



# Business Adaptation Strategies in Crisis: The MEO/MEO Energia case

Guilherme Mendes

Dissertation written under the supervision of

Professor Nuno Cardeal

Dissertation submitted in partial fulfilment of requirements for the  
MSc in Management with specialization in Strategy, Entrepreneurship  
and Impact, at the Universidade Católica Portuguesa, January 2025

## **Abstract**

This thesis presents a real case of a company, its evolution and its current positioning, in order to respond to the scenario of uncertainty and volatility of the sector and the general situation it faces.

The company studied is currently called MEO, whose origin comes from the beginnings of telecommunications in Portugal. Whether for external or internal reasons, the events of recent years have tested the company's ability to make strategic decisions in order to present an attractive and sustainable profitability.

This case focuses with greater attention on the current threat to the global telecommunications sector, with the reduction of margins, driven on the one hand by external risk factors (e.g. inflation, political instability, etc.) and on the other by the outstanding growth of Over The Top services that conquer the direct relationship with the Customer. This last factor pushes telecommunications companies into the structural dilemma of becoming either a "just" infrastructure provider or developing and diversifying services that the end customer values and can represent a competitive advantage for global companies in the sector.

The way MEO has responded over time and especially the recent strategic investment in the energy retail business – MEO Energia, is evaluated in this case that aims to serve as pedagogical material for the study of the applicability of strategy theories, namely: Porter's five forces, the RBV (Resource Base View) Theory and the Theory of Dynamic Capabilities.

**Title:** Business Adaptation Strategies in Crisis: The MEO/MEO Energia case

**Author:** Guilherme Mendes

**Keywords:** strategy, adaptation, crisis, competitive advantage, innovation, resources, capabilities, telecommunications, energy retail

## **Resumo**

Esta tese apresenta um caso real de uma empresa, a sua evolução e o seu posicionamento atual, por forma a responder ao cenário de incerteza e volatilidade do setor e da conjuntura geral que enfrenta.

A empresa estudada é a atualmente denominada MEO, cuja origem vem dos primórdios das telecomunicações em Portugal. Quer por razões externas, quer internas, os acontecimentos dos últimos anos têm posto à prova a capacidade da empresa tomar decisões estratégicas por forma a apresentar uma rentabilidade atrativa e sustentável.

Este caso debruça-se com maior atenção para a ameaça atual do setor global das telecomunicações, com a redução de margens, impulsionada por um lado por fatores externos de risco (ex.: inflação, instabilidade política, etc.) e por outro pelo destacado crescimento de serviços Over The Top que conquistam a relação direta com o Cliente. Este último fator empurra as empresas de telecomunicações para o dilema estrutural de se tornarem ou um “apenas” fornecedor de infraestruturas ou desenvolver e diversificar serviços que o Cliente final valorize e possam representar vantagem competitiva para as empresas globais do sector.

A forma como a MEO tem respondido ao longo do tempo e especialmente a recente aposta estratégica no negócio de retalho de energia – MEO Energia, é avaliada neste caso que pretende poder servir de material pedagógico para o estudo da aplicabilidade das teorias de estratégia nomeadamente: as cinco forças de Porter, a Teoria RBV (Resource Base View) e a Teoria das Capacidades Dinâmicas.

**Título:** Estratégias de Adaptação Empresarial em Crise: O caso MEO/MEO Energia

**Autor:** Guilherme Mendes

**Palavras-chave:** estratégia, adaptação, crise, vantagem competitiva, inovação, recursos, capacidades, telecomunicações, retalho de energia

## Acknowledgments

I want to express my deepest gratitude to those who have supported and guided me throughout the process of writing this master thesis.

First and foremost, I am sincerely grateful to Professor Nuno Cardeal for his invaluable guidance, expertise, unwavering support, and insightful feedback, which were fundamental in shaping the direction of this thesis and ensuring its completion.

I would also like to extend my heartfelt thanks to Católica Lisbon School of Business and Economics for providing an inspiring academic environment. The knowledge and skills I have gained throughout my studies at this esteemed institution have been vital to my intellectual and personal growth. I am immensely thankful for the resources and opportunities provided during my time here.

Additionally, I wish to extend my sincere gratitude to the representatives of MEO for their availability and collaboration in providing the necessary information and insights for the content of this case study.

Finally, I would like to express my profound appreciation to my family and friends, whose support and patience have been an enduring source of strength. In particular, I owe a special debt of gratitude to my mother. Her constant love and encouragement have been the foundation upon which I have built my academic and personal journey.

**Table of Contents**

- 1 Methodology ..... 6
- 2 Research Note ..... 7
  - 2.1 Evolution of Strategic Management..... 7
  - 2.2 Five Forces ..... 8
    - Threat of New Entrants ..... 8
    - Threat of Substitutes..... 8
    - Bargaining Power of Buyers..... 8
    - Bargaining Power of Suppliers..... 9
    - Competitive Rivalry ..... 9
  - 2.3 Resource Based View ..... 9
    - Value..... 10
    - Rarity..... 10
    - Inimitability (Costly to Imitate)..... 10
    - Organized to Capture Value.....11
  - 2.4 Dynamic Capabilities ..... 11
    - Sensing ..... 12
    - Seizing..... 12
    - Transforming ..... 12
  - 2.5 Competitive Advantage and Economic Value. .... 14
  - 2.6 Business Model and Innovation ..... 15
- 3 Case Study..... 17
  - 3.1 Company Overview..... 17
  - 3.2 Telecom Industry – Crisis, Challenges, and Opportunities ..... 19
  - 3.3 Company Strategy ..... 24
  - 3.4 MEO Energia..... 26
- 4 Teaching Note..... 31
  - 4.1 Synopsis ..... 31
  - 4.2 Teaching Objectives ..... 31
  - 4.3 Assignment Questions..... 32
  - 4.4 Analysis and Discussion..... 33
- 5 Limitations / Conclusions..... 45
- Appendix ..... 47
- References ..... 53

## 1 Methodology

This thesis is structured as a case study to analyse the evolution of the incumbent telecommunications company in Portugal and its response to the current crisis in the sector. The case analysis is designed to stimulate reflection and reinforce the application of strategic concepts and frameworks, including Porter's Five Forces, Resource-Based View theory, and Dynamic Capabilities theory.

*“Rather than thinking about your case(s) as a sample, you should think of your case study as the opportunity to shed empirical light on some theoretical concepts or principles” (Yin, 2018, p. 38).*

This work is a Concept-Application Case, designed to enable students to apply specific concepts. Its use should be preceded by lectures of theoretical material.

An effective case study is one that not only tells a story to create an emotional connection with readers, but also presents an analysis of available data to provide intellectual justification (Flyvbjerg, 2006).

*“Context-dependent knowledge and experience are at the very heart of expert activity. Such knowledge and expertise also lie at the centre of the case study as a research and teaching method or to put it more generally still, as a method of learning.” (Flyvbjerg, 2006, pp. 222)*

This case study was developed using qualitative research, including semi-structured interviews, consultancy documents, and public information from sector regulators. Multiple sources were used to triangulate and validate the collected data.

Data Source	Format	Details
Interviews	Semi-structured interviews	Head of MEO Energia (1,5 hours) Head of Planning and Control of MEO and Administrator of MEO Energia (1,5 hours) Head of B2B Support Operations of MEO (2 hours)
Sector Reports Analysis	Public Consultancy presentations	Deloitte McKinsey
Sector Regulators	Web site	ANACOM ERSE
Firm Internal Documents	Intranet	Company's history Company's Mission and Values
Media Articles	Web site	CEO interviews

## 2 Research Note

### 2.1 Evolution of Strategic Management

Strategic Management has undergone continuous evolution during the past decades. This graph illustrates the escalating complexity and uncertainty in business environments, highlighting the organisations' need to cultivate dynamic capabilities to maintain long-term competitive advantage (Teece, Peteraf & Leih, 2016).

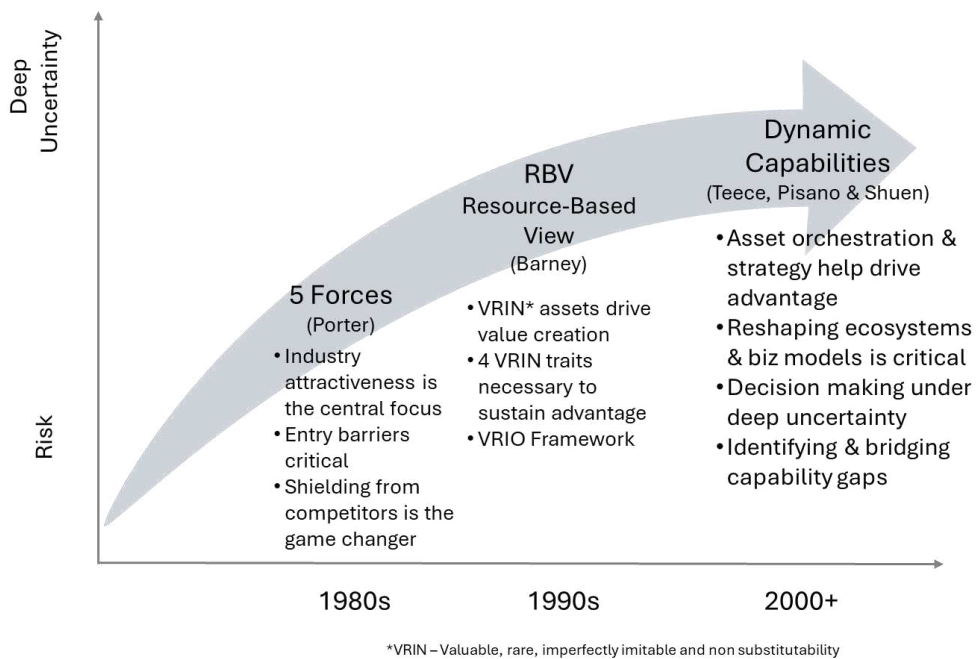


Figure 1: The progression of strategic management and "research base" thinking, per Teece, 2018, Babbage Forum, Cambridge University

In the 1980s, strategic management research increasingly emphasised Porter's Five Forces framework, which underscored key aspects such as industry attractiveness, barriers to entry, and critical success factors (Porter, 1979). In the 1990s, the Resource-Based View (RBV) theory emerged, emphasizing the significance of VRIN assets in maintaining competitive advantage. This era signified a transition towards comprehending the internal resources and competencies of organizations (Barney, 1991). In the 2000s, the emphasis transitioned to Dynamic Capabilities and asset orchestration, highlighting the necessity for organizations to constantly change and redefine their strategies and ecosystems. This phase emphasizes the significance of value generation, innovation in business models, and decision-making amidst profound uncertainty (Teece, Pisano & Shuen, 1997).

## 2.2 Five Forces

Porter's Five Forces approach offers a thorough examination of the competitive dynamics that influence an industry. By comprehending these dynamics, companies can formulate plans to improve their competitive status and attain sustained profitability. As Porter (1979, pp. 137) concluded, *“The collective strength of these forces determines the ultimate profit potential in the industry”*, where profit potential is measured in terms of long-run return on invested capital. This framework remains a cornerstone of strategic management, offering valuable insights for academic research and practical application.

### Threat of New Entrants

The threat of new entrants pertains to the possibility of new firms entering the industry and intensifying competition. Significant entry obstacles may inhibit new entrants, including economies of scale, brand loyalty, and financial needs. Porter (1979, pp.138) emphasized, *“New entrants to an industry bring new capacity, the desire to gain market share, and often substantial resources”*. Strong entry barriers protect existing firms from new competitors.

### Threat of Substitutes

The threat of substitutes pertains to the existence of alternative products or services that can fulfil the same function as those provided by the industry. When replacements are easily accessible and competitively priced, they can constrain the industry's profit potential. Porter (1979, pp.141) stated, *“By placing a ceiling on prices it can charge, substitute products or services limit the potential of an industry”*. The threat of substitutes is higher when alternative products offer a better price-performance trade-off.

### Bargaining Power of Buyers

The bargaining power of buyers denotes the capacity of consumers to affect pricing and buying conditions. When purchasers possess substantial influence, they might insist on reduced costs, enhanced quality, or supplementary services, thereby constraining industry profits. Porter (1979, pp.139) observed, *“Customers likewise can force down prices, demand higher quality or more service, and play competitors off against each other”*.

Factors that enhance buyer power include the concentration of buyers, availability of alternative suppliers, and price sensitivity.

### Bargaining Power of Suppliers

The bargaining power of suppliers refers to their capacity to affect the price and availability of inputs. Dominant suppliers can impose elevated pricing, restrict the quality or quantity of goods provided, and transfer costs to industry stakeholders. Porter (1979, pp.139) noted, “*Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services*”. Supplier power is higher when there are few substitutes for the inputs they provide, or when they serve multiple industries.

