

Restoring Supplier Relationships in the Pakistani Telecom Industry: A Case Study on Retention Strategies Post-Disruption

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ABSTRACT

It's a rainy day at Islamabad in July-221 & today weather went pleasant followed by many humid days but tension and temperature was rising in K-01 (Meeting room at 2nd floor of HQ- Zee-Link-4G, a Telecom Operator Company), Mr. Jaffer Khan, Manager ATL Promotion at Zee-Link was reviewing Half Year performance of Mills, a Media Buying Company hired by Zee-Link in Jan-2021 by fleeting through cumbersome and hefty sourcing process, which took strenuous efforts of 2 months by both Marketing & Procurement Teams at Zee-Link. Half of the year is being passed Mills was still unable to achieve KPI of Premium Position (first and last spots in every ad break) i.e. must be greater than 50% but it remained at 39% in Q-1 and 42% in Q-2- 2021. In addition to that KPI of Media Droppages (spots dropped due to special program airing or unforeseen events) is not coming below 13% whereas it was supposed to be less than 7.5%. In the meeting Jaffar Khan was raising his concerns to Anwar Lodhi & his team, Account Director appointed by Mills for Zee-Link project that despite under delivery on KPI's by Mills, were resisting to include Top Channels and premium time bands in media plan due to rate issues. Anwar Lodhi & his team was also refusing Zee-Link for the spots required during top tier TV Programs like (ARY Digital Jeeto Pakistan, Geo News Aaj Shahzaib Khanzada Kay Saath, Duniya News Mazaaq Raat) as per rates locked in the contract, in-fact they were asking for specialized rates for all Premium TV Programs, which were already quoted by Mills themselves 6 months ago to win competitive bidding conduct by Zee-Link. Anwar Lodhi & his team was rather more interested to get their due payments as early as possible without any performance related deductions and claiming for relaxation in KPI's. Jaffar Khan & his team were interested to elevate Zee-Link's media performance by not giving further leverage to Mills. Meeting ended up nowhere and both teams decided to take their contractual options & refereed the matter to Zee-Link's Procurement and Executive Management at Mills.

Key Words: Media Buying, Trust, Supplier Retention, Buyer- Assisted Quality Intervention, Supplier Development.

INTRODUCTION

Zee-Link-4G is one of the Top-3 Telecom Players in Pakistan. "The number of 3G and 4G users in Pakistan reached 104.71 million by end September 2021 compared to 103.12 million by end August 2021, registering an increase of 1.59 million, revealed the Pakistan Telecommunication Authority (PTA) data". Such a massive growth in mobile users is mainly caused due to huge investments by Telecom companies in network expansions and spending

heavily over marketing & promotional campaigns. Zee-Link is considered to be one of the most aggressive industry players and rapidly growing their network with latest number of 14,000 + active 4G Sites across Pakistan and fully committed to rollout their corporate strategy of getting industry leadership. It will come through Technology leadership- Pioneering 4G & 5G Technology, Coverage Leadership – Widest Network across Pakistan & Experience Leadership- Best Customer experience through Highest Internet speed.

Marketing Team at Zee-Link was burning their mid night's oil in devising the strategy to reaching out right audience by choosing the right medium and placement while ensuring efficiency of each and every penny spent on media. In media industry conventionally there are three mediums to reach out target customers, TV- Reaching to maximum audience through primetime placement of your brand, Radio- Placing your brand at Drive Time & Print- Getting the Frontpage Placement. According to an unofficial survey in years 2018-2020 roughly PKR 232 billion are being spent in whole Pakistan over advertising. 59% being spent on TV Advertising, 11% on Print, 3% on radio, 8% on Out of Home Advertising (Bill Boards) & 19% on advertising across digital platforms. It is also inferred from another unofficial unconfirmed survey that in Years- 2018-2020 Telecom companies collectively spent PKR 8.2b over TV advertising only with spending share of 35% by M-Link, 29% by You-Link, 19% by Tee-Link and 18% by Zee-Link.

LITERATURE REVIEW

Researchers have done plenty of work over supplier retention strategies and its being established that firms must improvise trust in relationship steps prior to nurturing a supplier (Narasimhan, Mahapatra & Arlbjörn, 2008). It's always being handy for procurement professionals to have close coordination with their suppliers during the project execution because buyer-assisted quality interventions play vital role in improving vendor performance (Hoque & Maalouf, 2021). It's being learned through best practices suggested by Big-4 firms that giving monetary incentives to top performing suppliers, Flexible payment terms, Training of Vendor resources, Flexible contractual terms, long-term contracts, recognition and public endorsements and sharing technological resources can be helpful while devising Supplier retention strategies.

