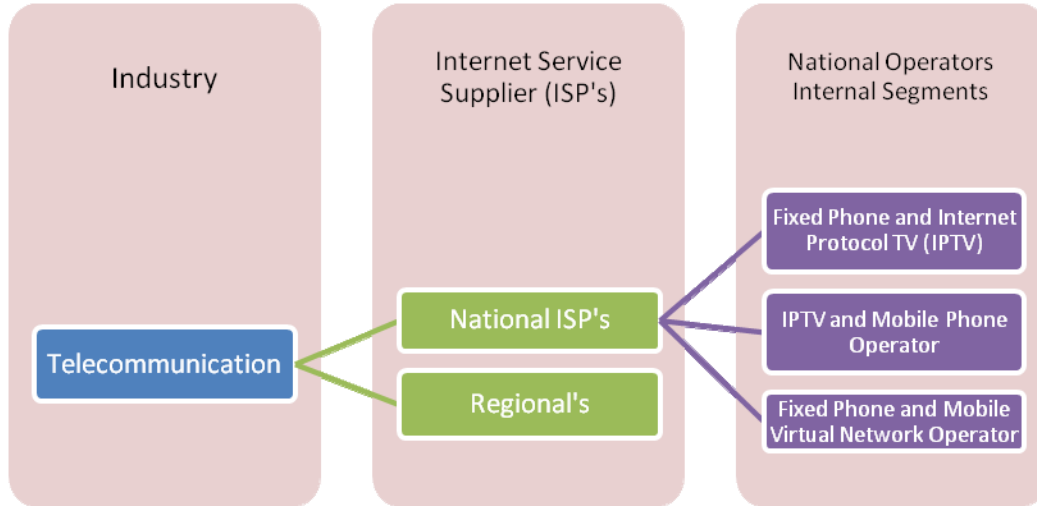
To start segmenting the market, a *Geographic Variable* was used according to (Wood, 2008); *Regional ISPs' were separated from National ISPs'*. It is not very important to track down every single regional ISP because their market share is negligible when compared to the National ISPs' since they represent 3% to 5% of the market share (ARCEP). These companies are in fact a group of customers because they need this technology but they would not be interesting for the product because their market share is too low. As an example, the Jura department ISPs' are provided this department has three regional telecoms: Numeo, Altitude Telecom and Luxinet.

- **Segment 2: National Telecoms**

The National ISPs' are the other group of customers segmented by the geographic variable (Wood, 2008); this segment represents the remaining 95% to 97% of the ISP market (ARCEP). These are the heavy weight companies in the Telecommunications market. As was said before, these companies provide competitive bundles of Internet, IP TV, fixed and mobile telephony. The National ISPs' are Orange,

Free, SFR, Bouygues Telecom, Numéricâble, Alice and Darty. To know more about these operators see Appendix 9.

Figure 4: B2B Segmentation



To further segment the B2B groups of customers, we can observe that the telecommunications market is basically divided into three categories of firms, to make this division a **Demographic Variable** was used (Wood, 2008), companies were divided accordingly to their services offered. This division gives us three different segments in the national ISPs segment.

- **Segment 2.1: Triple Play Only Telecoms**

Table 4⁷: Segment 2.1 Characteristics

Companies in segment 2.1	Revenues	Revenues Growth ⁸	Market Share for Fixed Line Subscribers	“NR As” ⁹	Partnership with another company	Strategy
Free	399.6M€ ¹⁰	30%	19.9%	2053	Groupe Iliad	Innovation and Service quality
Alice	399.6M€4	30%	4.8%	705	Groupe Iliad	Brand Construction
Darty	33.4M€	5.6%	<1%	588	Completel Network/ Kesa electrical	Brand Construction

⁷ Source: www.freetelecom.com\www.aliceadsl.fr\www.dartybox.fr\www.ariase.com\www.journaldunet.com

⁸ Comparatively with the analog period of previous year

⁹ Nœuds de Raccordement d’Abonnés: These could be translated into “connection nodes for subscribers” and they all belong to France Telecom, they operate like small telephony centers and the alternative operators cables have to lead into these NRAs’ to connect clients to the alternative network.

