

The telecommunications sector is blossoming marketing essay

[Business](#), [Marketing](#)



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ABSTRACT

As the telecommunications sector is blossoming quickly, it's inevitable that it has attracted and will attract competitors who will also want to take advantage of the benefits. This report will determine whether the success of MTN Uganda be attributed the company's aggressive marketing techniques. In order to determine whether its success is affiliated with the marketing strategies, a survey looking at customer's opinions, behaviors and views was carried out. The internet, reports, newspapers and magazines exposed me to indispensable information concerning MTN Uganda's marketing models during my research. The data showed that MTN Uganda is a market leader in the telecom sector and is still dominating the sector at present with a 50% market share. Having this stature in the business world, it has a conventional mandate to sustain it. From my research, I found that marketing lies at the heart of every business. MTN Uganda is practical in its marketing in alignment with the 4P's; Price, Place, Promotion and Product. MTN Uganda is successful in the light of increasing competition for integrating its aggressive marketing techniques in its market.

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INTRODUCTION

Background of the study

1In the 1990s, Airtel, formerly known as Celtel, enjoyed the monopoly of the mobile telecom industry, phones were expensive and call rates were high. To own a phone, one had to be rich. When MTN joined the telecommunication sector in 1998, it posed a mighty challenge to an industry that had been long riddled with a monopoly.

MTN UGANDA

2The MTN Group Limited (MTN Group) is a transnational Telecommunications group, which operates in 21 countries situated in Africa and the Middle East.

[3]MTN is a South African company operating in Uganda and it assumes

pride as it is one of the strongest brands in Uganda's telecom industry. For more than a decade, MTN Uganda has been leading working with subscriber numbers as per Uganda Communications Commission statistics in excess of 3, 500, 000 customers in 2010. 4On October 21 1998, MTN Uganda launched commercial services in Uganda, just six months after acquiring and signing of the license. It was second in line to be introduced in Uganda after Airtel (earlier known as Celtel) in 1998. 5In 2006, the Government of Uganda passed licensing reforms designed to bring about a fully competitive telecommunications sector. No sooner had the reforms been licensed than there was a scramble for telecom operator licenses. This then gave three companies to hold licenses before 2006 – Celtel (now Airtel), MTN, and Uganda Telecom Ltd (UTL). 6MTN Uganda has a wide range of products and services to offer its customers e. g. airtime which is a necessity to have you communicating.[7]MTN has a wide array of messaging services designed to enhance mobile experience and livelihood e. g. Facebook SMS, GoogleSMS, [8]Email2SMS, MTN VoiceSMS, Multimedia Messaging, Text Messaging and Twitter SMS. MTN offers a diverse range of call services and flexible solutions to meet specific needs like adapting a discount option, holding one call and taking another simultaneously. These include Call Barring, Call Diverting, Call Line Identity, Call Waiting, Calling International and Conference Calling. MTN developed a reward scheme based on accumulated spend called MTN cash back. MTN convenience services ensure one is never missing that important call or message for example Facebook, MTN Voicemail, MTN WhoCalled, and Web Conference. MTN offers Blackberry services on which one can depend to meet all critical business communication. MTN Magic number is a service in

which one gets one hour of calls to an MTN number of their choice valid for 24 hours. MTN voice chat is a service that allows one to chat with their peers. MTN Backup enables secure back up, update or sync as well as restore in the event that one needs a SIM replacement/Swap. MTN contact xchange enables one to share contacts after making a call. MTN Radio is a nonstop-music playing station. Opera Mini from MTN is the faster and cheaper way to surf the internet using one's phone. MTN offers value added services like roaming, Voice mail, Email2SMS, Fax2mail, sharing of airtime through MTN Me2U, Voice mail and SMS. 9MTN Uganda, a subsidiary of MTN South Africa, has lost some of its market to rivals, over the past three years. With the changing trend in the telecom industry, it isn't possible for any communication company to lock in consumers any more. Despite all these changes MTN has dominated as a brand in Uganda over the last ten years with brand-new innovations and stimulating engagements with consumers. [10]Presently, MTN has covered 50% of Uganda's population, providing services in over 150 towns and villages and their immediate environments.

