

Review of the nigerian telecommunications industry



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Telecommunications installations in Nigeria were foremost established in 1886 by the colonial disposal. These were chiefly towards dispatching administrative maps instead than the proviso of socio-economic development of the state. Consequently, the debut of public telegraph services associating Lagos by pigboat overseas telegram along the west seashore of Africa to Ghana, Sierra-Leone, Gambia and on to England was a greater precedence than a robust telecommunications web for the colonial maestro. (Nigeran Communication Commission, 2011)

Right from the colonial epoch as mentioned above, post independent period, and up till early twelvemonth 2001, telecommunications concern was majorly in the manus of authorities. Due to bureaucratism and corruptnesss in Nigerian system of authorities, the industry could non enter any important advancement. In fact, assorted records show that the maximal telephone lines were 400, 000 for a population of 120million people prior to deregulating epoch. This reveals a teledensity of 3 telephone lines per 1, 000 people which was far below outlooks of a underdeveloped state like Nigeria.

However, the new face of telecommunications sector in Nigeria started hardly a hebdomad into the passage from Military government into democratically elected authorities in 1999. The President of the Federal Republic of Nigeria, and Commander- in-Chief of the Armed Forces, Chief Olusegun Obasanjo, inaugurated a commission with the purpose of puting policy that would advance:

entire liberalisation,

Competition and

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Private sector-led growing of the telecommunications sector.

Since in-between 1999, Nigerian authorities and political system has been stable, the economic system has been well turning due to comparatively stable policies ; including telecommunications policy established in 1999. The independent regulator - Nigerian Communications Commission (NCC) reduces the bureaucratism and inefficiency experienced when Ministry of Information and Communications was in charge of telecommunications industry.

THE INDUSTRY TREND

The Nigerian telecommunications sector has experienced dramatic transmutations, from when deregulating started in 1999, deployment of Global System for Mobile communications (GSM) or Digital nomadic engineering in 2001, Fixed Wireless Access system in 2002 and debut of technology-neutral incorporate entree. Besides, 3G engineering and (3) bearers in the 800 MHz spectrum set were launched in 2007.

Telecommunications part to National Gross Domestic Merchandises for twelvemonth 2009 was 3. 66 % and the sector has created over 3milliom occupation chance for both direct and indirect employees.

Regulations on telecommunications webs interconnectedness, guideline on collocation and sharing of substructure, effectual competition patterns guideline are cardinal factors that have foster the luck of the industry. Other policy way includes the amalgamation of NCC with the Nigerian Broadcasting Commission (NBC) . The most recent development is the SIM card

enrollment, which required all service suppliers to roll up, shop and study to <https://assignbuster.com/review-of-the-nigerian-telecommunications-industry-review-paper-samples/>

NCC all endorsers ' Biometricss and other Personal Information within six months of the beginning of the plan in July 2010 and within the predating one month for every new endorser. Punishment of N200, 000: 00 (equivalent of ? 800: 00) per endorser for failure to make so by any service supplier.

The Nigerian Communications Commission (NCC) has besides commenced the procedure taking to the execution of Number Portability (NP) in Nigeria. Number Portability allows endorsers to alter their service suppliers without altering their telephone Numberss. This is of huge benefit to endorsers as they can more easy alteration service suppliers without holding to advise all their friends and contacts of a figure alteration. (Nigerian Communication Commission, 2010)

THE KEY PLAYERS IN THE TELECOM SECTOR

The Nigerian telecoms industry participants include the regulators and the operators. Nigerian Communications Commission (NCC) is an independent regulative organic structure for the telecoms sector in Nigeria.

The authorization is saddled with duty for making an enabling environment for competition among operators in the industry every bit good as guaranting the proviso of qualitative and efficient telecommunication services throughout the state. (Nigeran Communication Commission, 2011)

Global System for Mobile communications (GSM) license was granted to four successful bidders including, MTN Nigeria Communications Limited ; Communication Investments Limited ; Econet Wireless Nigeria and Nitel/M-tel in January 2001. Besides (GSM) and Second National operator licenses was <https://assignbuster.com/review-of-the-nigerian-telecommunications-industry-review-paper-samples/>

granted to Globacom Limited and Fixed Wireless Access licenses were issued to 22 (twenty two) operators to run within sanctioned parts in August 2002 severally. There are four major participants in the Code Division Multiple Access (CDMA) sub-unit of the industry ; viz. , Multilinks, Starcomms, Visafone and Zoom. Besides there are 150 Internet Services Providers (ISPs) supplying quality cyberspace services to over 24 million cyberspace users. (Corporate Guide International Ltd, 2010, p. 154)

MTN Nigeria Communications Limited is the market leader in nomadic sub-unit of the industry. MTN is offering quality services for 38. 6million endorsers as at December 2010. (MTN Nigeria Communications Limited) The company achieved this, through deployment of First Class engineering worth over \$ 7billion in fixed assets and installations across the Nation. Coverage spread across 2, 394 metropoliss, towns and small towns in all the 36 provinces of the federation. (Hence, their selling slogan - everywhere you go) . In add-on, MTN has embarked on deployment of fiber-optic overseas telegrams ; the longest of all time laid in Africa across the state covering over 8, 052 kilometers to hike the transmittal capacity of its web. (MTN Nigeria Communications Limited) This state-of-the-art substructure enhances lucidity of voice whenever you are on MTN webs compare with other service suppliers.