Supplier Development Program are set of initiatives and strategies are adopted by various buying organizations to enhance supplier performance and researcher has proposed multiple supplier development strategies and proposed buyer- supplier relationship framework to address empirical scenarios (Sillanpää et al., 2015). All over the world companies are investing over supplier development and shifting their best practices to their suppliers such as Toyota's production system is one of the finest examples of knowledge transfer (Marksberry, 2012) but all Supplier Development efforts are being successful containing Trust as most significant part of relationship (Badenhorst et al., 2016). This means that the lens of dynamic capability theory is to be utilized for observing the maintenance of trust and shared resources for sustainable supplier relationships and retention of potential suppliers for long term concerns.

Based on the above literary argumentation, following research questions have been developed for the case study analysis.

Research Questions

- 1- Are both organizations having some Trust issues with each other? Which Trust Building Initiatives can restore Buyer- Supplier Relationship?

- 2- Buyer- Assisted Quality Intervention can bring improve Mill's Performance?
- 3- Referring to this particular case, how much effective a Supplier Development Program could be to retain Strategic Suppliers like Mills.

RESEARCH METHODOLOGY

The case study analysis research methodology has been adapted. The primary data includes the observations and interview sessions. The secondary data involves the company documents, presentations and reports. The nonprobability purposive sampling has been done for the selecting the respondents for the study. The triangulation in terms of data collection and literary synthesis has been carried out (Hartley, 2004; Gerring, 2004).

CASE ANALYSIS AND DISCUSSION

Media Buying Companies:

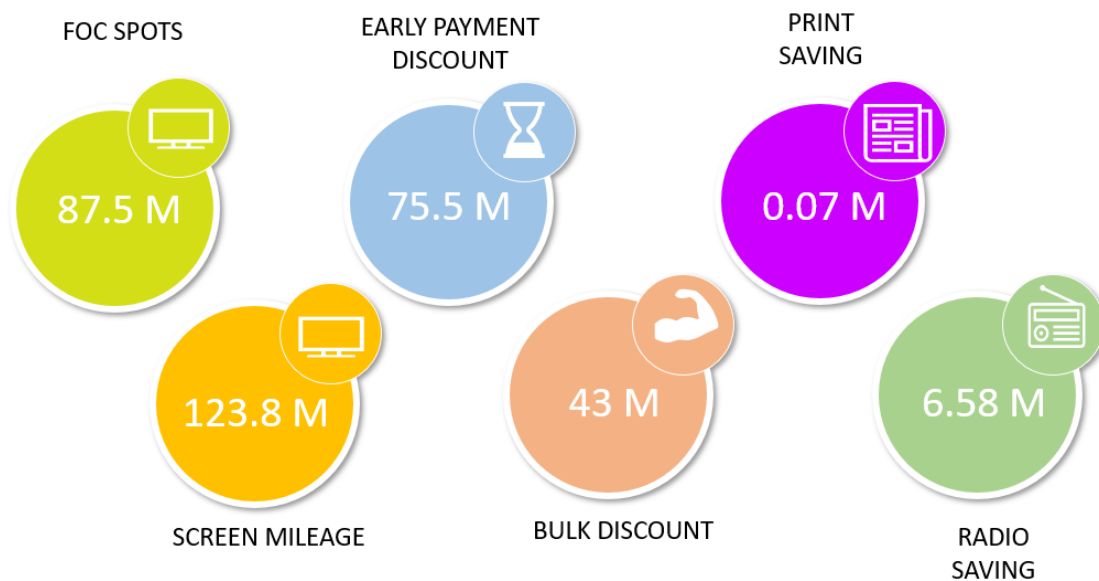
Media Buying Companies are those specialist companies who interacts with all media channels and media owners to buy advertising space for their clients. Normally Media buying companies gather media requirements from all of their clients and creates a bigger pool for advertising spots and on the basis of collectively huge purchasing requirements they are in better position to negotiate better media rates on the basis of bulk requirement. In addition to that Media Buying companies are specialized in preparing an optimum media plans which includes but not limited to providing other services like Media Mix Modelling, Consumer insights, Competition update, Industrywide media spending, trainings and content partnership consulting, Pre and Post evaluations of Marketing Campaigns, Ensure timely media launches, Bringing value additions and driving cost saving initiatives for clients in a way that bringing maximum visibility in minimum possible spending. Its being generally believed that size of media company defines the power of balance between the channels and media agencies, the bigger the agencies, the stronger the Negotiating power. Bigger companies gets better rates, better ad placements, FOC Spots, Bulk and Early Payment Discounts. According to latest survey of Pakistani Media Market its being established that 80% of Air Time scheduled on TV and 85% of Total Media Spending comes from 4- Big media buying agencies named as **GM** having 47% of Air time & 50% of spending Share, **Mills** having 20% of Air time & 20% of spending Share, **BC** having 7% of Air time & 8% of spending Share and **ADC** with 6% Air time & 7% of spending Share.