### Competitive Rivalry

Competitive rivalry denotes the degree of competition among established enterprises within an industry. Intense competition can limit profitability as companies participate in pricing wars, promotional contests, and product improvements. Porter (1979, pp.141) noted, “*Rivalry among existing competitors takes the familiar form of jockeying for position – using tactics like price competition, product introduction and advertising slugfest*”. Factors influencing rivalry include the number of competitors, industry growth rate, and product differentiation.

## **2.3 Resource Based View**

The Resource-Based View (RBV) emerged as a response to the limitations of traditional strategy theories, which often emphasized external market conditions over internal firm capabilities. Barney (1991, pp. 101) defined resources as “*all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness*”. This perspective shifts the focus to the internal strengths of the enterprise, suggesting that the unique resources and capabilities a business possesses are the primary drivers of its competitive advantage.

With this basis, the set of criteria to which the evaluation of resources was based on was first addressed as VRIN (Value, Rarity, Inimitability and Non-substitutable) and later remodelled to VRIO in 1995.

*“A firm's competitive advantage potential depends on the value, rareness, and imitability of its resources and capabilities. However, to fully realize this potential, a firm must also be organized to exploit its resources and capabilities.”* Barney (1995. pp. 56)

The Resource-Based View offers a profound understanding of how firms can achieve and sustain competitive advantage. By focusing on the identification, development, and protection of VRIO resources, firms can craft strategies that enable them to outperform competitors and achieve long-term success. In order to gain sustainable competitive advantage, firms must optimize their ability to protect their strategic resources.

### Value

A resource is valuable if it enables a firm to exploit opportunities or defend against threats, or if it helps increase perceived customer value by enhancing differentiation or lowering prices. Resources failing to meet these criteria result in competitive disadvantage. Thus, regular review of resource value is crucial, as changing environments may reduce their value or render them useless.

### Rarity

A resource is considered rare if it is not commonly held by other competitors. The more exclusive a firm's access to a valuable resource, the greater its advantage.

Resources that are rare and valuable provide a temporary competitive advantage. When many companies have similar resources or use the same capability, it results in competitive parity, as no firm can outperform others with identical strategies.

Although competitive parity is not ideal, firms should maintain valuable common resources since losing them could harm their market position.

### Inimitability (Costly to Imitate)

A resource is costly to imitate when other organisations can't replicate, buy, or substitute it at a reasonable price. However, this is a challenging criterion to evaluate because most resources can eventually be replicated with sufficient time and money. Even patents have a limited duration and can often be worked around in a shorter period.

Generally, intangible resources or capabilities, like corporate culture or reputation, are very hard to imitate and therefore inimitable.

Another way to help determine if a resource is inimitable is why/how it came about. Inimitable resources are often a result of specific reasons as identified by Barney (1991):

- Historical Conditions: Resources developed from unique historical events or over long periods are hard to copy.

- Causal Ambiguity: It's unclear which resources drive competitive advantage.
- Social Complexity: Resources tied to company culture or relationships are difficult to replicate.

### Organized to Capture Value

Resources alone do not provide a company with a competitive advantage unless it is organized to harness their value. To fully capitalize on its valuable, rare, and difficult-to-imitate resources and capabilities, a firm must structure its management systems, processes, policies, organizational framework, and culture effectively. Only by meeting these criteria can companies achieve a sustained competitive advantage.

Resources/ Capabilities	<b>V</b>	<b>R</b>	<b>I</b>	<b>O</b>	Competitive Result
	Is it valuable?	Is it rare?	Is it hard/costly to imitate?	Does the company have the organization (processes, structure and culture) needed to manage it?	
A	✗				Competitive Disadvantage
B	✓	✗			Competitive Parity
C	✓	✓	✗		Temporary Competitive Advantage
D	✓	✓	✗	✓	Realized Temporary Competitive Advantage
E	✓	✓	✓	✗	Unused Competitive Advantage
F	✓	✓	✓	✓	Sustainable Competitive Advantage

Figure 2: VRIO Framework. Adopted from Rothaermel's, 'Strategic Management, 6th edition', (2024), pp. 141

## 2.4 Dynamic Capabilities

Dynamic Capabilities (DC) represent a critical concept in strategic management, offering an innovative perspective on how companies can adapt and succeed in fluctuating environments. This notion, first articulated by Teece et al. (1997), underscores a firm's capacity to integrate, construct, and reconfigure both internal and external competencies in response to swiftly changing circumstances.

In their seminal work, Teece et al. (1997) emphasized the need for companies to address rapidly changing environments.

In this matter, DC framework comprises three principal processes: sensing opportunities and threats, seizing opportunities, and transforming the firm's assets and capabilities to maintain competitiveness.

### Sensing

Sensing involves the identification and assessment of opportunities and threats within the business environment. It requires enterprises to constantly scan, search, and explore across technologies and markets to detect changes and trends that could impact their business. Most industries are now situated in dynamic environments where change occurs rapidly and not always in known directions. (Cardeal, 2024)

*“To identify and shape opportunities, enterprises must constantly scan, search, and explore across technologies and markets, both “local” and “distant”.” Teece (2007, pp. 1322)*

### Seizing

Seizing involves the organization’s ability to capture opportunities and mitigate threats identified during the sensing process. Once opportunities are identified, this process involves the mobilization of resources to capture value from these opportunities. It includes making timely decisions, investing in the right technologies, and developing new products or services to capitalize on the identified opportunities.

*“Addressing opportunities involves maintaining and improving technological competences and complementary assets and then, when the opportunity is ripe, investing heavily in the particular technologies and designs most likely to achieve marketplace acceptance” Teece (2007, pp. 1326)*

### Transforming

Transforming refers to the organization’s ability to continuously renew and reconfigure its resources and capabilities to maintain a competitive advantage. It involves adapting and reshaping the organization to ensure it remains agile and capable of responding to new challenges and opportunities. Companies need to develop capabilities to seize new opportunities while continuing to exploit existing ones. (Cardeal, 2024)

*“A key to sustained profitable growth is the ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies change”.* Teece (2007, pp. 1335)

Along the years, researchers have explored various aspects of Dynamic Capabilities leading to diverse interpretations and definitions. These different perspectives underscore the multifaceted nature of Dynamic Capabilities.

Eisenhardt and Martin (2000) contributed significantly by analysing Dynamic Capabilities through an organizational theory lens. They highlighted that Dynamic Capabilities are

identifiable and consist of specific processes such as product development, strategic decision-making, and alliancing, which can be both robust and homogenous across firms while remaining idiosyncratic in their details.

Helfat and Peteraf (2003) have further expounded on the theoretical underpinnings and evolution of Dynamic Capabilities, emphasizing their role in sustaining competitive advantage by responding to and instigating environmental change. They contended that Dynamic Capabilities span multiple levels of analysis, from managerial decision processes to organizational routines and competitive interactions.

Winter (2003) proposed the concept of Dynamic Capabilities as higher-order capabilities that regulate the modification of ordinary capabilities. He emphasized the importance of routines in fostering adaptability and enhancing business performance, positing that the development and implementation of Dynamic Capabilities are essential for sustained competitive advantage.

Helfat et al (2007, pp. 1) describe Dynamic Capabilities as *"the capacity of an organization to purposefully create, extend, or modify its resource base."* This assertion underscored the critical importance of Dynamic Capabilities for firms operating in environments characterized by rapid and unpredictable change.

Barreto (2010, pp. 271) offered a comprehensive definition that synthesizes various viewpoints: *"A dynamic capability is the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base."* This definition captures the essence of Dynamic Capabilities, emphasizing the firm's ability to adapt and innovate.

The Dynamic Capabilities framework, grounded on the firm's Resource-Based View (RBV), highlights the importance of utilizing distinctive resources and capabilities to achieve a sustained competitive advantage. As Barreto (2010, pp. 258) elucidates, *"The RBV seeks to explain the conditions under which firms may achieve a sustained competitive advantage based on their bundles of resources and capabilities."* Dynamic capabilities, however, extend this discourse by emphasizing the necessity for agility and adaptability.

Later, Cardeal and António (2012) suggest an approach in which it is explained how and why the “O” in VRIO (Organization from RBV theory) could be understood as the Dynamic Capabilities needed to transform resources in competitive advantage. They conclude that to achieve competitive advantage, firms need to have VRI (valuable, rare and inimitable) capabilities (VRI DC).

**2.5 Competitive Advantage and Economic Value.**

Competitive advantage is a key concept in strategic theory. It aims to determine how performance relative to competitors contributes to the company's (sustainable) success.

However, its definition has varied and developed through different approaches and academic debates. Some consider that the measure should be profitability or financial return while others understand the concept more broadly, in the sense that this advantage should be assessed by the perception, or economic value perceived by the Customer. (Cardeal, 2024)

According to Porter’s definition (1980), it was concluded that for a company to create more value than its competitors, it needs to provide higher net benefits through better differentiation and/or reduced costs.

Peteraf and Barney (2003, pp. 314) present the follow definition: *“An enterprise has Competitive Advantage if it is able to create more economic value than the marginal (breakeven) competitor in its product market”*

This definition is followed by a discussion of the concept of economic value and what is considered in it. *“The Economic Value created by an enterprise in the course of providing a good or service is the difference between the perceived benefits gained by the purchasers of the good and the economic cost to the enterprise”* (Peteraf and Barney, 2003, pp. 314).

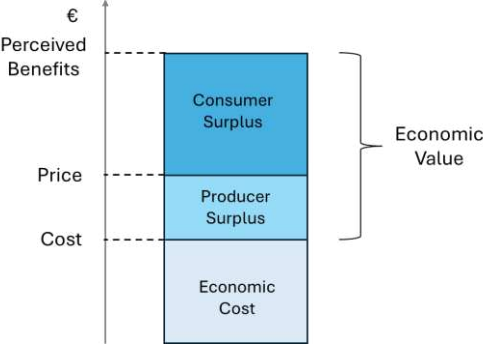


Figure 3: Economic Value. (Peteraf and Barney, 2003, pp. 314)

This definition is particularly interesting because it considers:

- (1) the effects of the benefits generated, but also the influence of the cost optimization component;
- (2) it accounts not only for consumer surplus but also for the enterprise's, i.e. it contemplates a win-win approach;
- (3) it classifies the benefits as perceived, i.e. it introduces a marketing vision, more based on consumer behaviour and perceptions management;
- (4) it illustrates the RBV's concept of efficiency presenting the way to achieve competitive advantage by offering more benefits at the same cost or the same benefits for a lower cost.

## **2.6 Business Model and Innovation**

The origins of the “business model” concept dates back to the late 1990s. The business model can be defined as “*a coherent framework that takes technological characteristics and potentials as inputs and converts them through customers and markets into economic outputs*” (Chesbrough and Rosenbloom, 2002, pp. 532).

In other words, Teece (2010) defines a business model as a conceptual model of how an enterprise delivers value to customers, generates revenues and converts those in net benefits. Teece (2010) also explores relationships between business model, business strategy and innovation, and the impact of technological advancements.

A well-designed business model can provide a competitive advantage if it is differentiated and hard to imitate. To make competitive advantage sustainable it is fundamental to select and implement a correct business strategy, based on accurate analysis and reviewed more frequently than the business model. (Teece, 2017)

Technological advancements and global economic changes have shifted the traditional balance between customer and supplier, challenging businesses to be more customer-centric and regularly re-evaluate their value propositions.

Businesses must continuously adapt their models to remain viable, as superior technology and products alone do not guarantee sustainable profitability. “*Selecting, adjusting and/or improving business models is a complex art.*” (Teece, 2010, pp. 176).

Dynamic Capabilities and Strategy work together to develop and improve a robust and adaptable business model, directing organizational change and enabling the enterprise to generate profits sufficient to maintain and grow its capabilities and resources. (Teece, 2017).

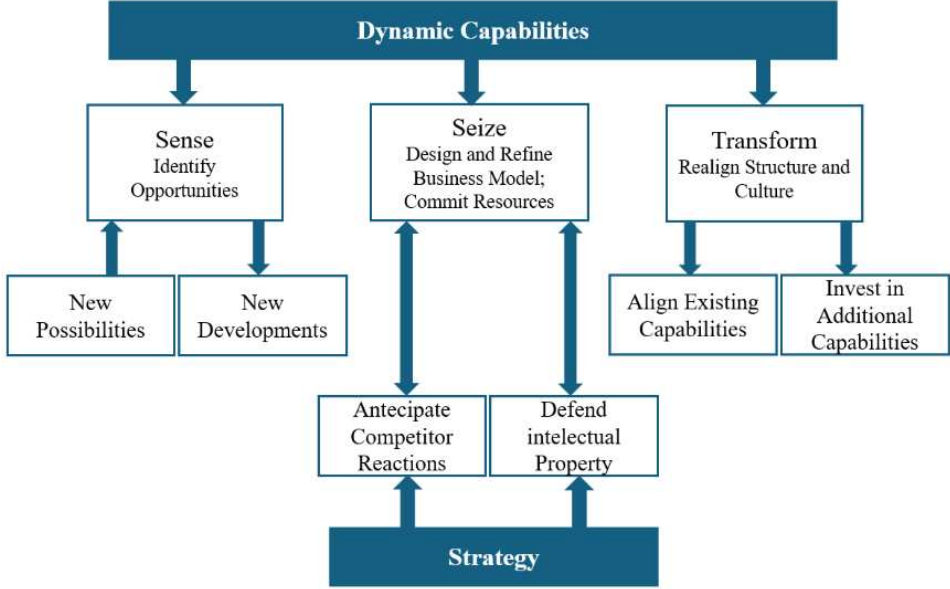


Figure 4: Dynamic Capabilities, Business Model and Strategy Scheme (Adapted from Teece 2017)

*“Dynamic capabilities are hard for rivals to replicate because they are built on the idiosyncratic characteristics of entrepreneurial managers and the history-honed routines and culture of the organization (Teece, 2014a). In addition, there is the uncertain imitability of a complex system that even those directly involved may not fully understand (Lippman and Rumelt, 1982)”.* (Teece, 2017, pp. 43)

Strong (relative to competitors) Dynamic Capabilities that comply with VRIO framework are the foundation for sustainable competitive advantage. This is especially true the more deeply embedded the capabilities are in the organization.

