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JOURNAL OF COMPETITIVENESS STUDIES

Special Issue Abdulahman Al-Aali, Guest Editor

Business Cases from Saudi Arabia

I take this occasion to thank all those who have contributed to this special issue of *Competitiveness Studies*. I thank the reviewers who provided timely feedback to the authors, thereby helping to improve the manuscripts. I extend a special thanks to the Editor-in-Chief, Abbas Ali, for giving me the opportunity to serve as guest editor of this special issue, the first of two that will feature business cases from Saudi Arabia. I cordially thank all of the authors who submitted manuscripts for consideration. I appreciate their desire to share their knowledge and experience with readers and business professors in Saudi Arabia, the GCC countries, and the Arab World in general. The eight cases included in this issue concern entrepreneurship, human resource management, international business, marketing, and strategic management.

I acknowledge and greatly appreciate the funding King Saud University (KSU) provided to enable the creation of business cases set in an Arab context. They are sorely needed. KSU is the Arab World's premier university. Ranked among the top 150-200 universities in "The Academic Ranking of World Universities," also known as the Shanghai ranking, KSU scores high in many international rankings. To its credit, KSU's College of Business Administration took on the challenge of developing cases about issues in Arab businesses specifically to meet the needs and interests of Arab business students and other readers. This is probably the largest collection of such cases to date. I applaud KSU and the Business College for initiating this project. Many individuals participated in this journey from case idea through final acceptance and delivery. To them all, I say: Thanks for a job well done.

Abdulahman Al-Aali, PhD
Special Guest Editor

About The Guest Editor

Abdulahman Al-Aali is a Professor of International Business and Marketing at the College of Business Administration, King Saud University, Saudi Arabia. He gained his BBA, MBA, and PhD in International Business at Georgia State University. He is the Director of the PhD in Business Program and a Visiting Research Scholar at Indiana University in Pennsylvania. He was a Fulbright Fellow at the George Washington University and former Dean of King Abdullah Research & Consulting Institute. He was a Trustee of Prince Sultan College of Tourism & Business and is currently a Trustee of Albaha College of Sciences. He has authored or co-authored ten books and over 36 academic articles. He has consulted for many agencies including the United Nations Development Programme, Ministry of Higher Education, Ministry of Commerce on World Trade Organization issues, and is currently a consultant with UN-Habitat on the Future of Saudi Cities Program.

SAUDI TELECOM COMPANY: CUSTOMER FOCUS

Mohammad Almotairi, Soad Almeshal

INTRODUCTION

Late in the afternoon on a very hot Friday in 2014, in the north of Riyadh city Mr. Bader, a General Manager (GM) at the Saudi Telecom Company (STC), was browsing customer data sets that had been recently added to the company's advanced electronic customer management (e-CRM) system. Mr. Bader thought back to the beginnings of the company, established in Saudi Arabia in 1998. Since then it had become a public company providing telecommunications services to all corners of the Kingdom. He smiled when he read on the STC site (www.stc.com.sa) that the STC name was listed in more than 35 countries in the international market, including Kuwait, Bahrain, Turkey, Indonesia, India, Malaysia, North America, Europe, North Africa, and South Africa. Using the latest technology, the STC provided a variety of telecommunication services through different platforms; Mobile Services, Landline Services, Data Services, and Internet Services. Mr. Bader recognized that the telecommunication industry, like any industry, operates in a very dynamic environment and knew that the top management was feeling challenged, especially with the increase in market competition from its two competitors: Mobily and Zain companies.

Mr. Bader and the STC top management had scheduled a meeting the next morning with the company staff to discuss the updated e-CRM system, particularly how to use it to accumulate and analyze customer-focused information and its effect on overall customer satisfaction. Another important issue for the meeting agenda was the service quality that was currently provided to customers and its role in the company's long range strategy for competitive growth. Mr. Bader turned his attention to his notes for the next morning's speech. He wanted to make sure he was communicating effectively to the staff.

On the day of the meeting, the GM looked out at the staff and took a deep breath. He began by emphasizing the importance of achieving the company's goals, taking into consideration high quality and time commitment of the staff. Increasing customer satisfaction was one of the important and immediate goals that STC hoped to target, the GM explained, and then went on to outline the strategic plan needed to accomplish this goal from three interrelated aspects: service quality, the new STC e-CRM system, and customer satisfaction.

SERVICE QUALITY

A clear relationship exists between the quality of service a company provides and the customer satisfaction level gained. High customer satisfaction, which involves building business relationships with customers, transfers to loyal long-term customers. However customers had increasingly sophisticated requirements. This demand was compounded by the fact that consumers were willing and able to switch to another provider if they felt unsatisfied with STC.

