

Entry strategies for indian telecom companies in african countries

[Literature](#)



Mobile telecommunication in most developed countries has reached a saturated stage which makes it highly competitive for the big companies in the industry. Many of these big companies are now looking forward to the developing nations where the industry is still at its growing stage. Africa as a continent is one of those places where mobile telecommunication is still at its growing stage. There are growing opportunities in the industry which can be evidence in the amount of FDI of some international companies into the continent. This thesis is aimed to evaluate the mobile telecommunication in Africa and Gulf countries as an investment opportunity for Indian Telecom companies.

This part of the world (Africa and Gulf) was chosen because there has been no telecommunication company in India that has been in Africa despite the growing opportunities except Bharti Airtel. The business strategy is to explore new markets and technologies to make long-term investments. This could be achieved if the company tries to expand its base to Africa. To achieve this aim, Nigeria, South Africa and UAE were chosen to be the target market due to its enormous opportunities. Also the country is the regional leader and the front runner in issues concerning Africa and the rest of the world and also tagged the most populous black nation in the world.

This paper will give a thorough investigation of South Africa, Nigeria and UAE's telecom market in order to find out the profitability of the market for an Indian company seeking a possible expansion in an unknown business territory. More so, the outcome from the report should be conclusive enough to determine if the Indian company's current strategy could work in the new market and to determine a suitable entry strategy.

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For this reason, there are some basic issues that need consideration especially if the new market is beyond the sphere of current operation. These basic issues will be addressed in question forms like:

1) What are the political situations of the new market? 2) Is the economic situation favourable for business? 3) What social/cultural issues need to be considered in this market? 4) What is the level of technology in the host country? 5) And lastly, in which way can the company do business in this new market?

Introduction to Telecom Industry: Think of telecommunications as the world's biggest machine. Strung together by complex networks, telephones, mobile phones and internet-linked PCs, the global system touches nearly all of us. It allows us to speak, share thoughts and do business with nearly anyone, regardless of where in the world they might be. Telecom operating companies make all this happen.

Plain old telephone calls continue to be the industry's biggest revenue generator, but thanks to advances in network technology, this is changing. Telecom is less about voice and increasingly about text and images. High-speed internet access, which delivers computer-based data applications such as broadband information services and interactive entertainment, is rapidly making its way into homes and businesses around the world. The main broadband telecom technology - Digital Subscriber Line (DSL) - ushers in the new era.

The fastest growth comes from services delivered over mobile networks. Of all the customer markets, residential and small business markets are

arguably the toughest. With literally hundreds of players in the market, competitors rely heavily on price to slog it out for households' monthly checks; success rests largely on brand name strength and heavy investment in efficient billing systems.

The corporate market, on the other hand, remains the industry's favorite. Big corporate customers - concerned mostly about the quality and reliability of their telephone calls and data delivery - are less price-sensitive than residential customers. Large multinationals, for instance, spend heavily on telecom infrastructure to support far-flung operations. They are also happy to pay for premium services like high-security private networks and videoconferencing.

Research Issue: The Indian Telecom Market is highly competitive due to the large number of players in the industry. The resulting price wars and government regulations leads to thinning margins for Indian Companies. Indian companies can look beyond the boundaries for opportunities available in African and Gulf countries in terms of growth, market size and competition. This paper will study the PEST factors and try to identify the best entry strategy to enter these markets.

Literature Review:

Mobile telecommunication in most developed and developing countries has reached a saturated stage which makes it highly competitive for the big companies in the industry. Many of these big companies are now looking forward to the developing nations where the industry is still at its growing stage.

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Low infrastructure facilities and government regulations are also the factor influencing company's decision of entering abroad.

The company, which is facing tough competition in a crowded home market, is betting on opportunities in Africa where the mobile penetration level at 32 percent is less than India's 50 percent and there are fewer competitors.

Indian Companies may incur losses primarily because of its network expansion in African and Gulf countries because of roll-out of 3G and 4G services and tariff war in overcrowded telecom sector in India.

