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# LIME, REFRESHING OR SOUR?

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# LIME, REFRESHING OR SOUR?

*Teaching Cases*

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## **Abstract**

*Cable and Wireless, Jamaica (C&WJ) operated in Jamaica under an exclusive license which made them a virtual monopoly. In 1999 the Government of Jamaica decided to renegotiate the license and liberalize the telecommunications industry. Early in the liberalization process new companies entered the market and C&WJ struggled to cope with the new competitive dynamics of the market. C&WJ although dominant in the landline market found it difficult to compete in the cellular market lagging behind relatively new entrant Digicel. American Movil operating under the brand name Claro recently entered the market intensifying the competition and threatened to relegate C&WJ into third place. In response C&WJ in 2008 embarked on a new high risk transformation strategy which included corporate rebranding changing its name to LIME (Landline, Internet, Mobile and Entertainment). This case chronicles the problems faced by LIME in adjusting to a telecommunications industry paradigm.*

**Keywords:** LIME, telecommunication, competition, liberalization, rebranding

*“There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer than to introduce a new order of things”....Machiavelli.*

## **Introduction**

Geoff Houston had just returned from the December 3, 2008 press conference where it was announced by Phil Green the current CEO that effective January 1, 2009 Geoff would be the new CEO of LIME formally Cable and Wireless Jamaica. After the meeting with the press as he sat alone in the quiet sanctuary of his huge office and reflected on a quote from Shakespeare's **Henry IV, which he thought summarized his current situation quite appropriately**, *“Uneasy lies the head that wears the crown”*. Geoff is the fifth CEO of the telecommunications company in the last five years and he wondered how long his tenure would last. Geoff had just assumed the responsibility of executing the new high risk transformation strategy in which the Company was rebranded from Cable and Wireless to LIME. The transformation is a bold bid to turnaround the company's fortunes. LIME has lagged behind the market leader Digicel and is facing increased competition from a new market entrant, American Movil operating under the brand name Claro. In addition to these issues the recent quarter ending September 2008 the company posted a loss of J\$236.4<sup>1</sup> million. Although the task was daunting Geoff was determined that he would not be a victim of the high CEO attrition rate.

## **Background**

LIME which is an acronym for Landline, Internet, Mobile and Entertainment was formerly Telecommunications of Jamaica of Jamaica (TOJ) and more recently Cable and Wireless Jamaica (C&WJ). TOJ was incorporated in May 1987 as the holding company for the Jamaica Telephone Company and Jamaica International Telecommunications Limited. TOJ was incorporated for domestic and international telephone service. The Government of Jamaica (GoJ), private owners and employees has a 18% ownership while Cable and Wireless West Indies Limited has a 82% stake in the company. This sale transferred a publicly owned monopoly to a privately owned monopoly.

TOJ was granted five licences in 1988 each for 25 years, which were valid until 2013 with options for extension for a further 25 years. The licenses provided for prices to be regulated by the Minister of Commerce and Technology under the rate-of-return method with an allowable after-tax return of 17.5%–20%. The minister had the authority to establish minimum standards of service quality and the company was mandated to consult and seek ministerial approval on a variety of regulatory and policy issues including network expansion plans. The ministry had limited regulator capability and therefore TOJ basically regulated itself with limited government supervision.

Following a name change on February 5, 1998 C&WJ replaced TOJ as the sole provider of the island's domestic and international telephone services. Since then, Cable and Wireless maintained monopoly status, totally dominating the market.

The Jamaican Government in an effort to develop a competitive and vibrant telecommunications industry and to move Jamaica towards becoming a knowledge-based connected society embarked on an effort to liberalize the telecommunications industry in 1999. This led to the phasing in of liberalization of the sector in September 1999. The GoJ and Cable and Wireless signed a Heads of Agreement for the liberalization of the sector to be phased over three years. While not much was said in the media the decision required that the GoJ pay Cable and Wireless a substantial fee for the buy out of the licenses and the 25 year options. Full liberalization was completed on March 1, 2003. Alexander Graham Bell invented the telephone in 1876 and 127 years later the telecommunications sector in Jamaica was fully liberalized. A new era was heralded due to liberalization, which saw C&WJ signing an agreement with the GoJ, which was dubbed “New Connections”. In this agreement C&WJ handed over its monopoly licences. This made Jamaica the first of the English-speaking Caribbean islands to embark on a path of market liberalization in telecommunications.