Previous Vendor Performance Prior to Mills:

BC worked for 4 consecutive years as Media Buying company for Zee-Link from Jan 2017 till Dec 2020. Marketing teams at Zee-Link were quite satisfied from the performance of **BC** because during their contract Zee-Link was having Industry's Lowest CPRP (Cost Per Rating Point) of 8,700 with Performance Efficiency Factor of 1.35 as compared to M-Link being major competitor and industry leader standing at 14,300 with Performance Efficiency Factor of 1.04. Throughout the **BC**'s tenure Zee-Link was achieving Premium Positioning at 51% with droppage rate of less than 7%. In addition to maintaining KPI's at Peak **BC** also provide value additions of PKR 337 million during last 2 Years details of which are as:

Value additions in PKR:

Figure 1:






SCREEN MILEAGE INCLUDES BREAK BUMPERS, ANNOUNCEMENTS, SCROLLS, LOGO, CLOCK SPOT, BRANDED SONG ETC

Brief Profile- Mills:

Mills was established in 1950's & now listed among Pakistan's top-3 Media Companies and contains legacy of executing media plans for Top- notch companies from different sectors of economy like Toyota, Berger Paints, Levis, EFU, United Bank, Sanofi. In Telecom sector Mills already worked many years for M- Link & remined strategic Media Partner for Tee- Link for 4 consecutive years from 2016-2020. Now Mills were eyeing on securing business with Zee- link being upon ending their of long-term contract with Tee- Link.

Figure 2:

Mill's Yearly Media Spending in PKR- 2018 - 2020

	2018	2019	2020
	3,172,821,778	2,823,637,299	2,368,152,263
	101,739,401	96,770,134	48,300,331
	334,404,474	294,456,505	178,068,456
Total	3,608,965,653	3,214,863,938	2,594,521,050

Supplier Sourcing Process - Path to Mill's Selection

Procurement team at Zee-Link referred to PBA's (Pakistan Broadcasting Association) website and 17 agencies has been shortlisted out of 86 registered companies on the basis of having annual turnover of PKR 600M in Y-2019 and Y-2020 as confirmed by a Media Monitoring agency report or annual turnover confirmed by agencies themselves by sharing their Audit Reports. RFI (Request for Information) was floated to these 17 companies and by doing further due diligence finally 12 companies were invited by Zee-Link to take part in formal bidding process.

It was Two stage bidding process which included Technical Evaluation and Commercial evaluation of all participating vendors. Technical evaluation of vendors got overall 100 marks vendors were supposed to be evaluated on following 4 Major criteria's like:

CRITERIA	Weightage
SECTION 1 - Team, Organization Structure & Buying Strength	20%
SECTION 2 - Media Understanding	25%
SECTION 3 - Company Achievements	25%
SECTION 4 - Challenge case & Pitch Presentation over Strategic capabilities of Media Company	30%
Total	100%

Vendor securing 70% or above marks was supposed to be Qualified.

Commercial evaluation of vendors got overall 100 Marks and vendors were supposed to be evaluated on the basis of following 6 Criteria's like:

CRITERIA	Weightage
Rates Quoted by Supplier for Special TV programmes	40%
Rates Quoted by Supplier for Run on Day programmes	20%
Rates Quoted by Supplier for Ramzan Transmissions	10%
Rates Quoted by Supplier for Sports Events	10%
Rates Quoted by Suppliers for Annual Retainer Fees	10%
Early Payment Discount & Bulk Discount Offered by Suppliers	10%
Total	100%

Top Commercially lowest vendor will get Full marks and others will accordingly get relative marks. Top Scoring vendor of Weighted Evaluation (30% of Technical Evaluation & 70% of Commercial Evaluation) was supposed to be selected for Project award.

Out of all 12 Companies, 5 companies passed through Technical Evaluation and Mill was at number at 3 according to Technical Scores but Mills quoted quite aggressive prices during commercial rounds (For many items Mill's prices were lower than previously incurred prices

by Zee-link) & finally turned out to be Top scorer of Weighted Average Evaluation and got selected by Zee-Link as their New Media Buying Agency for next 2 Years.

