

## **Kaizen or Innovation? Finding a Better Fit for Bangladeshi Mobile Telecommunication Companies**

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### **Abstract**

*How powerful and pervasive the innovation mania in this era is! This mania is now at the top of the agenda of the mobile telecommunication industry in Bangladesh. True to say mobile telecommunication itself was an innovation in a technology-shy society of Bangladesh. A great deal of experiment is going on right this moment in this industry. A part of the experiment is to consider the innovations (mainly marketing) in innovation (mobile telecommunication) by the telecommunication service providers. Primarily this paper has tried to explore the innovative practices of the mobile telecommunication companies. Then it has also tried to examine whether these innovations or Kaizen (a Japanese term for incremental improvement) may be a better solution for the ultimate success of mobile telecommunication companies in the developing countries, especially in Bangladesh and for the satisfaction of customers that is ultimately needed for the success of the companies.*

**Key words:** Innovation, kaizen, service, marketing, competitive advantage, leverageable advantage

### **1. 00 Introduction:**

Apart from the mobile handset, mobile telecommunication industry is purely a service industry. Nowadays this industry is contributing more to society and economy than ever before and this is not an exception in Bangladesh. The contribution of service sector towards economic activities is increasing gradually. In recent times, mobile telecommunication sector has been one of the major contributors in terms of revenues, employments and infrastructure development. By nature service is a complex composition, which is very difficult to abstract, articulate and standardize. Therefore, service organizations are trying to provide more value to the customers in innovative ways to maintain their competitive advantage. It is often found that the service providers in many developing countries do not serve their customers properly. There are several reasons behind this behaviour, such as consumers are not educated and aware about their rights and privileges, lack of professionalism on the firms' side, lack of competitiveness and so on. This scenario is equally true in case of Bangladesh mobile telecommunication industry. In this industry where a scenario like "Innovate or die!" is prevailing the service providers are trying to keep pace with it by introducing various innovative ways. But still neither the companies

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have found competitive edge nor have the customers got full satisfaction. This paper has tried to explore the various innovative practices by the companies and at the same time it has also tried to find out whether these practices are the ultimate solution for the success and satisfaction of the companies and customers respectively or whether a Japanese practice called Kaizen should be introduced by the companies.

Kaizen (pronounced Ky'zen) is a Japanese term which means continuous improvement. 'Kai' means continuous and 'zen' means improvement. Some translate 'Kai' to mean change and 'zen' to mean good, or for the better. The Kaizen is originally a Japanese management concept for incremental (gradual, continuous) change (improvement). Simply, innovation is newness. Introducing something new in the market is considered as innovation. But introducing anything old in a market where that product or idea is not revealed yet can also be an innovation. Introducing mobile telecommunication in Bangladesh is this type of innovation. Goods and Services are two concepts that should be clarified for the proper understanding of the discussion. The difference between goods and services is not always precisely clear. Often it is very difficult to make a proper distinction between these concepts. For our convenience it is required to foster a firm view so that the interpretation and comment can be made from a particular point of view. In spite of the confusion, the following definitions may provide a sound starting point to understand the concept of goods and services. In general, goods can be defined as objects, devices, or things, whereas services can be defined as deeds, efforts, or performances (Adam Kornak et.al. 2004). If we are clear enough to differentiate the service then we shall see that service imperative (Hoffman, K. D. and Bateson, 2004) in which the intangible aspects of the product are becoming the key features, differentiate products very successfully in the marketplace. Through out this paper, the term product will refer to both the goods and services.

## **2. 00 Objective of the study:**

The objective of this paper is to highlight the practice of innovation strategy in mobile telecommunication industry in Bangladesh. At the same time, to identify the challenges and shortcomings in the implementation of innovation strategy in this sector. It is also another objective of the study is to find out the possibilities to introduce Kaizen for attaining sustainable competitive advantage for the long term success of the companies. From the findings of this study, organizations in this sector will be able to find an effective guideline in configuring their scheme for attaining competitive advantage that will be effective for both the short and long term basis.