MTN subsists on the nucleus trade name values of Leadership, Integrity, Relationship, Innovation and a Can make attitude. We pride ourselves on our ability to do the impossible possible, linking people with friends, household and chances and enriching lives through our merchandises and services.

(MTN Nigeria Communications Limited)

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Figure - Nigerian nomadic telecoms market portion adapted from NCC

Globacom started telecommunications concern in Nigeria in 2003 behind MTN and Econet that started operations in 2001. However, Globacom is presently the 2nd market leader with 19.6 million end users and market portion of 24.17% as at December 2010. The company besides operates in neighboring states like Republic of Benin, Ghana and Ivory Coast.

Globacom late made history as the first individual company to construct an \$800 million high-capacity fiber-optic piggyback overseas telegraph, known as Glo-1. From United Kingdom to Nigeria; this development would besides shift Globacom as figure cyberspace and bandwidth services supplier in the state.

Airtel Nigeria, the 3rd market leader is owned by Bharti Airtel Limited and is the presently major investors in the company that started operation in 2001 as Econet Wireless Nigeria after several transportation of involvement. Airtel has operation in other 16 states in Africa and a entire figure of 19 states across Asia and Africa. Airtel market portion in Nigeria as at December 2010 is 19.5% with subscriber base of 15.8 million.

As mentioned above, there are four companies utilizing CDMA engineering for Mobile phone services in Nigeria. The leader of this group is Visafone, it accounts for 2,558,867 active lines followed by Multilinks Telkom, owned by South Africa's Telkom with 1,454,704 lines. Starcoms trails them with 1,149,380 active lines against Reltel's 939,145 lines. (Technology times online, 2011)

Meanwhile, within the sector, Multilinks Telkom, which has indicated its purpose to go out the Nigeria CDMA market on history of losings recorded by the company had merely been acquired by Visafone for a amount of \$ 52million.

PRODUCTS/SERVICES

The industry is predominated by GSM services, which accounts for over 93 % of entire endorsers in Nigeria. Fixed line telephones histories for less than 2 % . Nigeria 's cyberspace user base is turning fast. However, there are really small dependable cyberspace services in Nigeria. Not until recent times, the full concern and private cyberspace subscribers/users had ne'er have value for money. Introduction of submerged substructures by Globacom known as Glo-1, the Main One overseas telegram owned by Main Street Technologies, and the on-going West African Cable System (WACS) overseas telegram undertaking by MTN are the mediums that would heighten the capacities of cyberspace services to Nigerian public.

Other merchandises include E-presence, Conference call, Internet notebook, ipad, Blackberry services and nomadic Television introduced in April 2008 by MTN in partnership with Details Nigeria Limited and Nokia.

INDUSTRY LIFE CYCLE

The industry life rhythm is the supply-side equivalent of the merchandise life rhythm, the debut, growing, adulthood and diminution phases (Grant, 2010, p. 271) . Industry life rhythm has influence on investing determination semen scheme to be adopted by the new investors in the bing market.

The life rhythm of the Nigerian telecoms industry is at growing phase. This is grounds by the increasing Numberss of operators, spread outing substructure installations all over the state, debut of dynamic merchandises and services and geometric addition in endorsers (see figure 2) . The industry has attracted \$ 18billion in investing since 2001 and all operators are still incurring immense amount of money to heighten the capacity of their installations and geting new engineering.

Evidence besides is series of advertizement and sponsorship plans embark upon by telecoms operators. For illustration, MTN sponsored the FIFA 2010 universe cup, incorporation of MTN Nigeria foundation by warrant in July 2004 with the purpose of bettering the quality of life in the country of Health, Education and Economic Empowerment on a sustainable footing in such a manner as to impact positively on the MTN trade name. (MTN Nigeria Communications Limited, 2011) Similarly, other telecoms operators are running the same promotional activities.

Old ages

Figure - Telephone Subscriber informations in Nigeriaria

NATURE OF COMPETITION

The fact that the Nigerian telecoms industry is deregulated and liberalised for capable private investors to take part, theoretically means that the industry is deemed to be extremely competitory. Competition reduces industrial profitableness but create satisfactions for users. Despite this, the immense capital required to obtain license and acquired telecoms equipments have been a barriers for new entry into the market. For case, the

first set of digital nomadic licensees paid a ball amount of \$ 300million for license merely instantly the licenses were awarded to them in January 2001 while 2nd National operator license fee was \$ 200million.

Subscribers have non been able to organize a formidable group or brotherhood to foment for cheaper duty, nor come together to exert their purchasing power for better services. The telecoms merchandises and services have no close replacements for users to jump with. Meanwhile the demand for services continues to surge every month.

However, the few operators are about of equal strength, hence, there is strong competition among the services suppliers which have led to invention, efficiency and the ascent of competitory advantage by the operators. e. g investing in fiber-optic overseas telegrams by Globacom, MTN and Main Street Technology.