PURPOSE OF STUDY

The purpose of taking this topic lies in exploring the marketing strategies used by MTN Uganda and how it remains successful in the light of increased competition. This is worth investigating for there are many factors in play that could cause a company's triumph and profits.

PROCEDURE

In order to appropriately answer my research question, an examination the concept of marketing was done and carried out creating an understanding of

its role and importance. Knowing that MTN is a market oriented company; an evaluation of the different strategies of the marketing mix employed towards development was made. Finally, a discussion of the significance of market segmentation, market growth, market share and its effect on the financial standing of the business was undertaken in order to analyze how MTN's marketing has led to success. To achieve success with the question, research was carried out in order to identify what was happening in the market, which customer types were buying a particular product and an explanation of financial matters and why profits were generated. Secondary data was gathered from existing market research reports, annual reports and accounts published by the business, Uganda Communications Commission (UCC) publications, commercial publications from Price water Cooper (PWC), World Bank reports, newspaper articles and internet website pages. This data established the most useful questions asked in questionnaires and the historical data showing a trend over time. Primary data was gathered from a questionnaire filled in by a respondent who was an employee in MTN. Views, opinions and quantifiable information were gathered. A face to face interview with an employee in MTN was held which allowed space for detailed responses to questions concerning MTN. Questionnaires were given to the consumers in order to find out their opinions, preferences and perception of MTN. The qualitative data got from the interview identified the key factors influencing consumer choice. The quantitative data collected from surveys, publications, reports, questionnaires were a guiding factor to note and analyze the different pricing levels, alternative advertisements and the customers' reactions. All this information was a strong basis to apply

theories like the[11]SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis,[12]PEST (Political, Economic, Social and Technological) analysis and the[13]Boston Matrix (product portfolio analysis). I am strongly curious to find out how businesses deliver and yet, can still make gains from it. To satisfy this interest, I want to develop the business mind through this topic and thus my research question;

Can the success of MTN Uganda be attributed the company's aggressive marketing techniques?

THEORETICAL FRAMEWORK

A quantitative research method was adapted in order to answer my objectives. A self-administered questionnaire was used to collect data from 50 respondents on MTN.

Respondent's characteristics

Information on gender, age, and salary was helpful in understand their characteristics. Majority of the respondents were female constituting 31. The male respondents were 19 hence a total of 50. There were seven age brackets and the number of respondents for each age bracket is shown below. The results of the survey are represented below. The salaries of the respondents were determined and have been represented below; The promotional methods are customers/potential customers most likely to see, notice and be interested in are through newspapers, television and billboards. 79% of the respondents agreed that they get to know about offers, promotion, products and services through the above promotional methods. The messaging used in the promotional tactics is consistent and

evokes emotions and thoughts that entice people to act thereby increasing sales. On a scale of one to ten, 62% of the respondents affirmed that price is important for customers and prospects in the telecommunication market. 37% of the respondents were more willing to pay for internet services and 32% for Mobile Money. They were more willing to pay very little or nothing for voice calls and text messaging. 91% of the respondents were annoyed about the high prices charged for services like voice calls. Indeed they are high if compared to competitors' pricing on services. Nevertheless, lower prices and quality services are what customers are looking for in the telecommunication market. The respondents were not frustrated currently about the purchasing process of products like airtime or services like reception of network.

A summary

Most of the customers are subscribed on MTN for different explicable reasons. The most profound reasons were because most of their friends and family were connected on the network, some of them appreciated MTN Uganda's good network quality no matter where one travels (roaming) and the others because of the products offered for example; voice call rates and phone data packages.

FURTHER ANALYSIS

Marketing lies at the home of every successful business.[14]MTN Uganda is the six biggest operations in the MTN Group and makes a significant contribution. In terms of customers, it comprises of 4% of the total Group base. Furthermore, it is one of the most mature operations in the Group.