## **3. 00 Profiles of the Mobile Telecommunication Industry in Bangladesh:**

There are five (currently six) service providers in Bangladesh Mobile Telecommunication Industry. Though this industry is relatively new the growth is much faster in comparison to other industries due to the aggressive market oriented business strategy. Bangladesh's mobile phone sector witnessed a 180 percent growth from January 2005 till now, with the number of users rising to 10.8 million from 3.85 million in 13 months (Yousuf et. al. 2006).



Table 1: Major Mobile Phone Network companies in Bangladesh according to their Market Share

| Name of the Companies                  | Technology Used | Subscribers (Approx.) |
|--|-----------------|-----------------------|
| Grameen Phone (GP)                     | GSM             | 6 million             |
| Aktel (Telekom Malaysia)               | GSM             | 2.6 million           |
| Banglalink (formerly Shebatel)         | GSM             | 1.5 million           |
| Pacific Bangladesh Telecom (City Cell) | CDMA            | 500,000               |
| Teletalk Bangladesh                    | GSM             | 200,000               |
| Warid Telecom                          | GSM             | --                    |

Source: Web site of Bangladesh Telecommunication Company Limited (BTCL).

The country's official news agency BSS had reported Grameen Phone to be the market leader with 4.2 million customers. This number has now increased to six million covering 60 percent of the market. GP has also introduced a separate package with its individual website and services called 'djuice'. D-juice is not only a mobile connection for young people but also a source of fun and entertainment for them. It is an international tailor-made brand concept of new lifestyle for the young generation. This was the first package to be offered in the market as low as less than \$5. Number two in the market is AKTEL (of Telekom Malaysia) with just over 2.6 million customers. AKTEL maintained its second position by raising its subscriber base to 2.6 million from only 1.1 million during the year of 2005. AKTEL sources said that it had a target of reaching three million subscriber-bases within 2005 but it remained behind the target for the new competitors in the market. Sheba Telecom, which was taken over by Egyptian company Orascom a year ago, managed to take the third position from fourth, by aggressively marketing its service in a new brand name, Banglalink. Banglalink began with a subscriber base of only 300,000 and raised the number to 1.5 million in February 2006. The Pacific Bangladesh Telecom Ltd., operator of the City Cell, remained behind in the race and was placed in fourth position by raising the subscriber base from 350,000 to 500,000 in a year. The smallest operator so far is the state-run Teletalk Bangladesh Ltd., which after launching its service in March managed to create a subscriber base of 200,000. The Warid Telecom of the Unites Arab Emirates is newly launching its service in Bangladesh as the sixth mobile phone network company. Officials of the mobile companies predicted that the market would be doubled reaching around 20 million by next year.

As mentioned earlier, Grameen Phone (GP) is the market leader with approximately 60% market share. GP is clearly ahead of other competitors from the view point of market share and technical capability. Although Aktel was the challenger but its activities was not so much threatening for GP. Since the market payers designed their strategy with traditional armours therefore, the culture and practice of innovation was not appropriately nurtured in this industry. Aktel tried to be innovative and to provide unique value to the customers but it could not be effectively successful as GP responded immediately in unconstructive ways. Even sometimes in a very negative way (e.g. network jamming, price cut and so on), which was to some extent unethical, too.



For example, when Aktel planned to provide augmented service to customers, GP would create an unannounced barrier in case of calling and messaging from Aktel to GP subscribers to create an impression that Aktel's network is not as efficient as GP. Ultimately, the innovative efforts of Aktel were not fully successful. The company (GP) used to enjoy almost a monopoly until and unless the threat was created by other competitors ( Sarker et. al. 2007).

Subsequently the emergence of Bangla-link and then Warid Telecom started to change the scenario. The market was much more competitive and all the companies started trying to provide something new or in a new way to attract new customers and retain the old. Thus the innovative warfare has become a must to survive in this industry.

