
STRATEGIES FOR SUCCESS: A COMPREHENSIVE LOOK AT MCV BROADBAND'S STRATEGIC SHIFTS

Maria Claret M. Ruane, University of Guam
Albert C. Pascua, Jr., University of Guam
Craig R. Thompson, MCV Broadband

CASE DESCRIPTION

This case highlights the importance of business strategies in transforming a company from being merely a “maintenance” company to one that has grown to be a significant player in the telecommunications industry in a relatively small market. The business strategy discussed in this case focuses on two areas: new product development and rebranding and remarketing. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two class hours in a strategic management, managerial economics, or marketing course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region as well as with some knowledge of the telecommunications industry.

CASE SYNOPSIS

Started in 1993 by United Micronesia Development Association, formerly Marianas Cable Vision and currently MCV Broadband has grown into the region's largest telecommunications provider. Since 2005, MCV Broadband has adopted business strategies that effectively transformed this once mediocre company into a leading competitor in telecommunications. This paper will look at the evolution of MCV Broadband and the strategies that have brought success to this company, as well as their future plans to maintain their business success.

The greater part of this paper will cover information gathered from an interview with Craig Thompson, Ph.D. – Chief Executive Officer of MCV Broadband.

HISTORY

Except for who the original owners were, little is known about the pre-2005 history of Marianas Cablevision, although it has been in existence since 1993. This is true for the company's logistics, including start-up costs, staffing, services, prior to it become MCV Broadband. According to Thompson (2009), much of the growth related history of this company and the events that brought them to their current standing began only after the change of ownership took place in 2005.

The early stages of this company, although competitive locally, were not impressive by industry standards for companies that did cable television operations in the United States and elsewhere. As cable television companies in the U.S. continued to expand rapidly, offering an abundance of services, Marianas Cablevision lagged further and further behind. The history of Marianas Cablevision is one that does not contain significant changes in strategic direction save two moves worth noting the first of which is the merger that occurred in 1997, when United Micronesia Development Association – Marianas Cablevision's parent company – bought out their competitor, Guam Cable Vision. The second move that occurred was United Micronesia Development Association's purchase of Kuentos Communications – Guam's first internet company – in 2000. These moves enhanced Marianas Cablevision's potential as it became the sole provider of cable video services and the dominant provider of internet services in the Marianas. However little was made of this potential as Marianas Cablevision did nothing to expand its video or internet product offerings or aggressively market either service. United Micronesia Development Association failed to make the capital investments necessary to grow the company. According to Thompson, before the company was bought out by Seaport Capital in 2005, it was operated in a very "old-school" manner, both as cause and consequence of lack of the investments in the company. He further stated that the MCV Broadband was only being maintained by its owners, who did the bare minimum to simply keep the company afloat and operational, often referred to as a "maintenance company". However, the change of ownership in 2005 changed all this, and turned the company into a successful endeavor for its investors.

FINANCIAL BACKING

In looking at the development of this now successful company, the quote that comes to mind is, "One man's junk is another man's treasure." Unlike the previous owners' approach of simply keeping the company afloat, Seaport Capital – a private equity company based in New York – had a vision, that MCV Broadband could become a leading competitor in the Marianas telecommunications industry. Furthermore, Seaport Capital was well versed in this industry, which gave them the necessary knowledge to drive MCV Broadband in the right direction. They

were also well-prepared to finance this company's growth into the new era of communications technology.

According to Thompson, the initial purchase price for Marianas Cablevision was about \$100 million, an appropriate price for a cable company of this size. Further, the funding to purchase MCV Broadband in 2005 comprised of one-third equity and two-thirds debt. After the purchase, Seaport Capital continued to pump capital into the company at a rate that was three times that of what the former parent company, United Micronesia Development Association, was investing when they owned Marianas Cablevision. Thompson also stated that this continuous infusion of capital was what MCV Broadband needed in order to get it moving away from a "maintenance company" and to a more aggressive business model.

STRATEGIES FOR SUCCESS

The first step that Seaport Capital took in ensuring MCV Broadband's steady growth was to provide new senior management that was well versed in the cable industry. Seaport Capital brought on board Craig Thompson, a cable veteran with more than 20 years of experience with Time Warner Cable and extensive knowledge and background with contemporary product lines. Thompson also holds a Ph.D. in Finance from New York University. Seaport Capital then tasked Thompson with the assignment of taking MCV Broadband from its 2005 state and transforming it to be on par with a U.S. mainland cable company within five years.

Thompson laid out his strategic plan which was comprised of two core strategies that are in line with Seaport Capital's vision: new product development and rebranding and remarketing of the company.