When the Jamaican Telecommunications Industry was deregulated there was high demand for new licenses. From 2001 to 2005, about 200 entities received close to 400 licenses to provide services in areas such as: International Service Providers (Internet); Domestic Carriers; International Voice and Data Transmitters; ISP Cable Providers; and Domestic Voice. The mortality rate has been high. Today, only about 20 of those firms (10 per cent) are

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<sup>1</sup> The foreign exchange rate is US\$1 = JA\$78.00

operational, several in different forms than when they applied for licenses. Of the remaining 90 per cent, industry sources say many never got off the drawing board, some tried and failed, others consolidated and still others are continuing to research the market to identify the right niche for their service offerings.

Liberalization of the telecommunications market commenced with the granting of two new carrier licenses for the provision of domestic mobile voice, data, and information services. These licenses were awarded on the basis of auctions held in December 1999 and January 2000. The auctions were financially successful, contributing 92.5 million US dollars to the Jamaican treasury or just under 40 US dollars per capita. Each mobile entrant uses a different technology for its mobile network: Mossel (which operates under the trade name Digicel) commenced service in April 2001 using the GSM (Global System of Mobile Communications); later that year Oceanic Digital Jamaica (now Claro) commenced operation deploying CDMA (Code Division Multi Access); while C&WJ, who has been offering mobile services in Jamaica since 1991, employs TDMA (Time Division Multi Access). CWJ has since switched from TDMA to GSM, similar to Digicel except they operate on different frequencies.

All mobile licenses were for a period of 15 years. New entrants have a license condition requiring a build-out of their networks to provide 90% coverage of the Island within five years of granting the license. The mobile licenses under which the C&WJ operates have no network build-out obligations.

With competition imminent, C&WJ sought to position its mobile business for the new environment. In September 1999, the company introduced 'Calling Party Pays', launched its prepaid mobile service the following year, and reduced the price of mobile handsets, all of which made mobile services more affordable to a wider cross-section of potential customers. With these changes, by December 2000, the number of subscribers connected to the mobile network had grown to 249,842, up by 131,981 over 1999. During the phasing in of liberalization, C&WJ managed to sign approximately 300,000 customers and oversubscribed its network in the process. The Office of Utilities Regulation (OUR<sup>2</sup>), which is the regulatory agency governing Jamaican mobile service providers, intervened and threatened to suspend C&WJ's service licence on one occasion when their network 'went down'. At the time of deregulation C&WJ had a waiting list of 217, 000 persons for landline service, there was a growing demand for new telecommunications services and there was no universal service policy.

## **Competition**

### ***Digicel Jamaica***

In April 2001, when Digicel launched their GSM mobile service in Jamaica, the company anticipated reaching the 100,000 customer plateau by the end of its first year in operation. Instead, they hit the 100,000 mark a mere 100 days after launch! Never before in the history of mobile telecommunications had such tremendous growth been seen in a network, as Digicel broke record after record on its way to surpassing its major competitor as the mobile provider with the largest customer base in the island.

To give an idea of Digicel's pace of growth, it took LIME, its major competitor approximately 10 years to reach the 400,000, customer mark. In comparison, it took Digicel about 13 months to reach the same figure. Digicel's customer base now stands at over 1.9 million customers and the company currently commands approximately 65% of the mobile market share in Jamaica.

Digicel raised the bar where an acceptable level of network coverage was concerned. Jamaicans living in rural Jamaica finally had a genuine option for mobile communications. With an island-wide network of over 1,000 cellular towers spread across all 14 parishes, Digicel has firmly established itself as the mobile provider with the premier network coverage across the country.

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<sup>2</sup> The Office of Utilities Regulation (OUR) was established by an Act of Parliament in 1995 to regulate the operations of utility companies in Jamaica. Their objectives include inter-alia to establish and maintain transparent, consistent and objective rules for the regulation of utility service providers. The utilities include Electricity, Telecommunications, Water Supply, Sewerage, and Public Passenger Transport by road, rail and ferry (source: <http://www.our.org.jm>).

The company's approach of affordable phones, a user-friendly approach and mass marketing earned Digicel a leading place in the market that it has astutely defended. Along the way, the company has made its name synonymous with Jamaican sports and musical events that have created brand awareness that will be difficult to lose. Digicel used Jamaica as catalyst for a foray across the Caribbean and Central America, becoming the fast-growing telecoms company in the region, operating in 23 territories and a turnover of over US\$1 billion.

### ***Claro***

America Movil the parent company for Claro is the fourth largest network operator in the world and the largest corporation in Latin America. The company provides fixed-line, wireless, and cellular telecommunications services and broadband services under the Telcel, Claro, Comcel, Porta, Codetel, and PRT names. At the end of the second quarter of 2008, América Móvil provided services for more than 165 million mobile customers; owned more than 3.9 million fixed lines in Central America and the Caribbean and provided coverage for a combined population of 770 million.