#### **4.00 Methodology:**

To conduct the study, we used various sources of information about the six telecommunication companies of the country. The sample companies are Grameen Phone (GP), Aktel (Now Robi), Banglalink (formerly Shebatel), Pacific Bangladesh Telecom (City Cell), Teletalk Bangladesh and Warid Telecom (now Airtel). The primary information has been collected through interviews and consultation with the responsible personnel of those companies. Besides the primary information, the secondary data and information have been collected from internet, newspaper, magazines, existing literature, etc. Moreover personal observation has been a key source for data validity and reliability.

#### **5.00 Findings and analysis:**

##### **5.01 Innovation Warfare- A Brief Analysis of the Situation**

Bangladesh mobile telecommunication was an intangible dominant pure service industry which deals with the network system only. The traditional thought totally ignored consumers' day to day life aspect and did not try to explore how mobile phone service can be an indispensable part of our daily life, to be specific, how it can make life easy and dynamic. The consumers were being deprived of getting the optimum value from the mobile telecommunication service. Banglalink could identify the gap between the product concept and ultimate utility of the product and it offered an innovation in the market. Usually a winning product has multi dimensions so that it can serve customers from various spectrums. A product must possess three level of identities. The first level is the essence of a product-how well it satisfies the customer's needs. The second level is the physical product, should it be a good or a service. The third level is the product's shell. It includes all the additional products and services offered with the product to exceed customer expectations (Viardot, 2006).

If customer satisfaction exceeds the expectation level then the customer is delighted and only then it is possible to retain that customer. Otherwise, there is a probability of switching. As GP almost overlooked the third product level, Banglalink concentrated on this gap and tried to fill this gap by an innovation. Banglalink wanted to accelerate customer attraction faster. To do this they decided to offer 'major service with accompanying major goods'. We are familiar with the term 'tangible goods with accompanying services', and 'major service with accompanying minor goods and services' where the main focus goes on physical product and service respectively. Here we will see that how these concepts change due to the innovative marketing strategy of the market players.



The success of their product designing was the precise articulation of the latent demand of customers. Their major offer was free phone set with mobile phone network connectivity. Their offers were neither the familiar tangible goods with accompanying service nor major service with accompanying minor goods and services. It was major service with accompanying major goods. It could be called as 'hybrid'. Actually it was more than hybrid. Hybrid offer consists of equal parts of goods and services, for example, people patronize restaurant for both food and services (Kotler, 2003). Here without one part another part can be consumed. However, Banglalink's offer was major service (network) with accompanying major goods (mobile phone) and minor services (free calling option) also. Previously, any company of this industry did not offer hybrid services or aforesaid services rather offered pure service. Banglalink was the first to introduce this type of offer in Bangladesh. As it offered major services along with major good and also minor services like warranty of the mobile phone, free calling card and some charged units in the SIM that could be used for calling or messaging before charging anything, so we can call this innovative package as major service with accompanying major goods and minor services, or pure service with forward integration with major goods and minor services ( Sarker et. al. 2007). And the customers welcomed this innovation.

GP, the market leader, reacted before any severe damage. Though it was possible to copy the innovation, they didn't copy. Being the leader it was also shameful for GP to copy the innovation of the challenger. And they knew if they can provide something extra then the customers will again use their SIM even with the handset provided by Bangla link. They decided to neutralize each Banglalink offer by offering some other innovations (like more augmented offers). They provided exclusive emphasis on information service through their existing mobile network. GP's information service includes news, events of the day, transportation schedule, horoscope, etc. Also available are news service, channel program schedule, event-based sports update. The subscriber has to simply dial a specified four-digit number to listen to the information. 'Cell E-mail' offers the e-mail service through SMS. It possesses almost all aspects of the standard web mail and is compatible with almost all GSM handset. GP's business solution has a unique option called 'EDGE' (Enhanced Data Rates for Global Evolution), which enables high-speed mobile Internet and data services. This is up to eight times faster than GPRS (General Packet Radio Service). Another of GP's unusual service is its 'Insta-Care', an automated service with IVR (Integrated Voice Response) system for all kinds of GP service-related queries. This service is open 24 hours a day, all the year round. In addition, Insta-Care has a general information aspect where travel, hotels and restaurants, emergency numbers, hospitals and clinics, legal aid, taxicabs information, and district and country dialing codes are available. It is mentionable here that these types of offers may not be assumed as innovation to many. But in the Bangladeshi market these offers were new and hence innovation.