¹⁰ In 3rd trimester of 2008, these results are for the whole Iliad group.

- **Segment 2.2: Triple Play and Mobile Network Telecoms**

Table 5¹¹ Characteristics of Segment 2.2

Companies in segment 2.2	Revenues	Growth in 2008 ¹²	Market Share for fixed Line Subscribers	NRAs' ¹³	Partnership	3G Coverage (in percentage of French Territory)	Strategy
Orange	53.5M€	2.9%	63.8%	13000	France Telecom	74%	Satisfy the customer with service quality
SFR	11.5M€	33.3%	9.6%	2625	- Neuf - Cegetel - Vivendi - Vodafone	70%	To grow by acquiring other companies and building partnerships with others
Bouygues	5.1M€	5.9%	N.A	1167	-	Less than 70%	To grow by entering in new markets (triple play)

- **Segment 2.3: Triple Play and MVNO Telecoms**

Table 6:¹⁴ Characteristics of segment 2.3

Companies in segment 2.3	Revenues	Revenues growth ¹⁵	Market Share for Fixed Line Subscribers	“NRAs” ¹⁶	Partnership	Strategy	Mobile Network Owner
Numéricâble	640M€ ¹⁷	-	1.8%	588	Comptel/ Carlyle (US investor)	To win a competitive advantage by being the fiber internet leader	Bouygues

➤ **Targeting B2B**

The primary requirement for the technology is to have an **ISP (Internet Service Provider)** as a B2B client. A National Company is preferred to a Regional Company since the geographical distance is a decisive factor. In fact, **people need the Videophone to communicate with relatives living far away**¹⁸ in different regions of France, thus the product needs a national Operator. The company should also have a prominent position in the market with a high number of clients because the technology does not have a patent, therefore a big number of clients would already be inside the operator, the leading companies in the fixed telephony market are the most attractive .

¹¹ Sources: www.orange.fr\www.sfr.fr\www.bouygues.fr\www.worldgsm.com\www.ariase.com

¹² Comparatively with analog period of previous year

¹³ Size of Operator Network

¹⁴ Sources: www.numericable.fr\www.ariase.com\www.muniwireless.com

¹⁵ Compared to the previous year in the analogue period

¹⁶ Size of operator Network

¹⁷ In the first semester of 2008

¹⁸ See Focus Group Session and Questionnaire Analysis; Section 2 Graph6

It is important to target a company that owns a mobile network since the mobile phone can also have the same technology (*Video Call Browser*) and in the future it is a possibility that the technology is transferred to mobile telephony applications. Furthermore, if the company targeted is a leader in mobile telephony the product shall have less “*attacks*” from the mobile telephony i.e., the technology will not be replicated in the mobile telephony.

It is equally important to separate the groups of clients who are *international players* and the groups of clients that are *national players*. For instance, *SFR/NeufCegetel* is considered as an international player because 44% of *SFR* is owned by *Vodafone*. *Orange* is also an international player being present in 12 countries in Europe. The other companies only have national ambitions.

Table 7: Criteria used to sort out the most attractive segments for the targeting phase

Segments	Score for the potential of the Zonadvanced technology in the segment (w: 5/20)	Score for the segment volume in terms of Fixed Telephony Market Share (w: 4/20)	Score for the Fixed Network Coverage (w: 5/20)	Score for the international potential (w: 4/20)	Score of the Opposition from the two other segments in the case of entering in one segment (w: 2/20)	Overall Score
Triple Play	●	●	●	●	●	●
Triple play and Mobile	●●	●●	●●	●	●	●
Triple Play and MVNO	●	●●	●	●	●	●
Scoring Key	●● Very Unattractive	Unattractive ●	Average ●	Attractive ●	Very Attractive ●●	

Looking at the table above, the three groups of customers that were considered earlier to be the priority for the technology are gathered. Once more this targeting phase is based on the (*Wood, 2008*) recommendations.

The potential of the Zonadvanced technology in each segment refers to the possibility of using the technology in other markets, the mobile telephony market is a

good opportunity for this technology. Hence, the weight is 5/20 because Zonadvanced is permanently developing new concepts for telecommunications.