While American Movil will not comment industry sources indicate that the company's entrance into Jamaica was in response to Digicel's entry into El Salvador, and Honduras.

American Movil acquired 100 percent of Oceanic Digital, under the brand name MiPhone in August 2007 and had the official launch of Claro in November 2008. At the launch of Claro in Jamaica, America Movil stated that they are using Jamaica as a launch pad to step out into other English speaking countries. According to the Jamaica Gleaner, "Claro CEO Alejandro Gutierrez indicated that Jamaica would be the launch pad for the United States and United Kingdom. According to Gutierrez the company plans to be number one in the Jamaican market within 3 years time".

Claro shook up the market when it launched its 3G<sup>3</sup> network. It has promised to slash mobile rates by as much as 50% as well as offer exclusive handsets such as the popular Apple iPhone. In October 2008 Claro announced that it had already invested US\$270 million in its new 3G network. The new network is not yet fully built out but the company plans to increase the number of cell sites from the present 475 to 610 by December 2008.

Claro network currently has 70 per cent island-wide coverage with only Claro customers in major towns being served with 3G voice and data. Until the end of 2008 customers outside these areas can make voice calls using 3G but send data only via slower EDGE<sup>4</sup> technology.

### ***Flow***

Columbus Communications Inc. (CCI) was incorporated in Barbados in 2004 and is headed by Jamaican/Canadian billionaire Michael Lee Chin. CCI is a diversified telecommunications company whose core operating business is providing cable television services, high speed internet access, digital telephone and internet infrastructure services (retail) and, the development of an undersea fiber optic cable network as well as the sale and lease of the telecom capacity provide by the network (wholesale). The company operates in over 21 countries in the Caribbean and Latin America. Its subsidiaries include:

- Americas Region Caribbean Optical-ring System (ARCOS). With more than 14,000 km of active undersea fiber optic cable, the ARCOS network combined with its new undersea link to Trinidad that was recently placed into service and its affiliate companies sub-sea networks in The Bahamas (Caribbean Crossing) and

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<sup>3</sup> 3G refers to the third generation of developments in wireless technology, especially mobile communications. The third generation, as its name suggests, follows the first generation (1G) and second generation (2G) in wireless communications. 3G capabilities and features include: enhanced multimedia (voice, data, video, and remote control), allows for e-mail, paging, fax, videoconferencing, and Web browsing, and offers broad bandwidth with speeds upwards of 2Mbps (source <http://whatis.techtarget.com>)

<sup>4</sup> EDGE (Enhanced Data GSM Environment) is a faster version the Global System for Mobile (GSM) wireless service designed to deliver data at rates up to 384 Kbps. and enable the delivery of multimedia and other broadband applications to mobile phone and computer users. Although some companies advertise EDGE as a 3G technology, it is more commonly called a 2.75G as it does not offer true speed of a 3G network. EDGE is regarded as an evolutionary standard on the way to 3G.

Jamaica (Fibralink), positions CCI as the leading undersea broadband fiber-optic cable network provider connecting the U.S., Mexico, Central America and the Caribbean.

- FibrLink Jamaica is an international telecommunications company that owns and operates a sub-sea fiber optic network that links Jamaica with the ARCOS network.

Flow Jamaica is a member of the CCI and offers corporate and residential customers with a range of communications services as well as broadband internet and cable television, via a fiber optic network. The company's product offerings represent the convergence of voice internet and cable. The company started its roll out in the capital city of Kingston and is currently offering services in all major towns in Jamaica. In the cable and broadband residential market the company has expanded rapidly by a series of controversial acquisitions of smaller cable operations.

Flow offers what it calls its Triple Play services to residential consumers: digital cable TV, digital landline and broadband internet access. Services offered to corporate customers include, high-speed VLAN, collocation, dedicated IP services, and international private lines. Flow has the highest capacity broadband network in the country with 320 Gbps capability with excess capacity of approximately 75%. Since the entry of Flow in 2005 the cost of ADSL and other broadband services have fallen in excess of 60%.

### ***Mobile Technology/Infrastructure***

The technology used by all these major players in the wireless market is very homogenous. Up to a few years ago LIME used both Time Division Multiple Access (TDMA) and Global System for Mobile (GSM). They have since retired the legacy TDMA system using GSM on the 800 and 1900 frequency, for both second generation (2G) and third generation (3G) phones. The same frequency bands are used by Claro 800/1900 but different sections. In addition Claro uses Code Division Multiple Access (CDMA) on its 800 band and GSM on its 1900 band for 3G. Digicel also operates on the GSM technology on the 900/1800 frequency bands (see table 2). With no plans to launch its own 3G network Digicel has instead placed its faith in the 'fourth generation' technology of WiMAX<sup>5</sup>. This is dependent on the approval of its license application to the Spectrum Management Authority (SMA).

