



NEAR EAST UNIVERSITY
Faculty of Engineering
Electrical and Electronic Engineering
Department of Electronics

1988

TELECOMMUNICATIONS OF TRNC

MAN 200

Business Policy & Evaluation Project

Prepared by: Dr. D. G. ANGLIS
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Department of Business**



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Business Policy & Graduation Project

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ABSTRACT

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ABSTRACT

The development in the high technology and the need of communication in human life has made a lot of companies to invest in Telecommunication. Companies in the world are competing today, in order to satisfy the needs of the customers and they offer so many services.

In this project, I have studied, RUMELİ TELEKOM A.Ş KKTC TELSİM, which is the first Telecommunication company supporting wireless communication in TRNC.

In the following chapters, the historical background of GSM in Turkey and TRNC, together with the historical background of TELSİM is discussed.

The operators of the company and the investments that are made in this telecommunication area are analyzed and the SWOT analysis is performed.

ACKNOWLEDGMENT

It is important for student and whole persons and parents to learn about real classics in life of companies and business all over the world. Otherwise, they cannot really understand what they are studying or doing in life and examining such business which give students the chance to compare theory with practice and also give a chance to do the best in all real changes in the world.

Thanks to our advisor Asst.Prof. Dr.Erdal Gryay, Asst. Prof. Dr. Okan Şafaklı and my teacher Hasan Sarıca for giving us such a chance to learn something. However this project is prepared for fulfilling course requirements requested by our instructor.

At the end of this course, we have to submit this case study revealing “all our knowledge and what we have learned from this course all way long from the beginning till the end of the course”, to our instructor. I believe that this study will help to all of us a lot, in revising all what we learned about business policies and adapt them by preparing this study. It will also help us in matching what we learned in theory with what is in practice while we study this subject through all in our life.

EXECUTIVE SUMMARY

Technology has changed much in the world and everyday we come up with new fields of modernity. Today telecommunication became an easy subject and technology offers high simplifications with this respect, particularly when mobile telephones are considered. Companies in the world are competing today for new offering to customers where their main aim is to satisfy customer needs and make wireless telecommunications much better. These technologies shows that high expansion is running with respect by companies in the world and reflect a significant competing picture among them in the market.

Today in Turkey Telsim telecommunication is one of the successful company operating. This company came up with new innovations in the Turkish market and offered one of the vast needed services in wireless communication by support of the GSM Corporation, use its system and apply it in the Turkish market. Northern Cyprus market is one of the main expansions.

I. INTRODUCTION

1.1 Purpose of This Research:

This research is mainly about Telsim Telecommunication ltd., and its operation in the Northern Cyprus. This study includes formation of the company where it is based on GSM Cellular Mobile Corporation formation and was first established in Turkey. This establishment expanded its business in Northern Cyprus, where the main subject is about.

The activities of the company have related in the local market such as sales, customers, marketing, services, promotions, finance, competition and managerial themes have discussed. After words these activities have evaluated where recommendations and conclusions have constructed.

1.2 Methodology:

My brother Okan Donangil lecturer of Near East University was my conciliator to get through the company and collect information from differnt places. Such as the company itself where people in the company helped me in constructing a general idea about their activities and operations of the company. The second source for information was articles and publications about this company, where I found them by Internet Web search.

These project is designed on explanations of operations of the company and compare these activities with other competitors in the market, in order to be able to measure their success and market share. Starting with a historical background about the GSM technology, then with Telsim company analysis.

1.3 Mission of Telsim:

The mission of Telsim is to produce the highest quality services at lowest costs to satisfy the customers.

1.4 Historical background of Telsim

The Telsim Corporation has been operating for 25 years. Started as a small company, it has grown into a large corporation. It has been successful in many areas, including the telecommunications industry. It has been a leader in the industry for many years.

The company has a long history of innovation and growth. It has been a leader in the industry for many years. It has been successful in many areas, including the telecommunications industry. It has been a leader in the industry for many years.

1.5 Objectives of the study

1.5.1 To identify the main objectives of the study

The main objectives of the study are to identify the main objectives of the study. The study will focus on the main objectives of the study.

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II. GSM AND TELSİM HISTORICAL BACKGROUNDS

The cellular mobile technology enables everybody to communicate anywhere with anybody. It has created an entire industry in mobile telecommunications, an industry that is rapidly growing and that has become a backbone for business success and efficiency and a part of modern lifestyles all over the world. This section looks at some aspects of the history cellular mobile technology, their commercial parameters and dynamics. Telsim in Northern Cyprus is an example.

2.1 Historical Background of GSM

The mobile Technology has been used since 75 years. Spread spectrum techniques, digital modulation, trunking techniques, and other modern wireless technologies were known more than 30 years ago. Mobile telephone service appeared in useful form early 1960.

The convenience of these early mobile phone systems severely limited, and their maximum capacity was very tiny by today's standards. Finally all these systems were popular on that time and grew up at high ratio. By the end of 1980's, it became clear that the cellular systems would not be able to meet continuing demand into the next century unless something was done about their limitations:

1. Confined spectrum allocations
2. A perception among more sophisticated users
3. Inability to substantially lower the cost of mobile terminals and infrastructure
4. Incompatibility among the various analog systems, especially in Europe.