### 3 Case Study

*“There is one thing I can control: our performance and our ability to compete with our competitors and how we will respond to the entry of a new operator into the market next year. We can control that, be more efficient, more agile, find new ways of doing business, diversify our portfolio of products and services to counteract certain trends...”*

Ana Figueiredo (Altice Portugal CEO) in Exame 1/10/2023

#### 3.1 Company Overview

MEO is closely linked to the historical development of the Portuguese telecommunications industry.

Nowadays, being part of Altice Portugal, the company has effectively handled challenges by adjusting to different formats, dimensions, and scopes throughout its existence.

As the incumbent operator in Portuguese’s telecom sector, heir to the legacy of the country's pioneers (APT, TLP, CTT, Marconi) and the 20<sup>th</sup> century public monopoly (Portugal Telecom Group), MEO has consistently been associated with innovation, driving the transformation and dynamism of the sector, both nationally and internationally.

Facing public and private management, monopoly and strong competition, and national and international operations, it started from scratch in the TV business, due to the spin off required by the competition regulator.

Additionally, it was affected by the financial crisis of its main shareholder at the beginning of the 21<sup>st</sup> century. Despite these challenges, the company has grown across technologies and services like voice, data, TV, content, and energy, serving B2C, B2B, and Wholesale segments. (Exhibit I).

MEO is currently the market share leader in Portugal across all segments of the telecommunications market, facing strong competition. Its main competitors are Vodafone, a robust international group and NOS, a powerful national group and heir to the aforementioned television spin-off. The difference in shares among the three main operators is minimal and continues to narrow.

## Facts & Figures 2T2024

Main indicators of electronic communications services

Last update : 02/08/2024

The information now available may be subject to revisions or updates

Subscriber market share 2Q2024	Fixed Voice	Fixed Internet Access	TV by subscription	Mobile Voice	Mobile Broadband	Multiple Play	Triple Play 3P	Quadruple/ Quintuple Play 4P/5P
MEO	44,9%	41,2%	41,8%	37,6%	35,6%	41,7%	39,3%	42,2%
NOS	32,4%	33,6%	36,2%	30,1%	32,3%	35,0%	28,7%	39,9%
Vodafone	19,7%	21,9%	19,3%	28,2%	27,7%	20,6%	28,8%	15,7%
NOWO	2,0%	2,7%	2,7%	1,9%	2,1%	2,6%	3,2%	2,2%
Onitelem	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	-	-
Others	0,8%	0,5%	0,1%	2,1%	2,3%	0,1%	-	-

Nota: As quotas de assinantes de voz fixa determinam-se com base no número de "Acessos principais ao serviço telefónico em local fixo", as quotas de assinantes do serviço de acesso à Internet (SAI) em local fixo consideram o número de "Acessos associados ao serviço de acesso à Internet em local fixo" e as quotas de assinantes de TVS recorrem ao número de "Acessos do serviço de distribuição de sinais de TV por subscrição". No caso da voz móvel as quotas de assinantes determinam-se com base no número de "Acessos móveis com utilização efetiva" e no caso da Banda Larga Móvel (BLM) recorre-se ao número de "Acessos de móveis com utilização efetiva do serviço de acesso à Internet".

Evolution of retail revenue shares											
Total retail revenue shares		1T2022	2T2022	3T2022	4T2022	1T2023	2T2023	3T2023	4T2023	1T2024	2T2024
MEO		38,6%	38,4%	38,3%	38,2%	38,0%	37,7%	37,5%	37,4%	37,3%	37,1%
Grupo NOS		30,7%	30,6%	30,7%	30,7%	30,9%	30,9%	31,0%	31,1%	31,2%	31,3%
Vodafone		28,3%	28,4%	28,5%	28,5%	28,6%	28,9%	29,1%	29,1%	29,1%	29,3%
NOWO		1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,5%	1,5%
Other retailers		0,8%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,8%	0,9%
Total		100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Unit: %  
Source : ANACOM

Figure 5: Portuguese Telecommunications' market share report (ANACOM, Portuguese Telecommunications' Regulator)

Despite the intense competition in the market, another global operator, DIGI, entered in November 2024 employing an aggressive low-cost strategy, as demonstrated by other markets such as Spain and Romania.

### The Innovation commitment

Since the 2<sup>nd</sup> half of the 20<sup>th</sup> century, the joint work with the University of Aveiro allowed the creation of a strong study centre that maintains its vitality to this day (currently Altice Labs), having always been promoted by MEO as a hub of innovation and technological development of the company, as well as a relevant exporter of technology.

In 2021, Altice Labs was distinguished by the European Commission's Innovation radar as the Portuguese company with the largest number of innovative technologies, under the Horizon 2020 program.

Simultaneously, there is an ongoing internal effort to continually seek new solutions and foster an ecosystem of national and international partners. This ecosystem comprises R&D entities, academic representatives, startups, specialized SMEs, and large companies.

Company	Investment in R&D (M€)	FTE in R&D		
		Total	graduates with higher education	
			Total	PhD
NOS, SGPS, S.A.	79 345	278	268	10
Grupo Altice Portugal	77 608	641	625	7
Grupo EDP	68 876	n.a.	n.a.	n.a.
Grupo BIAL	54 079	130	130	51
Grupo Galp Energia	45 175	n.a.	n.a.	n.a.
Grupo Secil	43 119	119	86	2
Grupo Banco Comercial Português	42 276	232	n.a.	n.a.
Grupo Bosch	22 498	398	390	23
Grupo Fidelidade	21 971	n.a.	n.a.	n.a.
Grupo Simoldes	21 269	358	221	7

Figure 6: TOP 10 Expenses in R&D in Portugal in 2022. (Portuguese Directorate-General for Education and Science Statistics)

At an international level, the company is proud to have pioneered the first prepaid mobile phone in 1995 and introduced the first interactive digital cable TV service in 2002.

Moreover, in national level, the company has constantly been a pioneer with the launch of videoconference (1991), submarine fiber optic cable (1992), experimental broadcast of cable television (1994); total broadband country’s coverage (2000), telemedicine solutions (2004), triple play service (fixed voice, internet and TV) (2007) and convergent quadruple play (+ mobile) (2013). More recently it became the first operator with presence on the metaverse and in 2024 launched the innovative package telco+energy.

**3.2 Telecom Industry – Crisis, Challenges, and Opportunities**

The global telecommunications industry is undergoing a significant transformation that is altering the balance of the past decades as new technological paradigms and economic difficulties are leading to the redesign of the overall ecosystem.

Between 2000 and 2010, the telecoms sector prospered by deploying broadband, laying the foundations of today’s digital economy. This decade saw the birth of Skype, YouTube, Uber, and Instagram. In the following decade, the rollout of high-speed broadband propelled further growth. Many telcos successfully built a premium image and strong customer relationships, creating significant brand value.

Regrettably, telecommunications companies have been unable to convert their critical role in connectivity into shareholder returns. Telco shareholders' profits started to fall behind those of the more general financial markets in 2017.

The gap between the performance of the STOXX Europe 600 and the STOXX Europe Telecom 600 indexes has widened significantly in this decade.

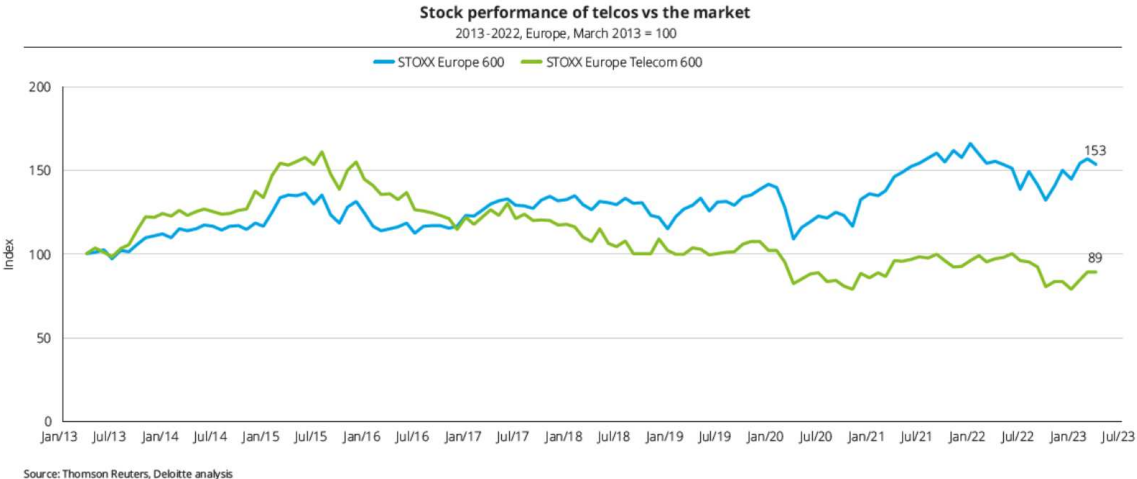


Figure 7: Stock performance of telcos and the market (Source: Decision time for Europe’s telcos, Deloitte)

The present economic environment poses a risk of exacerbating the situation. The war in Ukraine and the international sanctions that came with it led to a high inflation rate in markets all around the world. This has caused low, and in some cases negative, growth in different economies in the aftermath of the COVID-19 pandemic.

In a context of crisis, the revenues in the telco sector tend to be resilient because telco services are considered essential and account for a relatively low share of household expenditure. However, operators ‘margins are being squeezed and consumers need to rethink their spendings due to the inflation rate and the uncertainty of the future.

In 2022, the weighted average cost of capital (WACC) of telcos exceeded their return on capital invested (ROIC), according to data from ETNO (European Telecommunications Network Operators' Association). It is anticipated that the ROIC–WACC margin will remain thin, given ETNO's ARPU (average revenue per unit) outlook for European telcos (<1% CAGR (compound annual growth rate) between 2022 and 2025).

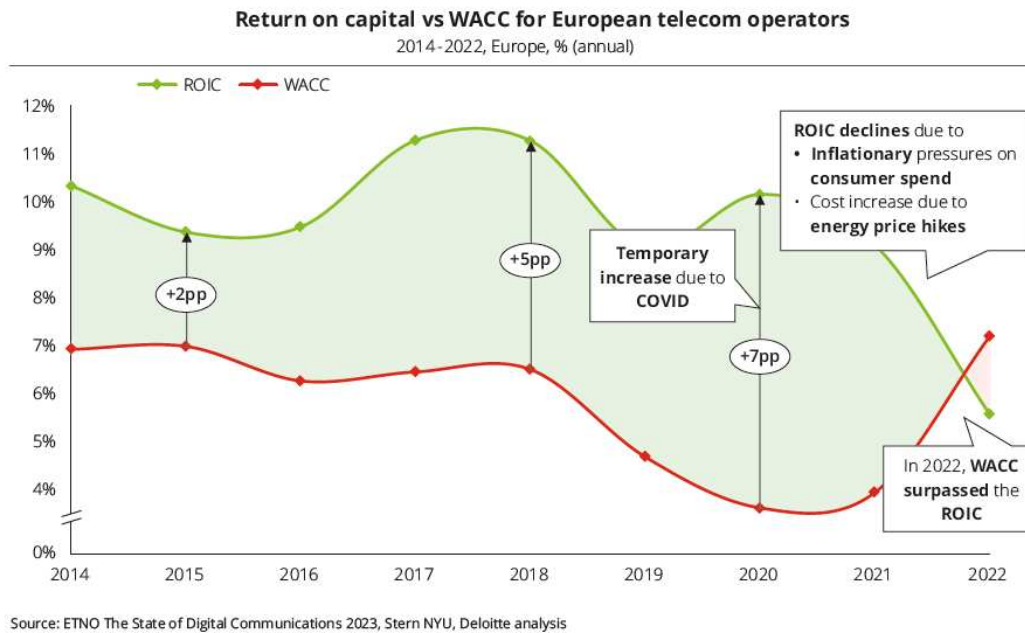


Figure 8: Comparative between the ROI and the WACC for European telco operators (Source: Decision time for Europe's telcos, Deloitte)











Over the past decade, numerous OTT (Over-The-Top) apps have displaced telcos' core messaging, voice, and TV services, generating massive amounts of data traffic. As a result, operators globally have seen mobile data traffic grow from only a few exabytes per month in 2002 to over a hundred in 2022.