With rollout of 3G technology and its enhancements offering download speed equivalent to ADSL on a home phone, it is expected to start a new round of competition which will go beyond voice and text and include data services. These networks will support services such as video and streaming music.

## **LIME**

### ***Strategy***

Unlike its competitors LIME is the only full service telecommunications provider in Jamaica. LIME is the island's leading provider of national and international fixed line services. They are the island's only full service provider, providing business and residential customers with mobile and fixed voice, data, IP (Internet Protocol) and broadband services, as well as services to other telecoms providers. The new approach by LIME is market itself as a full service telecommunications provider not just a wireless provider. Its growth strategy will therefore include all the services in its name.

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<sup>5</sup> WiMAX is a wireless digital communications system, also known as IEEE 802.16 that is intended for wireless "metropolitan area networks". WiMAX can provide broadband wireless access (BWA) up to 30 miles (50 km) for fixed stations, and 3 - 10 miles (5 - 15 km) for mobile stations. (Source WiMAX.com)

A major aspect of the transformation is the rebranding strategy. Reports suggest that the Cable and Wireless brand in Jamaica and the Caribbean had become an albatross, symptomatic of arrogance, lack of responsiveness to customer needs and poor service - all a legacy from its monopolistic past. The rebranding which occurred on October 31, 2008 was introduced in the 13 markets across the Caribbean. The new name LIME which is an acronym for Landline, Internet, Mobile and Entertainment is suppose to project a new image of freshness and a company on the cutting edge in contrast to its previous stodgy and lumbering persona. Phil Green former CEO said at the launch: "The business we are creating really doesn't bear a great deal of resemblance to the Cable and Wireless of old. The slow indifferent aloof business is being replaced by an organization built around customers and their needs". Green reported that the company was focusing on customer care where its image is at its worst. Green indicated that they have enjoyed some initial success in which the company had cut the number of customer calls that went unanswered at its contact centers, while turnaround on service installation improved by 70% under the new refinement programme for customer care.

Initial reaction to the name change has been met with cynicism from customers. "This is just another attempt to dress up the emperor in new clothes even as everyone knows the emperor has long lost the respect of the people he once led". "LIME is a branding done by foreigners who are clueless about our culture and thought that by being cute and cuddly would have people walk back to Cable and Wireless aka LIME". "Squeeze the LIME a little more Digicel". The most complementary comment was "I appreciate the fact that C&W has realized the bad reputation they have created. It's gonna take more than a flashy website to convince me that there is any difference".

Research indicates that corporate rebranding is the riskiest of all rebranding strategies and for the name change to be successful, the company needs to have a clear idea of why it is necessary and what the company expects as a result. LIME has so far approached the transformation in a comprehensive manner, with changes to its logo, website, cell phone identification, billboards, at least in Kingston and its customer service representatives and other staff have ceased to use Cable and Wireless in their interaction with customers. Based on customer response alone a brand cannot be built overnight and investment in branding needs to continue over many years. The cost therefore for rebranding is very high, and is expected to run into millions of US\$.

### ***Transformation Plan***

A centerpiece of LIME's transformation plan is the introduction of a 3G wireless network. LIME is spending US\$30M to upgrade its network to 3G. Ericsson has been contracted to complete the upgrade. The 3G network will provide mobile users with cutting edge features such as video conferencing calls, multimedia e-mails, faster transfer of files and TV streaming among other features. The rollout was scheduled for November 2008 but was delayed and reschedule for January 2009.

In October 2007 the company announced that it would be spending \$2.8 billion to erect 120 new cellular towers island wide over an 18 month period. This new investment would boost its broadband coverage and increase the number of sites to over 600, similar to Claro's projected growth. This however is far behind Digicel who has over 1,000 sites island-wide.

Phil Green the outgoing CEO has also embarked on an aggressive cost reduction programme which includes staff cutback. In the last six months ended September 2008 the work force was reduced by eight percent eliminating 99 jobs. Staff cost fell by \$150 million but administrative cost rose by more than \$500 million suggesting that the focus was on product development. The staff reduction which is expected to continue until April 2009 has had a demotivating impact on staff with each person wondering who will be next.

On the product development side LIME, pioneered the prepaid BlackBerry service in Jamaica on June 23, 2008. In June 2008 the company also launched its Homefone Xpress service which delivers traditional fixed services over its mobile network.

