

Telecommunication history in egypt marketing essay

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Egypt's telecommunications sector is one of the largest in the Middle East and Africa, with an estimated US\$2.6 billion in revenue annually. The Telecommunication industry in Egypt began in 1854, when the first telegraph line connecting Cairo and Alexandria was started to work and in 1881, the first telephone line was started too between Cairo and Alexandria. Until 1996, the Arab Republic of Egypt National Telecommunications Organization (ARENTO) was the only provider of all public telecommunications services in Egypt, and after was renamed Telecom Egypt, (El-Shinnawy and Handoussa, 2003; NTRA, 2010). Egypt has always recognized the importance of communication in the economic and social development. But due to political, financial and war reasons, communications services were not on the top of priority list during the sixties and seventies, which caused significant failure in the efficiency, size and vision of the services provided. Starting 1982, Egypt embarked on a serious and ambitious program to improve its communication services and networks as they refocused on the social and economic development of the country. Telecom Egypt was established in 1918 as the Egyptian administration for telegram & telephone. Dramatic changes have occurred in Egypt's telecommunication sector since Law 19 of 1998 replaced Telecommunication Law 153 of 1980. The Telecom Law 19/1998 made Telecom Egypt a joint stock organization 100 percent owned by the Government of Egypt. Formation of Egypt's Ministry of Communications and Information Technology in October 1999 also marked the beginning of a new era for Egypt's telecommunications and information technology sector. This is represented in the development of new services like Smart Services Networks & the Integrated Digital Network. Both

represent an efficient infrastructure, (NTRA, 2010; MCIT, 2010). Despite relatively strong economic growth during the 1990s, Egypt was an IT laggard, even by regional standards, as recently as the latter part of the decade. Fixed-line telecoms penetration was low, services were of a poor quality and there was no Internet or mobile-phone provision. This has changed as the government has recognized that a properly functioning telecoms infrastructure is essential for attracting foreign investment and enabling a more efficient functioning of the private sector and government, (NTRA, 2011). The government has also made strenuous efforts to support the development of the IT sector. In October 1999, in a step that signaled that the sector had been marked out for special attention, the telecoms portfolio was separated off from the transport and communications ministry and a new portfolio, "information technology", was added to the ministerial responsibilities. A number of initiatives were launched by the Ministry of Communications and Information Technology (MCIT), including the establishment of "smart villages". Tailor-made IT communities with the synergies to foster research and development and the creation throughout Egypt of some 810 IT "clubs" where IT skills can be developed. The authorities have encouraged foreign organizations to sponsor training facilities. The government also launched free Internet services in January 2002, and late that year set up a program to enable the purchase of computers. By November 2004 there were 3.8 million Internet users, up from 535,000 as recently as 2000. Personal computer (PC) ownership stood at an estimated 2.2 per 100 persons in 2003, (El-Shinnawy and Handoussa, 2003; NTRA, 2010; EIU, 2005; Kamel and Wahba, 2004). Egyptian telecom

provision has developed significantly over the past two decades. Until the mid-1990s the state-owned telecoms monopoly, now called TE, dominated all aspects of telecoms. Since then, the government has liberalized many aspects of the industry, in an effort to attract private capital and expertise in order to speed up the rollout of new services. In 1995-96 the authorities began to issue licenses to private organizations for more sophisticated services such as Internet service provision. In 1998 the government corporatized the Arab Republic of Egypt National Telecommunication Organization (Arento), which dominated Egyptian telecoms, and named the operation TE. The government in 1998 also created the Telecommunications Regulatory Authority (TRA) to manage competition. The TRA was later replaced by the National Telecommunications Regulatory Authority (NTRA), created under a new law passed in February 2003, (NTRA, 2010).