To accommodate this demand, telcos have invested heavily in their infrastructure. On average, European telcos spend nearly 20% of their revenues on Capex. This figure has risen steadily over the past decade, as telcos have upgraded their traditional copper networks to fibre-to-the-home/building and 5G networks.

Simultaneously, clients' perspectives regarding telecommunications providers have evolved, as they were previously perceived as offering premium services. However, they are now more commonly perceived as commodities, similar to gas, electricity, or water. The telco with which consumers are interacting with Internet services, such as Netflix and Instagram, is of minimal importance. Essentially, telcos have been compelled to compete solely on price, as they have forfeited their functional and affective differentiators.

In a counter-productive way, telcos' investments in 5G and fibre have weakened their strategic position. Whereas they once controlled access to a scarce product, connectivity is now abundant in developed markets such as Western Europe.

In this environment, along with approaches by national regulators (such as the Portuguese case) who encourage new entrants into already fragmented markets, there is a growing risk of a price war. New players may try to disrupt the market to gain market share and lift revenues. This elevated market fragmentation hinders the development of operators struggling to make the necessary investments and increases competition against global players traditionally beyond the telecom perimeter.

		Revenue CAGR ('10 -'20)*	OCF Margin ('20)*	EV/EBITDA ('20)*
 Hyperscalers/ OTTs		25%	25%	30x
 InfraCos		14%	36%	27x
 ICTs		9%	12%	16x
 Attackers		17%	11%	8x
 Integrated Telco		1%	12%	7x

\* "Future Of Operators – Trends & Delaying", McKinsey & Company, April 26 2022

Figure 9: Revenue CAGR, OCF Margin and Ev/EBITDA from different operators in the market (Source: Future of Operators – Trends & Delaying, McKinsey & Company)

Ideally OTTs should develop innovative network-based services, helping to generate consumer demand for connectivity services and telco operators could reinvest their revenues to innovate infrastructure, providing new opportunities for OTTs and starting a new cycle.

This positive interaction does not occur in Europe mainly for two reasons: uneven bargaining power between the two parties and a lack of a consistent regulatory framework.

Regarding the first aspect, it is important to highlight strong size disparity. In recent years, digital platforms have grown tremendously in terms of revenue and market capitalization, offering services that have now become an integral part of consumers' everyday lives.

Needless to say that as regards market capitalization, Google, Facebook, Apple, and Amazon are each larger than the entire European telecommunications industry.

In addition to the imbalances regarding size, is also the fact that retail network operators are forced to cope with increasing consumer demand for data-intensive OTT services, for which, however, they cannot respond to by raising prices and, on the wholesale side by increasing

traffic for such services. Therefore, once again, network operators cannot act on prices, whereas service providers may decide to avoid the increase by diverting their data traffic to other operators.

The imbalance in bargaining power is at least partly attributable to the lack of a consistent regulatory framework between telecom operators and OTTs. Strong competition in the EU retail telecommunications markets, combined with regulatory actions at the wholesale and, to some extent, at the retail level, has contributed to lowering the profit margins of traditional telecommunications revenue streams.

These situations are unquestionably difficult. The upside is that they might help companies focus their efforts on the most effective response, which could be acquiring growth from new businesses. Although untapped value is essential to the operations of an integrated telecommunications company, it is unlikely to be sufficient for significantly improving performance.

To improve their prospects of generating new revenue streams, executives could contemplate reorganizing the company into dedicated, standalone units concentrated exclusively on growth, a process known in the industry as "delaying."

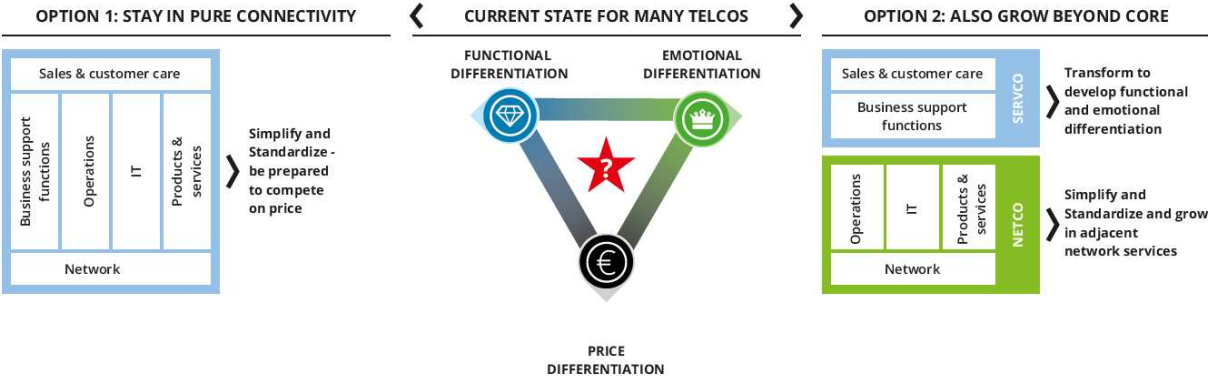


Figure 10: Current dilemma of integrated telco companies (Source: Decision time for Europe’s telcos, Deloitte)

The future landscape will be influenced by industry players' strategic decisions, their innovation in business models, regulatory policies at national and European levels, and their success in attracting investments from various sectors.

*“The first thing we have to focus on is the market and our customers, so that we can bring innovations that customers are asking for; to maintain the leadership we have in this market, which we don't want to lose. Focus on customer satisfaction. Continuing to invest in what we consider relevant. We've been on this path, putting Portugal on the map of technological development”*

*“...27 years on [from privatization], we're still at the forefront of our business, trying to be disruptive and find ways to reinvent ourselves.”*

Ana Figueiredo in Exame 1/10/2023

### 3.3 Company Strategy

The company has identified four strategic pillars: Quality of Service, Innovation, People, Brand and Sustainability.

With a strong leadership focus, the strategic objectives are: (1) lead in Quality of Service, lead the country's Digital Transition, lead in Sustainability, lead in attracting and retaining Talent and consolidate Leadership in all market segments while ensuring its Profitability.

Despite lacking any legal or structural separation, MEO is accelerating the transformation of its business units by adopting a service-oriented approach ("ServCo").

Traditionally focused on extracting maximum value from existing customers, fostering loyalty, and boosting engagement, MEO is consistently exploring methods to reignite growth, reorganize cost structures, and rethink its capabilities.

Working with “ServCo” lens (Exhibit II) MEO has three main orientations:

**(1) Customer centricity** by designing products and services that prioritize customers experience and satisfaction.

The company has long had an organizational business structure directed by market segment (B2C, B2B, Wholesale) where each one has a Segment Management Department whose functions are to define and implement a targeted strategy and go-to-market's approach to products and services.

Regarding Customer satisfaction, MEO measures NPS (Net Promoter Score) in the different Customer interactions: Sales, Customer Care, Field interventions. This indicator is used in the evaluation of all employees.

**(2) Optimization of the existing connectivity business** by driving growth in average revenue per user (ARPU) and maintain churn rate controlled.

MEO has created a personalized offers strategy called NBO (Next Best Offer), which uses pricing based on customer lifetime value (CLV). This aims to increase ARPU by facilitating ongoing cross-selling and upselling opportunities, while ensuring proactive churn management. This systematic Customer contact helps gather data to support new personalized offerings and fosters consistent engagement with Customers who typically only contact their connectivity provider when issues arise.

**(3) Creating new revenue streams** by developing offerings in nearby verticals or through partnerships within an ecosystem

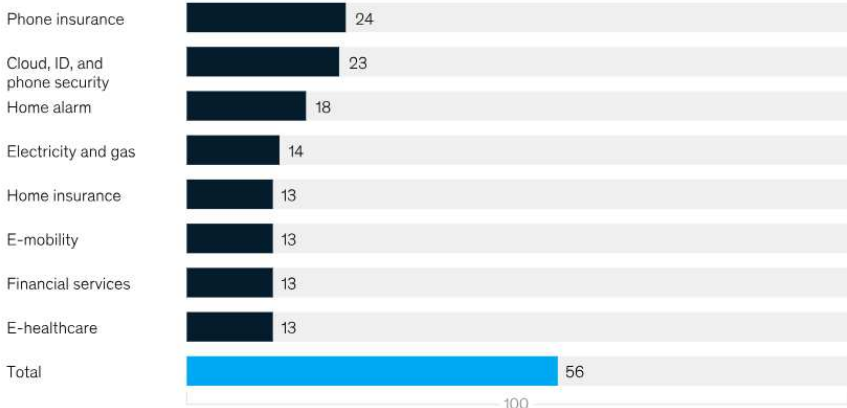
With the rise of fixed–mobile convergence and unlimited tariffs, cross- and upsell opportunities within connectivity are decreasing. Telecom operators can revive these opportunities by exploring areas beyond connectivity, reducing their reliance on customer acquisition.

Based on the McKinsey Telecom Adjacencies Consumer Survey (2020), Telecom operators are well positioned for this shift: 56 percent of European customers would buy non-connectivity services from their telco provider.

Customers are most interested in purchasing phone insurance, cybersecurity, and home security products, followed by energy, healthcare, and financial services products.

**Customers are interested in buying services other than connectivity from their telco providers.**

Customer interest in acquiring adjacent products from telco provider, % of respondents<sup>1</sup>



<sup>1</sup>Survey respondents were European telco customers in France, Germany, Italy, Spain, and UK; n = 3,362. Source: McKinsey Telecom Adjacencies Consumer Survey, May 2020



Figure 11: Adjacent products telco customers are interested in acquiring (Source: McKinsey Telecom Adjacencies Consumer Survey)

### 3.4 MEO Energia

*“What we're also looking to do is diversify, even in the consumer sector, venturing into energy and complementing our telco operation with the energy operation...”*

Ana Figueiredo in Exame 1/10/2023

PT Live, an electricity distributor established in 2018, was acquired by MEO in 2020. Due to the need to negotiate energy prices and promote sustainable consumption in its core telecom business, where infrastructure support requires significant amounts of energy, the company recognized the opportunity to expand its commercial offerings. As a result, MEO Energia, a commercial service, was launched in the same year.

The scope includes the commercialization of energy to Residential and Business Customers, with the Customer being able to choose between Fixed Tariff or Variable Tariff conditions, a tariff in which the price varies from hour to hour, according to the Iberian Peninsula energy market (OMIE).

The activation does not imply any loyalty period and is managed 100% online, with the ability to send readings, check consumption and invoices in the MEO Customer area and payment is made by direct debit.

MEO Energia also includes the aggregation business, which consists of selling surplus energy production (solar, wind, hydroelectric) to an electricity supplier. Any Customer can join, either as an individual or a company, regardless of whether they are a MEO Energia or MEO customer and sell their surplus to MEO Energia.

The entire business is based on 100% green electricity and Sustainability is an assumed value. This statement is fundamental to the company, which currently faces the challenge of using only clean, 100% renewable energy.

However, the threats to encompass this new business are identified: volatility of the energy market and its impacts on profitability and specific regulatory challenges in the energy sector.

## Evolution of the convergence concept

In 2024, MEO continues its history of innovation and market disruption.

After launching its first bundled service in 2007, combining TV, internet, and fixed telephone, and adding mobile phone services six years later, MEO has unveiled the world's first sustainable telecom and energy service, marking the third generation of service integration.

As a result, all MEO products now feature a combined telecommunications and energy offer, offering cross-saving advantages.

MEO underscored in a press release statement that *"the strategic bet is to combine the synergies of MEO and MEO Energia in the name of imperative growth in a market that is expected to be even more competitive at national and global level, and of consolidating its leadership, which it has maintained since 2020."*

The integration of telecommunications services with energy exclusively generated from 100% renewable sources aims to *"lead both digital and energy transformations."*



Figure 12: MEO Energia's offers communication campaign

### Cross-benefit offer

With the launch of this integrated offer, all MEO packages now include a joint offer of telecommunications services with energy, with cross-benefits for MEO and MEO Energia customers.

#### MEO Energia:

- Discount on price/kWh
- Offer for the estimated average consumption of MEO service equipment (Offer worth 15kWh for customers with a TV+Internet+Mobile Voice package and 10kWh for other MEO packages with Fixed Internet or TV).

#### MEO:

- Double the speed of Fixed Internet.
- Double Internet on all mobile phones

In addition, customers with both services receive double MEOS points. These points are the rewards prize of MEO's Loyalty program. Points are accumulated for the value of the MEO bill and can then be redeemed.