Political pressure of European Union and practical considerations, created GSM system late 1980's in which specific features were included to allow international roaming and a wide variety of auxiliary services. The history of cellular mobile systems in the forms we see today began recently. The first real commercial cellular system in the U.S went into service 1983, after an earlier system in Japan.

This was followed with some changes in markets leading to acceptance by the mobile customer. The cellular phone services have been accepted worldwide as a comfortable, useful and indispensable accessory of daily life as an expansion of the modern lifestyle.

2.2 GSM in Turkey:

Turkey has now two digital mobile network licences. Turkey's two existing GSM 900 networks are operated by Telsim and Turkcell, each of which paid USD 500 millions for their licence in 1997 and have witnessed impressive increase in later years. During 1998 the market leader Telsim, has owned %89 by the local company Rumeli Holding, saw its subscriber base more than triple from 350,000 to 1,050,000. Telsim recently launched GPRS (General Packet Radio Service), accepted as milestone in packet data technology, as the first operator in Turkey and third in the world jointly with Motorola. After this successful cooperation on August 2000 between Telsin and Motorola – and his strategic partner Cisco – now they agreed on deployment of UMTS (Universal Mobile Telecommunications System) platform in Turkey, which will enable to offer subscribers to universal Multimedia services.

UMTS combines voice, data and image facilities will provide the opportunity to develop many interactive services. UMTS platform is intended to be established first in İstanbul and Ankara on top of the mature infrastructure of Telsim in European standarts.

UMTS will follow GPRS and as the latest standart of all enables services such as mobile videoconferance, interactive shopping, games and will increase effectiveness of location based services, downloading of soundtracks. Sport games can also be seen from mobile devices. The growth of these companies is incredible and Turkey have encouraged other companies to start such investments, where applied last year (2000).

2.3 Historical Background of Telsim

The introduction of mobile phones in Turkey goes back to February 1994, with the operation of Telsim. The interest of Mobile phones and cellular communications was tremendous in those years. In a very short period of time however Telsim was followed by Turkcell entering the market with a sufficient base. Not to forget that Telsim is the first in Northern Cyprus.

This company has grewed up by virtue of its international partners and colossal investments and soon resumed its place among Europe's leading of GSM tycoons. It thrived in becoming one of the most successful venture of Turkey, with high ways connecting İstanbul, Ankara, and İzmir and over 80 countries overseas including the United States in 5 years.

Telsim deployed all the necessary efforts and never compromised from its overriding ambition to provide unimpeded communications to its subscribers which was over 6 million last year. Its mission is to offer modern and high quality services attributed Telsim as the most credible and leading GSM in Turkey.

Telsim took over all the services, thoroughly fulfilled its obligations and contributed a totality of 500 million USD to the economy 1999, a milestone in the history of privatization in Turkey. Telsim became responsible for subscription, invoicing, mailing and collection of payments. Telsim once again is a leader for a revolutionary to step forward in communications in Turkey and in Northern Cyprus.

Telsim has been established in 1994 with a local capital of %99. Telsim has invested about 2 billion USD in two years time, and has gained the Turkish GSM market a considerable momentum with both sizeable investment and genuine sales strategies that followed the licence agreement it signed in April 27th 1998 (Internet-Telsim)

Here is a comparison Telsim's achievements before and after the licence agreement. From 1994 to April 1998, Telsim invested 400 million USD, whereas today the total investment amounts to 2 billion USD. That is to say, within the last two years, Telsim has invested 5 times as it did in the first four years. Telsim planned to reach a total investment amount of 2.5 billion USD by the end of 2000 which almost achieved.

There has also been a very striking increase in the number of subscribers. While the number of subscribers was at 420,000 by April 1998, Telsim has managed to serve 3 millions subscribers within the last two years and became one of the fastest developing GSM network of Europe. (Internet-Telsim)

By the end of 2000, Telsim aims to attain a growth rate of 100%, increasing the total number of its subscribers to 5 million from 2.5 million that had been realised by the end of 1999. This rapid development governed and bolstered by Telsim's unique understanding of service, soft tone of voice, aggressive sales and marketing activities, the competitive edge gained with a wide covering and capacity area, new technologies employed and its ability to move swiftly.

If the development of GSM services in Turkey and the world were to be reviewed, one could say Turkey holds a considerably big potential. The level of GSM penetration (number of GSM phone users compared to total population) in Turkey is yet roughly at 15%, much lower than that in north European countries. Turkey, indeed, has witnessed a boom in the GSM market since 1994, evidenced by the number of GSM users hitting 8 million by the year 2000, while it remained only at about 80,000's in 1994. This namely, represents a more than 100 fold growth of the industry in only 6 years. It also proves that the GSM market has emerged as one of the most dynamic industries and made a substantial contribution to the economy.

Today we can see that Telsim is expanding more and more particularly with services related to customer uses and mobile inventions.