The 'Village Phone Program' of GrameenPhone is a unique initiative that provides access to telecommunication facilities in remote rural areas, where no such service was available before. The program allows poor village women to own a Village Phone subscription and retail the phone service to her fellow villagers while providing them with a good income-earning opportunity. It is administered by GrameenPhone, in cooperation with Grameen Bank, the internationally renowned micro-credit lending institution. GP's this strategy made a quick impact over the consumers. Previous GP consumers who



switched to Banglalink some of them stopped using Banglalink SIM and started using the GP SIM with the mobile phone that they got as free with the Banglalink SIM. It really shocked Banglalink. In order to retain their new customers Banglalink introduced some new more offers, free text messaging for six months even they extended this free messaging outside the country at local charge. But in fact most of these innovations were very easy to copy and do not require any extra expenditure as most of them are not related with physical products.

From the data and information, it was revealed that the innovation strategy of Banglalink was based on major service package and SMS service together with major physical product. Now SMS facility is quite important to many consumers. Because of that "all forms of text communication share the ability to capture, store and easily retrieve the content of the communication both synchronously and asynchronously. This proves to be crucial in many social settings where the point of the communication is to convey a phone number to call or an address at which to meet. While this is also possible with voice messages, reviewing is much more difficult due to the ephemeral nature of sound" (Harper et. al. 2006). SMS culture is becoming very popular. Not surprisingly, SMS is heavily used for establishing and maintaining both friendships and romantic relationships ( Sarker et. al. 2007, Harper et. al. 2006 ). Mobile phones and SMS foster a particularly strong sense of intimacy for teenagers because it allows a continuous connection to friends outside of parental control. Farnham (S. and Keyani P, 2006). Despite the short message length of SMS and impoverished text input mechanisms of most cell phones, text messaging is the dominant form of mobile communication for young adults in much of Europe and Asia (Grinter, R.E., Margery, 2006). As Banglalink operates in BD market that belongs to Asian market, it wanted to take this advantage to regain its customers. After that it provided opportunity for its customers to e-mail through mobile phone all over the world with minimal cost. It is also mentionable that "Email enables asynchronous communication. Asynchronous communication is time independent, such that the people communicating are not required to respond immediately to each other (Berg, 2006). Though almost everything was going smoothly for Banglalink, gradually it faced some problems. Its main problem was interrupted network. On the contrary, the main competitive advantage of GP was its uninterrupted network system. However, Banglalink could sustain many of its customers with its innovative strategy and managing that tactfully. And in the mean time they are also trying to improve their network connection by importing some devices that can improve network connectivity.

But one blow came when dual SIM system that enables using two SIM in one mobile phone was introduced. Before this some customers who wanted to use GP and Banglalink simultaneously continued using Banglalink as keeping two mobile set was not convenient. So, Banglalink got some preferences. But after the introduction of Dual SIM (a thin electronics device that can be set inside the mobile set or a mobile with two slots from SIMs) many mobile users started to use that. Mostly they were on line with GP and when they needed to send SMS they switched to Banglalink as SMS through it was free at that time. Though dual SIM mostly was used in the urban area, it may be reached at the rural area due to marketing activities. So, Banglalink faced a big threat from the electronics industry not from the GP or other telecommunication companies and it was unexpected for the Banglalink. Only time will say what strategy it takes to overcome this obstacles.