New Product Development

Prior to MCV Broadband's purchase in 2005, their product line had not changed from 1993. The video component of their product line consisted only of analog video that was tape-recorded in San Francisco and air-freighted to Guam for broadcast one week later than shown on the U.S. mainland. The internet component of their product line was only slightly faster than dial-up speed and was often badly congested. Their product line did not consist of any advanced video services such as digital television, high definition television or video on demand, did not offer high speed internet and did not offer telephone services or large circuit data traffic. All of these products were normally available through U.S. mainland cable companies by 2005.

In order for MCV Broadband to grow, it needed to upgrade and revamp many of the existing services and add more. Having noted this, Thompson moved to update the main component of MCV Broadband's revenue, the video service. The first step was to convert the video to real time service by establishing a reception point on the U.S. mainland and then

transporting the video via undersea optical cable to Guam for real time broadcast in the Marianas. Transporting this much video this far was a worldwide cable industry first for MCV Broadband. Once access to real time video was established, MCV Broadband moved to launch digital video, high definition video and video-on-demand; product lines which are all available to U.S. mainland cable customers. Next, MCV Broadband added substantial bandwidth capacity back to the U.S. mainland and to points in Asia as well as local network capacity so that it could upgrade its internet services and offer much higher speeds than were previously available.

In addition to upgrading the existing video and internet services, MCV Broadband also wanted to add to their portfolio of services. Their next investment was in phone services. Currently, MCV Broadband provides service to residential customers and expects to launch business telephone services within the next year. MCV Broadband has captured approximately 25% of the residential phone market within two years and expects to be equally successful with its business telephone venture.

MCV Broadband has a reseller arrangement with a local cellular provider so that it can offer the full suite of telephone services including cell service to its customers. MCV Broadband also has a partnership with a local security company to offer security services monitored through its phone/internet lines so that it can offer its customers security services as well. MCV Broadband can now support large circuit data traffic, supporting the data needs of large local businesses.

Finally, MCV Broadband also launched new hotel video, video-on-demand and internet services offered to all the resort hotels on Guam so that they remain the dominant provider to this important business sector.

It is very evident that MCV Broadband has taken their product lines and successfully expanded their current offerings, with more planned for future introduction. It is important to note that their current and planned product lines are all in line with the five-year goal that they set in 2005. Additionally, Thompson stated that their current product line is at par with those offered to customers mainland cable television customers.

Rebranding and Remarketing

The next steps in moving MCV Broadband forward were to change their dated and stodgy look to a new, younger image and to offer product bundles that were appealing to customers. Thompson stated that Marianas Cablevision's image did not connote any technical innovation or leadership and because their industry is a "techie" one, it is important that their company adopts a more high-tech image. Further, because their products appeal to the younger and middle-aged demographics, MCV Broadband did not want a staid, old brand that offered no marketing sizzle to the younger consumer or to high tech consumers. Within four months of taking leadership at Marianas Cablevision, Thompson renamed the company MCV Broadband and moved to a younger, more high tech image.

Thompson felt it important to keep the “Marianas feel” in the brand image as well as be high tech, a combination which was accomplished by using various shades of water in their color palette and along with a contemporary type MCV Broadband including a wave “C” as a unique twist. The cable vision component of their brand name was also taken out and replaced with broadband to signal the wide array of services that they now offer. Finally, what’s in the name “MCV Broadband”? It is more compact, easy to say, easily identifiable, crisp, clear, and easy to remember.

Aside from the brand name, MCV Broadband also took strategic steps when branding their individual products. MCV Broadband decided to brand the company, versus branding individual products as components of their company. By doing so, they have provided customers with a clearer brand image than their competitors. To illustrate, their products are currently branded as: MCV video, MCV phone, and MCV online. This repetition of the company name aids in securing the company brand in consumers’ minds while clearly identifying the product. The cost to market their brand this way is much less expensive because they only need to maintain one brand (MCV) rather than maintain multiple brands in the marketplace. Thompson noted that this strategy has been very successful in establishing the new name and in selling their product.

Further driving their marketing strategy is the use of bundle plans for their customers. According to Thompson, this method is very attractive to customers for two reasons. First, it reduces the cost of the services to the customer because of the discounts that MCV Broadband offers with their bundles. The next benefit is simplified billing. Customers receive one bill from one company and write just one check.