### Organizational synergy

Since MEO Energia is 100% owned by MEO, the structure and support are guaranteed by MEO resources (e.g. Human Resources, Planning and Control, Legal).

In addition, the capillarity and high performance of the sales force for both the B2C and B2B (small business) segments is particularly relevant. Sales force is one of the strengths in the performance of successful telcos and its use in the marketing of energy brings efficiency gains.

The characteristics of the energy product are easily grasped by those who have mastered telecommunications sales, and the relationship of trust already developed with customers facilitates the integrated commercial approach.

Moreover, the presence of physical stores and door-to-door sales teams in all Portuguese territory, coupled with efficient Call Center and Online operations, offers a considerable advantage.

## Loyalty benefits

In addition to the extra offer for the Loyalty program (double the points), this offer is expected to reduce customer churn.



It is well known that the number of products a customer has contracted with an operator is related to their level of engagement, the respective barrier to leave and the consequent lower propensity to churn.

Thus, the telecom standard's loyalty contract, will indirectly protect the energy contract (without loyalty), given the client's interest in maintaining the cross-benefits.

Therefore, the integration of the offer is of particular interest to MEO at this moment in time, given the entry of a new telecommunications operator in the Portuguese market (DIGI), which will naturally generate an outflow of customers from established operators.

## Performance evolution

In a market with a very high level of competition, which has been fully liberalized since 2006, although the barriers to exit are low, it inherits the more conservative, inert and change-averse characteristics of Residential Customers in the Portuguese market. Moreover, EDP's share (the incumbent) of this customer segment is still 63,1%.

	 Total	 Householder Consumers	 Small/Medium Enterprises	 Industrial Consumers	 Large Consumers
<b>Quantity of Retail suppliers</b>					
 Quantity of active Retail Suppliers	35	34	31	31	16
YoY variation	3	4	0	3	0
<b>Quantity of Customers</b>					
 Market share Leader	EDP	EDP	EDP	EDP	EDP
Market share	63,1%	63,4%	48,7%	36,2%	35,6%
YoY variation	-5,8 p.p.	-5,8 p.p.	-1,3 p.p.	-1,7 p.p.	-4,2 p.p.
HHI	4 246	4 274	2 802	2 008	2 637
<b>Consumption (Gwh)</b>					
 Market share Leader	EDP	EDP	EDP	Iberdrola	Iberdrola
Market share	35,0%	57,8%	44,2%	24,7%	32,6%
YoY variation	-4,6 p.p.	-7,7 p.p.	-0,4 p.p.	-2,6 p.p.	-0,3 p.p.
HHI	1 937	3 624	2 497	1 636	1 960

HHI - Herfindhal Hirschman Index – market concentration index

Figure 13: Number of players, clients and consumption in the energy sector in Portugal, September 2024 Source: ERSE, Portuguese Energy's Regulator)

MEO Energia's recent performance is noteworthy, achieving 6th place in market share by number of customers and doubling its value within a year, from 0.8% to 2.0%.

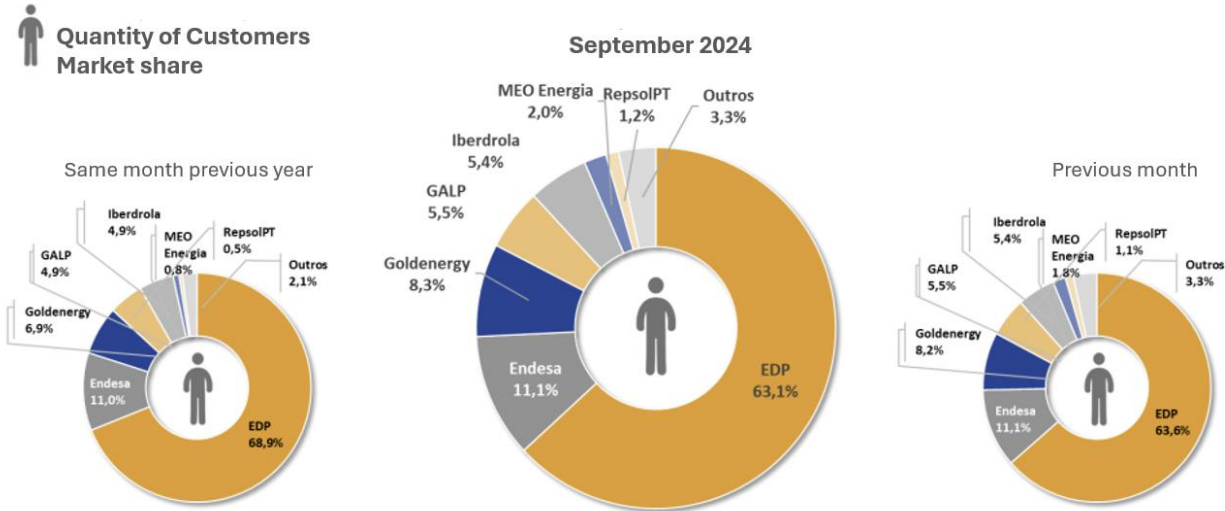


Figure 14: Market Share in number of clients in the Energy sector in Portugal (Source: ERSE, Portuguese Energy's Regulator)

The growth from January 2024 onwards is notable, as is the exceptional performance of the last 3 months following the launch of the integrated offer, and with a trend that is still growing, as can be seen in the graphs below:

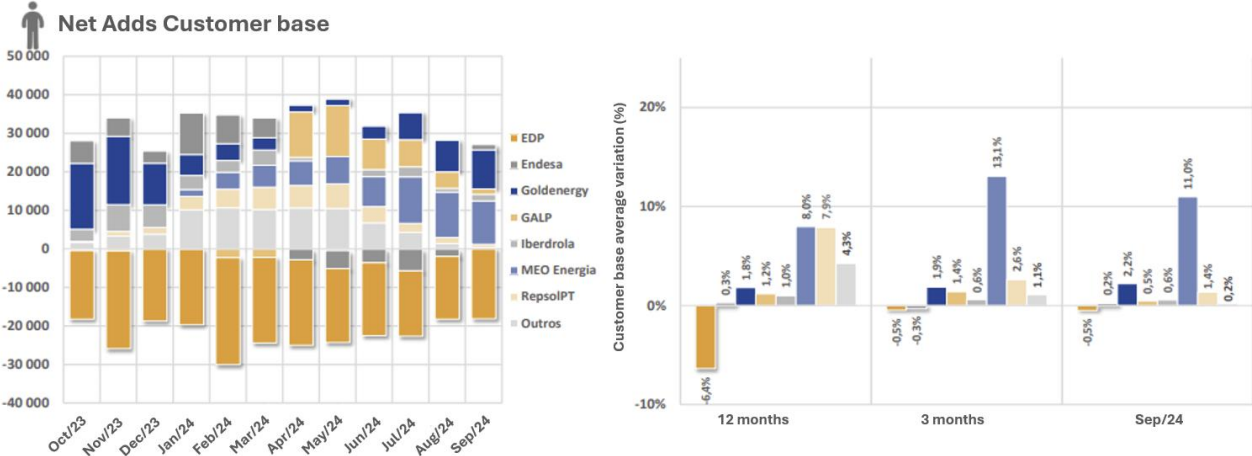


Figure 15: Customer net head in the Portuguese energy sector (Source: ERSE, Portuguese Energy's Regulator)

***“We are a leading brand, with creativity and competence at the service of innovation, which has always dictated the path of the market by anticipating the needs of the Portuguese. We respond to the competitiveness of current and new players, the challenges of a high-investment sector and a global market with the strategic synergy of two strong assets that only a leader can offer.”***

Ana Figueiredo, Telco+Energy integrated offer launch press conference

## **4 Teaching Note**

### **4.1 Synopsis**

MEO is a historical leader in Portugal's telecommunications industry. Despite a legacy of market dominance, MEO faces increasing competition from established players like Vodafone and NOS, as well as new entrants like DIGI, which employs aggressive low-cost strategy. To maintain its leadership, MEO emphasizes customer satisfaction, quality of service, innovation, and sustainability.

The company's strategy revolves around optimizing core connectivity services, reducing churn, and diversifying revenue streams. A key initiative is the integration of telecommunications with energy services through MEO Energia. Offering 100% renewable energy, MEO Energia provides customers with benefits like discounts, loyalty rewards, and bundled services that combine telecom and energy for cost efficiency and added value.

MEO's innovation extends beyond connectivity, as seen in its partnerships with academic institutions and its development of groundbreaking offers, including the world's first sustainable telecom-energy service. MEO Energia has doubled its market share in 2024, leveraging synergies with MEO's sales and operational capabilities. The integrated offer is designed to enhance customer loyalty, address competitive pressures, and strengthen MEO's position as a leader in both digital and energy transformations.

### **4.2 Teaching Objectives**

A case analysis is a powerful tool for teaching, learning, and practicing management. It immerses students in real-life scenarios, helping them develop business skills by analysing situations, applying theories, and making informed recommendations.

The case study method allows the development of both knowledge and skills necessary to act in a business environment (Barnes et al., 1994).

To these authors, the fundamental principles to explain the success of this method are (a) the primacy of situational analysis, (b) the imperative of relating analysis and action, (c) the necessity of student involvement, (d) a nontraditional teacher role and (e) the development of a business management point of view.

Teaching critical thinking to business students through case studies requires an active and multifaceted approach so teachers must model critical thinking and engage in dialogue. Students should enhance their analysis by dissecting cases, improve judgment by evaluating assumptions and alternatives, and develop synthesis by reconstructing scenarios with changes.

One of the challenges associated with teaching the case method is that it is considered the most complex among all pedagogical approaches. Students who are not familiar with using case studies may initially find it challenging and unclear regarding teacher's expectations. This is especially common among students who are more accustomed to the lecture format. However, explaining the benefits of case studies and addressing any confusion can enhance their engagement and participation in class.

The case is suitable for undergraduate or post graduate students in areas of Business and Administration for classes such as Strategic Management.

The assignment questions are designed to reinforce the understanding of concepts introduced in curricular strategy theories, offering a direct approach based on frameworks that enable the practical application of these concepts in real business scenarios.

#### **4.3 Assignment Questions**

- 1) Apply Porter's analysis to Telecommunications' industry;
- 2) Relate the presented chronological facts/events with MEO's resources/capabilities. (see on Analysis and discussion the proposal of facts/events organization in order to guarantee the answer in a systematic framework);
- 3) Apply VRIO Analysis to MEO. Energia. Does MEO Energia generate competitive advantage for MEO?
- 4) Is MEO Energia offer a demonstration of MEO's Dynamic Capabilities being applied?

## 4.4 Analysis and Discussion

### 1) Apply Porter's analysis to Telecommunications' industry

#### **Threat of New Entrants**

The threat posed by new entrants in the Portuguese telecommunications market is considerable, proven with the entry of DIGI, a global telecommunications operator, in November of 2024. DIGI's market approach includes an aggressive low-cost strategy, aiming to attract price-sensitive consumers and potentially alter the competitive dynamics in the Portuguese market. New entrants like DIGI not only increase competition but also bring new resources and often disruptive strategies, which could significantly reshape the landscape. In industries such as telecommunications, where high capital investments in infrastructure, marketing, and technology are standard, new entrants who come equipped with substantial resources can pose a major challenge to established firms. As a result, incumbents may face heightened pressure to reduce prices, which could impact profit margins across the sector.

Moreover, technological advancements and regulatory shifts can lower traditional entry barriers. For instance, with the increasing prevalence of cloud-based infrastructure and software-defined networking, the upfront costs of network deployment are mitigated, allowing new players to enter with fewer initial investments. While regulatory frameworks have historically limited competition in telecommunications, any loosening of these restrictions further heightens the risk posed by new entrants. Therefore, the threat of new entrants remains a critical factor influencing the strategic considerations of incumbents like MEO, Vodafone, and NOS in Portugal.

#### **Threat of Substitutes**

The threat of substitutes in the telecommunications end user's service industry is exceptionally high, primarily driven by the rise of Over-The-Top (OTT) applications such as WhatsApp, Skype, and Instagram. These platforms provide alternative channels for communication, often free of charge or at a lower cost, effectively bypassing traditional telecommunication services. OTT applications allow users to send messages, make voice and video calls, and share multimedia, replicating the primary functions of traditional telecom offerings. Consequently, as more consumers shift to OTT platforms, telecom providers experience reduced demand for core services like voice calls and SMS. This substitution effect is especially strong among younger,

tech-savvy users who are quick to adopt new technologies, posing a significant challenge to telecom operators' revenue streams.

This high substitution threat also extends to television services, where streaming platforms such as Netflix, Disney+, and Amazon Prime Video offer convenient, on-demand alternatives to traditional TV offerings. By providing a similar service at a competitive price or even at no cost, substitutes place downward pressure on the industry's profitability. To counteract this, telecommunications companies must adapt by offering bundled services, integrating OTT capabilities, or pivoting towards more data-focused revenue models. However, these strategies can be costly and complex to implement, and in some cases, they may not fully offset the revenue erosion caused by substitute products.