3. 2 Mobile Communication in Egypt

Mobile communication has become a necessity for everyday life. Its convenience and value-added to quality of life have led to mobile communication's covering approximately all of Egypt. Wireless mobile communication is a promising and growing area of the telecommunication industry due to technical advances and increasing market demand. Additional market growth is still expected in the upcoming years. The market potential and opportunities have brought about severe competition among service providers. Severe competition has driven the need for increased network coverage and the enhancement of capabilities to meet market demand. This, in turn, has resulted in consolidation activity among major wireless carriers, (Kwon et al., 2008; Chiu and Hsu, 2010). The telephone

coverage in Egypt has rapidly changed through the last two decades. The number of mobile phone subscribers in Egypt has continued to grow whereas fixed phone subscribers have started to decline, (Kamel and Wahba, 2004). The global wireless communications market has undergone remarkable growth since its initial years of operation during the late 1980s. The most widely used system for mobile communications networks is the Global System for Mobiles (GSM), which is used by roughly 62 per cent of global mobile telephony. In the Middle East region, more than 90 per cent of mobile telecommunications is dependent on GSM 900 networks. The Middle East region accounts for a relatively small share, 2.7 per cent, of the world GSM market, (MCIT, 2011). Mobile phone devices are becoming more and more popular. In developed countries the mobile is being entering the market approaching saturation. Compared to other emerging markets, the Egyptian mobile telephony sector has changed and liberalized early, which allowed the private sector to invest in mobile communication networks. Due to the increasing popularity of the mobile phones, the structure of telephone ownership is rapidly changing in many countries. Nowadays, some households are not equipped with traditional landline phones but with only mobile phones instead. Previously, many households were living without a fixed telephone and they were doing that because they could not afford a telephone. Now, a growing proportion of households are living without fixed telephone but they have chosen to do so because of lifestyle preferences. During the period 1998/2001, the Egyptian mobile telephony market has experienced high growth in terms of the number of subscribers, exceeding world growth rates as well as those in other Middle East and North Africa

countries, (EIU, 2005 and 2012). An association consisting of France Telecom, Motorola, Orascom of Egypt and other local partners bought the state-owned Global System for Mobile Communications (GSM) monopoly. The network had been built by Alcatel in May 1998 and named the organization the Egyptian Organization for Mobile Services (Mobinil). The government sold a license for a second network to an association led by Vodafone of the UK, and Misrfone as it was then called, launched its services in November 1998 under the brand name Click GSM, (NTRA, 2011; MCIT, 2010). Orange, owned by France Telecom, owns 36.3% of Mobinil, Orascom holds 31.3% and the remaining 32.4% is floated on the stock exchange. Vodafone controls the second mobile system, under the name of Vodafone Egypt. Both organizations paid a US\$516 million for license fee in 1998, (NTRA, 2010). Telecom Egypt planned to establish a third GSM network when the exclusivity period for the first two licenses expired in late 2003. However, a deal between Telecom Egypt and the two mobile service providers was instead concluded in which Telecom Egypt agreed to give up its plans to set up a competitor. In December 2003 Telecom Egypt announced that it would give up its operating license for a GSM network and instead buy 25.5% of Vodafone Egypt, which took from Vodafone Group with 16.9% and 8.6% from minority shareholders with the E£1.9 billion license fee reimbursed by the NTRA, (NTRA, 2010). Vodafone and Telecom Egypt jointly established a new organization named Wataneya, which holds 51% of Vodafone Egypt. Vodafone, however, has kept a 24.6% share in Vodafone Egypt directly, in addition to its stake in Wataneya, thereby retaining management control. Following the announcement, Vodafone Egypt was listed on the Cairo and

Alexandria Stock Exchanges, allowing other shareholders to liquidate their holdings. Before the agreement with Telecom Egypt, Vodafone Egypt was 67% owned by Vodafone, 10% by the Alkan Group and 5% by the state-owned Banque du Caire. The balance of the organization was held by a number of organizations and individuals, (EIU, 2005; MCIT, 2012). The NTRA mentioned that a third mobile network was not economically feasible because of the major hard-currency outlay, over US\$250 million in network equipment and a further E£2. 5 billion in investments over five years, according to local press reports. Besides, the operator would have to compete against two of the world's largest telecoms organizations. As part of the agreement Telecom Egypt has consented to stay out of the mobile market until November 2007. Instead, Vodafone Egypt and Mobinil will each pay the NTRA E£1. 24 billion over four years for the use of Telecom Egypt's vacant frequency, allowing for expansion and improved service. Telecom Egypt has been keen to add a mobile operator to its portfolio to make it more attractive to prospective investors, (MCIT, 2012). The final auction round was held on July 4, 2006 where the third mobile operator license was granted to an association led by Etisalat of Emirates. The association also includes Egypt Post, National Bank of Egypt and Commercial International Bank. The pressures of global competition and privatization in telecom industry are driving the service providers to improve their products and services. Earlier in the monopolistic environment, quality of services was not the priority for the service provider and customers had no choice but to accept whatever was delivered to them. With the introduction of full competition in cellular mobile services, quality improvement has become