The GM presented a brief summary about the new products and service growth that STC had launched in 2013, mentioning that these services were part of the company's strategy to offer the highest service quality in the industry. The 3G & 3.5G STC networks were increasing their coverage range and expanding in Saudi Arabia. The 4G network had also expanded its coverage range and currently had more than 7,000 sites. The customer base for wireless broadband had increased more than 40% during 2013 when compared to the previous year. This had led to a 29% revenue increase during 2013 as compared to the same period the previous year. More than that, a 37% growth in QuikNet sales had been reported in the same period.

Next, the GM detailed what it meant to build complexity in quality systems. He explained the creation of an integrated quality framework that addresses performance across key enterprise activities, including finance, IT governance, service management, information security, sourcing, and social and environmental responsibilities. By ensuring service quality and quality management, STC could gain a variety of competitive, economic, and performance advantages. These were needed to continue providing the service quality that was a crucial element in the STC customer relationship management system.

In the Saudi competitive telecom market, and in several leading global consumer electronics companies (i.e., Apple, Samsung, APPS companies and others), market share had become easy to lose and difficult to gain. Service quality had to be aligned with global markets, including specific local market requirements. STC was now reaping solid returns on that investment by aligning their service quality with global benchmarks.

To give a more complete picture, Mr. Bader detailed the quality procedures that the STC had implemented.

- Customer partnership: Improve customer relations by understanding market realities, customer expectations, and satisfaction.
- Service planning: Build, direct, and sustain high-performance services through the identification, deployment, alignment and execution of marketing strategies, plans, and objectives.
- Process management: Ensure that processes and methods used to design, develop, transition, deliver, and support services to customers continue to function efficiently and effectively.

- Performance management: Warehouse statistics, sales reports, and customers' feedback are gathered and analyzed. All information from all functions is used to show business health and support daily operations.
- Continuous improvement: Each service has its own key performance indicators (KPIs). The performance is benchmarked and continually improved to meet changing customer and market needs, as well as to ensure that best practices are identified and implemented to avoid common service issues.
- Employee participation: Ensure that all employees at all levels are trained, competent, responsible, and motivated to contribute to ongoing customer expectations. Also empower employees with intelligent tools to respond to customers quickly and efficiently.
- Supplier partnership: Suppliers communicate with the STC through automated systems. This helps enormously in reducing the time and effort required to deliver services and also to measure performance.

At the end of the discussion of the service quality issues, the GM further emphasized that innovative quality management can yield measurable advantages in the telecom market. STC service quality could be gained in a number of key areas by focusing on measures to :

- Improve on-time performance of customer support and inquiries.
- Reduce errors and costs, and enhance overall operational efficiency.
- Enhance product and service quality.
- Increase customer satisfaction.
- Strengthen data security and regulatory compliance programs.
- Consistently measure performance, formalize quality management, and drive continuous improvement.

Next, Mr. Bader described Service Assurance and its benefits to the customer. STC had adapted a set of procedures intended to optimize performance and provide management guidance in communications networks and media and content services for individual users and business customers.

Service Assurance covers the following:

- Service complaints and complaint event management
- Service level agreement (SLA) monitoring
- Quality of service (QoS) management
- Network management
- Customer experience management
- Customers trouble tickets
- Vendor management

- Employee Performance Monitoring

STC E-CRM SYSTEM

STC had also heavily invested in IT systems and infrastructure that would significantly improve its service quality. STC had applied a successful CRM system to help achieve partnerships with key customers locally and globally. In the past, the CRM system had been heavily used in STC to learn more about customers' needs and behaviors and in order to develop stronger relationships with them. CRM helped the company learn how to meet customer needs and enhance current services at the same time. The GM mentioned the valuable contracts the STC had signed with specialized international companies, such as Logica and Cisco, to operate the IT system using advanced software. The GM emphasized the strategic advantages of STC's technology investments on improving business processes.

Specifically, the advanced Software AG was focused on the CRM system. Speaking with pride, the GM said that more than 20 million subscribers were willing to become STC partners. The STC CRM depended on bringing lots of pieces of information about customers and market trends (like billing, data warehouse, mediation systems, ERP and others) to support sales and to market STC products and services more effectively. It also helped STC to use technology and human resources to gain insight into the behavior of customers and the values of those customers.

Effective Crm Strategy Increases Revenue

- Provides services and products that meet customers' expectations.
- Offers better customer service.
- Cross-sells products more effectively (based on analytics reports).
- Assists sales staff to close deals faster.
- Retains existing customers and discovers new ones, or new niche markets.