Nevertheless, the OTT services need telecom's infrastructure to perform, so it is necessary to find a business model that could maintain the profitability of the parts (telcos and OTT).

### **Bargaining Power of Buyers**

The bargaining power of buyers in the Portuguese telecommunications sector is notably high due to a combination of factors. Customers have significant leverage in negotiating discounts, lower prices, or additional benefits such as increased internet speeds or extra TV channels for the same price. This is primarily driven by intense competition among major operators, including MEO, Vodafone, and NOS, as well as the recent market entry of DIGI, which employs an aggressive low-cost strategy. These dynamics empower buyers by offering them multiple alternative options for similar services.

Moreover, customers in Portugal have relatively low switching costs, which further enhances their bargaining power. The widespread availability of comparable services makes it easy for customers to change providers, particularly when competitors actively promote attractive pricing or service bundles.

To mitigate buyer power, telecommunications companies have adopted various strategies to increase switching costs and foster loyalty. For example, MEO offers loyalty programs like MEOS points, which provide rewards for continued patronage and are designed to encourage long-term customer engagement. Additionally, bundled services, such as the integration of

telecommunications and energy offerings through MEO Energia, create added value while discouraging customers from switching providers. These bundles include cross-benefits, such as discounts on energy or enhanced telecommunications features, which are difficult for competitors to replicate.

Another common tactic is the use of fidelity contracts, which impose penalties for early termination. These contracts are designed to reduce churn and ensure that customers remain tied to the provider for a specified duration. By combining these strategies, telecommunications companies aim to diminish the influence of buyer power and stabilize their market position in a competitive environment.

In conclusion, while the bargaining power of buyers in the Portuguese telecommunications industry remains high, operators counteract this pressure through loyalty programs, bundled services, and contractual mechanisms, ultimately aiming to retain their customer base and sustain profitability.

### **Bargaining Power of Suppliers**

The bargaining power of suppliers in the Portuguese telecommunications industry is relatively high. Telecom operators rely on a few dominant suppliers for critical infrastructure, including fiber optic cables, network equipment, and technology for 5G networks. These suppliers, often multinational technology firms with significant market control, have the leverage to dictate prices or limit supply availability. High dependency on suppliers for the technology and infrastructure necessary to support advanced networks means that price increases or supply constraints directly impact telcos' operational costs and service quality.

Telecommunications companies are also subject to the high cost and complexity associated with infrastructure upgrades. For example, transitioning to fiber-to-the-home (FTTH) and deploying 5G technology necessitate significant investments, making it difficult for operators to negotiate favourable terms with suppliers. The combination of limited supplier choice and the essential nature of these inputs grants suppliers a strong negotiating position. This influences the strategic direction of telecommunications firms, which may seek to mitigate supplier power by diversifying supplier relationships, developing in-house solutions, or entering into long-term partnerships to stabilize input costs.

## **Competitive Rivalry**

Competitive rivalry within the Portuguese telecommunications market is intense and is expected to become even more so with the entry of new players like DIGI. The market is currently dominated by three primary players—MEO, Vodafone, and NOS—who hold comparable shares and continually compete to maintain or grow their market positions. In a market characterized by such fragmentation, operators are often compelled to engage in price competition, promotional campaigns, and service improvements to attract and retain customers. This competitive behaviour is further intensified by the high customer acquisition and retention costs in a saturated market, where switching costs for consumers are relatively low.

Additionally, market maturity means that growth through new customer acquisition is limited, so existing players must focus on either expanding their service offerings or adopting cost-leadership strategies to maintain profitability. The entry of DIGI is likely to exacerbate price competition and may drive incumbents to reduce prices further, potentially leading to price wars. This competitive intensity poses a significant challenge to profitability, requiring companies to explore differentiation through alternative revenue streams, such as premium services or digital content, to offset the effects of fierce market competition.

## **Attractiveness of the Telecommunications Industry in Portugal**

Based on the analysis of Porter's Five Forces, it can be concluded that the attractiveness of the telecommunications industry in Portugal is generally moderate to low, given the significant pressures that hinder companies' ability to achieve sustainable profit margins.

While the Portuguese telecommunications industry presents some opportunities for growth, such as through service innovation and strategic partnerships, these are overshadowed by substantial competitive pressures. The industry's structural characteristics—high substitution effects, strong supplier and buyer bargaining power, and intensifying competition—render it a challenging and less attractive environment for sustained profitability. The ability of operators to adapt to these evolving dynamics will be critical for their survival and success.

2) Relate the presented chronological facts/events with MEO's resources/capabilities?

Facts/Events	MEO's resources/capabilities	Rational
1990 The Portuguese government authorizes the opening of complementary telecommunications services to the competitive market, where the mobile telecommunications service is located, and TLP, CTT and Marconi join forces in the participation of a new company – TMN	Business Model Adaptability	Public companies, still without competition, took the initiative to avoid being left behind in the sector and joined efforts to enter the mobile business
1994/1995 PT presents first experimental broadcast of cable television in Portugal; Launch of the internet in Portugal by Telepac (consortium by TLP and CTT); TMN launches the world's 1 <sup>st</sup> prepaid mobile phone	Innovation New P&S development Technical Know-How	The PT Group demonstrates outstanding R&D capacity
1995-2000 Total privatization of the PT Group	Business Model Adaptability	Transition from a state monopoly to private competition
2002-2005 PT Multimedia presents first interactive digital cable TV service in the world; TMN is the 3 <sup>rd</sup> European operator to introduce de mobile video call service; PT Inovação presents a pioneering telemedicine solution (Medigraf); PT launches VoIP allowing voice and video calls between PC's through SAPO Messenger	Innovation New P&S development Technical Know-How	Even in competition market, it continues to have the capacity to develop innovation in different business areas
2007 PT resists Sonaecom's attempted purchase, but the PT Multimédia's spin off is one of the measures imposed by the regulator	Resilience. Strategic focus	MEO's TV service starts from a zero-customer base
2007- 2010 PT launches broadband access entirely over fiber optics; The MEO Satellite service is launched TMN launches prepaid mobile broadband; Commercial launch of MEO (triple play service of voice+internet +TV); PT becomes leader in internet access in Portugal	New P&S development Technical Know-How Commercial (go-to-market) Know-How	The PT Group has always been a leader in fixed voice service (heritage of being incumbent), but proves its competence in the competitive market, through constant innovation and knowledge and answer to Customers' needs

<p>2011 – 2014</p> <p>PT Fiber Optic Network is awarded as the best and most innovative in Europe; MEO Go, MEO Kanal, MEO Drive, Automatic recordings feature, MEO Taxi and MEO Wallet services are launched;</p> <p>Offer for free, for everyone, of MEO Cloud with 16 GB</p> <p>Launch of M4O, the first convergent fixed-mobile offering (voice+internet+TV+mobile)</p> <p>Inauguration of PT Data Center, in Covilhã, with capacity to install more than 50.000 servers connected to the PT high-speed fiber optic network, with exceptional security and reliability conditions</p>	<p>Innovation</p> <p>New P&amp;S development</p> <p>Technical Know-How</p> <p>Commercial (go-to-market) Know-How</p> <p>Strategic Focus</p>	<p>Great cadence of new service launches.</p> <p>Ability to take risks, even in services that do not succeed in the market because it is not yet the timing (e.g. MEO Taxi, precursor of UBER and MEO Wallet, precursor of Apple Wallet)</p> <p>Ability to take risks in the launch of a bundle with killer pricing, in a position of market leader in the fixed and mobile business;</p> <p>Medium-long term investment</p>
<p>2015</p> <p>A serious financial crisis affects BES, the main shareholder of the PT Group and causes the decapitalization of the company and it is sold to the Altice Group, a telecommunications operator already with a presence in France, Israel, Belgium, Luxembourg, the Dominican Republic and Switzerland</p>	<p>Business Model</p> <p>Adaptability</p>	<p>The change in top management caused some changes in the company, but good operational performance was maintained.</p>
<p>2016-2021</p> <p>PT Inovação becomes Altice Labs and has the mission of leading the innovation agenda of all Altice Group operations;</p> <p>MEO is the technological partner of the Websummit since 1<sup>st</sup> edition.</p> <p>Altice Labs is the Portuguese company with the largest number of innovative technologies distinguished by the European Commission</p>	<p>Innovation</p>	<p>The recognition and commitment to the organization's R&amp;D capacity remain in the new management scenario</p>
<p>2017-2023</p> <p>MEO reaches the leadership in TV (last service that was still to be conquered);</p> <p>MEO launches MEO Energia, MEO Smart Home and MEO Care</p>	<p>Strategic focus</p> <p>New P&amp;S development</p> <p>Commercial (go-to-market) Know-How</p>	<p>With the conquest of TV leadership, MEO became the Leader in all Telco services in all segments, which it maintains until nowadays;</p> <p>It continues the path of differentiation through bundles with its core services.</p>
<p>2024</p> <p>MEO launches the 3<sup>rd</sup> generation of service convergence with the world's 1<sup>st</sup> sustainable and integrated telecommunications and energy service</p>	<p>Strategic focus</p> <p>Commercial (go-to-market) Know-How</p>	<p>This is an additional and disruptive step because it includes cross-benefits between telecommunications and energy, with synergy of structure costs and communication of concern for Sustainability (one of MEO's strategic pillars)</p>

3) Apply VRIO Analysis to MEO. Energia. Does MEO Energia generate competitive advantage for MEO?

## VRIO Analysis

### Value

Does MEO Energia provide value by enabling MEO to exploit opportunities or neutralize threats?

- **Customer-Centric Value Proposition:** MEO Energia taps into the growing consumer demand for bundled services and sustainability-focused products. Customers benefit from a bundle of telecommunications and energy at a lower price than a combination of the two services from two different companies, and rewards like MEOS loyalty points. These benefits enhance customer satisfaction and strengthen the perceived value of MEO's overall offering;
- **Market Position:** By venturing into energy, MEO diversifies its revenue streams beyond traditional telecommunications. This hedges against risks like declining ARPU (Average Revenue Per User) in saturated telecom markets. Reducing churn through a broader service portfolio is essential in the competitive telecom industry;
- **Strategic Synergy:** The cross-benefits for customers, such as faster internet speeds or double data allowances, provide tangible advantages that competitors in the telecommunications-only or energy-only markets cannot easily match.

**Conclusion:** MEO Energia adds significant value by addressing consumer pain points and fortifying MEO's competitive position in the telecom and energy markets.

### Rarity

Is MEO Energia's offering unique or uncommon in the market?

- **Pioneering Innovation:** MEO Energia is described as the world's first sustainable and integrated telecommunications-energy service. This is a distinctive and innovative offering in a market where most competitors focus on price wars and individual service offerings;
- **Sustainability Differentiation:** The exclusive use of 100% green energy resonates with the rising consumer and regulatory focus on sustainability. Few, if any, competitors currently combine telecom services with an eco-conscious energy offering, making MEO's approach rare and relevant;

- **Customer Loyalty:** The integrated loyalty programs (e.g., double MEOS points) and tailored services tie customers to the MEO ecosystem, enhancing engagement and retention. This level of synergy and ecosystem development is uncommon.

**Conclusion:** The rarity of this combined service creates a unique selling proposition that temporarily differentiates MEO from its competitors.

### **Inimitability (Costly to Imitate)**

Is it difficult or expensive for competitors to replicate MEO Energia's resources or capabilities?

- **High Capital Requirements:** Combining telecommunications and energy requires investments, expertise, and operational systems in two distinct industries. Competitors would require substantial resources to replicate this model. This is particularly challenging during a phase where the emphasis is on competing within the low-cost segment;
- **Established Market Position:** MEO Energia leverages MEO's established customer base, strong brand recognition, high quality of service, and robust distribution channels, including physical stores, door-to-door teams, and call centers. Competitors, especially new entrants like DIGI, lack this level of embedded market access and trust.
- **Operational Complexity:** MEO's ability to efficiently integrate resources (e.g., sales teams and customer support) across telecom and energy sectors creates additional barriers. Achieving this level of integration requires organizational know-how and alignment that is not easily copied;
- **Social and Brand Complexity:** MEO's position as a leader in the telecom market and its long-standing commitment to innovation (e.g., Altice Labs) reinforce its competitive edge. These intangibles (culture, brand reputation, and historical expertise) are inherently difficult for rivals to duplicate.

**Conclusion:** The integrated model of MEO Energia is costly and complex to imitate but not impossible. Other telco companies might be able to overcome the cost and complexity of the market and enter it but MEO Energia will already have first-mover advantage. Also with the new entrant (DIGI) in the telco industry it is expected that the other companies will focus their attention and resources on responding to this entrance and not on diversifying their business.

## Organization

Is MEO Energia structured to fully exploit the potential of its resources and capabilities?