The Volume in terms of Fixed Telephony subscribers was taken into account because it is more interesting for Zonadvanced if the clients do not have to change from one network to the other to subscribe the service. If they simply have to shift from their Analog Phone to the Zonadvanced VoIP Videophone inside the same operator, it will make change easier for the final users. The weight is 4/20 because the industry is very competitive and some clients may be very loyal to their network operator.

The fixed Network coverage is an important factor because it gives us an idea of the potential of each segment; with less coverage communication costs are higher because the clients will have to make call to other networks. If the cost per consumer is too high it is less likely that advertisers want to invest money in this new media. The weight is 3/20, a lower price could make the difference.

The international potential is relevant for the future. The segment with the greatest international attractiveness is the best one because it will allow the technology to enter in international markets more easily, therefore the weight is 5/20.

Opposition in case of entrance in one of the three segments: If the technology (*Video Call Browser*) targets one specific segment it will have competition from the other segments. It is wise to enter in the segment with the least competitive opposition. Companies with a ***stronger position*** will give an aggressive opposition to the technology, for example by replicating it in a short period of time. The weight is 2/20.

➤ **Market Strategy and Ideal Customer**

The segment with the biggest overall score is segment of National Companies with Mobile Network. This segment represents the strongest companies and therefore it would be good to sell the technology to a company in this segment. Although the

segment is heterogeneous in terms of ADSL subscribers and Telephony subscribers it has companies with a greater potential because it unites all the mobile network owners and this could be a big opportunity in the future, furthermore, two of the companies are international players. The National Operators from the remaining segments are also attractive; they can be an alternative if any of the ideal Operators buy the service. This means *Zonadvanced will target the segments in a concentrated marketing strategy* (Wood, 2008).

➤ **B2B Market Size**

The *7 companies* are considered to be part of Zonadvanced market because although the targeting shows clearly that some clients are more attractive than others; they all are good targets for this technology. In this sense, *every Telecommunications National Operator in France would be a good partner in this initial phase of the market entry.*

➤ **Positioning and Differentiation**

To conclude our analysis in the B2B we think that the positioning statement is the following (Kotler 2008): “For National Telecommunications Companies (**Target Segment**), this is the Video technology for fixed telephony that will revive the fixed line market revenues (**Concept**) because it will be cheaper for the final consumer than the actual analog home telephone (**Point of Difference**) since the Telephone calls will be financed by advertisement (**Reason to Believe**).

C. Marketing Mix

➤ Product

Zonadvanced product is a Video technology for home telephones. The *Core Service*¹⁹ is executed through software for home telephones, hence it is intangible; the service supports *Video Calls, Voice Calls and Calls* to a portal where applications containing information are available. Without hardware the software cannot work therefore it has to be installed in a Video Home Telephone which is the *actual* characteristic of this product. So, what can be considered as the Video Telephone (*Actual Product*) is provided to the final user with this software installed (*Core Service*), this product is basically a substitution of the analog Telephone with the evolutions that we are mentioning.

All these services will be executed through *Broadband Internet*. At the beginning of each *Call*, the user will have the choice between making *Video Calls* or *Voice Calls*. The Video calls are done through a high resolution protocol.

With respect to the applications, they will be provided through Video Calls. Each service will be sold individually. The customer will pay for each service provided. For more detail about these services²⁰ see Appendix 11.

The customer will have the option to choose the wanted applications. Thus, the service can be customized, so that each people's needs may be better satisfied. Initially 6 services will be provided, as the product matures in the market more applications will be discovered to give more option to the customers and **a higher level of customization.**

The product satisfies several needs. The service satisfies the communication needs of people who want **face-to-face communication**; the technology will allow people to stay more in touch with each other, specially the ones that can't be together,

