TELECOMMUNICATIONS REFORM IN NIGERIA: THE MARKETING CHALLENGES

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Abstract  
The telecommunication sector around the world has been undergoing dramatic reforms since the 1980s. Developing countries have been privatizing state-owned firms and slowly introducing competition into the telecom sector. Nigeria is not left out in this revolution. A good theoretical understanding of the effects of telecom privatization and some empirical work is beginning to emerge, as well. In general, privatization, especially when combined with effective regulatory institutions, improves telecom service. The emerging Competition leads to dramatic improvements in the telecommunications network and poses a great challenge to marketers. This paper discusses the telecommunications reforms process, the role of the regulatory body (Nigeria Commission, the current state of the telecommunication sector and the marketing challenges in Nigeria.

Keywords: Telecommunications, reforms, marketing challenges

Introduction  
The world is fast becoming a global village and a necessary tool for this process is communication of which telecommunication is a key player. The quantum development in the telecommunications industry all over the world is very rapid as one innovation replaces another in a matter of weeks. A major breakthrough is the wireless telephone system which comes in either fixed wireless telephone lines or the Global System of Mobile Communications (GSM). Communication without doubt is a major driver of any economy. Emerging trends in socio-economic growth shows a high premium being placed on information and communication technology (ICT) by homes, organisations, and nations. Nigeria is not left out in this race for rapid development as the nation’s economy has been subjected to years of economic reversal via mismanagement and bad leadership. Recent reforms in Nigerian telecommunications have led to significant capacity investment, which has promoted service expansion and the introduction of new technologies. The Nigerian telecommunications sector was grossly underdeveloped before the sector was deregulated under the military regime of General Ibrahim Babangida in 1992 with the establishment of a regulatory body, the Nigerian Communication Commission (NCC). So far the NCC has issued various licenses to private telecommunications operator. These include 7 fixed telephony providers that have activated 90,000 lines, 35 Internet service providers with a customer base of about 17,000. Several VSAT service providers are in operation, and have improved financial intermediation by providing on-line banking services to most banks in Nigeria. These licenses allowed private telephone operators (PTOs), to roll out both fixed wireless telephone lines and analogue mobile phones. The return of democracy in 1999 paved the way for the granting of GSM license to 3 service providers: MTN, Nigeria, ECONET Wireless, Nigeria and NITEL Plc in 2001 and today NCC has issued more than 200 licenses to intending telecommunication operators.

Pre-reform telecommunications sector  
Telecommunication facilities in Nigeria were first established in 1886 by the colonial administration. These were geared towards discharging administrative functions rather than the provision of socio-economic development of the country. Accordingly, the introduction of public telegraph services linking Lagos by submarine cable along the west coast of Africa to Ghana, Sierra-Leone,
Gambia and on to England was a greater priority than a robust telecommunications network.

At independence in 1960, with a population of roughly 40 million people, the country only had about 18,724 phone lines for use. This translated to a teledensity of about 0.5 telephone lines per 1,000 people. The telephone network consisted of 121 exchanges of which 116 were of the manual (magneto) type and only 5 were automatic.

Between 1960 and 1985, the telecommunication sector consisted of the Department of Posts and Telecommunications (P&T) in charge of the internal network and a limited liability company, the Nigerian External Telecommunication (NET) Limited, responsible for the external telecommunications services. NET provided the gateway to the outside world. The installed switching capacity at the end of 1985 was about 200,000 lines as against the planned target of about 460,000. All the exchanges were analogue. Telephone penetration remained poor equaling 1 telephone line to 440 inhabitants, well below the target of 1 telephone line to 100 inhabitants recommended by ITU for developing countries. The quality of service was largely unsatisfactory. The telephone system was unreliable, congested, expensive and customer unfriendly. Arising from the foregoing, in January 1985, the erstwhile Posts and Telecommunications Department was split into Postal and Telecommunications Divisions. The latter was merged with NET to form Nigerian Telecommunications Limited (NITEL), a limited liability company. The main objective of establishing NITEL was to harmonize the planning and co-ordination of the internal and external telecommunications services, rationalize investments in telecommunications development and provide accessible, efficient and affordable services. Almost 43 years down the line, the Nigerian Telecommunication Plc, NITEL had roughly half a million lines available to over 100 million Nigerians. NITEL the only national carrier had a monopoly on the sector and was synonymous with epileptic services and bad management. On assumption of office on May 29, 1999 the President Olusegun Obasanjo administration swung to gear to make a reality the complete deregulation of the telecom sector, most especially the much touted granting of licenses to GSM service providers and setting in motion the privatization of NITEL. This proactive approach by the government to the telecom sector has made it possible for over 8.5 million Nigerians to clutch GSM phones today.

Current state of telecommunications in Nigeria

Telecommunications is both dynamic and capital intensive and in view of its catalytic effect on the development of other sectors of the economy such as agriculture, health, tourism and education and its necessity for the commercial, industrial, socio-economic and political development of the country, the need for an orderly and efficient development of telecommunications infrastructure in Nigeria has now been found more urgent in order to keep pace with the development of the other sectors of the economy.

Telecommunication and the social aspect

Telephone services which before now were concentrated in some selected urban areas due to economic and political consideration have now been spread to virtually all the rural areas of Nigeria. This in no small measure tries to bridge the gap in the social, economic and political interactions between the urban and the rural dwellers. People highly value immediate two-way communication, compared to the delays involved in mail, the impersonal one-way nature telegrams or the time and expense involving in traveling. Beyond this, rural dwellers feel that having telephones makes them less disadvantaged compared to those living in town. Availability of telephones is a part of their own conceptions of development and having a better quality of life. These feelings are striking and consistent in all parts of the country.

