

Competitive analysis of the nigerian telecoms industry



I shall discourse the Nigerian Telecoms industry with peculiar mention to mobile telephone and informations transmittal via handhelds. My accent would be on the period station liberalisation of the industry from the monopoly of the province owned bearer, Nitel. I focus on the construction, the key participants in it and the competitory forces at drama in the industry, taking to a treatment on how best a new entrant can come into this industry and a sum-up of recommendations.

Structure of the Market

Since the mid 80s, M-Tel, a subordinate of Nitel - the national bearer has enjoyed a monopoly of the Nigeria Mobile telephone industry, supplying merely 40, 000 affiliated lines to endorsers countrywide (Doyle & A ; McShane, 2001, p. 10) . The constitution of the sector 's independent regulator, the Nigerian Communications Commission (NCC) in 1999 (Corporate Nigeria, 2010, p. 152) and the award in January 2001, via an auction, of three GSM spectrum licences to MTN, CIL (aka GLO) and Econet Wireless Nigeria Ltd liberalized the market. Today the market is made of chiefly the five GSM companies, GLO, M-Tel, MTN, Airtel (once Zain) , Etisalat and 4 cardinal CDMA companies, Visafone, Starcomms, Multilinks and Zoom. Last hebdomad, Visafone announced the coup d'etat of Multilinks and have commenced their post-merger integrating exercising. There are indicants that farther consolidation particularly within the periphery CDMA companies is at hand. Fig 1 below high spots the comparative market portion within the cardinal participants.

Figure ; Telecoms Market Share distribution. Created with informations from (BMI, Q1-2011)

PESTLE Analysis of the Market ;

Political:

Nigeria is in the center of an election that has attracted so much involvement (Mordi & A ; Versi, 2011, p. 24) initial marks indicate the procedure will be fairest in the history of the state (Asante, 2011) and could take to emergence of a more stable, progressive democracy (Obayiuwana, 2011) . An active and free media continues to dispute the politicians to higher criterions of administration.

Economic

The local currency the naira has held steady against the dollar at N150 to USD 1, controlling inflationary inclinations (Corporate Nigeria, 2010, p. 34) . However, rising prices continue to be in dual figures. GDP is estimated at \$ 357. 2 billion PPP, no. 32 in the Global tabular array of PPP. Listed on Goldman Sachs ' 'Next Eleven ' universe economic systems in 21st Century, Nigeria is a state with immense growing potencies. (Corporate Nigeria, 2010) . Debt relieve through the Paris Club significantly increases the states ability to put in much needed substructure e. g power, roads, instruction and wellness (BMI, Q1-2011, p. 9)

Socio-Cultural

At 923, 000 sq kilometer of land, 250 cultural groups, 521 linguistic communications, about 150million people (Corporate Nigeria, 2010, p. 12) ,

<https://assignbuster.com/competitive-analysis-of-the-nigerian-telecoms-industry/>

Nigeria is immense and diversified and this diverseness comes with its challenges with cultural force and sectional agitation. The state is besides fighting with a hapless repute with corruptness and cyberspace fraud. The state has taken stairss towards washing her image with the set up of the Economic and Financial Crimes Commission (EFCC) which has arraigned 18 fraud mobs, shut down 800 deceitful web sites, and over 5000 electronic mails working in coaction with Microsoft. (Corporate Nigeria, 2010) .

With over 80 % of the population below 40 old ages and 40 % below 15 old ages, Nigeria is a immature market. However, official unemployment rate is quoted as 19. 7 % , arguably, the existent unemployment figures are much higher.

Technology ; With the reaching in Nigeria of MainOne, and Glo 1, two pigboat fiberoptic high bandwidth overseas telegrams associating Nigeria to Europe, congratulating the already existing SAT-1, informations transmittal becomes more low-cost and easy accessible (BMI, Q1-2011, p. 23) . The recent issue of four WiMAX licences by NCC and bing 2. 5G, 3G, CDMA2000, GPRS and UMTS engineerings, wireless entree will turn dramatically in the following 2-3 old ages. (Hosn, 2011)

Legal and Regulatory

The chief jurisprudence regulating the Nigerian telecoms industry is the Nigerian Communications Act of July 2003 amending the Act of 1992 (Hosn, 2011, p. 7) , this act ended the monopoly enjoyed by Nitel, created the regulative organic structure National Communications Commission (NCC)

and enabled the entry of more participants into the market, taking to <https://assignbuster.com/competitive-analysis-of-the-nigerian-telecoms-industry/>

increased competition and a downward force per unit area on monetary values for nomadic telephone services (Hosn, 2011, p. 17)

Respect for Intellectual belongings (IP) rights is low and Legal protection is weak (BMI, Q1-2011, p. 10)

Porter 5 Forces Model Analysis:

Figure: 5 Forces Model constructed for the Nigerian Telecoms Industry. Prepared with information from

The barriers to entry into this market are medium, with the cardinal consideration being the license fees to be paid and possible investing in buildout of the web, depending on the theoretical account the entrant adopts, The Buyer Power is high, as intense competition and the picks now available to the clients lowers monetary values. The Regulator 's really aggressive thrust to drive these monetary values even lower gives the client more power. There are really few replacements to mobile telephone in Nigeria, as the fixed lines are few and non widely adopted. Supplier power is as possible purchasers of their goods is few and most of the telephone company already have their preferred providers and its difficult to unseat an officeholder.