¹⁹ To see a full description of the product levels see Appendix 10

²⁰ See Appendix 8- Questionnaire Analysis ; Section 3

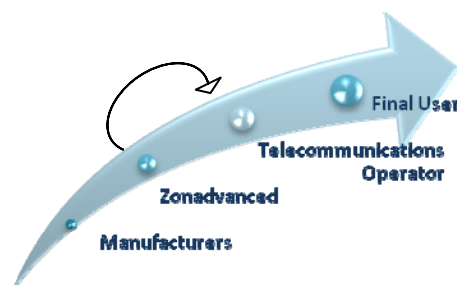
elevating communication to the next level. It will also maintain the normal Voice calls because Video Calls may be considered as intrusive for some people. Services will be provided by the portal, satisfying the needs of people of accessing to information in a quick way. The last need that it can satisfy is the need of paying a low fee to talk freely, calls are paid by advertisement and the consumer does not have to bother with Telephone bills. Clients that do not like advertising will have the option to have the product and pay calls normally.

Table 8: Needs, features, and benefits of the product

Video Phone Technology	Need	Feature	Benefit
Telephone calls Video&Voice	Communicate with people	Video and Voice calls supporting software (user can choose)	People will stay more in touch with each other
Informational Portal	Have access to fast information	Portal with information and services	People will have access to information without having to turn on a computer or zap channels on TV.
Advertisement	Communicate paying nothing	Each call is paid by advertisement (the advertisement will not annoy the user)	Communicate and see no bills at the end of the month

➤ **Distribution**

Graph 2: Distribution Value Chain



The **Manufacturers** are the suppliers of the Videophone and the servers. In the case of the Videophone the manufacturer is Grandstream. They will insure the distribution between their warehouse in France and the French Zonadvanced Office, they will supply around 98thousand Videophones in the first year. In the case of the Servers the company will have to find a supplier of electronic components in France capable of delivering the necessary components to build 24 servers in the first year.

Zonadvanced will provide the **Servers with the technology** and ready for installation at the Operators Headquarters and the *Configured Videophones* and ready to be distributed to the Final Users.

The *Telecommunications Operator* will distribute the configured Videophones to the final Users.

The distribution between Zonadvanced offices and the operator's warehouse will be made by Zonadvanced, so this is where we have to think of direct distribution costs for the company. The company will outsource this service, because this will allow the company to bear fewer costs, less risk and less compromise. Zonadvanced is a start-up company it would be too risky to buy a fleet for distribution. For more detail see Appendix 12.

➤ **Marketing Communications**

As the company does not have an operator to market the product to the final user, we have to concentrate our communication efforts on the approach to the operators. The communication strategy will therefore be done only for the B2B approach since we assume that the operator will want to have its own approach to the B2C communication strategy. **Personnel Selling** is appropriate when the target audience requires customized goods or services, needs assistance assessing needs, makes large purchases, or requires individual attention for other reasons (*Wood, 2008*). The segments will be *targeted one by one* in a **Personal Selling** approach, from the most interesting to the less interesting. Of course, it will be a **Pull Strategy**; Zonadvanced will schedule meetings with operators' managers to convince them that this is a good product for their company. Stronger companies will be targeted first for our communication strategy because if these companies market the product it will create an image of a quality for the Zonadvanced Videophone, giving a good reputation in the industry for this product and also for future ones. This communication strategy will

involve some secrecy in case of non acceptance in the first meetings, if other companies are aware that the product was not accepted this will create a bad image for the product and this will make acceptance by any operator much harder. After having a client in the French Telecommunications market Zonadvanced will need a strong brand image, this can only be created with a quality, efficient and reliable service. After having *created this image* it will make sense to go one step further in the communication strategy, Zonadvanced may think of investing on advertising in magazines read by professionals in the telecommunications industry. This advertising campaign would have the goal of reinforcing the brand awareness and brand identity of Zonadvanced within the telecommunications industry, but then again this is already one step further to our marketing plan because the first priority is to gain at least one good client with the pull strategy and then build a quality image working with him.

➤ Pricing

The pricing for the product will require two perspectives, the product is bought by the operator should not be proposed to a company without having a final user pricing analysis, and therefore knowing if it is practicable. So, the B2B price will be paid by the operator. It is the price which allows the Operator to buy the minimum requirements to launch the product in the market. The B2C price will take in account the operator's costs and margins plus the Zonadvanced fee, it is the final price for the user. Additionally to the B2C price for calls, the contents will also be taken into account.