III. BUSINESS PROFILE AND ANALYSIS

3.1 Services:

This company offers mobile telecommunications services which are mainly to make people able to communicate each other using mobile lines. However, their services are listed below:

1. Mobile telecommunication services
2. Friend and family services
3. Telsim wap
4. News mobile
5. Massaging
6. Telsim directory
7. Assistance
8. Web messages
9. Billing information
10. Numbering
11. Telsim Credit cards
12. Voice mail
13. Short message service
14. Financial information
15. Fax and data services
16. Phone billing
17. Billing message
18. Flash news services
19. Horoscope services
20. Weather reports
21. Banking services
22. Chat
23. GPRS
24. Cep Matik

25. Cep Wap
26. Cep Fatura
27. Cep Puan
28. CepReter
29. Cep İnfö
30. Cep Yanıt
31. Cep 142
32. CepMail
33. CepMesaj
34. Cep2
35. CepVoice
36. CepYayın
37. CepYön
38. CepFax
39. CepData
40. CepRoam
41. CepFerans
42. CepToCep
43. Cep7001
44. Cepİkiz
45. CepMelodi
46. CepSembol
47. GoldSimKart

3.2 International Operations:

The first international joint venture company of Telsim started operating in the Far East by the end of 1996. This was accomplished with high international communication with foreign business. Within 3 years period Telsim, reached to 180000 subscribers, developed the total GSM market up to %3 of penetration. This penetration is very small among all other foreign countries where the average penetrating rate is less than 1%.

The success story of Telsim relies on the launch of its prepaid products. Within less than one year, Telsim captured approximately 130000 prepaid subscribers. Their high quality network service is being provided by \$ 82 million US dollars cumulative network investment.

Finally, as part of vertical expansion in the market, by the end of 1999, Telsim has stepped forward to a new business stream by establishing its Internet service provision venture company. Established in August 2, 1999 as, fourth international subsidiary of Telsim, having 100% geographical coverage has been offering value added services such as voice mail and data-fax in day 1 of its operation.

As of January 2000 the company had 36,826 subscribers who are able to roam internationally in 79 countries with 160 operators. These services of Telsim have been established as the third international operation and started its commercial activities in February 1999(internet site Telsim).

Data-fax services are offered to its customers in addition to the standard GSM services. In terms of subscriber figures and the total investment, Telsim is not only the # 1 GSM Operator in Turkey, but also in Central Asia.

3.3 Investments of Telsim:

Nowadays the technology especially the communication technology is facing with very rapid changes. One of the most important and competitive markets in the communication technologies is probably the cellular phone industry and the GSM services. GSM, is the international cellular mobile communication standard operating with digital communication technology at 900 MHz. in Turkey there are two companies that serve for GSM: Telsim and Turkcell as I have mentioned previously.

The investments made in the industry in four years reached millions of dollars. Telsim spent over 500 millions of dollars to improve their GSM services. This means that the total number of people using GSM services is about 3 million. Every 1 of 20

people uses a GSM service. That's why the industry is in a rapid development and the investments made on the new technologies and new marketing strategies are being so high.

The local Telsim has signed a \$1500 million contract with the US Nokia for equipment to expand its mobile phone network. The deal is the second large mobile phone infrastructure equipment order to be placed by Turkey this year, and comes ahead of government plans to issue three new global system for mobiles (GSM) licenses.

Under the three-year contract, Nokia will provide infrastructure, handsets and services for Telsim GSM network. The order, Nokia's largest to date, includes about \$100 million worth of Web-enabled handsets, which allows users to access the Internet from a mobile phone. The equipment will allow Telsim to increase its subscriber base to 5 million by the end of the year from the current 2.8 million.

Analysts have played down concerns that the new competition will hit profits of the existing operators. "There will be an impact on pricing, and market share of the companies may be diluted, but this is in the context of a rapidly growing market where there is scope for all to prosper," says David Staples of London-based Fitch IBCA. While the number of mobile phone users in the nation soared to 7 million last year from 400,000 in 1995, the penetration rate is still low at around 10 per cent.

Staples adds that the existing operators will benefit from premiums paid by the new companies to access the network in line with any roaming agreements granted. Moreover, they will enjoy competitive advantage resulting from heavy investments in marketing, pre-paid calling and wireless communications since their establishment in 1994/95. "Turkcell especially has a strong market position, significant capacity and brand awareness which the new operators will find a challenge," Staples says.

3.3.1 Market Analysis

Telsim was the leader of the industry since establishment. In the first years of their establishment the number of subscribers were so rapidly increasing that without a competition the companies could increase their number of subscribers without using any effective market strategy. However this year Telsim began to use a new market strategy, which is using different price tariffs for different types of customers. According to Telsim's view there were two main purposes of this new strategy: Increasing the total number of subscribers by making the cellular phone more attractive for them and increasing the market share by gaining competitors customers.

3.3.2 Telsim's Old Tariffs and New Tariffs

From 1994 to 1998 there was only one price option for the subscribers. And then Telsim decided to segment their customers' according to their usage time and usage purpose of the cellular phone to maintain every subscriber with the most economic service in accordance with their needs. The talking habits of the subscribers were different. They generally used cellular phones:

- Extensively for business purposes and personal purposes
- Business purposes.
- For personal purposes.
- Make limited calls rather use phone to be attainable anytime.