### ***Finances***

#### **Jamaica vs. Panama**

LIME Jamaica is frequently compared with its Panama counterpart. Both countries have roughly the same population, 2.8 million, same per capita GDP at US\$2,500 in 2002, similar work complement of 2,795 versus 2,470

as Jamaica in 2002. Both markets entered full liberalization in 2003 and both had two main rivals. In 2002 both companies were virtually twins. In 2002 their earnings before loan, interest, depreciation and amortization (EBITDA) were less than seven percent apart at \$145 million, with Jamaica actually ahead. At the end of the financial year 2007/8 Panama earned US\$254M versus US\$39.1M in Jamaica. While Panama's performance was considered a little short of spectacular, Jamaica was considered disappointing.

LIME parent company Cable and Wireless International sets a EBITDA margin of between 34 to 37 percent for its subsidiaries. Jamaica's EBITDA has consistently been below this target at 27.9% in 2004, 29% in 2005, 29.3% in 2006, 28.2% in 2007 and 12.1 per cent in 2008.

C&W subsidiaries earnings targets are set by the parent company. John Pluthero executive chairman of Cable and Wireless International recently said, commenting on the 2007/2008 financials, that he expected that EBITDA for 2008/9 to increase by 8 – 10% and EBITDA margin to be approximately 35%. This means that Jamaica's EBITDA target for 2008/9 is US\$43M.

Green steered the company to an operating profit of J\$629<sup>6</sup> million in the first half year April to September 2008 compared to a loss of J\$98 million in the previous period, and he cut net losses from J\$500 million to J\$266 million.

## **The Landline, Internet, Mobile and Entertainment Market**

### *Landline Services*

LIME remains the dominant player in the domestic fixed line market despite the granting of 14 domestic carrier licences to prospective entrants. Entry requirement in the fixed line market is low (licence fee J\$25,000) compared to mobile market. The demand for CWJ fixed line service (up to 2004) outstrips supply, as evidenced by a waiting list that consistently averages over 200,000, prices for local services, especially access, are considered to be below economic cost.

A more recent 2006 Office of Utilities Regulation (OUR) survey suggests that demand for fixed lines may not be as high as indicated. The survey results show that 97% of companies have a fixed line with 99% of the respondents indicating LIME as their service provider. Only 27% of households had fixed lines down from 59% in 2002. Seventy four (74%) of households have mobile phone only while only 2% have fixed line only. This decline in landline use is despite a Homefone marketing strategy which allowed fixed line customers, to opt for a pay as you go service. This strategy which was designed to improve market share and revenue had the opposite effect. Many fixed line subscribers migrated to Homefone however LIME lost the monthly mandatory line rent that such customers used to pay. Industry analyst suggests that former CEO Rodney Davis was terminated for among other things the failure of the Homefone strategy.

Flow is the only credible competition in the landline market to LIME. Flow has followed an aggressive strategy to gain market share. The company reduced landline rate by over 70% in July of 2008 at the same time that LIME announce a five to ten percent increase on its fixed line rates. It cost LIME customers more per minute to make call on its own network, than to call a Flow line. Calls within the Flow network is based on a flat fee of \$495 per month, which rivals LIME cost of \$900 per month. See tables 5 – 7 for additional landline information.

### *Internet/Broadband*

The Internet market segment apparently has the greatest potential. Sixty nine percent of organizations have internet access, while only 41% of residents do. LIME has 89% of the corporate market and 31% of the residential market. In the residential market a slew of other smaller players make up the rest of the market with no company having more than 5%. The greatest threat to LIME in this segment is Flow who has been making aggressive inroads in the segment. Flow has introduced low cost international calls using voice over internet protocol (VoIP) which has cut into international call revenues for LIME.

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<sup>6</sup> The foreign exchange rate is US\$1 = JA\$78.00



Flow in 2008 invested US\$80 million to develop an underwater fiber-optic cable system linking Morant Point in Jamaica to Columbia and Boca Raton in Florida. The new Colombia –Florida Express Route (CFX-1) includes 70 kilometers of undersea fiber-optic cable stretching from Morant Point in St. Thomas Jamaica and connecting with Columbus 2,400 kilometer network that extends from Boca Raton Florida to Cartagena in Colombia. Flow has indicated that the new connectivity will reduce Internet and telecommunications rates particularly for commercial customers, including, banks, hotels and other telecommunications providers and boosts capacity in broadband and telecom circuits.

The Jamaica Gleaner indicates that the CFX-1 has the capacity to deliver 40 megabytes per customer although the company currently offers a maximum of 15 megabytes to its residential customers.

### ***Mobile***

This segment of the market is the most competitive and the most lucrative. Prior to 2000, mobile services were primarily post paid, both parties paid for cellular to cellular and cellular to fixed lines calls. Most customers considered this pricing structure unfair and there was the perception that C&WJ (now LIME) was abusing its dominance. With the advent of competition especially, Digicel, the market changed to prepaid. Prepaid subscribers account for 97.5% of total subscribers, while postpaid account for only 2.5%.