The telecoms industry begins serious monetary value war when Airtel took over the major involvement from Zain in last one-fourth of 2010. The schemes include aggressive advertizement and promotional activities cum call rate decreases.

Notwithstanding the tendency, in conformity to (Grant, 2010, p. twelve) If scheme direction is all about pull offing to accomplish outstanding success, so the indispensable undertakings of scheme are to place the beginnings of superior concern public presentation and to explicate and implement a scheme that exploits these beginnings of superior public presentation. MTN has been able to place the superior public presentation key by deploying

resources facilitated by their fiscal strength to set up a favourable place of market leader.

In line with Herfindahl-Hirschman Index (HHI) see Table 1 below ; HHI is a theoretical account that measures market concentration. It is calculated by squaring the market portion of each house viing in a market, and so summing the ensuing Numberss. (Investopedia, 2011) The closer a market is to being a monopoly, the higher the market 's concentration (and the lower its competition) . (Investopedia, 2011)

Herfindahl-Hirschman Index

Operators

Market portion

Market Share E†2

MTN

47. 64 %

2, 269. 57

Globacom

24. 17 %

584. 19

Airtel

19. 50 %

380.25

Etisalat

8.36 %

69.89

Mtel

0.32 %

0.10

HHI

3,304.00

Table - HHI demoing the fight of Nigerian telecoms industry

From the above tabular array, the index value of 3,304 agencies that the market is neither monopolistic nor absolutely competitory ; instead, the industry is extremely concentrated market and indicates that possible investors could still actively take part in the market.

OPPORTUNITIES IN THE INDUSTRY

Harmonizing to `` Design School '' scheme is concerned with placing chances in the endeavor 's external environment which it is better qualified to work than its rivals. (University of Leicester, School of Management, 2009, p. 38)

Given the population of Nigerian as 149million people and a entire figure of 88.3million telephone endorsers (of which mean individual holds 3 different
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active SIM cards) . It hence means that merely 30million Nigerians are presently utilizing telephone out of 88million Numberss of population that are above the age of 14-year ; stand foring 34 % of the public that could utilize telephone. Besides, it has been established that Nigerian population growing rate is 2 % per annum. Nigerians societal position and societal networking is on the addition, everybody is on facebook, Twitter, Hi5, and Blackberry etc. Hence, the market will go on to turn as shown in figure 2 above.

Hitherto, Nigerian Banks have been supplying nomadic banking services to their clients, which are grossly short supply. Agreement is traveling on between nomadic telephone operators and Central Bank of Nigeria with the purpose of obtaining nomadic banking license. This agreement, when consummated promises to increase the gross base of take parting nomadic operators with over 20million people that operates bank histories.

As justly mentioned above, proviso of cyberspace services is soon unequal. Opportunities exist for possible investors to take advantage of this spread. Rural telephone is another immense and untapped concern window, bulk of Nigerian public reside in rural countries and each of them has household members shacking in metropoliss therefore, the demand to pass on with one and other. Investors in rural telephone venture stand to bask a batch of inducements from authorities e. g grant of responsibilities on importing of Equipment, low revenue enhancement rate comparison with urban telephone operators, free land for edifice Offices and hard-on of telephone masts etc.

Another chance is that NCC is explicating policy and guideline on substructure sharing which would salvage a batch of money for the operator in term of assets and equipments acquisition and overhead cost of keeping the installations.

Furthermore, Federal Government of Nigeria is committed to liberalizing the power sector. Once this is achieved the current immense sum of money that is spent daily on care of single power bring forthing set, cost of fuel and wages and allowance of Electrical, Mechanical Engineers that manage these sets every bit good as security forces protecting these equipments would be saved and thereby increasing the bottom-line i. e net income at the terminal of every fiscal period.

Existing besides are chances for telecoms support services, like gross revenues and installing of terminal equipment, fixs and care of telecom installations, and telegraphing occupations.

CHALLENGES CONFRONTING TELECOMS IN NIGERIA

Harmonizing to the CEO of Etisalat Nigeria, Mr. Steve Evans. The chief challenge is possibly a small spot of uneasy balance between province authorities and federal authorities in footings of fundamentally dividing their desire to some high revenue enhancement punitive to mobile operators because they seem to be on a face of successful concern (Corporate Guides International Ltd, 2010, p. 158)

Another challenge is the addition in industrial competition and completion.

This is consuming the grosss and finally shriveling value available for the

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investors. Though competition brings about better quality of service and invention, it besides means that net income that should be available to stockholders must be deployed back into the concern otherwise operators will maintain paying immense involvement on bank installations to finance acquisition of new engineering.

Decision

After the alteration in the political system of disposal in 1999, Nigerian telecoms had experienced enormous growing due to deregulating and efficient independent regulator (NCC) . Get down up capital and operating expense disbursals are immense, therefore, it is non all comers concern environment.

Despite the enumerated menaces, demand for the telecoms services shall go on to turn as Nigerians societal networking activities through telecoms services is surging by the twenty-four hours ; hence, the industry remains feasible for possible investors with equal fiscal capableness to get technological resources and equal schemes to extenuate the identified menaces.