Other attributes of the customers also effect the tariff decisions. For example the traveling habits, job of the subscribers and working environment, income level and whether they do international calls or not. As a result the Telsim divided the subscribers into three different categories. Also they introduced some discount hours with different rates for different types.

Advertisements of the customers are changing from open narrow to wider. This means the much you talk with the phone the better to choose the standard or the

professional. They assumed the percentages of the in county calls, from Telsim to Telsim calls and the discount talks as 45%, 25% and 30% respectively. In the last two years discounts for calls had been cancelled. This estimation is made because the prices for different call types in different options are different.

This price differentiation was made according to the customer attributes. The first group of the customer that can be defined to do limited calls but rather use cellular phone in order to be attainable. The second group uses the phone in normal ranges and if customer does not define herself/himself the default choice is standard. The third choice is for the customer using the phone extensively.

What Telsim did or at least must do is looking at the distribution of the past calls define some categories such as A being the economic, B standard and so on. After deciding the number of categories considering the customer attributes and the related issues. After finding the intersection points of these regions Telsim must decide the prices of each type of call in each region. The intersection points show the total call time that another option is better after the point.

As a result after carefully examining the customers and their bills, Telsim have to decide on two things: Number of categories and price of each type of calls. They calculate the bills in each type given a use time and the second part shows the best option for a given total usage time. Telsim decide to choose 6 million and 20 million as the intersection points.

That means up to 6 million the economic options is the best, in range 6 to 20 millions the standard is the best option and for the customers having a bill more then 20 millions the professional is the best option. Another advantage of Telsim from this scenery is that they can do some capacity planning as the customer estimate his GSM usage before he actually use it.

Instead of simply giving options to customers and some discount hours they could also use a something like multi-attribute model and include the services they

give to customers. They could determine the attributes (the services such as Tel-secretary, fax, conference calls etc.) and their importance for the customers in each region of the bill distribution. According to that they could include or exclude some services for the categories. By this kind of segmentation they could segment the market more homogeneously.

3.3.3 Customer View

In terms of the customers, the scenery is simple. There are some options and the customer must decide optimal one. So basically customer must decide or estimate two things: The percentage of calls he/she will make and the total call time. The template in the appendix also finds the best solution to the given choice.

The marketing strategy began to use by Telsim brought some new perspective in GSM technology. For the customers, cheaper use of GSM service by defining themselves as economic, standard and professional was possible and for the firm it was a good change to increase both the market share and the market volume in GSM market. As a result of these changes nowadays there is a great increase in the GSM usage. So effective strategies can make both sides benefit.

3.4 Human Resources Analysis:

The company has developed a PC-based training program designed to boost the skill and confidence of sales representatives in one of their most anxiety-producing chores -cold-call prospecting. Telsim's new software products, Call Companion -is a digitized, interactive program that uses a multimedia approach (voice, text and video) to create realistic simulations of telephone conversations with prospective customers. A major insurer is evaluating the program in one of its agencies with an eye toward national field force implementation.

The Windows-based program provides a non-threatening environment in which sales professionals can practice the delivery of both initial sales scripts and

statements to overcome common prospect objections without the fear of rejection, also Call Companion, which has been available since June, "is applicable to a mind-boggling number of situations, virtually anytime somebody wants to practice talking to somebody else," said Mr. Freriks.

In addition to the property/casualty and life/health industries, he said the product is also being targeted to telemarketing, securities brokerage and pharmaceutical firms, as well as automobile dealerships. The simulated conversation created by the software allows the user to increase proficiency in the delivery of opening speeches and objection-overcoming responses.

Trainees can practice opening speeches and appropriate comebacks until they are conditioned to deliver them without hesitation. The simulated conversation also can be played back to help users polish their delivery by "Practice builds confidence which reduces call reluctance and can produce greater sales when the salesperson transfers that confidence to real calls, he said.

Call Companion can be customized for a company's specific opening messages and common prospect objections their sales people are likely to hear, John Vander Wide, head of New York-based Equitable Life Assurance Society's agency in Orlando, said the program was installed there in mid-July "after several months of script development." Telsim is of the companies that take good care of its human resources using new technologies in training and development, beside high salaries and health care provisions, where its employees are highly satisfied and with high skills.

3.5 Future Plans and New Investments:

Nokia and Telsim, one of Turkey's leading mobile operators have announced a three-year deal valued at approximately USD 900 million for the supply of a complete GSM expansion. The deal, which will position Telsim as a leader in the provision of future mobile services in Turkey, is the largest ever for Nokia Networks and marks

one of the largest ever-single GSM contracts. The agreement includes upgrading the Telsim GSM 900 mobile network with switching equipment, base stations, radio transmission, and Intelligent Network solutions to enhance services for a further 1.5 million prepaid customers, in one of the largest single in contracts supplied by Nokia.

Nokia has already supplied an Intelligent Network expansion to Telsim for almost 3 million prepaid subscribers. The Nokia Net Act network and service management solution will also be supplied and Nokia will begin equipment deliveries immediately.

They chose to have the continued addition of Nokia's state-of-the-art equipment in our network, as we expect the rapid growth of not only voice, but also data services in the next two years. Telsim is on its way to become the leading GSM operator in Turkey with the support of quality Nokia Products and Services. "said Ersoy Taştekin, VP of the Executive Board of Telsim".