For all these kind of telecommunication services, service providers need strong mobile network. Initially Banglalink could not realize the importance of technical capability for any strategic move. On the other hand, GP had a very strong and updated mobile telecommunication network. Therefore, GP could counter Banglalink successfully. Ultimately, Banglalink's product and price based innovation strategy could not influence consumers as they expected. They could understand the necessity of a capable network and expanded their range all over the Bangladesh, yet it was bit late. GP in the mean time, capitalize on their core competency (mobile telecommunication strategy). A competency cannot be a sustainable competitive advantage if the competitors can copy it easily. Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match. Michael Porter urged companies to build a sustainable competitive advantage (Robert E. Johnston, Jr. and J. Douglas Bate, 2003). But in real world few competitive advantages are sustainable. At best they may be leverageable. A leverageable advantage is one that a company can use as a springboard to new advantages, such as Microsoft has leveraged its operating system to Microsoft Office and so on. In general, a company that hopes to endure must be in the business of continuously inventing new advantages by strategy innovation. Strategy innovation is shifting a corporation's business strategy in order to create new value for both the customer and the corporation (Imai, M.; Kaizen, 2003)

As no strategy lasts forever, so company must keep going on initiating strategy innovation and thus gain a competitive advantage. Of course, GP had strategic planning but it was not interested in strategy innovation. Banglalink took that advantage by initiating strategy innovation and thus gained a competitive advantage over GP for the time being. Again Banglalink could not achieve as they expected due to the lack of adequate technological capability, lack of ability to manipulate existing capacity and not to be careful about the loopholes of their business strategy. The offer made by Banglalink was easy to copy. Similar products were also offered by other competitors like Aktel, City cell etc. In fact, GrameenPhone moved further by learning form the mistakes of Banglalink.

It is also seen that due to the effect of these innovations some other innovations like dual SIM system (either integrated in the handset or an external device to use internally) are launched by other companies. So, if this sector is flourished some other sectors will also. In the mean time, what happened with the other service providers? They were not out of this innovative warfare. More or less Aktel was trying to keep pace with this competition by copying the innovations or providing some new advantages. On the other hand, City Cell remained silent watcher for a long time. This network company is the only one which uses CDMA technology which has earned less popularity in Bangladesh as the handset used with this SIM can't be used with other SIMs. After a long period breaking, the silence it started providing some other advantages that were to some extent copying of the innovations innovated by other companies. During this innovative war we have seen the death (exit) of Shebatel and the birth (entry) of Warid Telecom. But the question is to what extent the customers are getting benefit from these innovations. If the customers are benefited, they will be satisfied and as a result companies will be able to survive profitably.



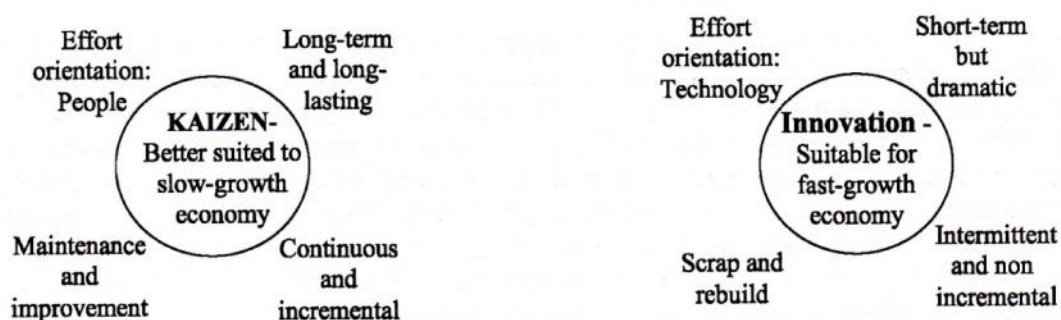
## 5.02 Consequences of this Competition

Certainly the consequence of the competition was more and more innovative practices. But these innovations are very easy to copy. So, it has become quite difficult for the companies to achieve sustainable competitive advantage by innovation. At best these innovations are giving the companies leverage able advantage; one that a company can use a springboard to new advantages, such as Microsoft has leveraged its operating system to Microsoft Office and to networking applications ( Kotler, 2003). Now the companies are looking forward to a permanent solution to attain advantage over the competitors that they can not or will not match radically.

Then the question arises, is it the time for Kaizen?

