Sol Trujillo: Telstra's $43m Well Spent

Did Sol Trujillo deserve the $43m he was paid for his four year stint at Telstra? Controversial, I know. Yes, he could have done a better job of managing relationships with the government. In fact, he could have done a better job of managing relationships with everyone. He was brash, obnoxious and didn't adjust well to the Australian way of doing things.

But no one can argue about Sol Trujillo's insight into the future of telecommunications. There is some comically funny reading in his five-year transformation plan, presented to the market in 2005:

> You are going to hear a story today told by Bruce Akhurst that says Google Schmoogle. We are outgrowing Google in Australia. We are doing more, we are growing faster and we have more capability because we are more relevant in terms of how we think about growing our business here in Australia.

Sensis schmensis. But for the most part Trujillo was on the money. His main spiel was differentiation. In 2005 the main players in the Australian telco market simply competed on price.

> The reason why [there is disappointing wireless growth] is because there's a fundamental shift happening and a collapse happening in some of the pricing architecture within the wireless sector. Now, has that happened elsewhere? Has that happened in other parts of the world? The answer is yes. Now, again I've seen some of this movie before having lived in the US and operated in the US, having lived in Europe and operated in Europe, it is happening elsewhere because some of the classic pricing architectures and structures haven't made sense, and at the same time, you have disruptive players within a market that think that the only way that they can take share is by true discounted pricing bundles, packages, whatever you might want to call them.

Although not complicated, the key for Trujillo was for Telstra to offer something different.

> When you come in for an approval on an initiative, whatever it might be, the first question I'm going to ask beyond the economics, is, "What is the differentiation? What is

> the value add? What cannot be done by our competitors? How is this different than our competitors?" Because differentiation is where you create unique value. You can look at any world-class industry leading company and clearly they are the differentiators in terms of how they compete within the marketplace and they are the ones that create the most value for the consumer.

So Trujillo and his xenophobically branded ‘amigos’ set about focussing the business on the customer and building the broadest and fastest mobile network in the country.

> When I talk about the customer experience, it's at literally every touch point. So it's about when you call us, it's about the product usage, it's about your bill, it's about when you have a problem, it's about how we update features and services for you to be able to use, it's about everything in that process ... I will tell you that in this marketplace, we all can stand to improve a whole lot, but again, my objective is that Telstra will lead.

It’s not perfect. But Telstra’s customer services is light years ahead of 2005 levels. And despite being the most expensive provider of mobile services, in the 12 months to 30 June this year Telstra added a net 1.3 million mobile phone subscribers. Profit was up 13% to $3.9bn and the stock has been one of the ASX’s best performers for the past two years. For that, Telstra shareholders owe some thanks to Mr Trujillo.