This deal, the largest to date for Nokia Networks, illustrates our clear leadership in GSM, equipment. By 2001, we estimate the number of mobile subscribers in Turkey will be in excess of 15 million. Nokia's infrastructure, services and delivery capabilities combined with unique industry leading solutions can support current and next generation technologies in various combinations. This provides Telsim the flexibility to be ideally positioned to meet the voice and data capacity, quality of service and cost challenges of continued strong growth in the Turkish market, said Pertti Melamies, Area Vice President, and Nokia Networks.

In this deal, Nokia will provide a full package of services covering Construction and Civil Works, Project Management, Network Implementation, Systems Integration, Removal Services, Network Optimization and Enhancement Services, Operating Support Services, Emergency Service, training, as well as Hardware Services and Software Maintenance as well as the Nokia *NMSI2000* Network Management System.

Telsim, based in Istanbul, Turkey, operates a GSM network in more than 79 provinces and 1,000 populated areas throughout Turkey, while offering subscribers added value services such as voice massaging, fax/data and short message service. As a result of a strong and innovative marketing campaign Telsim has added 1.2 million prepaid subscribers to its network in the last two months. Presently Telsim has 3 million subscribers in a fast growing market. For more information, visit the company's Web site at Telsim (<http://www.telsim.com.tr>).

Telsim is a 50:50 joint venture between Cyta and Turkcell. It is the first mobile phone company in Turkey, and is the first to offer prepaid mobile phone service. Telsim has a strong focus on providing value-added services to its subscribers, such as voice massaging, fax/data and short message service. Telsim has a strong focus on providing value-added services to its subscribers, such as voice massaging, fax/data and short message service.

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- Telsim has a strong focus on providing value-added services to its subscribers.

IV. THE CASE OF TELSİM IN NORTHERN CYPRUS

4.1 Establishment

Northern Cyprus market can be briefly described as a highly demanded market for mobile telephone telecommunications. Because, the present Telecom system of this country is very weak, which strengthened the desire of people of purchasing Mobile Telephones, and increased their purchases. As clever businessmen get used of this feature of the country (bad telecommunications) and could convince local people of the high necessity for Mobile Telephones. Being easy to carry and solved the problem associated with telecommunications in this country, further increased demand for these products. Today, we can even see children using such telephones.

Telsim here saw this opportunity in Northern Cyprus and entered the market for providing telecommunications services to its people. It is called Rumeli Telecom Ltd., and is directly connected to Telsim Holding of Turkey. When it was first established in 1995, they had only 10 employees, but today they have 135 employees. 65% of this staff is university and 35% is high school graduates. This provides good working opportunities for labor force in this country.

Before establishing this subsidiary in Northern Cyprus, Telsim has sent a group of researchers of 10 people to make a market research about people here. Because they wanted to know more about the population and accordingly stations for telecom would be established. Their research contained learning about people acceptance degree of new products and innovations. However, they could attract a high number of customers and are the first of their kind in this market. As the followings;

- In 1996, customers' number reached 10,000
- In 1997, customers' number reached 20,000
- In 1998, customers' number reached 30,000
- In 1999, customers' number reached 54,000
- In 2000, customers' number reached 74,000



4.2 Market Analysis of Northern Cyprus

Number of customers increased each year even above expectations of the company, which shows that this company is strong and have high market share in Northern Cyprus due to some mistakes they made while researching about this country at the start, they faced some problems of attracting customers at the beginning, but after 1998, number of demand for their services increased highly beyond expectations.

4.3 SWOT and CSFS Analysis:

4.3.1 Strengths

Telsim has a high capital and is supported by electric power station such as Çukurova Electric and banks. The firm in this country being supported by the main one in Turkey gives the company even more strengths. Beside that Telsim is the first in Northern Cyprus, which is the biggest strength of the company.

4.3.2 Weakness

This company is facing some troubles with its capacity system, these difficulties rise from not building enough line capacity system from the establishment period, and today rose of demand is hardly met by the company.

4.3.3 Opportunities

Telsim being a one of the first companies in the field of mobile telecommunications gives here the opportunity of expanding more, beside it continued being the first in Northern Cyprus till 1999, which encourages on more expansion in the island.

Telsim also supports the privatization idea, and is ready to enter any of bids made in this respect, because this enlarges its investment base.

4.3.4 Threats

Although Telsim is the first GSM operator in TRNC, the entry of Turkcell to market as the second has become a threat to Telsim and weakened its sales for a degree.

4.4 Value Chain Analysis:

Though costs of Telsim are higher than its competitor, its plans are usually made for long periods not short ones. And these costs are made for increasing number of customers based on loyalty not cheap prices. Beside that Telsim always look for new investments in different fields as well. However, for increasing their company profile, they added new and distinguished values to their activities which reflected higher demand in the market.

For the first time on this island a company plays the role of sponsoring sport fields such as football, basketball, volleyball, athleticism and table tennis. Beside, the last year they joined arts activities such as Bir Demet Tiyatro and Teleon, which shows that this company has interests in media activities and knows how to promote their products. The case here for increasing the value chain of their products is to make customers more aware of their products and help in defeating competitors. Telsim could do this by increasing quality of their services by providing proper information to customers.