➤ **B2B Price**

Table 9: B2B Price

The initial investment for the operator will be **250 thousand Euros**. This will include the development cost of the technology and three servers that are necessary to launch the product. The technology cost **125 thousand Euros** to

Initial Investment for the Operator			
Equipment	Price	Cost	Margin
Videophone Server (2 machines initially, 2000€ each)	4.000 €	3.000 €	25%
Content Server	5.000 €	1.500 €	70%
Technology			
Technology Price	241.000 €	125.000 €	48%
Total Price	250.000 €	129.500 €	48%

develop and each server costs **1500€** to prepare for the operator. Three servers are needed in the beginning, one server deals exclusively with the *Contents-* and this server is the only Content server that the Operator needs to acquire no matter how many users the service has- while the other two deal with the *Video and Voice Calls*, each Video and Voice Calls server supports **10 thousand users**, until 30 thousand users two servers are required since one will back-up the other in case of server failure. The table 9 shows the structure of the initial investment required to Telecommunications Operator.

➤ **B2C Price**

Videophone Price: The price of the Videophone will be 5€ per month during 3 years. According to the questionnaires²¹ a loyalty program of 3 years will be implemented so that the customers only have to pay 5 Euros per month (excluding Contents which are optional).

²¹ Appendix 8- Questionnaires Analysis; section 4 graph16

Telephone Calls Price: This is the price for the final consumer; the consumers that pay this price are the ones that do not allow advertising during their Telephone Calls for Sponsorship. For the Telephone Calls' pricing decision it is essential to pay attention to three factors, **competitors' price, cost-based price, and the consumers' perception of the product value** (Wood, 2008). First, the point of reference for price comparison is the actual analog fixed telephone because this is the product that is considered to be the most similar to the Videophone in terms of usage and users. So, the price of the analog phone was compared

Table 10: Telephone Call Prices

Telephone Call Prices	Number of hours included	Communications included	Price
Service 1:	2h	National Fixed and Mobile Telephony	16.15€
Service 2:	3h	Service 1 and a few international countries	24.65€
Service3:	unlimited	Service2 and more international services	33.15€

to the price that will be asked for the Video and Voice calls service. The competitive prices of Orange were used to perform the comparison with the Videophone. They have 3 levels of pricing for the analog fixed telephone.

The Videophone is obviously a much better service than the ***Analog telephone***; this is why the product will be analyzed as being a higher quality product than the actual analog telephone.

The price perceived by consumers is on average 23.76€ according to the questionnaire²². Most consumers compare this service to the analog telephone and then gave a price considering that it is a service with higher quality.

The cost based price (Wood, 2008) with 50% margin was done with the help of AR Telecom. For 20 hours of Calls per month (4 hours Video and 16 hours Voice) the ***estimated price*** per month should be around **21.6€** (Appendix 13).

²² Appendix 8- Questionnaires Analysis ; Section 4 Graph 15

Price of Contents: These will be priced separately. The Videophone applications were priced looking at the applications available for the actual traditional analog telephone, since Orange has also service packs, one example is a service pack that recognizes the number calling to the customer, this service costs 1.5€ The “top secret” service guesses the numbers calling to the customer, the price of this service is 1€ Looking at their prices our applications do not seem to be overpriced at all.

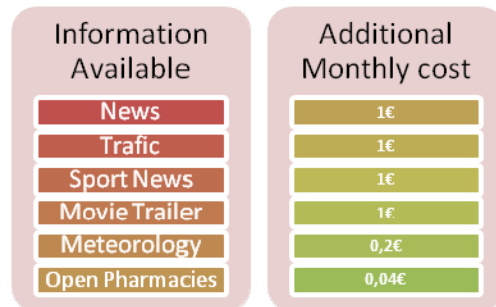


Figure 5: Price of Contents

Final Price: To have an estimate, a consumer paying all the services, paying Telephone Calls and the Videophone in 3 years would pay in total 25.84€/per month.