- **Organizational Synergy:** MEO Energia is fully integrated into MEO's operations. Shared resources like human capital (sales and support teams), infrastructure (physical stores, digital platforms), and operational expertise allow for streamlined management;
- **Cross-Functional Collaboration:** MEO Energia benefits from established sales channels and a customer relationship network built over decades in the telecom sector. This reduces costs and accelerates the scalability of the energy offering;
- **Customer Focus:** The service is designed for seamless digital management (e.g., online activation, consumption monitoring), aligning with modern consumer expectations. Moreover, its no-loyalty-period energy contracts demonstrate flexibility while indirectly leveraging telecom loyalty contracts to retain customers;
- **Strategic Leadership:** MEO Energia aligns with MEO's broader strategic pillars: innovation, quality of service, customer-centricity, and sustainability. This ensures cohesive execution across all business units.

**Conclusion:** MEO Energia is embedded in the MEO's well-organized structure, with its strategy designed to maximize resource value.

## Does MEO Energia generate competitive advantage for MEO?

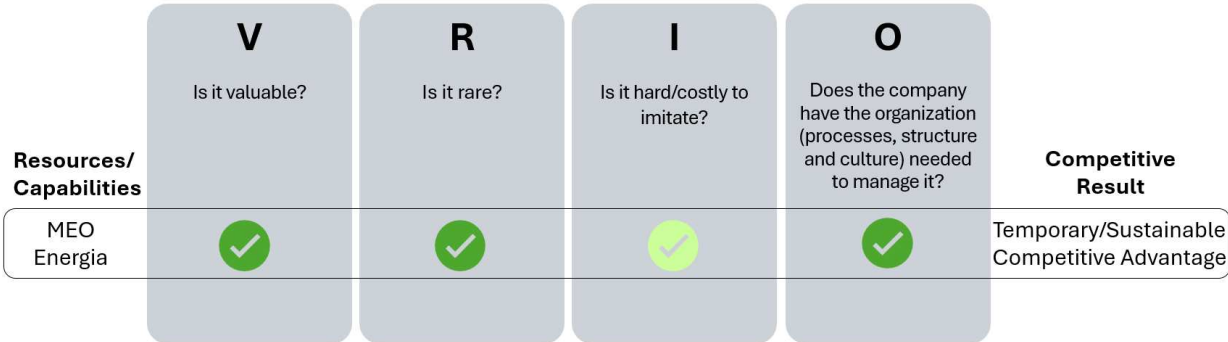
MEO Energia provides competitive advantage for MEO, even though there is a possible discussion about whether it is a temporary competitive advantage or a sustainable competitive advantage (*Figure 2*).

MEO Energia disrupts the traditional telecom market by integrating energy services. This innovation not only enhances customer value but also positions MEO as a trailblazer in sustainability, appealing to eco-conscious consumers.

The bundled offerings create stronger ties to the MEO ecosystem, allowing personalized offers development based on customer data, further integrating the two services and increasing perceived value. Customers gain tangible benefits (e.g., loyalty points, discounts, speed boosts) from subscribing to both telecom and energy services, making it less likely they will switch providers.

In an environment of declining telecom margins, MEO Energia diversifies income sources, reducing dependency on a single revenue stream. It also positions MEO to capitalize on future trends in sustainability and renewable energy.

In conclusion, MEO Energia exemplifies strategic innovation that is aligned with the VRIO framework. By leveraging its resources and capabilities, MEO creates value that is rare, difficult to imitate, and supported by a well-structured organization. The result is a competitive advantage that not only solidifies MEO's market leadership but also maintains it with sustainable growth in an increasingly competitive and dynamic industry landscape.



4) Is MEO Energia offer a demonstration of MEO’s Dynamic Capabilities being applied?

As previously defined in the Research Note, the concept of Dynamic Capabilities, as articulated by Teece, Pisano, and Shuen (1997), provides a framework for understanding how organizations adapt to rapidly changing environments by integrating, building, and reconfiguring internal and external resources to achieve sustainable competitive advantage. This framework includes three core processes: sensing opportunities and threats, seizing opportunities, and transforming resources and capabilities to maintain competitiveness. MEO Energia serves as a compelling case study illustrating how MEO applies its dynamic capabilities to thrive in an increasingly competitive telecommunications market and an adjacent industry, energy.

**Sensing Opportunities and Threats**

Dynamic capabilities begin with the ability to sense changes in the external environment, including emerging opportunities and looming threats (Teece, 2007). For MEO, this involved:

- **Identifying Adjacent Market Opportunities:** MEO recognized the potential to diversify its revenue streams by entering the energy market. The increasing consumer demand for bundled services and sustainability-aligned products signalled a market shift. By identifying these trends, MEO capitalized on the growing intersection of telecommunications and utilities;
- **Anticipating Competitive Pressures:** With the imminent entry of low-cost competitor DIGI into the Portuguese telecommunications market, MEO foresaw the need to fortify customer loyalty and enhance its value proposition. Sensing the vulnerability of its customer base to price-sensitive offerings, MEO pre-emptively positioned itself as a provider of integrated services;
- **Responding to Sustainability Trends:** The global emphasis on sustainability provided another critical opportunity. MEO aligned its energy offering with 100% renewable sources, catering to the eco-conscious segment of the market and reinforcing its strategic commitment to sustainability.

By demonstrating a nuanced understanding of macroeconomic, regulatory, and consumer trends, MEO exemplified its ability to sense opportunities and threats within its ecosystem, a hallmark of Dynamic Capabilities.

### **Seizing Opportunities**

The ability to act on sensed opportunities requires mobilizing resources and making strategic investments to capture value (Teece, 2010). MEO Energia exemplifies the seizing dimension of Dynamic Capabilities in several ways:

- **Innovative Product Offering:** MEO introduced a pioneering integrated telecom-energy bundle, positioning itself as the world's first provider of such service. This bold move transformed what could have been a commoditized offering into a differentiated product that appealed to a broader range of customers;
  - Customers benefit from tangible advantages, such as discounted energy rates, loyalty rewards, and enhanced telecom speeds;
  - This dual offering created a unique value proposition that traditional telecom or energy providers could not replicate easily.
- **Leveraging Established Assets:** MEO used its robust resources/capabilities, including physical stores, sales teams, and its existing customer base, to promote its new energy

services. The pre-existing trust and engagement with its telecom services eased its customers' adoption of energy products;

- **Operational Efficiency:** MEO achieved significant operational synergies by utilizing shared resources between its telecom and energy businesses. For example, its experienced sales force could sell energy services without extensive retraining, reducing the incremental cost of customer acquisition;
- **Cross-Industry Synergy:** MEO's decision to integrate loyalty programs across its telecom and energy services (e.g., double MEOS points) exemplifies its ability to create and capture value by fostering ecosystem-wide engagement. These loyalty-driven benefits reinforce customer retention and reduce churn across both verticals.

Through these initiatives, MEO not only captured immediate market opportunities but also strategically enhanced its competitive positioning against traditional telecom competitors and new entrants.

### **Transforming Resources and Capabilities**

The transforming dimension of Dynamic Capabilities involves continuously renewing and reconfiguring resources to sustain competitive advantage (Helfat & Peteraf, 2003). For MEO, this transformation manifested in multiple ways:

- **Business Model Evolution:** MEO Energia represents a fundamental shift from a pure-play telecom operator to a diversified service provider. This transformation involved integrating energy services into its portfolio while aligning these offerings with its broader strategic objectives, such as sustainability and innovation. Entering the energy retail market requires the ability to develop knowledge and expertise in a new sector, which in the case of energy is highly dependent on the price volatility exerted by producers and the ability to negotiate, namely terms and quantities;
- **Enhancing Customer Loyalty:** Integrating energy and telecom services deepened customer engagement. By tying energy benefits to telecom subscriptions, MEO effectively increased switching costs, making it less likely for customers to leave for competitors;
- **Adapting Organizational Structures:** MEO reorganized its operations to fully integrate energy services. By aligning sales, marketing, and customer support functions across both verticals, MEO demonstrated an organizational agility that is central to the

Dynamic Capabilities framework. The shared use of its call centers, digital platforms, and physical retail locations ensured seamless execution;

- **Sustainability-Driven Innovation:** The exclusive use of renewable energy in MEO Energia not only aligned with regulatory trends but also reinforced MEO's positioning as a leader in sustainable innovation. This transformation helped MEO differentiate itself in a saturated telecom market, where price wars often erode value;
- **Futureproofing Through Diversification:** By entering the energy sector, MEO reduced its dependency on the declining margins of telecom services. This diversification positions MEO for long-term resilience in the face of industry disruption.

Through these transformative actions, MEO not only responded to immediate competitive pressures but also built a foundation for sustainable growth in an evolving marketplace.

## 5 Limitations / Conclusions

Regarding limitations, it is important to note the actuality of the case, which introduced new information during the course of this work. These include the operators' response to the launch of the new operator DIGI and the introduction of MEO Energia's new service, Electric Mobility. Additionally, other developments may occur up until the date of the presentation.

On the other hand, it is also worth mentioning the limitation of access to specific financial data, given its confidential nature.

In conclusion, the case of MEO/MEO Energia serves as a valuable empirical example that corroborates the strategic theories under study.

Upon evaluating the telecommunications industry in Portugal through Porter's Five Forces framework, it can be concluded that the industry is generally moderate to low in attractiveness due to considerable pressures that could hinder companies' ability to achieve sustainable profit margins.

MEO Energia demonstrates strategic innovation that is aligned with the VRIO framework. By leveraging its resources and capabilities, MEO generates value that is rare, difficult to imitate, and supported by a well-structured organization. This results in a competitive advantage that reinforces MEO's market leadership and should support sustainable performance in a competitive and dynamic industry landscape.

MEO Energia is an illustration of MEO's dynamic capabilities. It showcases how MEO sensed market shifts, seized opportunities for innovation, and transformed its business model to sustain competitive advantage. By bridging the gap between telecommunications and energy, MEO disrupted both industries but also reinforced its strategic pillars of sustainability, customer-centricity, and innovation.

The case demonstrates how firms can thrive in dynamic environments by continuously adapting their resource base and capabilities to meet emerging challenges and opportunities. As the competitive landscape continues to evolve, MEO's proactive and agile approach positions it as a leader not just in telecommunications, but in integrated, future-ready solutions.

## Appendix

### Exhibit I - Chronology

	Organizational structure	Business innovation
1877		First telephone experiences in Portugal connect Carcavelos to the Central do Cabo in Lisbon.
1882	Edison Gower Bell Telephone Company of Europe Ltd is established in Lisbon and Porto, to operate telephone service concessions;	
1887-1968	The concessions are managed by APT - The Anglo Portuguese Telephone Company.	
1922– 1925	Establishment of the Companhia Portuguesa Rádio Marconi (CPRM), which takes over the operation of radiotelegraphy and wireless telephony;	
1968	The Public Company Telefones de Lisboa e Porto (TLP) is created and the Correios, Telégrafos e Telefones (CTT) are responsible for the telephone service in the rest of the country.	
1990		Videoconferencing service inauguration at Picoas Forum;
1991	TMN, Telecomunicações Móveis S.A.is born; Teledifusora de Portugal (TDP) is born, whose mission is to explore the Broadcasting infrastructures;	First Lisbon/Macao Videoconference;
1992	Telecom Portugal, SA was born. The telecommunications network was now operated by 3 operators: TLP operated the telephone service in the Lisbon and Porto areas, Telecom Portugal, responsible for the remaining national communication and Marconi, which ensured international traffic;	First submarine fiber optic cable system to be moored in Portugal; Launch of TMN's GSM digital network;
1993		Launch of the 1st Portuguese Satellite, PoSat1; The third largest fibre optic cable in the world <b>connecting Portugal, Spain and South Africa</b> comes into operation;

1994	Portugal Telecom, SA (PT) is established, a single national telecommunications operator that brings together the companies Telecom Portugal, TLP and TDP;	<p><b>First experimental broadcast of cable television</b> in Portugal;</p> <p>The SAPO Portal is created at the University of Aveiro;</p> <p><b>Launch of the Internet in Portugal</b> and launch by Telepac (managed in a consortium by TLP and CTT) of the internet access service in terminal mode - maximum speed 9,600 bps;</p>
1995	The privatization process begins, which will take place in 5 phases;	<b>TMN launches the world's 1st prepaid mobile phone, Mimo;</b>
1998	Portugal Telecom acquires the company Telesp Celular in Brazil, thus starting its expansion in that country;	
1999		<p><b>The SAPO Portal is the market leader on the Internet in Portugal;</b></p> <p>PT Innovation <b>is created</b> in Aveiro, continuing the existing telecommunications competence center in that city;</p> <p>Portugal Telecom launches in Brazil, through Telesp Celular, the prepaid mobile phone service, with the Baby brand, which would revolutionize mobile telecommunications in that country;</p>
2000	The privatization process is completed with the creation of Portugal Telecom, SGPS, SA.	<p>Total liberalization of the Portuguese fixed telecommunications market;</p> <p><b>Portugal has 100% of the territory with broadband coverage, being the 4th country in the world to achieve this goal.</b></p>
2002		<p>Launch of SAPO ADSL;</p> <p><b>First interactive digital cable TV service in the world;</b></p>
2003	The joint venture between PT and Telefónica gives rise to one of the largest mobile operators in Latin America - VIVO.	Launch of PT Wi-Fi, designed to respond to the growing mobility needs of customers and the first convergent service in radio broadband access;
2004		<p>TMN launches the 3rd Mobile Generation and is the leading operator in Portugal in mobile telecommunications;</p> <p>TMN is the 3rd European operator to introduce the mobile video call service;</p> <p><b>PT Inovação presents a pioneering telemedicine solution, Medigraf;</b></p>
2005		PT launches the Voice over IP Service, VOIP, allowing voice and video calls between PCs through SAPO Messenger;