4.5 PEST Factors Analysis:

The PEST factors related to this company are the;
Political factors:

They made the agreement for 14 years in 1995 with the government. That is, this company will work in Northern Cyprus market till the end of the year 2009 as a private company. Then become a state owned one after this specified year.

Their prices for one minute now due to the agreement are 72000 TL. Where 7000 TL of this amount goes to the government and the left 65000 is divided between the government and the company as well in the form of Value Added Tax (VAT).

However, it is believed that after the year 2009 it will be hard for the government to take up control of this company. Though it may be sold to other companies in the future.

This company has faced big problems with the introduction of roaming system to this country, as Northern Cyprus being not identified by foreign countries. Also because Turkcell has interfered in this subject where the country's relations with the Greek side also influenced these developments for long years.

When Telsim first introduced this system, they had some problems with the Turkish government and paid high commissions for them, beside that they were forbidden from accepting any new customer for 6 months, this naturally affected highly the company's profits, and Turkcell went ahead with its investments and sales to new customers. Although Telsim has been facing some financial problems, they accept any new technology and always open for new innovations with regard.

Economic factors:

The main corruption with these factors comes out from currency fluctuations and inflation in both Turkey and Northern Cyprus. However, Telsim does continuous valuation and market projections for overcoming this problem and satisfy the market without high changes in its prices.

Social factors:

As we all know that health provisions issued that mobile telecommunications affect health of people, where this affect customers' demand for such services. However, Telsim always try to minimize any problem that may come up due to its operations either against consumers or its workers. This is done by continuous research and use of high technological methods for applying best of what to be in care of social health. Not to forget that Telsim share the community with different social activities such as music, sports and theatre, which give a good picture of the company in the society.

Technical factors:

Research and development programs are continuously done by Telsim and the use of high-computerized systems reflect their modernity and ability to develop. Also, the same services offered in Turkey are also offered in this island, where they are mainly as the followings:

- Voice message system and short message system
- Call wait
- Conference, number identification or restriction of identification
- Roaming
- Prepaid system
- Ready Cards

The ready card system has been presented in the local market of this island, which aimed at smaller aged groups and tourists. These cards will are sold with limited call times and prices determined accordingly, where the user can control his or her calls, however, this system is limited to a number of services. In this system prices, has been increased and frightened the subscribers.

4.6 Finance:

They have invested high amounts of money in this sector to be improved and developed, beside to be able to give customers satisfactory services. They spend 40 million USD as an amortize for this sector and 4 million each month on different areas. This explains their low profits profile of finance, as their investments are very high.

They made the agreement for 14 years in 1995 with the government. That is, this company will work in Northern Cyprus market till the end of the year 2009 as a private company. Then become a state owned one after this specified year.

Their prices for one minute was due to the agreement are 42000 TL. Where 7000 TL of this amount goes to the government and the left 35000 are divided between the government and the company as well in the form of VAT. These prices have increased to 72000 TL/min + VAT in 2000.

This company has faced big problems with the introduction of roaming system to this country, as Northern Cyprus being not identified by foreign countries. Because Turkcell has interfered in this subject where the country's relations with the Greek side also influenced these developments for long years.

When Telsim first introduced this system, they had some problems with the Turkish government and paid high commissions for them, beside that they were forbidden from accepting any new customer for 6 months, this naturally affected highly the company's profits, and Turkcell went ahead with its investments and sales to new customers. Although Telsim has been facing some financial problems, they accept any new technology and always open for new innovations with regard.

4.7 Porter's Five Factors Model:

The intensity of competition in this industry is rooted in its underlying economic structure and goes well beyond the behavior of current competitors. The state of competition depends on five basic competitive forces shown below. These factors affect the elasticity of demand of customers, though some affect the long run vs. the short run.

That is, potential entrants affect the long run demand in that they may change the industry structure. Its main competitor is Turkcell in this market, where Turkcell opened its division in Northern Cyprus in 1999. At first of establishment of Turkcell, they thought that Telsim lost high number of customers, but Telsim's marketing strategies and campaigns even increased number of customers and reached high records.

When Turkcell first started in this market, they used to give customers connections free, where they did not face any problems with the government because of this, and they also used to exchange cards for customers where this should not be legal. Telsim on the other hand had never given customers free cards, beside that they always give the customer the chance of using the prepaid system. Turkcell however made good promotions when started in this island, but still could not reach the number of customers Telsim has, and still trying to increase number of customers in this country.

The Porter's five forces are:

1. Threat of new entrants
2. Bargaining power of buyers
3. Threat of substitute products of services
4. Bargaining power of suppliers
5. Rivalry among existing firms

Threat of entry

Barriers of entry

It's main competitor is Turkcell either in Turkey or in Northern Cyprus. This restricts some of Telsim activities and open doors to some marketing threats against Turkcell, such as economics, social factors and technical factors.

Rivalry among existing firms

In this firm price competition involves buisness (channels, services, distribution) trying to undercut each other prices. This remind us that the strength of this force is largely dependent upon the contributions of the other four strengths.

Bargaining power of buyers

First-time markets are more value oriented and they prefer low-cost priced in communication and services. Their bargaining power are higher if they give great services to customers.