vital to telecom organizations trying to succeed in an increasing competitive environment, (Seth et. al., 2005). Nowadays Egypt has three mobile service provider organizations, Vodafone, Mobinil, and Etisalat. Vodafone and Etisalat are global organizations entered the Egyptian market when they found opportunity to work in this market and both of them have a well known brand. Mobinil is the only domestic organization that works in this industry in Egypt. The three organizations has its' corporate social responsibility programs and activities. It's important for these organizations to know if these corporate social responsibility programs and activities affect their customers attitudes and behavior or not and does it affect their service evaluation or not especially for Mobinil and Vodafone because they are in the market for the same period of time rather than Etisalat that entered the market in 2007. The review of the information about the three operators working in the Egyptian market - Mobinil, Vodafone and Etisalat - allows us to observe their active behavior in terms of social responsibility. Vodafone is dealing on 43. 54% of the mobile service market according to 2011 market statistics, while Mobinil has 40. 86% of the market and Etisalat has 15. 6%, (NTRA, 2011).

3. 3 CSR in Vodafone

The brand name of Vodafone comes from the words voice data fone, chosen by the organization to reflect the provision of voice and data services over mobile phones. Vodafone is a British organization that launched on 1st of January 1985. In March 1998, the Egyptian Ministry of Telecommunications announced that Misr Fone Group - which Vodafone owned a 30% share of it -

was awarded the second license for GSM operations in Egypt and that was under the brand name of Click GSM. This decision was part of the move to privatize and liberalize the Egyptian market at the time, (MCIT, 2011; Vodafone, 2011). Vodafone Egypt is one of the first organizations in Egypt established a department dedicated to corporate social responsibility activities in 2004 and has since been engaged in several philanthropic and community support projects. One of the unique corporate social responsibility activities of Vodafone is that every year in 14th of February which is Valentine's Day, 30 of the organization employees volunteer to visit the patients of the Public Heart Institute, and spend time with them to cheer them up. In the same time Vodafone donated medical equipment to the Laser Unit in the Public Heart Institute. As many organizations in Egypt who concerning about learning and know its' importance Vodafone have several activities on education such as the following: In 2005 started a program in partnership with a group of non-governmental organizations (NGO) to establish computer labs for poor children. The program aims at helping them get familiar with new technologies and prepare them to the future. Vodafone donated around 560 PCs to nongovernmental organizations in different governorates. In 2006, Vodafone started its annual Back to School program. This charity program aims to encourage poor people to educate their children through distributing thousands of school bags filled with school supplies to students in needy areas throughout Egypt. In 2006, Vodafone started its program for renovation and reform of Schools: Madrasty. This program focus in primary education as cornerstone of children's education, according to this program Vodafone searches for the most poor communities