Although it is important to note the marketing strategies that have generated revenue for this company, it is also pertinent to look at the public relations strategies that have not generated revenue directly, but have worked towards improving their image. MCV Broadband has begun taking an active presence in the community through acts of corporate citizenship. Thompson noted that their activities within the community are geared towards children which is a universally appealing goal. An example of their charity is the recent “Cable Cares Foundation” campaign that they have been running with the Guam Police Department promoting the distribution of free glow sticks during Halloween to promote visibility and safety. Also, they have sponsored events that bring children’s favorite cartoon characters to life, such as Spongebob Squarepants and Dora the Explorer. In addition, MCV Broadband donated airtime to market the University of Guam’s event entitled “Guam Community and Economic Development Forum”, which was held in November 2009. This forum was designed to facilitate discussions on issues that affect the island’s future economic development prospects, including the proposed military build-up as well as longer term visions of how to move the island forward. These examples not only help to promote MCV Broadband, but are also an indication of their commitment to the company’s corporate social responsibility. These are aspects of a company that tend to go over well with customers.

MEASURES OF SUCCESS

The core strategies mentioned above have gone a long way for MCV Broadband and the evidence is readily notable in their numbers. Thompson stated that MCV Broadband has increased their bottom line cash flow by 50% when compared to the cash flow of four years ago when the company was first purchased, which significantly increases the value of this company. This increase in cash flow has also allowed for an increase in staff of 24%, expanding MCV as an employer in the community. The rise in cash flow also goes hand-in-hand with the rise in the number of products sold per customer, which has risen dramatically over past four years. MCV holds approximately 75% of the internet market; holds 25% of the residential market, and currently holds 90% of the video market. As any financial analyst will tell you, “the numbers don’t lie” and these numbers depict significant growth for MCV Broadband over the past four years. With that said, the next part of this paper will discuss the steps that MCV Broadband is looking to take to continue this move towards even greater success.

PLANS FOR CONTINUED GROWTH

If you are a resident of Guam or you have been following the news feeds, it should be no surprise that there is military build-up that is to occur over the next few years. Looking ahead, MCV Broadband has prepared accordingly and is looking at this as an opportunity to grow the company even more. In the interview with Thompson he stated that his company is in a very population driven business – his company grows as the population grows. With that said, the arrival of thousands of Marines, bodes well for MCV Broadband because they have already put in place an abundance of products to offer these military personnel once they arrive, and if strategically managed, are looking at generating large profits.

However, it is important to note that the task of growing this company even more than it has already grown is not an easy one, because of the active presence of competitors. Although, this is the case, Thompson seemed unwavering in discussing this topic, stating that the threat of competition is everywhere, but his company is ready and able to take any of them on. However, increased competition by emerging businesses is something that he may not have to worry too much about due to the barriers to entry that exist in this industry, which include the large investment that is needed to build a wire line infrastructure all over the island. Even so, as stated earlier, competition is everywhere and MCV Broadband believes it is well prepared to handle any that may come their way.

CONCLUSION

To date, it is clear that MCV Broadband has achieved much of the goals that they set out to accomplish in 2005. In fact, in many areas, they have already surpassed their targets, with another year remaining in the five year timeframe. The company's success illustrates that, with a clear vision and intelligent strategic planning, everything is possible. MCV Broadband is no longer the "maintenance company" that it was during the twelve years it operated prior to the change in ownership in 2005. Today, MCV Broadband is a leading force and a driver in Guam's telecommunication industry, with no evidence that it will be slowing down anytime soon.

DISCUSSION QUESTIONS

1. Describe Marianas Cablevision's performance and strategy before it changed ownership in 2005.
2. Describe the shift in business strategy after Marianas Cablevision was purchased by Seaport Capital in 2005.
3. What were the core strategies used by Dr. Thompson to satisfy Seaport Capital's five year plan?

ADDITIONAL NOTES/ASSIGNMENTS:

Instructors using this case in a capstone business course might ask students to address the following issues related but are broader in scope than or not as detailed those covered in this case.

4. Discuss the current external environment faced by MCV Broadband as well as future changes that might occur. In doing so, be sure to include the following macro-level environment:

Economic
Demographic- Sociological- Cultural
Political-Legal
Technological
Natural Environment

as well as the micro-level environments:

Overall market/industry trends
Current and Prospective Competitors
Distribution Channels and Buyers
Customers
Suppliers

As a subset of the above analysis, instructors might ask students to analyze in greater detail how MCV Broadband would market to current military population and their dependents on Guam, as well as to those expected to arrive in 2014 as part of the movement of U.S. Marines from Okinawa, Japan. In what ways is the military customer base different from the local residential customer base?

Instructors might ask students to

5. evaluate how well MCV Broadband's corporate social responsibility activities have enhanced its community image, and
6. put forth a recommendation for suggested activities that the company could pursue in the future.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.