WHICH STRATEGY IS BETTER IN TELECOMMUNICATION FROM FINANCE PERSPECTIVE

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1 INTRODUCTION

On an Oligopoly market there are 2 main strategies that can appear. The price approach where the competitors want to increase the market share by the better prices, or the differentiation-based logic where the competitors can increase the value, profitability and the market share by the higher price, which is coming from the differentiation approach. The question is what happens if on an oligopolistic market both strategies appear at the same time. In this study the author has investigated on an oligopolistic market where there are only 3 players and 1 of them focuses on the price strategy opposite to the 2 others who have focused on the differentiation strategy with higher price point. Which strategy will be successful in a 4-year period? In this period the author had investigated the financial figures in case of all competitors in terms of efficiency and liquidity within which can clearly demonstrate which strategy was the right one. At the end of the study, the author concludes that the financial indicators show the correct strategy and the differentiation approach is the workable one, since both companies choosing the differentiation strategy are in a significantly better position at the end of year 4 compared to the company who has chosen the price strategy approach.

2 MATERIAL AND METHODS

In this study, the author presents that in the oligopolistic market there are 2 main strategic approaches focusing on either price or differentiation. The author investigates what types of oligopoly markets exist and what strategic directions can appear. In order to identify, whether the chosen market is oligopolistic the author uses a study of Kutlu (2009), which is focusing on the Stackelber model, and a study published by Rusescu (2019) regarding the Bertrand model. Based on these studies the author arguments that there are two main strategic models. Based on the study of Valaskova (2019) examining the Hungarian telecommunications market and finding similarities with the Slovak market, the author concluded that the Hungarian telecommunications market, where the competition is regulated, represents an oligopolistic market. In order to verify whether the Hungarian market is oligopolistic the author has investigated the HHI index as well and the result shows that the market is highly concentrated, which supports one of the criteria of the oligopolistic market. The author presents the companies' main strategies, their market position at the beginning and end of the period, focusing on market share and revenue trends. As far as the biggest competitors' differentiation is partly focusing on the brand, the author further investigates efficiency of brand importance using the study of Shabbir and Khan (2017) to verify, whether the brand innovation increases the loyalty of customers which can help competitors to increase the market share with higher

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price points. The author performs comprehensive efficiency and liquidity analyses based on public financial data, and compares these with the changes in their assets at the beginning and end of the period. Revenue and cost comparisons are used besides the assets' changes analyses. To present the liquidity situation the Current Ratio, Financial Leverage and the Gross Margin changes are calculated from the beginning till the end of the 4-year period, as well as the Asset Turnover Ratio, Return on Investment and Return on Assets. And finally, there is performed an F-score analysis based on the Piotroski [3] study, which determines the overall value of the companies at the end of the period.

3 RESULTS

As a result of the study, it can be said that the largest market player, which also built differentiation with a separate brand, was able to increase its market share by 2% in a growing market by the end of the period. In addition the company significantly increased the difference between its revenues and costs with almost consistent asset level, even with the increase in costs. Its liquidity and margin levels improved, and all indicators moved in a positive direction, even in terms of investment calculations. Finally, it achieved the highest result based on the F-score as well. The other company, which also chose the differentiation strategy, where the strength of differentiation was lower, was also able to maintain its efficiency and even increase it in the last period, and although its results deteriorated in some parts, its strategy was functional and market position is stagnant. Finally, the company that considered favourable price as its strategic goal, deteriorated in all respects in terms of financial indicators, its revenue decreased, efficiency decreased and, although it showed some improvement in the last year, it clearly shows worse results in terms of the evaluation of its investments than the 2 companies that have chosen the differentiation strategy.

4 CONCLUSIONS

In the four-year period on an oligopolistic market where the products are partly differentiated, the strategy where the focus is on the differentiation is able to compensate the stronger price point strategy in spite of the price-sensitive market. The biggest company who used a special brand for the differentiation was able to reach better position in all financial and market indicators.

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