Hard work and successful diversification strategic planning could achieve segmentation, branding, and a comprehensive marketing mix. The CRM system helped to understand the customers' needs and enhance the one-to-one relationships which in return increased profitability. More than that, Mr. Bader showed the staff one of the key features that STC was relying on--the support of CRM applications in improving customer-facing interactions across various channels; including sales offices, partner channels, STC websites, Twitter, IVR system, mobile apps, and call centers (902,906,907).

Key E-Crm Features

Improved Customer Profitability

- Segment customers on profitability and revenue.
- Facilitate shift from volume to value based relationships.
- Run focused programs to improve customer quality.

- Increase profit by cross-selling to existing customers.

Advanced Reporting

- Real-time reports across teams, products and geographies.
- Unified multi-system reports.
- Efficient analysis with drill-down capabilities of statistics reports.
- Measure and improve critical performance indicators.

The GM was wondering about the type of huge e-CRM investments in the future and what new developments in the CRM system could be implemented in the most crucial CRM areas; e.g., communication CRM, operational CRM and analytical CRM. The GM pointed out an important fact; the CRM assists STC to manage its customer and sales relationships. It is proficient in creating sustainable connections between STC and its customers and capable of evaluating the quality of services provided to customers and customers' satisfaction.

CUSTOMER SATISFACTION

The GM reminded the staff that identifying and retaining the best customers was especially important at this point in STC's growth. He asked the staff for suggestions about the best way to increase satisfaction levels and prevent consumers from switching to competitors.

He told them that STC market share in 2011 was 43%. In June 2013 customer data had recorded an increase in STC's fiber optic (homes & businesses) by 273% compared to 2012 and an increase of 17% compared to the previous quarter in 2013. STC's ongoing expansion to more than 600,000 locations and 200,000 actual connected customers challenged management to increase its power.

One of the staff mentioned loyalty programs as a method to retain customers. That gave the GM the perfect transition to provide the staff with a detailed description.

STC Loyalty Programs

First, the GM explained that in the past, Loyalty Programs could fail to increase the loyalty and value of the most important customers because of the difficulty in identifying them and effectively driving desired behavior. Constraints imposed by many factors, such as fragmented data and inflexible and costly legacy systems could make it difficult to gain an accurate view of customers and their behaviors.

However, the e-CRM system provided access to extensive information on each member, including tier status and value, transaction history, loyalty assets, eligible and enrolled promotions, service requests, sales orders and activities, preferences, and response history. The analytics applications leveraged this information to improve customer insight, personalize the customer experience, and improve decision making.

The GM was optimistic about the new e-CRM system's effectiveness. Called Oracle's Siebel Loyalty Management module, and part of the e-CRM suite, it promised to minimize attrition and increase the value and duration of STC's most important customer relationships. It offered a comprehensive, packaged, and fully integrated application for managing a complete loyalty program lifecycle. With this new module, STC staff could easily define innovative offers and set up new partnerships as well as dramatically reduce time to market. The loyalty module would help STC:

- Acquire and leverage rich customer insights.
- Deliver innovative programs that drive behavior and build value.
- Offer great customer experiences across different channels.
- Adapt quickly and cost effectively to improve competitive advantage.
- Provide loyalty best practices for member enrollment and management.
- Implement easy accrual and redemption.
- Offer personalized loyalty promotions.
- Open multiple member communications.
- Provide multi-channel customer care.
- Offer partner management.
- Provide analytics reports.

Complete Loyalty Program Management:

With the Loyalty module, business users could now easily complete a wide range of activities based on market needs and sales forecasts.

- Set up one or more loyalty programs (e.g., one per line of business, temporary programs, etc.)
- Manage multiple targeted membership schemes with variable durations and price, including support for STC employee joint programs.
- Manage multiple schema programs.
- Control aspects of loyalty program management from the number of schema rewards to point expiration rules.
- Set up partners, products, and services offered for accrual and redemptions including product catalogs.
- Create and deploy targeted loyalty promotions. (i.e., Tamayouz Concierge).
- Set up and manage simple to complex accrual rules and promotions.
- Define and manage redemption prices in multiple payment modes and currencies (e.g., Points, Points + Pay) and rules to adjust redemption prices dynamically.

- Implement service recovery compensation and other membership administration tasks for individuals as well as a group of selected members.
- Run statements and manage member communications.