[15]Uganda is a market with substantial growth potential and as such, MTN Group are focused on ensuring MTN Uganda for its sufficiently funded and supported so that it invests the vital structure needed to maximize the potential. 16Uganda is a country with about 17 million users and MTN Uganda takes a large number of them.[17]MTN Uganda's market share between 2004 through to 2006 was unrealistically high in excess of 70%. [18]Holding such a dominant market share wasn't healthy for the industry. As a market leader, it was their natural responsibility to ensure a thriving and growing telecoms market. Fortunately, that situation has normalized as the number of competitors has increased. Market share has over the last five years oscillated around 60% depending on cyclical market conditions. MTN Uganda shed off some market share for new competitors in the telecoms sector.[19]With an estimated 7 million MTN mobile users, MTN has a market share of about 50%, at present according to Business Monitor International. MTN has a very young market, with 50% of Ugandans below the age of 20 and the other market is spread in the corporate sector. Most of its products are aimed at the young market.

The keys that have led to MTN's marketing success are;

Product

MTN Uganda jumps before it's pushed: It has enjoyed status and huge brand loyalty in the face of competitors. It anticipates change and devises strategies to stay ahead for example e. g.[20]MTN offers the largest collection of products and services, with a wide-reaching positive influence across many different sectors. Mobile Money, for example, has presently

registered more than 1.7 million subscribers in just over two years of operation and in August registered UGX 520 billion shillings in transactions. It is successful because the voice calls are held at a discount. Likewise, [21] Mobile Money has introduced financial services to millions of Ugandans who were removed from banking due to remoteness. [22] Mobile Money has changed the way people do business, and the way they live their lives for the better. Internet bundles are valued by customers because it is a cheap way of connecting to the internet and social networks.

Price

MTN Zone is popular amongst customers due to its pricing scheme and is still standing in the way for Warid to get a big catch of the market. MTN Uganda also has a effort towards low pricing. [23] However, it has ridden on its wider network coverage and user services like Mobile Money transfer. Of MTN's UShs 860bn gross revenues in 2010, UShs 30.1bn was earned from the mobile money arm of the business and that number should have risen up in 2011, given that users jumped from 1.7 million in 2010, to about 2.3 million in 2011. MTN alone commands a 50% market share of this number. The company has invested over \$1bn in the last 13 years and next year, they plan on investing \$1 million to improve on network efficiency. [24] MTN Uganda has re-introduced MTN Zone with dynamic discounts of up to 99% and a minute definite discount of 5% on calls. Text messaging from MTN to MTN costs UGX 50 and UGX 110 to other networks. The lowest special price MTN Uganda offers is on phone Internet bundles which go as low as 10MB for UGX 250. That is a price customers can't refuse.

25

Table adapted from (Julius, 2012)

Place

MTN Uganda has the highest distribution level often without making so much effort to achieve it. Even a tiny corner shop will stock MTN products. MTN dealers are very important in the firm's operations and they are treated more as partners rather than distance agents.[26]Simba[27]Telecom, the first ever commercially active and biggest dealers with MTN, affirms their positive role as dealers. She says that having the biggest chain of MTN shops in Uganda's most economically active areas has created availability, boosting MTN's operations in the process. Simba Telecom is in Jinja, Iganga, Kamuli, Mbarara, Masaka, Kabale and Kampala, where it operates over 20 shops. Ken Com, as dealers have ably established and maintained the distribution chain, kept in touch with the customers and have been responsible for feedback to the parent company MTN. It has been able to expand their services and filter through every corner of the country. MTN products and services venture into remote areas. Dealers and distributors of original Nokia products in Dubai, Tanzania and Rwanda, Midcom recently set foot on Ugandan soil to transact the same business. It came as no surprise; they partnered with MTN Uganda, in their distributorship strategy according to Akash Kumar, Midcom's General Manager.[28]From a little start-up occupying a few floors at the Uganda Development Bank Towers, MTN is now a complex organization managing 600 base stations country-wide,

distributing over 10 million airtime cards monthly and employing 20 new staff every month. The current distribution system is efficient and effective.