Competitive Intensity:

The SIM Registration ordinance passed by Nigerian parliament and the figure portability planned for subsequently in the old ages will significantly increase competition and increase churn, as it eases clients flight to quality service without the inconvenience of losing your figure (BMI, Q1-2011, p. 61)

Figure: HH Index of the Nigerian Telecoms Industry - Prepared with informations from

The tabular array above high spots the fact that the Telecoms market in Nigeria is rather concentrated with HH Index of 2904. 90 and a Concentration Ratio of the top four participant (CR4) transcending 90 % which suggest that industry is susceptible to collusion and monetary value repair. In world, this is non the instance as the competition is intense and in fact there is an on-going tarrif war in the Nigeria Telecoms market (Adebayo, 2011, p. 36) (Daniels, 2011, p. 64) nevertheless this predominately in the voice services (Ammar, 2011, p. 38) .

This competitory strength has resulted in important bead in cost of services and a corresponding bead in Average Revenue Per User (ARPU) , a cardinal index of market profitableness even as the client base has grown dramatically as indicated in Figure 4. below.

Figure: Subscriber Base and Average ARPU trends, Prepared with informations from

However, the downward tendency of ARPU matches the upwards tendency of growing in subscriber base for both voice and information services as shown in Figure 5 below. Although the incursion fo the voice service is really high, informations service incursion is still in its babyhood and turning much faster than voice services as evidenced by the growing of 3G phone and cyberspace subscriptions.

This tendency is collaborated by Figure 5 in the swerving up of informations ARPS. Figure 6 besides highlights the swerving up of churn, which is likely to

go on with the execution of figure portability planned for 2012 by the regulator. Number portability will significantly increase both 'incidental churn' e. g. due fiscal eventualities, location or life manner alterations and 'deliberate churn' e. g due pricing, hapless client service or web jobs (Jahanzeb & A ; Jabeen, 2007, p. 122) .

Figure: Mobile and Internet growing Forecast (BMI, Q1-2011, p. 18 and 22)

Figure: Nigerian Mobile Market Indicators (Baez & A ; Kechiche, 2010)

Nigerian Telecoms Industry SWOT

Strengths and Weaknesses typically characterize internal state of affairss of a concern, but I shall discourse them from an industry construction position here.

Strengths

The nomadic telecoms industry has continued to turn even with the debut of compulsory SIM enrollment. By liberalising the licensing strategy, NCC has made it easy for new fixed-wireless operators to come in the market even as it continues to keenly invest to accomplish widespread connectivity in rural countries.

An active and reasonably free media is playing a cardinal function in the passage to democracy, lending to the on-going peaceful election which has besides been adjudged as the freest and fairest so far in the history of the state. With the state virtually debt free holding benefited from the Paris Club

debt alleviation enterprise, there is existent hope that with the right leading, the states substructure challenges will be addressed.

A big, immature population means a immense telecoms market and an abundant supply of cheap (albeit unskilled) labor,

Failings

Poor province of substructure in the state increases the cost of constructing out webs and accomplishing optimal spread with attendant hapless web quality and negative impact on client growing and service use, therefore rural communities are ill served.

Monetary value wars from intense competition have put downward force per unit area on ARPU rates.

Country image is negative and corruptness degrees are high as Nigeria is placed at 134th out of 180 states worldwide. Respect for Intellectual belongings rights is besides low. Couple with this is the recent physical security hazard to foreign workers in some parts of the state.

Opportunities

With no heavy debt service costs, Nigeria has the capacity to put to a great extent in important substructure which will significantly take down the cost of making concern and finally lower the cost of goods produced in state.

A free and just election and dividends from the ongoing attempts to undertake fraud and corruptness will bit by bit better the attraction of the

Nigerian market and pull foreign investments even as the major operators continue to put in developing the quality and range of their web substructures, therefore turn to service quality jobs.

The landing of several new pigboat overseas telegrams will do international bandwidth much cheaper enabling lower priced broadband services. New WiMAX licenses and other engineering will do it easier to entree the rural communities and unlock that market.

Despite stepped up investing, the broadband incursion degree is low. Mobile Telephony incursion at 50 % still leaves important growing potencies available to new entrants. The launch of nomadic figure portability will ease the ability of clients to alter their service supplier.

Menaces

The debut of compulsory nomadic SIM enrollment for new clients in October 2010 will decelerate the growing experienced today in the sector.

Probable remotion of revenue enhancement interruptions for cellular operators will take the inducements enjoyed by 'early-movers'.