LIME currently has approximately 660,000 mobile customers; Digicel has approximately 1.9 million mobile customers, Claro having about 250,000 customers. With its new strategy LIME is expecting to increase its market share by as much as 15%. There is no consensus among market analysts as to whether the market is saturated, Jamaica's population is approximately 2.8 million persons with many persons subscribing to more than one provider.

LIME has a 57% share of the corporate account market, Digicel 35% and Claro with 7%. It is interesting to note that companies with the largest number of phone accounts tend to use LIME while those with fewer accounts tend to use Digicel. Although 20% more companies use Digicel than LIME, LIME has 22% more corporate mobile phone accounts than Digicel. On the residential side Digicel has a 77% market share, LIME 21% and Claro 2%.

The OUR survey (2006) also indicates that the mobile phone provider who is able to offer the best price to make a call through their network, is likely to be the winning choice among corporate and residential mobile phone subscribers. The second most important factor for both groups was network coverage area. The survey also found that the cost of other persons to call their cellular was also very important. The majority of organizations, 77%, consider the cost of others to call their mobile phone important, while 65% of residential considers this factor as very important.

### ***Entertainment***

In May 2008 LIME announced that it would be entering the market for subscriber television (STV), a plan that will pitch it directly against Flow. Phil Green told the Gleaner that the five year roll out was expected to begin in the second half of 2008 across the Caribbean and is estimated to cost upwards of US\$140 million per year to execute.

In November (2008) Digicel followed suite by acquiring an island-wide subscriber TV to be marketed as DigiTV. Digicel plans to offer wireless digital TV offering a host of local and international channels currently offered by flow and other cable providers. A date was not given for the rollout of DigiTV.

The entertainment market is currently dominated by Flow Jamaica which is funneling billions of dollars per year into its rollout of its triple play and has built up a customer base by acquiring smaller cable operators. Flow said that it would invest between US\$5 - \$7 million annually until 2010/11 to lock in the market. The company was awarded an all-island licence in 2007 to offer subscriber television in all the cable zones across the island. All existing companies were offered licences for only a few zones. This new licence was met with skepticism, suspicion and anger. There was and still is a widespread view that the powerful and influential owner of Flow, Michael Lee-Chin, was offered a sweetheart deal. This fueled public suspicion that Flow intended to monopolize the market. Flow's competitors in the cable market publicly expressed anger over the governments granting of the licence arguing that they were having difficulty to get small regional expansion licence however Flow was granted an island-wide licence.

Flow has acquired 100,000 customers. The market is estimated to be 750,000 households with approximately 600,000 homes watching television from cable operators. Former CEO of Flow had indicated that his company wants to acquire 25% market share

## **Current State of the Transformation Effort at LIME**

### ***Management Issues***

Over the last three years LIME has lost 23 managers and since 2003 has changed five CEOs Errald Miller (2003), Gary Barrow (2004), Jacqueline Holding (2005), Rodney Davis (2007) and recently Philip Green who demits office at the end of December 2008. According to industry observers the marketing department is the next most turbulent behind the CEO position. None of its vice presidents have been able to keep their jobs for more than one or two years.

There is also the perception that at the heart of the company's problem is it culture. The view is that the company had operated as an arrogant monopoly for many years and it finding it difficult to operating in a free and highly competitive marketplace. Large portions of the market view the company as oppressive and suggest that it took advantage of status as a monopoly and overcharged subscribers over the years. This has tarnished the organization's image a alienated potential customers who will not do business with LIME. Internally the organizational culture has proven very difficult and resistant change and is considered at the heart of the company's problems. Employees expressed the view that when Rodney Davis tried to make changes to the organization both executives and staff rebelled. This made his job and the changes he wanted to effect difficult. It is believed that a similar situation was faced by all his predecessors.

### ***Marketing***

Business Suite a leading Jamaican business magazine argues that LIME always seems to reacting to Digicel's marketing strategies and has consequently made a number of blunders including their switch in sponsorship from Sumfest to Sunsplash<sup>7</sup> and their loss in sponsorship of the West Indies Cricket team. Sumfest for example has a strong following with the under 35 demographic, a large and profitable segment of the market, yet LIME opted to switch sponsorship to Sunsplash. Another promotion that was considered to be very expensive and uninspiring was the "Pressa" advertising campaign. Advertising experts agreed that the campaign had potential but its main character, a taxi driver, was not "aspirational" and did not identify with the company's target population.