Promotion and positioning.

MTN offers lower discount terms to retailers as their products are on high demand by the customers for example airtime of UGX2000 is sold at UGX 1800. The retailers are indented to buy it because most of their customers need MTN airtime despite the fact that their profit is minimal. The strength of MTN's brand makes consumer trial easier for new products based upon that brand name.[29]MTN is a black-owned company which is only and fully committed to the continent-Africa is the essence of why the brand has been able to generate a unique African global appeal. Honesty, integrity and placing the customer at the heart of MTN have been key values that have allowed the brand to blossom. Promotional strategies employed by MTN Uganda are targeted at getting new customers, increasing sales with existing customers and attracting customers from their competition.

People and packaging

30MTN Uganda has had to start from zero and slowly build a customer care culture. It has made considerable strides in increasing access for its customers. It has increased call center agent staffing levels which handle over one million calls per month. It currently employs nearly 400 staff in our call center alone to deal with customer queries, day and night.[31]It has built 13 active service centers around the country and 107 shops, all of which stand as convenient customer care points. It supports 13 language calls when one calls their help lines. The company also opened up other customer

service channels such as email.[32]The eighth fully-fledged Customer Service Centre was opened in Kampala at Kyaggwe Road. It attends to issues stretching from hardware and software formations, Mobile Money services, Data services, and general customer care queries just as done at all other Service Centers like Forest Mall, Game Lugogo and Crested Towers.

[33]MTN's Service Centers stand out for their capability to handle large numbers of customers at the same time, the number of issues that are tackled and resolved in real-time. MTN Uganda is a step forward because of their personnel. MTN has utilized Mroué, a Harvard graduate, with 16 years of professional experience in the ICT industry. MTN Uganda has hope that he will use his experience gained from MTN Liberia to win back MTN's market share that has been fading as other competitors launch daily assaults on the brand that is consistently revolutionizing telecommunication in Uganda..

[34]MTN has established the first truly countrywide cellular network in Uganda; it has trained more than 1, 500 staff, developed, and employs and indirectly through agents and suppliers.

Product portfolio analysis

According to (Marcouse, Gillespie , Martin, SurrIDGE, & Wall, 2003), it examines the position of a firm's product. They consider the current position and plan what to do next. The products can be placed into one of the four categories of the Boston Matrix. 35A star is a product with a high market or industrial growth and high relative market share. These products are profitable. They are attractive and doing well in Ugandan markets. They need protection from competitors' products and need heavy promotion to

achieve success. These include; MTN zone, Data services via technologies like 3G, WiMax, HSPA, EDGE and others Mobile money Opera mini browsing

36A cash cow is a product with a relatively high market share in a low market growth. The market is mature but slow growing. It generates profits and cash because the company sales are high while promotional costs are low because consumers already know the brand. These include; MMSSMSMTN Business e. g. Corporate data solutions, satellite connectivity, video conferencing, cloud computing etc.

37A question mark/problem child is a product with a relatively low market share in a high rate of market growth. It may provide high profits in the future because the market itself is attractive and growing fast if it gains a higher market share. These products need a high level of investment to keep them going. Some of these include; Mobile telephones and accessories

38A dog is a product with a relatively low market share in a low rate growth of the market. They hold little appeal for the firm unless they are revived. Low cost solar handsets

39 Why Boston Matrix

To build question marks; this involves promotion and distribution to boost sales. To hold stars; this involves maintaining sales. To milk cash cows; this means taking profits without making much investment. To divest dogs; this involves selling off the product.

External influences on MTN are marketing strategies.

There are factors outside the business that influence the marketing decision of MTN Uganda. These include the political, economic, social and environment factors which affect a business' performance.