and the most poor primary schools in villages across Egypt and works on developing a healthy environment at these schools to promote quality education. This program was implemented through partnering with developmental organizations and local non-governmental organizations, as they are the most integrated amongst local communities, (Vodafone, 2010). Another unique corporate social responsibility activity for Vodafone in a campaign of blood donation that done on 14th of June 2008 in Alexandria which is the World Blood Donation Day. This campaign was in partnership with the " Society for urgent relief of chronic diseases", (Vodafone, 2010)Vodafone is trying to help the society it works in with several ways. On the 18th of January 2010, floods hit several cities and governorates across Egypt, leaving hundreds of families homeless. Vodafone in this time started a disaster relief program led by the corporate social responsibility team to support the families affected by the floods. The team provided families with basic food necessities, blankets, and clothing and also provided to the families the needed materials to reconstruct their homes, (Vodafone, 2011). In order to maintain the health of school students, Vodafone completed a program of building 2000 clinics in schools across Egypt. During this program, each time a customer made a call, customer donated one piaster in addition to a piaster donated by the Vodafone in order to maintain a healthy environment and provide health care for children in schools, (Vodafone, 2010). One of the unique corporate social responsibility activities of Vodafone is its' annual mobile usage and safe driving awareness campaign. The campaign aims to notify car drivers and the public in general with the most important safe driving tips while using mobile phones. Special

booklets have been distributed including information and instructions for safe driving and the right way to use mobile phones, especially on highways. These campaigns are timed at the beginning of the vacation season when traveling increase on highways, especially to the North Coast and Alexandria, (Vodafone, 2011). Finally as part of corporate social responsibility activities of Vodafone it started a literacy program that aims to destroy illiteracy in Egypt within five years started from 2012. This program was launched in association with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Life Makers Association, as well as several public society organization and relevant entities, in coordination with the Ministry of Education. Vodafone provides funds as a contribution to this program to improve knowledge and cultural awareness, which are the bases of the next phase in developing Egypt, (Vodafone, 2012).

3. 4 CSR in Mobinil

The first license for mobile service was given to the national provider who had launched the first mobile service in 1996 (Mobinil). The Egyptian Organization for Mobile Services (ECMS), known in the market as Mobinil, started as an association of France Telecom, Motorola and Orascom Telecom. However, Motorola left the association in 2001 to avoid the negative consequences in the telecommunications equipment market as a result of being identified as a shareholder in one of the competing service providing organizations in Egypt, (MCIT, 2010; NATRA, 2010; Mobinil, 2011). The Egyptian Organization for Mobile Services (ECMS) acquired the state-run network in May 1998 and enjoyed the advantages of the first mover. It is a

joint stock organization with 51% of its shares owned by Mobinil, 16. 6% by Orascom Telecom and 32. 4% by stockholders. Moreover, Mobinil's shares are divided between France Telecom 71. 25% and Orascom Telecom 28. 75%, (El-Shinnawy and Handoussa, 2003; Mobinil, 2010). Not only has the Egyptian Organization for Mobile Services (ECMS) managed to overcome the restructuring challenges in upgrading the 100 inherited stations and recruiting skilled labor in the emerging field of telecommunication, but it has also improved its managerial and technical capacities to meet global standards. The number of subscribers jumped from 83, 000 to 2 million between 1998 and 2001, enabling the organization to grow. ECMS has also introduced new services to the local market such as the Wireless Information Services in May 2000. The organization also launched the first General Packet Radio Service (GPRS) in 2002. These efforts for continuous improvement were aimed at preserving the organization's leadership position and market share in Egypt. Mobinil is one of the most active and leading organization in Egypt. As the leading mobile operator in Egypt, Mobinil believe that they have duties and responsibilities towards the society being served. The organization philosophy has, and continues to be, that success is not only measured in financial terms, but in organization commitment to serving the community and investing in its welfare, (Mobinil, 2010; EIU, 2012). Mobinil has several corporate social responsibility projects in several areas. One of the unique corporate social responsibility project is train and employ 2000 hands. Mobinil has partnered with top Egyptian non-government organizations (NGO's) in this unique project that aims to participate in improving the country's economy through creating 100, 000