Competition and regulative steps are conveying down monetary values even as institutional invest continue to put in the Nigerian market (e. g. South-Africa 's MTN, India 's Bharti Airtel and Etisalat of the UAE.)

High degrees of unemployment of a really immature population presents a high hazard of civil agitation which could be triggers by the current tenseness in the state as a consequence of the political haggle and

electioneering traveling on even as industrial action remains platitude, and can interrupt normal concern activity.

Recommendations to possible new entrants

Take a long term position

Entrant into the Nigerian telecoms market at this clip is a 'late-mover ' and would be exposed to a more informed and stronger regulator, tough competition from the 'early-movers ' and other 'late-movers ' , and a high cost of entry into the market (Ramamurti, 2000, p. 168) and as such should be cautious and non tempted to be excessively optimistic by the immense returns the early-movers made in Nigeria.

Seek Alliances and Coopetition Opportunities.

An entry scheme that seeks to make 'asset-light-virtual-operators ' (Turner, 2009, p. 449) by cut down important investing in `` inactive substructure " e. g. towers, air-conditioning, generators and alternatively focal points on sharing these substructure with 'competition ' and displacements distinction to quality of service and range has been proven by Bharti Airtel (Prahalad & A ; Mashelkar, 2010, p. 136) to be rather a alone concern theoretical account for developing economic systems, enabling cheaper cost of services and therefore greater range.

Intensity of competition in the voice services will significantly cut down ARPU, nevertheless, the on-going conversations around substructure sharing, the new licences for the WiMAX engineerings, the landing of MainOne and Glo1 pigboat overseas telegrams (BMI, Q1-2011, p. 49) all point to

<https://assignbuster.com/competitive-analysis-of-the-nigerian-telecoms-industry/>

informations, nomadic broadband and value-added services being the following frontier of high growing in this market.

MTN and Western Union have joined forces to present international remittals services to 21 states in Africa excepting Nigeria (African Business, 2010, p. 6). The importance of this service in developing Africa is emphasized by Prof. Ophelia Mascarenhas et Al quoted in (African Business, 2011, p. 6) as stating `` nomadic phone houses should take a more serious attack to mobile banking servicesa^;there is great possible for banking the unbankeda^;it is of no usage to the hapless if the remittal of hard currency can non be made because the services is still non available in both the urban and rural countries " . The Central Bank of Nigeria is besides churning out several policies and ordinances to maneuver Nigerian Bankss towards inclusion of the unbanked population through electronic payment system. (Chima, 2011)

Differentiate and Price Creatively

Mobile applications with possible for societal economic growing e. g. societal networking applications, nomadic banking, m-healthcare, m-education, m-policing, can assist operators diversify their merchandise base, bring forth excess gross, pull new endorsers and lower churn rates (Kechiche, 2010) . NCC 's wire Nigeria (WiN) and State Accelerated Broadband Initiative (SABI) when completed will high bandwith broadband web throughout Nigeria, speed uping growing and easiness of deployment of these nomadic applications (Corporate Nigeria, 2010, p. 39) .

Value added services via nomadic phones, e. g traffic patrolling in India (The Economist, 2009, p. 73) remain a immense chance in Nigeria (Nkanga, 2011)

Monetary values will non fall as rapidly with extra entry if clients value the differences plenty to pay more to the house that more closely serves their peculiar demands (Greenstein & A ; Mazzeo, 2006, p. 327)

Make Pricing flexible and Price harmonizing to zones in Nigeria and ability to pay, offering combination of services and better fitting monetary values and goods to the demands of the clients (Greenstein & A ; Mazzeo, 2006, p. 328) . Look for chance to spouse with equipment makers to offer after sale services on user-end equipments, provide 'packages solutions ' that is viewed as a value added service and differentiates you from competition (Lal & A ; Strachan, 2007, p. 23) and perchance rental of substructure for transmittal.

Competing on monetary value entirely is non sustainable, there is frequently range for distinction based on quality of service, trade name and support services and the inevitable 'flight to quality ' creates chance for premium pricing (Turner, 2009, p. 442) . These are all benefits that come straight from a concentrated focal point and deep apprehension of a mark market and response to their demands.

Focus and Innovate

Technology is one of the major determiners of alteration in the telecoms industry, along with the 'iterative liberalisation ' in emerging markets that

<https://assignbuster.com/competitive-analysis-of-the-nigerian-telecoms-industry/>

fuels aggressive competition, there is a demand for cardinal participants in the industry to continual reexamine their scheme for market and client relevancy (Lal & A ; Strachan, 2007, p. 22) . This strategic version is important in an emerging market characterized by environmental discontinuities, rapid alterations and capriciousness. (Eunni, Post, & A ; Berger, 2005, p. 88) (Ramamurti, 2000)

'Late movers ' may rapidly utilize freshly available advanced engineering to their advantage (Kam, 2006, p. 502) , non holding the load of sunk cost in built up web substructure, nevertheless the gait of alterations in engineering in the telecom industry emphasizes the fact that these kind of advantages are short term and that digesting advantage would truly come from distinction on quality of service.

Bibliography