Political factors

40 In 2009, a quality of service survey indicated poor performance by many of the service providers mainly with respect to dropped and blocked calls. In 2010, telecom operators were cautioned to brace themselves for tough penalties if they continued defaulting on quality of service. Uganda Communications Commission (UCC) threatened to take harsh measures like terminating licenses as the last resort if the telecom operators didn't comply. [41] UCC raised legal provisions relating to serious and repeated breach of the license. The telecoms also raised concerns, which they claimed were responsible for the declining standards. These included frequent power outtages, contractors cutting fiber optic cables and fuel thefts. [42] Service quality plummeted further following the fierce competition on the voice segment that led to a rise in new connections and usage. Call rates also fell by almost 60% in late 2010. Unfortunately, operators were unable to cope with the new uptake, mostly on promotions. Revenues also dropped, meaning operators had little to invest in boosting quality.

Economic factors;

43 Several studies conducted globally show that the mobile industry contributes between 4% and 8% to the GDP of the economy. Since MTN supplies 60% of the telecoms services in Uganda, our contribution to the country's economy is sizeable. MTN has ensured Uganda has not been left beyond the digital divide. All that is good; paying taxes, offering employment and bringing better communication services to the country. 44 In 2009, the telecommunications sector has been struggling as a result of the steady

increase in input costs. It became very expensive to do business in Uganda especially over the past few months particularly with the depreciation of the Ugandan shilling by over 20%. This in turn lowers the profits of MTN group when it merges its money in Rand, South African currency.

Social factors

45 During the 15th Highway Africa Conference in Cape Town, South Africa some governments in MTN's 21 operations in Africa and Middle East asked them to block access to social networks to prevent detractors of from taking advantage of governments using social media platforms such as Facebook and twitter. However, when MTN Uganda was contacted, it had never received any requests of the sort from government. Uganda is one of the countries that support any form of media freedom.

Technological factors

46 MTN Uganda has invested in one of the most extensive data networks in the continent. In 2010, Uganda was connected to submarine fiber routes. Uganda is currently benefiting from internet bandwidth which is a result of investments in local data networks. This has attracted a big number of subscribers.

SWOT analysis

This examines the internal and external factors affecting a business like MTN Uganda

Strengths

MTN has a strong presence that is has a strong brand name, big media face and is one of the oldest telecom operators in Uganda. Formal and informal distribution channels have made the company strong..

Weaknesses

Imposed taxes impacting profitability on the MTN Group revenue. 47Slowing revenue growth as a result of aggressive competition and substitute products so the market demand shifts. 48Shortage of skilled human resources in emerging markets, exacerbated by competition in search of similar expertise. This results in high retention costs for experienced staff. MTN needs to upgrade the of network and information technology to cater for subscriber acquisition and increased traffic as a result of price reductions.

Opportunities.

Broader social impact on related services in line with data strategy including banking the unbankedUsing network infrastructure that is less harmful to the environment reduces costs of network equipment in the long run and provides an opportunity to penetrate lower income segments of the market. Communication is a key element for infrastructure of a country.

Threats

Increased regulatory requirements impacting MTN. Integrating social and environmental considerations in business activities ensuring MTN is responsible and sensitive to the impact of the impact on the society when conducting business. Increased competition in the telecommunication sector.

CONCLUSION AND RECOMMENDATION

MTN has seen success in the telecom sector despite the increasing competition because it has identified its unique selling point which is Mobile Money and MTN Zone. Not only, has it placed great emphasis on its products that put it a step ahead but it also identified its target market and works to see an optimal outcome from it. MTN Uganda's target market is the youth and the corporate sector. Its products are majorly made to suit the model markets for example data connection, payphones, MTN Zone, Black Berry services and others. MTN is credited for having a strong positioning of its products and services all over Uganda. MTN Uganda has made its products and services known. It has not stopped at making us aware of their presence but it also reassures one of them. This has attracted many potential customers for it has a big media face. This made it ascent the social ladder. MTN's marketing objective is to maintain and increase their leadership position. The ways in which this can be achieved is by; Improving on the data and implementation of full ICT offerings; the increasing affordability of data capable hand sets and the growth in use of social media has stimulated demand for data services. Enhance operational efficiency; as more telecommunications licenses are issued across Uganda, the competition intensifies and MTN Uganda needs to become more efficient in everything it offers. Increasing returns to shareholders; MTN Uganda's strategy should be to increase cash returns to shareholder while continuing to expand its business and invest in better, faster networks across a wider geography. The management should target improving cash flow to ensure that dividends earned flow back to shareholders in an efficient way. MTN Uganda should

continue to focus on its profitability margin too and implement cost restraintment strategies.