STC Loyalty Programs Partners Management

STC facilitated end-to-end loyalty partner support through the e-CRM application, from recruitment and set-up to joint promotions, billing, and analysis. This would dramatically reduce the time and effort required to bring on new loyalty program partners and manage ongoing partner activities through an extensive set of capabilities including:

- Support for pre-purchase partners (e.g., SAWA and Lana cards).
- Flexible and configurable partner product offerings and accrual/redemption rules.
- Partner specific financial and billing controls and partner statements.
- Multi-partner joint promotions and cost sharing.
- Validation of transaction processing.
- Web portal option for STC loyalty programs partners.

STC's Two Main Loyalty Programs

1. Qitaf (harvest): A program to show gratitude for STC customer loyalty. Customers can subscribe to Qitaf for free and start collecting points while enjoying STC services:
 - Subscription to Al Jawal and Al Hatif services.
 - Value of consumption.
 - Regulated payment of Al Jawal and Al Hatif bills.
 - Other service subscriptions.

Customers can redeem collected points for a variety of STC services, such as free minutes and free SMS. Or they may exchange points for vouchers that give them a chance to win prizes and receive discounts from Qitaf's partners, available in more than 2,400 branches across the Kingdom. Also, customers are able to gift collected points and transfer them to any other Qitaf subscribers. Currently, STC has more than 16 million subscriptions with the Qitaf loyalty program.

The program is branded in four categories: Basic, Silver, Gold and Diamond. Each category has its own features and payments levels. All are designed to trigger customer incentives and rewards quickly to market, and ensure a superior multi-channel member experience.

2. Tamayouz (distinguish): Tamayouz is a loyalty program designed to offer high-class services and privileges to distinguished customers. A Jawal customer will automatically become a Tamayouz member if the total billings of lines registered under his name over a

year amount to SR 7800. The Tamayouz team will directly inform the customer of his membership in the program.

The program is divided into four categories as follows:

- Diamond Category: Customers whose annual billings of lines registered under their names amount to more than SR48,000
- Golden Category: Customers whose annual billings of lines registered under their names amount to more than SR24,000
- Silver Category: Customers whose annual billings of lines registered under their names amount to more than SR7800
- Tamayouz Concierge: STC Global Tamayouz Concierge Service is designed for special Jawal customers to enjoy a range of unique services and privileges locally and globally, in cooperation with Al-Dawliyah Travel and Tourism.

CHALLENGES

At the end of the meeting Mr. Bader shed light on the challenges and opportunities that STC faced in the near/far future. He reminded them that STC is the official telecommunication service provider in Saudi Arabia and that STC wanted to respond proactively to these challenges to achieve its goals. The GM encouraged the staff to work hard to increase the company profit to exceed what the company had achieved in the 1st half of 2013, having reached SR 22,080m, with an increase of 4% from the previous year.

The GM repeated again that achieving market dominance required innovation in operations, which was a very challenging task. For excellence in the long run complex strategies were needed to continue increasing in all aspects of the Balanced Score Card (BSC). STC was aiming to succeed by making significant shifts in telecommunications management, marketing, and services. Therefore, a high level of strategic planning was required and would play a significant role to compete professionally in the market.

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The objectives of ASC are to foster education and knowledge in subjects related to competitiveness by: a) facilitating exchange of information and ideas among educators, policy makers, and business people; and b) encouraging and assisting research activities which advance knowledge of competitiveness practices and increase the available body of teaching and practice materials. The Society seeks to serve the needs of entrepreneurial scholars and intellectual managers. Specifically, through its conferences and publications, the society intends to effectively serve the needs of academicians interested in the practical application of organizational theory and practicing managers interested in the intellectual development of the discipline.

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Aims and Scope:

The *Journal of Competitiveness Studies* is an interdisciplinary blind peer-reviewed journal that focuses on the competitive positioning of firms in the global market and on national competitiveness in a changing global business environment. The journal combines conceptual analysis and normative considerations in order to shape the discourse on competitiveness in scholarly and policy circles. Articles in the *Journal of Competitiveness Studies* deals with pressing questions of competitiveness that are of interest to scholars and practitioners. They cover a broad range of subjects, from organizational performance and economic growth to sociological and historical aspects. Contributors with interdisciplinary perspectives and those who have an interest in international competitiveness are encouraged to send their contributions.

Format:

Manuscripts submitted for publication as articles should not exceed 25 double spaced typewritten pages, including tables and figures. Authors should send their submission electronically to office.asc@gmail.com.

The style guidelines of the publication manual of the American Psychological Association should be used. The first page of the manuscript should include the title of the paper, the author(s) name(s), and their affiliations, addresses, and phone and fax numbers. Author's name should not appear in the body of the paper, except where appropriate in citations and references. The second page of the manuscript should contain only the title and an abstract of the article (not to exceed 100 words). The text of the article should begin on the third page. All articles under review will be submitted to turnitin.com.