India Telecom Industry

Overview Most of the telecommunications forms in India are as prevalent or as advanced as those in modern Western countries, and the system includes some of the most sophisticated technology in the world and constitutes a foundation for further development of a modern network. Telecom Regulatory Authority of India (TRAI) is the sole authority empowered to take binding decisions on fixation of tariffs for provision of telecommunication services. India has the world's second largest mobile phone users with over 903 million as of January 2012. It has the world's third largest Internet users with over 121 million as of December 2011. India has become the world's most competitive and one of the fastest growing telecom markets.

Key developments Telecom Regulatory Authority of India (TRAI) has revealed that the country's mobile subscriber base has increased from 893.84 million in December 2011 to 903.73 million in January 2012. Telecom operators added 9.88 million mobile subscribers in January 2012. The overall tele-density reached 77.57 per cent.

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Broadband subscriber base increased from 13.30 million at the end of December 2011 to 13.42 million at the end of January 2012. Telecom users in rural areas have grown at a faster pace compared to their urban counterparts in the last five years, a CAG report said. India added around 20 million subscriptions of the estimated 140 million net additions in mobile subscriptions across the world during the April-June quarter in 2012, said a report by Ericsson.

Telecom operators also make money by providing network connectivity to other telecom companies that need it, and by wholesaling circuits to heavy network users like internet service providers and large corporations. Interconnected and wholesale markets favor those players with far-reaching networks.

Challenges ahead The metro cities and the urban markets are quite saturated in terms of tele-density and thus, leaving very little scope in terms of new customer acquisition. Lack of proper telecom infrastructure, power shortage and lack of trained manpower are some of the challenges which telecom companies have to cope with.

The share of the private companies in India is 82%, which shows the capacity of Indian Telecom Companies for expansion. The Indian telecom companies are Bharti Airtel, Idea, Videocon, Tata Indicom, Reliance etc. Airtel is currently operating in 17 African countries.

Emerging Telecom Market: African and Gulf Countries

1) African Countries The choice of market is based on investment opportunities and the size of the market. In 2007, the population of Africa

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stood at 965 million and Nigeria at 148 million and South Africa at 48 million (UN, 2008) which makes the countries 20.7 percent of African population.

Africa as a continent is one of those places where mobile telecommunication is still at its growing stage. There are growing opportunities in the industry which can be evidence in the amount of FDI of some international companies into the continent.

The commonalities are compelling: similar markets, needs and infrastructure. The realities on the ground are somewhat more challenging: logistics, legislative compliance and serious local competition being foremost.

The logistics of infrastructure in Africa will be an equal challenge for all Indian Telecom Companies. That is a given, Where Airtel might have been overly optimistic is in hoping its Africa model would run similarly to its success in India, based on a first-to-market approach and having some leverage to overcome legislative obstacles. Unfortunately, while Airtel has a 30-year history of being first in India (with pushbutton phones, cordless phones and then mobile), they were not first in Africa. There were major EU, Middle East and South African players there ahead of them. In fact, Airtel's African expansion is largely thanks to its takeover of Kuwait's Zain mobile operations in 15 countries. This was a beachhead, not a conquest. Zain only held dominant market share in a few countries.

Currently Airtel offers services in Nigeria, Burkina Faso, Chad, Congo Brazzaville, Democratic Republic of Congo, Gabon, Madagascar, Niger, Ghana, Kenya, Malawi, Seychelles, Sierra Leone, Tanzania, Uganda and

Zambia. By adding South Africa and Cameroon, two of Africa's fastest growing mobile economies to the list, Airtel aims to strengthen its position in Africa.

1) Nigeria Today, Nigeria is in the midst of an era of globalization and high-speed communication. The level-playing field provided by the Nigerian Communications Commission (NCC), has resulted in substantial increase in competition spanning a wide spectrum of telecoms services MTN clearly leads the market with a subscriber base of 38.6 million and 5.89 per cent growth in Q3-4, recording an increase from 33.3 million subscribers in March of the same year.

Nigerian Telecommunication (NITEL) was the only operator in the market before 2001 with subscribers of about 500,000 from a population of 140 million. The deregulation usher in telecom players like MTN, Glo Mobile, Zain formerly Celtel, Etisalat, Visafone, Multilinks, Starcomm and Zoom formerly Reltel. The market is divided into urban and semi-urban, and rural market. Tele density in the urban is about 65% while semi urban is about 45% and rural is less than 15%. Product Segmentation is GSM and CDMA.