## 5.03 Stepping Forward: A need for Kaizen?

The essence of Kaizen is simple and straightforward: Kaizen means improvement. Moreover, Kaizen means ongoing improvement involving everyone, including both managers and workers.... The essence of most 'uniquely Japanese' management practices - be they productivity improvement, TQC (Total Quality Control) activities, QC (Quality Control) circles, or labor relations - can be reduced to one word: Kaizen. Using the term Kaizen in place of such words as productivity, TQC, ZD (Zero Defects), kamban, and the suggestion system paints a far clearer picture of what has been going on in Japanese industry. Kaizen is an umbrella concept covering most of those 'uniquely Japanese' practices that have recently achieved such world-wide fame (Michael Schrage and Matthew Boyle, 2000). The following figure shows the main features of Kaizen and of innovation:



**Figure 1: Some features of kaizen and innovation (Imai, M. 1986)**

Kaizen does not necessarily require sophisticated techniques, rather, to implement Kaizen it requires only simple, conventional techniques. Often, common sense is all that is needed. On the contrary, innovation generally requires sophisticated technology, as well as a huge investment. According to Imai, Kaizen is like a hotbed that nurtures small and ongoing changes, while innovation is like magma that appears in abrupt eruptions from time to time. But if innovation is followed by a series of Kaizen efforts it will be maintained and improved that is shown in the following figure:



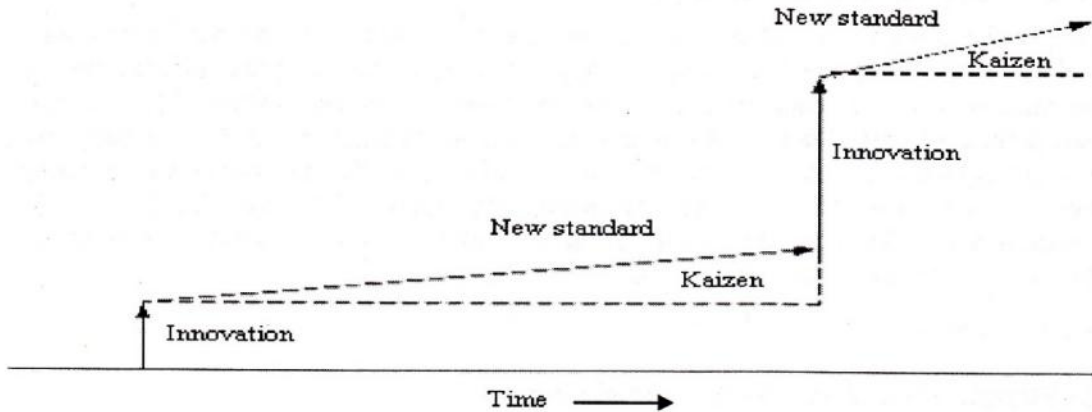


Figure 2: Innovations plus Kaizen (Imai, M. 1986)

## 6.00 Conclusion and Recommendations:

We are in a situation of 'innovate or die'. We can't deny this. But the findings of the study have proved that all these innovations are very sudden and thus brief. It is time for some incremental and somewhat permanent innovation alongside the traditional innovation. And for this our suggestion for the Bangladeshi as well as other companies primarily in Asia to follow the Japanese example of incremental innovation 'Kaizen' that has been proved as effective. But of course it will not hinder the radical innovation rather it will facilitate. Japanese managers have enthusiastically pursued Kaizen even when they were involved in innovation. So, why can't we?

For much of the past decade, however, management gurus, media, and markets preached a different doctrine. It was a "cult of innovation at all costs," an unquestioning, single-minded belief in the power of innovation above all else (Imai, M.; Kaizen 1986). But in the wake of the technology boom and bust, innovation quickly becomes a tired fad. So many innovations had stumbled or even failed. We only know the story of successful innovations. If innovations are followed by Kaizen hopefully it will be properly maintained and improved and thus successful. Consequently it will open the door for other innovations or innovations in innovations and the organizations will attain sustainable competitive advantage or at least leverageable advantage.

Being a highly populated country, Bangladesh provides an enormous opportunity for the companies who survive in this 'innovate or die' era. But we know survival is for the fittest. And practicing Kaizen can help them to be fittest for the upcoming, even more, competitive era.



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