Bargaining power of suppliers

The company supplying resources high in e.g mobile telecommunication services, friend and family services, Telsim wap (wireless application protocol), messaging, short message service, financial information, flash new services and so on as a low-cost services and increasing productivity so that it will have higher services to the customers.

Threat of substitute products

To remain competitive in communication in the domestic market it has to built brand loyalty though advertising, emphasizing promotions like Turkcell does.

CONCLUSION AND RECOMMENDATION

Telsim is one of the best and biggest companies of Turkey, which sells technology of mobile wireless telecommunication lines. It also connects people through high and efficient services. Telsim is also one of the biggest companies in Northern Cyprus, which uses the same GSM in Turkey.

Although the prices go up very rapidly but its strength and opportunities in the local market prevail future success in the future of Telsim. The Future of Mobile Communications with Telsim mobile telecom experts from all around the world had discussed the following as the company development:

- The Roots and Evolution of a wider market
- Operators' Requirements for Third Generation.
- Regulation, Spectrum Needs and Allocation.
- The Regional Perspective

To set the scene, the company identified four issues for the development plan which clearly stand up being the most important to be covered in this forum.

- Market Demand
- Standardization
- Licensing and
- Spectrum Allocation.

This work has been a core focus for the company, which regards it as fundamental to the future evolution of the GSM standard. However now, the emphasis is about to shift from drafting, the requirements to pursue them with other bodies. The Planned evolution of GSM which starts from present Generation 2.0 can be achieved in two steps; the evolution to Generation 2.5 and to Generation 3.

Also the company continues to provide guidance for the standardization work in both Turkey and Northern Cyprus encouraging GSM network operators to work with their national authorities to secure their access to licenses and spectrum for these new services.

A recent report on the Related Framework of the company provided the basis for overall conclusion and detailed some of the problems that need to be resolved with regard to spectrum regulation, licensing policies and competition. By linking these issues with key technical questions, he provides the audience with some options, which could potentially impact upon, and provide solutions to, the problems raised in the report.

Problems solutions could be achieved through advanced technology such as multi-mode terminals. And focusing on the coverage issues in foreign countries, using their experiences where to demonstrate how the advanced lifestyle and high Customer demand for superior coverage provides a window to the future of other countries' expectations.

It is their hope that Northern Cyprus has established a way forward for a GSM Association policy for the future, further defining the extension of better services for their customers. Through discussions such as these we will see an enhanced technology evolves, a greater value of services, characterized by an open platform, non-band exclusive technology development and preferred access. This would create, among other benefits, fair and open competition; which would imply that current competitors would be eligible for new solutions.

Just what will the future market demand be in terms of services and specifications? And how should we specify or technologically prepare for this unknown future? They believe, that the technological specifications in terms of service and design to access mobile services of the future must be flexible to account for the possible diverse needs of a range of applications based on high speed data and multimedia.

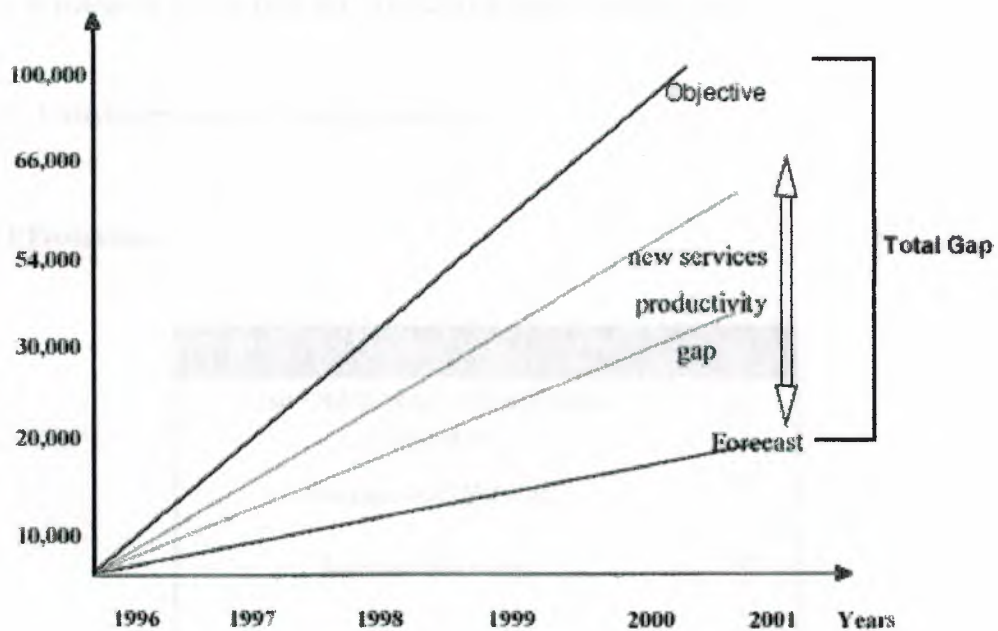
VI. APPENDIX

A. Gap Analysis:

The followings are done to explore the short fall between the companies forecast and objectives in order to establish marketing objectives with respect to increase customers' number. As a diagram, it is shown for Telsim as follows:

Figure 1 Gap Analysis I

No. Of customers



In order to be able to decrease this gap, the company should follow certain strategies for profit maximization using the followings;

- Efficiency focus: which highlights and focuses on increasing productivity of the company, changing prices by canceling discounts, or using better sales/promotions mix.