jobs in order to provide more and more opportunities for people to develop and earn a decent level of living. As other organizations that support education programs and projects Mobinil academy is one of the corporate social responsibility projects that aim to support education and development in Egypt, as well as open career opportunities through equipping students with the required business skills and experience that sets them up for promising career paths, (Mobinil, 2011 and 2012). To fulfill this objective Mobinil giving scholarships and funding to post graduate and under graduate studies in different majors especially for university students who working on topics related to telecommunications and data for graduation projects or thesis. Mobinil is one of the organizations that care of protecting its' environment. As the leading mobile operator in Egypt and the first organization in the Middle East to got ISO 14001 certificates, Mobinil recognized the importance of environmental responsibilities through best practice and consultation, aiming to manage the impacts and keep up the excellence of its products and services. Mobinil also operate a checklist to help minimize the visual and environmental effects of their mast sitting and base station building – for example where schools or places of natural beauty are concerned. Mobinil believe that if they help to protect the environment, the health and safety of communities, they also enhance their reputation as a sensitive and sustainable organization, (Mobinil, 2010 and 2011). Mobinil has many other corporate social responsibility activities. As one of health caring activity Mobinil participated with the Egyptian Association for Diabetes Care in a program to empower people with diabetes to better manage their condition. Their contributions to the program include offering an answering

service that operates daily from 9. 00 am - 11. 00 pm with guidance and advice for people with diabetes, offering monthly education session conducted by certified diabetes educators for children, teenager and their families with a focus on several types of diabetes. They also providing medical supplies, such as tapes analysis for diabetes, syringes and equipment blood pressure analysis devices at subsidized prices, launching a foot clinic for early detection of diabetic foot and a series of school visits for awareness about diabetes among school students, (Mobinil, 2011). Finally, as part of Mobinil corporate social responsibility activities the activity of Ramadan Iftar. Mobinil is distributing food for poor people in Ramadan and hosting Ramadan iftar for orphans every year, (Mobinil, 2012).

3. 5 CSR in Etisalat

Etisalat is the brand name of Emirates Telecommunication Corporation that was founded in 1976 as a joint-stock organization between International Aeradio Limited, a British Organization, and an emirates partner. In 1983 the ownership structure changed as the Emirates government held a 60% share in the organization and the remaining 40% were publicly traded. In 1991 the United Arab of Emirates central government made changed in laws that gave the organization the right to provide the telecommunications wired and wireless services in Emirates and other countries. It also gave the organization the right to issue licenses for owning, importing, manufacturing, using or operating telecommunication equipment, (Etisalat, 2010). Today's Etisalat is one of the leading international telecom organizations operating in 18 countries around the world. Egypt is one of the countries where operation

was launched in 2007. As shown from 2011 statistics Etisalat has 15.6% market share of the mobile Egyptian market. Etisalat Misr is one of the leading organizations in the CSR arena. Likewise, Etisalat Misr is an active corporate citizen and one of its' unique corporate social activities is that it's the official sponsor of Egyptian football and the Egyptian national team, (Etisalat, 2010). Another unique corporate social responsibility activity for Etisalat is the program that related to water named "origin" program. "Origin" is a nation-wide program Etisalat has developed as a respond to Egypt's water problem. The program is in partnership with the giant international organization "Care" as well as renowned Egyptian non-governmental organizations like "Resala", the "Egyptian Society for integrated development" and others as well as a large number of community development agencies. It is estimated to directly aid hundreds of thousands of beneficiaries in 7 governorates in its first year, (Etisalat, 2012). The program has five main components as following: The main component is bringing safe drinking water to homes, schools and medical units of deprived villages that have suffered from thirst and have little or no access to drinking water. Water cleaning which is required in villages, and squatter settlements suffering from polluted water. Helping villages that suffering irrigation water difficulties to overcome their problems through construction, and clearing kilometers of watercourses through insulating them with stonework. Providing to hospitals the dialysis equipment and water treatment facilities enabling them to provide the patients of kidney failure with free dialysis treatment. Water protection under the slogan "save water to save life", Etisalat introduced this component as a call for action to protect water and

keep it. All the mentioned components are complimented with the necessary preliminary researches to review the needing villages and the suitable type of action, (Etisalat, 2010 and 2011). Finally, one of the most unique corporate social responsibility activities is the creation of a program named "ro'ya" that concerns with special tariff for the users of sign language that uses the Etisalat's technological edge and wide 3G coverage. Etisalat continuously investing in mobile applications portfolio so that all visually-impaired customers can stay connected. The program of " Etisalat Masmou" application enables blind people to use the mobile service, (Etisalat, 2011)