Advertising executives agreed that the clown campaign was a mistake. This campaign was an apparent direct attack on Digicel and their over 1.5 million subscribers (at the time). The advertisement suggested that Digicel customers were clowns to remain with their subscriber and continue to pay more for cellular calls. Another Brand strategist argued that the biggest marketing blunder by LIME is its inability to effectively brand its cellular product. Prior to LIME the cellular brand was bMobile. This brand name was considered very risky as "b" in the Jamaican culture has homosexual connotations. Generally Jamaicans are homophobic. The company shrewdly used anti-homosexual dancehall artists in its advertising campaign to counter this risk.

## **Outlook**

Geoff pondered on all the issues faced by LIME and felt flanked by all the competition. Since 2001 the company has failed to make any major inroads in the mobile market share of Digicel. Claro represents a credible threat, as it has more resources and is far more aggressive than its predecessor. In what is considered to be a saturated market where

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<sup>7</sup>Reggae Sumfest and Reggae Sunsplash are annual and competing international weekend long musical events which take place in the summer in Montego Bay Jamaica each year. Both concerts showcase the best of Dancehall and Reggae music, as well as top R & B/Hip Hop performers. The festival also offers delicious Jamaican cuisine as well as arts and crafts from all over Jamaica.

will the additional market share come from. A worrying development during the Christmas holidays in the mobile market segment was the aggressive promotional campaign between Claro and Digicel almost to the exclusion of LIME despite its own campaign which offered a grand prize of US\$1M. Marketing may again have to be revisited. Geoff was buoyed by the prospect of its early build out of its 3G network. This could provide a competitive advantage with the offering of additional services such as digital TV. In the broadband segment Flow is gaining ground and has more capacity than LIME in addition it is a late starter in the entertainment segment. While it dominates in the landline segment there is little growth. The most pressing concern is how effective will the corporate rebranding be? The initial reaction has not been positive but brands are built not created. Staff has started to show the strain of the transformation process, morale is low and retrenchment will continue until earliest April 2009. Geoff listed his major challenges: staff motivation and the deployment of resources so that LIME will be a refreshing 'new' brand. He interrupted his thoughts to check his e-mail and noticed one from head office which read in part.... despite the international recession there will be no adjustment to required EBITDA in 2009.

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## Appendix

<b>Table 1: The Footprint of the Three Major Players in the Region</b>		
<b>LIME</b>	<b>Digicel</b>	<b>American Movil/Claro</b>
<b>Caribbean</b>		
Anguilla	Anguilla	
Antigua Barbuda	Antigua Barbuda	
	Aruba	
Barbados	Barbados	
	Bermuda	
	Bonaire	
British Virgin Island	British Virgin Island	
Cayman Island	Cayman Island	
	Curacao	
Dominica	Dominica	
		Dominican Republic
Grenada	Grenada	
	Guadeloupe	
	Haiti	
Jamaica	Jamaica	Jamaica
	Martinique	
Montserrat		
		Puerto Rico
St. Kitts and Nevis	St. Kitts and Nevis	
St. Lucia	St. Lucia	
St. Vincent and the Grenadines	St. Vincent and the Grenadines	
Turks and Caicos	Turks and Caicos	
	Trinidad and Tobago	
<b>Central America</b>		
	El Salvador	El Salvador
		Guatemala
	Honduras	Honduras
		Nicaragua
Panama	Panama	
<b>South America</b>		
		Argentina
		Brazil
		Chile
		Columbia
		Ecuador
	French Guyana	
	Guyana	
		Paraguay
		Peru
	Suriname	
		Uruguay
<b>North America</b>		
		Mexico

Sources: [www.claro.com](http://www.claro.com) , [www.digicelgroup.com](http://www.digicelgroup.com), [www.time4lime.com](http://www.time4lime.com)

<b>Table 2. Overview of the mobile technology systems running on each network</b>			
<b>Network</b>	<b>System</b>	<b>GPRS<sup>8</sup>/UMTS<sup>9</sup></b>	<b>Frequency</b>
Claro	CDMA/GSM	Yes	800/1900
LIME	GSM	Yes	800/1900
Digicel	GSM	GPRS	900/1800

Source: Spectrum Management Authority (SMA)

<b>Table 3: FLOW Internet Packages for Residential Customers</b>			
<b>Flow Packages</b>	<b>Speed Down/Up</b>	<b>Monthly Access (\$JA)</b>	<b>Hours Allocated</b>
Flow Beat	1Mbps/256 Kbps	\$ 650.00	10 Hrs
Flow Jazz	1Mbps/256 Kbps	\$ 1,200.00	30 Hrs
Flow Rock	8Mbps/1Mbps	\$ 2,100.00	Unlimited
Flow Rave	15Mbps/1.5Mbps	\$ 2,800.00	Unlimited