Here comes the Roller Coaster Ride:

Mill's got invitation from Zee-link for contract signing and initiating Handing over Taking over from their existing company. It was a moment of Joy and cherish for Mills for beating out their closest rival M/s B.C who was consistently serving Zee-Link from Last 4 Years. Across the media lines Zee-Link was to be considered one of the leverage clients for M/s B.C and it was major setback for them.

Mr. Farhad Hussain (famous by the name of Faddy in Media Lines) was working then as COO at Mills. Faddy was considered to be one of the most eminent and influential guys in media industry of Pakistan, he had direct personal relationships with owners of most of the media channels. Faddy had tremendous legacy of successful execution of Multiple Media Projects. Faddy was main guy from Mills who took all the shots while participating in Z-Link's tender which includes but not limited to agreeing all contractual compliances & obligations and quotations were filled with his Guidance. If we say in simple words then Faddy was the main guy behind the Z-mill's success at Z-Link's tender.

Mills signed the contract and started setting up stage to took the reins from Jan- 2021 but it came as matter of big surprise to Mills that Faddy got resigned from Mills in Dec-2024 due to certain differences with higher management. Mill's immediately appointed Mr. Naveed Arshad as COO who was also an experienced Media guy. In the meantime, Mills started their project at Zee-Link's but things were not easy and executable the way they were perceived during tendering stage. Here are some of notable differences and challenges faced by both companies during project execution:

- Zee-link was raising concerns of capability and structure of the teams appointed by Mills. Delay in Submission of Execution of Media Plans.
- Resistance from Mills to include Top Channels/ Time Bands in Media Plan due to rate issue. Mills was refusing Zee-Link for the spots required during top tier TV Programs.
- Mills was consistently under delivering on Contractual KPI's from last 2 Quarters. KPI of **Premium Position** (first and last spots in every ad break) i.e. must be greater than 50% but it remained at 39% in Q-1 and 42% in Q-2- 2021. In addition to that KPI of **Media Droppages** (spots dropped due to special program airing or unforeseen events) is not coming below 13% whereas it was supposed to be less than 7.5%.
- Teams at Mills were complaining that Marketing teams at Zee-Link behave coldly with them. A perception was surfacing in Mill's that Marketing teams at Zee-link are not happy from heart at Mill's selection as their new media company in fact they were quite happy and satisfied with performance of their previous Company that's why they are making issues with Mill's.
- Z-link didn't clear Mill's invoices from last many months due to Early Payment discount dispute between both companies.
- Mills were asking for rates revision for all Premium TV Programs, which were already quoted by Mills themselves 6 months ago.
- Teams at Mills were interested to get their due payments as early as possible without any performance related deductions and claiming for relaxation in KPI's.

At Last

Situation is being reached to verge of collapse and Marketing Team at Zee-Link was not comfortable in continuing with Mills and teams at Mills referred the matter to their Executive management. Now the case is being referred to Mr. Zakir Procurement Manager at Z- Link. What should Zakir do now? How can he retain Mill's? How the performance of Mills can be improved?

CONCLUSION

This case study portrays the landscape for restoring supplier relationships in the Pakistani telecom industry in terms of deploying post-disruption retention strategies. The conclusive learning from this research reflects three vital inferences. First, the supplier relationships are complex and dynamic and need to be taken care as a strategic value point. Secondly, the change in the market must be rectified and due processed should be initiated for sustainable competitive edge. The last learning point is that it's a holistic process and silos will be destructive for a fruitful outcome.

LIMITATIONS

This case has been written on a single telecom company regarding the overall sustainable supplier relationships so the results cannot be generalized much for the whole telecom sector. There comparison between national telecom companies and international counterparts is a much-needed debate.

FUTURE RESEARCH

There is a need for a telecom industry wide qualitative survey to know about the best practices that the industry can adapt. The socio-techno paradigms have to be checked in this perspective.

MANAGERIAL IMPLICATIONS

This study provides valuable implications for the procurement and supply chain managers and their department for sustainable and favorable supplier relationships for long term basis. The research provides the situational observation that can be converted into a standard operating procedure for betterment of the telecom sector in Pakistan.

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Disclaimer

This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors have disguised names; financial and other recognizable information to protect confidentiality.

Statement of Confidentiality

The company being the focus of research is one of the top three telecom companies of Pakistan. The name of the company has been anonymized and the interviews of the company managers are not made part of the study, rather the sense has been used for the sake of confidentiality.