Unanswered questions

By what degree does the presence of competition affect sales and the market share of MTN? How can MTN Uganda reduce the cost of your products or services without changing their perceived value with customers? In light of all competition, will MTN Uganda still emerge as the lucrative telecommunication company?

APPENDIX

A QUESTIONNAIRE ABOUT MTN

History of MTN

Describe, in brief, how MTN came into existence,

.....

...How long has MTN been in business?

.....

.....

Who started the company?

.....

.....Customer information

Who are your groups of customers?

.....
.....

What products or services do they buy from you? (List for each group of customers listed in the previous question.)

.....
.....

Competitor information

Who are your major competitors?

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.....

What sets you apart from your competitors?

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.....

What are MTN's main strengths?

.....
.....

What are MTN's main weaknesses?

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.....

What are your company's goals for the next year? (Where does MTN see itself in the next 1 year?)

.....
.....

What are your company's goals for the next 5 years? (Where does MTN see itself in the next 5 years?)

.....
.....

Financial information

Which products of MTN bring in the highest sales?.....

..... the least

sales?.....

..... Please attach past sales and expenses. Please attach estimated expenses and sales forecasts if you have any.

Target market plan

Describe MTN's market.

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.....

Describe MTN's strategic opportunities.

.....
.....

How does MTN increase sales from current customers? How does MTN generate new sales?

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.....

What promotions or special incentives does MTN offer to potential clients to differentiate it from competitors?

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Products and services

How long does it take to produce a product or service for clients?

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.....

What methods does MTN use to produce a service or product?

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.....

How can MTN increase productivity?

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.....

What does MTN do to ensure that a customer receives a complete and accurate product or service?

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.....

Marketing, Advertising and Product distribution.

List the ways potential customers find out about MTN.

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.....

How does MTN sell its products e. g. (retail, catalog, online?)

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.....

Contingency planning

Is MTN's industry growing? (If so, describe why)

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.....

What are the major challenges facing the telecommunication industry?

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.....

How do these challenges affect MTN?

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.....

What kind of changes would happen that would have significant changes on MTN?

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.....

What would your response be to these changes?

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.....

Which government regulations affect MTN as a business?

.....
.....

How do they affect MTN?

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.....

A MINI SURVEY ABOUT MTN.

Please answer the questions by marking a tick in the box.

What is your age group? Under 18 19 to 25 26 to 35 36 to 45 46 and older
What is your monthly salary range? None Under UGX 200, 000 UGX 200, 000 to UGX 600, 000 UGX 700, 000 to UGX 1, 000, 000 Above UGX 1, 000, 000
Are you part of the MTN network? Yes No
How would you rate MTN?

Excellent Good Satisfactory Poor
What is the presence of MTN Uganda’s products and services when purchasing them? Strong Weak
How important is pricing to MTN’s products and services? Very important Important Fairly important Not important
Do you think that prices of MTN’s services e. g. call rates, SMS rates etc. should be reduced? Agree Strongly agree Disagree Strongly disagree
Why?

.....
.....
.....
.....

What promotional methods are you most likely to know about, notice and be interested in MTN’s adverts? Newspaper Radio TV Internet Billboards
What is your most valued service of MTN? Voice calls SMS Mobile money Free 10mb per month Internet connection Blackberry services
How often do you buy

airtime? Once a daySeveral times a dayOnce a weekSeveral times a weekUsually, what amount of airtime do you buy? 500100020005000 and moreWould you recommend someone to join the MTN network? YesNoWhy?

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