Source: [http://www.flowjamaica.com/index.php?option=com\\_content&task=view&id=41&Itemid=143](http://www.flowjamaica.com/index.php?option=com_content&task=view&id=41&Itemid=143)

<b>Table 4: LIME Internet Packages for Residential Customers</b>			
<b>LIME Packages</b>	<b>Speed Down/Up</b>	<b>Monthly Access (\$US)</b>	<b>Hours Allocated</b>
Mega	1Mbps / 256 Kbps	\$29.95	Unlimited
Mega Plus	2Mbps/512 Kbps	\$34.95	Unlimited
Mega Max	4Mbps/768Kbps	\$49.95	Unlimited

Source: <http://www.time4lime.com/content/5/section/9/category/138/487>

<sup>8</sup> General Packet Radio Services (GPRS) is a packet-based wireless communication service that promises data rates from 56 up to 114 Kbps and continuous connection to the Internet for mobile phone and computer users.

<sup>9</sup> Universal Mobile Telecommunications Service (UMTS) is a third-generation 3G broadband, packet-based transmission of text, digitized voice, video, and multimedia at data rates up to 2 megabits per second. UMTS offers a consistent set of services to mobile computer and phone users, no matter where they are located in the world. UMTS is based on the Global System for Mobile (GSM) communication standard.

Destination	FLOW Rates		LIME Rates	
	Peak	Off Peak	Day	Evening
LIME Fixed Line	\$ 0.85	\$ 0.55	\$0.99	\$ 0.65
Flow Fixed Line	Free	Free	\$7.00	\$7.00
LIME Mobile	\$9.50	\$9.50	\$7.00	\$7.00
Digicel	\$6.50	\$6.50	\$7.00	\$7.00
Claro	\$6.50	\$6.50	\$7.00	\$7.00

**Peak** - Daily from 6 am - 5:59pm

**Off-Peak** - Daily from 6 pm - 5:59am and Weekends

Source: [http://www.flowjamaica.com/index.php?option=com\\_content&task=view&id=40&Itemid=138](http://www.flowjamaica.com/index.php?option=com_content&task=view&id=40&Itemid=138)

<http://www.time4lime.com/content/5/section/9/category/140/472>

Package	Description	Monthly Access
Flow-Control	Free On-Net (Flow phone to Flow phone), Caller ID, Call Waiting, Call Barring, Three Way Calling, Automatic Busy Redial, Calling Number Delivery Blocking (*67), Voicemail	\$ 0.00
Flow Go	Free On-Net (Flow phone to Flow phone), Caller ID, Call Waiting, Call Forward Unconditional, Call Forwarding Busy, Call Forward No Answer, Call Barring, Three Way Calling, Automatic Busy Redial, Calling Number Delivery Blocking (*67), Voicemail	\$ 495.00
Flow Connect	Virtual number service that offers Flow-Go, Flow-Go 180 and Flow- Unlimited landline customers the option of having their own US, Canada or UK number. When the Flow Connect virtual number is dialed from overseas it will ring on the customer's telephone line in Jamaica.	\$ 695.00
Flow-Go-180	Includes one Flow-Go line along with all of the features of a Flow-Go line plus 180 minutes per month of talk time to USA and Canada (mobile and fixed lines) and UK (fixed lines only)	\$ 895.00
Flow Unlimited	Includes one Flow-Go line along with all of the features of a Flow-Go line plus Unlimited minutes of per month talk time to USA and Canada (mobile and fixed lines) and UK (fixed lines only) *Calls to	\$ 1,595.00

	the following area codes are not included: 907 (Alaska - USA), 867 (Arctic - Canada)	
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**NOTE :**

1. An Internet connection is not required for our Talk services.
  2. All Packages attract a one-time installation charge of **J\$1,495**
  3. Only one installation fee will apply if both Talk and Click services are requested at the same
- Source: [http://www.flowjamaica.com/index.php?option=com\\_content&task=view&id=38&Itemid=136](http://www.flowjamaica.com/index.php?option=com_content&task=view&id=38&Itemid=136)time.

<b>Table 7: Landline Phone Package for LIME Residential Customers</b>	
<b>Teleclass Features</b>	<b>Monthly Access</b>
Residential Telephone Line Rental	\$700.00
Automatic Busy Redial	\$55.00
Automatic Call-back	\$55.00
Call Forwarding	\$25.00
Call Trace	\$55.00
Call Waiting	\$30.00
Caller Identification	\$55.00
Conferencing/Three Way	\$45.00

Source: <http://www.time4lime.com/content/5/section/9/category/140/472>