2007	PT resists Sonaecom's attempted purchase. Spin-off of PT Multimedia	<b>Creation of Portugal Telecom's triple play service, MEO;</b> PT launches "Fiber to the Home" project, broadband access entirely over fiber optics;
2008		The MEO satellite service is launched; TMN launches prepaid mobile broadband; <b>Commercial launch of MEO</b> , becoming a case-study worldwide;
2010	PT sells its 50% stake in VIVO to Telefónica and buys stake in Brazilian company Oi;	Launch of the 4th Mobile Generation (LTE) that will allow speeds of 100 to 150 Mbp; PT installs fiber optics in one million homes; PT becomes the leader in Internet access in Portugal; Launch of Cloud Computing services; First 100Gbps connection in Portugal, between the cities of Lisbon and Porto;  <b>PT's Fiber Optic Network is internationally awarded as the best and most innovative in Europe;</b>
2011		The MEO Go service is launched, which allows customers to watch television on their computer, smartphone or tablet, inside and outside the home;  Launch of the MEO Kanal service, allowing MEO customers to create public and private TV channels;
2012		Launch of MEO Cloud, a 16GB cloud service, free of charge, for everyone; Launch of the TMN drive application for smartphones with live traffic information, with free traffic for MEO customers;  <b>Launch of M4O, the first convergent offering of a quadruple play service, which includes TV, Internet, telephone and mobile;</b>
2013	PT and Oi announce the combination of their businesses. The merger, which will result in the incorporation of PT SGPS into the combined entity, is a natural consequence of the industrial alliance between Portugal Telecom and Oi, established in 2010 and will result in the creation of a leading telecommunications operator, covering a geographical area with around 100 million customers.	Launch of the Automatic Recordings feature for MEO customers, where it is possible to see the schedule of the previous seven days; Launch of MEO Wallet, an electronic payment platform for various everyday situations; <b>Inauguration of the PT Data Center, in Covilhã, with capacity to install more than 50,000 servers connected to the PT high-speed fiber optic network, with exceptional security and reliability conditions;</b>

2014		Launch of the Global Connect Pack, a convergent offer that allows cost control, ensuring more flexibility and greater productivity for B2B Customers.
2015	PT Portugal becomes a wholly owned subsidiary of Altice Group, a leading multinational provider of telecommunications services with a presence in France, Israel, Belgium, Luxembourg, the Dominican Republic and Switzerland.	SAPO BIZ is launched, a platform for micro-enterprises, SMEs and the general public that offers the necessary tools for the creation of an effective and sustainable digital presence, contributing to the digitalization of the Portuguese economy.
2016		PT Inovação becomes Altice Labs and has the mission of leading the innovation agenda of all Altice Group operations. <b>At the 1st edition of the Websummit in Lisbon, of which PT was a technological partner, PT and Huawei made the first demonstration in Portugal, and one of the first in the world, of a 4.5G mobile network, with speeds of 1.7 Gbps being reached, which means 2 times the premium speed of fiber optics.</b>
2017		The Fiber Gateway is presented, a new 100% Portuguese equipment that makes the WiFi offer ten times faster. Launch of the MEO Smart Home service, a pioneering smart home solution that includes security, automation and comfort equipment, as well as controllable features accessible via mobile phone, tablet or computer.
2020		<b>MEO expands its portfolio to the energy sector with the launch of the MEO Energia service;</b> 10 years after its launch, MEO is the leading operator on TV.
2021		<b>Altice Labs is the Portuguese company with the largest number of innovative technologies distinguished by the European Commission's Innovation Radar, under the Horizon 2020 program (2014-2020).</b>
2022		Altice Portugal guarantees 5G in all district capitals and autonomous regions, at the start of the commercial launch of this technology. Continuing the portfolio diversification strategy, MEO launches the MEO Care offer - a package of services in 5 categories (Home, Animals, Health, Seniors and Technology.) aimed at the comfort and well-being of Portuguese families.

2024		<p>Altice Portugal, together with the Champalimaud Foundation and Movistar, leads an unprecedented breast cancer surgery using 5G technology.</p> <p><b>MEO is the first operator in Portugal to enter the metaverse;</b></p> <p><b>MEO launches the 3rd generation of service convergence, by launching what is the world's 1st sustainable and integrated telecommunications and energy service.</b></p>
------	--	--

## Exhibit II

### Comparison between typical telco operators and 'ServCo'

#### Approaches and KPIs of a typical integrated telco operator versus those of a 'ServCo'

From	To	KPI	Current result	Ambition
Focus on new customer acquisition	Focus on net revenue retention <sup>1</sup>	Net revenue retention	<50%	>100%
Infrequent customer interactions	Regular customer engagement	Visitor frequency	<1/month	>1/day
Short-term revenue obsession	Long-term customer experience obsession	Customer satisfaction score	<0	>55
High-cost indirect and retail channels	Zero-touch, digitally enabled, owned channels	Zero-touch journeys	~60%	>80%
High-cost legacy organizational structure and IT stack	Lean, digitally enabled, automated operating model	Operating expenses (excl network costs) as % of revenue <sup>2</sup>	~25%	<15%
Complex legacy product catalogue	Streamlined, simplified products	Number of legacy product codes	>1,000	<20
Siloed, waterfall operating model	Agile, test-and-learn mindset	Share working in agile model	<50%	≥80%

<sup>1</sup>Recurring revenue generated from existing customers over a set period, factoring in changes to average revenue per user and churn.

<sup>2</sup>IT, labor, media and marketing, and other indirect costs.

McKinsey  
& Company

## Exhibit III

### Electricity Retail Suppliers in Energy Liberalized Market (ERSE, August 2024)

#### Electricity Retail Suppliers – August 2024

Retail Supplier	Householder Consumers	Small/Medium Enterprises	Industrial Consumers	Large Consumers	New retailer
Acciona Energia	•	•	•	•	•
Ágoraluz Energia	•	•	•	•	•
Alfa Energia	•	•	•	•	•
Audax Renovables	•	•	•	•	•
Axpo Portugal	•	•	•	•	•
CapWatt	•	•	•	•	•
Cepsa	•	•	•	•	•
EDP Comercial	•	•	•	•	•
Elergone Energia	•	•	•	•	•
Endesa	•	•	•	•	•
Enforcesco	•	•	•	•	•
Ezurimbol	•	•	•	•	•
Fortia	•	•	•	•	•
G9Telecom	•	•	•	•	•
Galp Power	•	•	•	•	•
Goldenergy	•	•	•	•	•
Ibectra	•	•	•	•	•
Iberdrola	•	•	•	•	•
JafPlus	•	•	•	•	•
Logica Energy	•	•	•	•	•
Lusidaenergia	•	•	•	•	•
LUZBOA	•	•	•	•	•
Meo Energia	•	•	•	•	•
Muon Electric	•	•	•	•	•
Naturgy	•	•	•	•	•
Nossa Energia	•	•	•	•	•
Oeneo Energy	•	•	•	•	•
ODF Energia	•	•	•	•	•
Petrotermica Energia	•	•	•	•	•
Plenitude	•	•	•	•	•
Portulogos Power, Lda.	•	•	•	•	•
Power Plus II	•	•	•	•	•
PropensAlternativa	•	•	•	•	•
Repsol	•	•	•	•	•
Suncore	•	•	•	•	•
Usenergy	•	•	•	•	•

## References

### Articles, Books and Journals

- Barnes, L., Christensen, C.& Hansen, A. (1994). *Teaching and the Case Method*, 3<sup>rd</sup> Edition.
- Barney, J. (1991). "Firm Resources and Sustained Competitive Advantage". *Journal of Management*, 17(1), pp. 99-120.
- Barney, J. (1995). "Looking inside for Competitive Advantage". *The Academy of Management Executive* , 9 (4) , pp. 49-61.
- Barreto, I. (2010). "Dynamic Capabilities: A Review of Past Research and an Agenda for the Future". *Journal of Management*, 36 (1), pp. 256-280.
- Cardeal, N. & António, N. (2012). "Valuable, rare, inimitable resources and organization (VRIO) resources or valuable, rare, inimitable resources (VRI) capabilities: What leads to competitive advantage?" *African Journal of Business Management*, 6 (37), pp. 10159-10170
- Cardeal, N. (2024). *Pensamento Estratégico: Antecipar as ondas do futuro*, 4<sup>th</sup> Edition.
- Chesbrough, H., & Rosenbloom, R. S. (2002). "The role of the business model in capturing value from innovation: Evidence from Xerox Corporation's technology spin-off companies". *Industrial and Corporate Change*, 11(3), pp. 529-555.
- Eisenhardt, K. M. & Martin, J. A. (2000). "Dynamic Capabilities: What Are They?". *Strategic Management Journal*, 21(10/11), pp. 1105-1121.
- Flyvbjerg, B (2006). "Five Misunderstandings About Case-Study Research", *Qualitative Inquiry*, 12 (2), pp. 219-245.
- Helfat, C., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D. and Winter, S. (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*.
- Helfat, C. and Peteraf, M. (2003). "The Dynamic Resource-Based View: Capability Lifecycles", *Strategic Management Journal*, 24, pp. 997-1010.
- Peteraf, M. and Barney, J. (2003). "Unraveling the resource-based tangle". *Managerial and Decision Economics*, Vol. 24, No. 4, *Integrating Management and Economic Perspectives on Corporate Strategy* (Jun. - Jul., 2003), pp. 309-323.
- Porter, M. (1979). "How Competitive Forces Shape Strategy". *Harvard Business Review* 57(2), 137-145.
- Porter, M. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.

- Porter, M. (1985). *The Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Rothaermel, F. (2013). *Strategic Management: Concepts and Cases*.
- Teece, D. J., Pisano, G. & Shuen, A., (1997). “Dynamic capabilities and strategic management”. *Strategic Management Journal*, 18(7), pp. 509-533.
- Teece, D. (2007). “Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance”. *Strategic Management Journal*, 28, pp. 1319-1350.
- Teece, D. (2010). “Business Models, Business Strategy and Innovation”. *Long Range Planning*, 43, pp. 172-194
- Teece, D. (2017). “Business Models and Dynamic Capabilities”. *Long Range Planning*, 51, pp. 40-49.
- Teece, D., Peteraf, M. & Leih, S. (2016). “Dynamic Capabilities and Organizational Agility: Risk, Uncertainty, and Strategy in the Innovation Economy”. *California Management Review*, 58 (4).
- Winter, S. G. (2003). “Understanding Dynamic Capabilities”. *Strategic Management Journal*, 24(10), pp. 991-995.
- Yin, R. (2018). *Case Study Research and Applications. Design and Methods*, 6<sup>th</sup> Edition.

### **Online References and Reports**

- Deloitte (2023). *Decision time for Europe's telcos June 2023*:  
<https://www.deloitte.com/nl/en/Industries/tmt/perspectives/decision-time-for-europes-telcos.html>
- McKinsey (2023). *Delaying: An organizational overhaul for growing Europe's telcos*  
<https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/delaying-an-organizational-overhaul-for-growing-europes-telcos>
- Restart (2024). *A techno-economic view of the future of telecommunications*, First RESTART whitepaper presented at 5G&Co. – RESTART Foundation
- ANACOM (2024). *Factos & Números - 2.º trimestre 2024*:  
<https://www.anacom.pt/render.jsp?contentId=1794402>
- ERSE (2024). *Boletim do Mercado Liberalizado de Eletricidade – setembro 2024*:  
 202409\_ele\_rel\_ml.pdf (erse.pt)

DGEEC (2024). *As Empresas com mais despesa em atividades de I&D em 2022* -  
<https://www.dgeec.medu.pt/api/ficheiros/65e09c4a9a5c0cc66482f1b4>

Revista Exame, entrevista à CEO Ana Figueiredo (Outubro 2023) -  
<https://visao.pt/exame/2023-10-23-ana-figueiredo-esta-casa-ja-passou-por-outros-choques-iremos-resistir/>

Comunicado de Imprensa Lançamento MEO Energia (2024) -  
<https://conteudos.altice.pt/institucional/documentos/pt/media/comunicados/2024/Maio/MEO-lanca-o-primeiro-servico-mundial-sustentavel-de-telecomunicacoes-e-energia.pdf>