D. Proposal of Implementation Plan

➤ MEN²³

For the first year, Zonadvanced will need the following Staff:

- **Zonadvanced Portuguese CEO:** B2B Marketing Communications
- **Zonadvanced French CEO:** A skilled manager will be recruited to manage the French Headquarters
- **Technicians:** 24 Technicians will be recruited throughout the year to monitor the servers
- **Technician Coordinator:** 1 of the technicians will be promoted after six months to coordinate all technicians

Table 11: Needed Technicians accordingly to the n° of servers

Technicians	Content Server	Video & Voice Call servers (minimum of two)
1	1	2
2	1	3
3	1	4
...	1	...

²³ For more detail consult Appendix 14

➤ MONEY

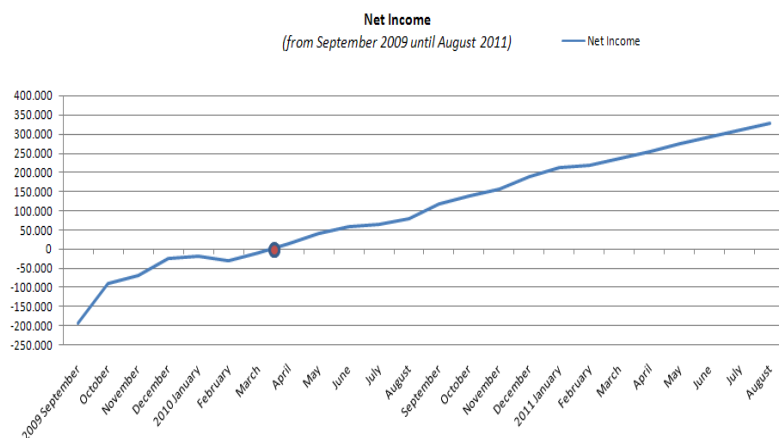
Low retention rates were used for all the segments. The reasons for these

Retention Rates being low are three:

- The product is new in the market so users will not risk having something that they are not familiar with. The Communication strategy to the B2C market is not expected to be very aggressive from the operators side because the technology will have to mature in the market and when people are starting to be aware of it and the technology has proven to be reliable the operator will be ready to start a strong advertising campaign (**AR Telecom, Product Manager**).
- Zonadvanced does not have the capacity to handle a boom in demand, so the start has to be smooth.
- Advertising revenues are expected to be low in the beginning due to the lack of confidence in this media of advertising.

With these Retention Rates (appendix 15) the net income for the two initial years will be as follows in graph 3:

Graf 3: Expected Net Income for the first years



Break-Even will be reached in the seventh month after product launch and Payback is attained approximately 1

year and four months after the launch of the product. At the end of the second year the net income for the last month will be around 329.000€ Euros. For more detail check Appendix 16.

➤ **MINUTE**

The launch of the product will occur in September of 2009 but the company still has to go through a lot of phases before this date. Right now, the negotiations will be critical because they will determine if the product finds a client or not. Another crucial phase is the Technicians recruit, because the company will need a technician number increase throughout the whole year, so it will be important to plan correctly their recruit and training (Appendix 17).

➤ **Entry Strategy and further Improvements**

This technology does not have a patent and is easily replicable but Zonadvanced does not have the means to enter the market with an aggressive strategy because it is a Start-Up with only 2 employees at the moment. The company is still small and fragile.

Even though the company has this limitation, after maturing in this market it can be very profitable for Zonadvanced. The company will have to differentiate itself through its service to the client taking into consideration that other companies will eventually try to replicate the service and propose it to other operators.

The technology will be a newcomer in the market; it will also need a maturing phase²⁴. When both the Operator and Zonadvanced feel that they dominate the technology they can start being more aggressive and handle higher demand.

As a further development, more hardware should be available for the users, screens with higher quality and better looking. This will add more customization possibilities for the product.

²⁴ See 2nd interview with AR Telecom's Product Manager in Appendix 18

Conclusion

In general, this service should be satisfactory and has still a considerable margin for improvement. The flaws concern the company and not the product specifically, with the exception of the fact that the products' technology does not have a patent. This problem will have to be minimized through service quality differentiation when working with the B2B client. It will be a new service in a very competitive market, the first years will be determinant for the success of the product and the company in its first international market.

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