- Asset focus: This can be done by changing the asset base in either investing in other securities or using diversification of services; offering totally new services in new markets.
- Growth focus: Using market penetration for attracting more customers, or offer new services for the existing market, or find a new market for the same services.

The company put aims as percent, and tries to reach these aims using profit maximization technique as; increasing productivity by 1% using new technology to reduce costs, or offer new services by 2% to existing customers or new customers, as Telsim is planning for. Where the company follows these steps:

Step 1: Existing products, existing markets;

Table 1 Productivity

Productivity	%
Use interactive technological programs	50
Increase ads. Volume	20
Increase discounts	10
More sales calls	5
More quality services	15
Total	100%

Step 2: Diversification;

Telsim will add new services, which will expand its market share; more quality services and uses new technologies for attracting more customers.

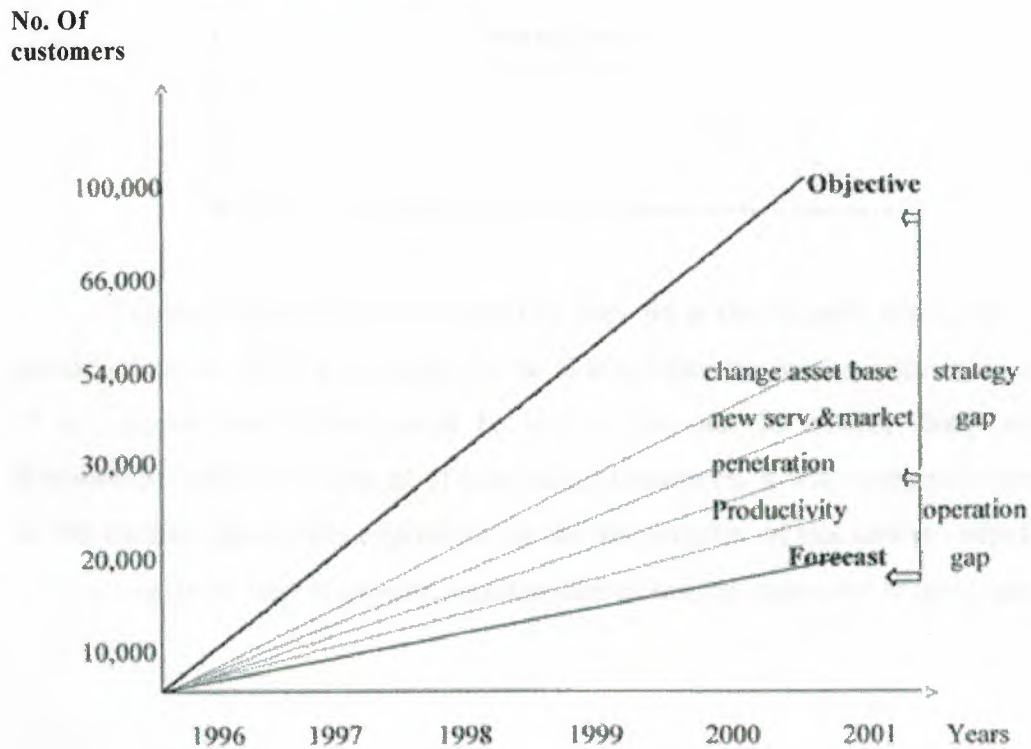
- Investment:

For changing the asset base, Telsim will adapt new investments as a new budget for the company, to be compatible with its objectives. Measured in financial terms. However, all these steps result in lowering the gap between forecasts and objectives of the company, as

Total gap = operation gap + strategy gap

Shown in the following figure 2;

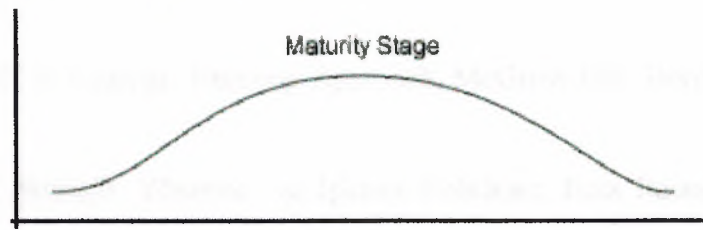
Figure 2 Gap Analysis II



B. Product Life Cycle

When analyzing the product life cycle of Telsim, we can see that new investments are necessary because they are almost at the maturity stage. So either new service should be introduced, or service differentiation should be done. They are the maturity stage because population of this country is limited and sales of lines have been already done to the highest portion of this population.

Figure 3 Product Life Cycle



Telsim product life cycle shows that they are at the maturity stage, and should come out with new services to be able to enter the market with stronger basis. If we assume that Telsim could be able to increase its market share with new investments, and new methods of convincing customers, it will continue to be leader in this market. Also, their experience as the first supplier of this service, which is one of its strengths to help in capture opportunities of market expansion in next years.

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