The access to telephone lines has also reduced time wasted by customers who queue all day long in the then Nitel which was the only provider of the service just to make a few call to friend or relations both within and outside Nigeria. It is therefore apparent that more telephones have improved the quality of current services. It has also created more interaction and closeness amongst family and friends whether in the village or outside the village. This is very important considering the bad state of our road network and high rate of road accident recording in the past few years. Telecommunications has also brought to rest the notion that telephone is only meant for the rich or wealthier people in the society. It is now seen as
one of the essential infrastructure that will not only enhance the quality of life in the villagers but also save cost and loss of earnings from time spent traveling. Telephones have enhanced the students' ability in the act of using computers. Most Telephone sets are designed with computer technology and students used telephones to gather information about their assignment in schools and gather information on internet globally. Most parents are encouraged to let their children study farther away since they can always be reached within seconds. Telephone contacts enable both urban and rural dwellers to sustain a more lasting relationship than before. These networks of relationships, with shared concerns and trust, embody the social capital (Putnam, 1993) which shapes societies’ capacity to cope with changes and respond to new opportunities, such as those created by globalization.

Telecommunication and the economy

Telephone and other telecommunication services such as internet have in no small measure contributed immensely to the acceleration of business activities and hence growth in the economy. Traders in the rural areas can now order for goods from the urban areas without necessary travelling for such transaction. Information on prices, availability and in most cases demand for goods and services as well as expertise advice are shared on the telephone without physical presence. The business organizations in the urban areas are not left from goodies. Telephones conferencing had made it possible for an organization to hold meetings for workers from different locations, for example, Benin, Port-Harcourt, Warri and Lagos without the worker travelling to a particular location for such meetings. This has saved most organizations the time, money, inconveniences and the risk of accidents on roads or flight.

The Nigerian Communication Commission in the reform process

The process of telecommunications sector reform and deregulation started under the military regime of General Ibrahim Babangida in 1992 with the establishment of a regulatory body, the Nigerian Communication Commission (NCC). The development and expansion of the Nigerian telecommunication networks is significantly influenced by the regulatory framework put in place by the regulatory authority, Nigerian Communication Commission (NCC) to oversee the evolution of the networks towards a competitive system through policies aimed to protect new comers from aggression by the incumbents and to protect the public against the capacity of large firms to exercise their market power through their inflated price or reduced quality, diversity and quantity of telecommunications services or both.

The NCC shall make its decisions regarding licensing, tariff regulation, interconnection disputes, and any other matters directly affecting industry operators, in an impartial and independent manner. It shall be guided by the overriding objectives of the National. Telecommunications Policy, and considerations of fairness, equity, and transparency. Such rulings shall not be directly influenced by Government or private industry. All deliberations of the Commission shall be undertaken in a transparent manner, subject to the rights of operators to non-disclosure of proprietary and competitively sensitive information. Parties affected by regulatory decisions, including operators, customers, and competitors, shall be afforded access to the Commission’s proceedings and the right to submit opinions in support of their interests. Parties shall have the right to appeal such decisions through transparent administrative and legal channels. The enabling law establishing NCC shall be reformed to ensure the autonomy of the Commission. It shall provide for secured tenure for NCC’s board members.

Telecommunications reforms and the marketing challenges

Consumers are not even aware of the technology characteristic of the platform on which their calls and other services are transmitted. They are most likely indifferent between forms of technology by which they satisfy their needs for telecommunications services, as long as their demands for efficient, effective and affordable services are met. In the case of the GSM services, it is not the GSM or mobile telephone under its different names such as MTN, ZAIN, GLOBACOM and MTEL that is demanded but rather the one that has the characteristics of satisfying their needs. The marketer is therefore challenged in ensuring customer satisfaction and increasing the market share for the organization.
Competition
The reform has yielded significant benefits, allowing entry and competition into the sector appears to bring far greater benefits. A monopoly provider, whether state-owned or private, faces fewer incentives to improve service and lower prices than do firms operating in a competitive environment. As Ambrose, et al (1990) note, “simply moving a monopoly from the public to the private sphere will not result in competitive behavior.” More recent empirical work has been able to work with panel data as enough time has elapsed to make econometric analysis more useful. Across the board this research finds that competition drives the biggest improvements in the sector (Li and Xu 2001; McNary 2001; Petrazzini 1996; Ros 1999; Wallsten 2001a).

In Nigeria, most competition has come in the form of mobile telephony. Because the fixed line network was in horrific condition, and the fixed costs of building out a wireless network relatively low, new entrants were able to build wireless networks and attract large numbers of customers relatively quickly. Indeed, it is not much of a stretch to claim that the true mobile revolution occurred in Nigeria not by providing wireless internet or data services, but simply by providing a viable competitor to the fixed line incumbent. In many cases, the incumbent had already lost a substantial degree of market power by the time it realized that mobile telephones were true competitors.

Promotion
Nowadays, all over the world trade and commerce, research and education, health, agriculture and different types of socio-economic activities of a country are very much dependent on telecommunication access. That means telecommunications play a vital role for the socio-economic development of a country. And there are significant factors shaping successful partnership in the ICT sector in Nigeria (Sobhan et. al. 2002).

Given the intense competition that characterizes today’s telecommunications market in Nigeria as well as mass media availability, no telecommunication company can afford to ignore consumer promotion schemes. Promotions play a key role in the life cycle of a brand. The role varies according to the stage in the life cycle, market situation and competitive scenario. Promotions can have a significant impact on penetration build for new brands and for stimulating growth in existing brands provided they are anchored on a well defined activation platform that builds brand equity. What is required by marketers is a Strategic focus. The promotion must be in line with the other elements of the marketing mix. If designed and implemented properly promotions would become yet another weapon in the Brand manager's armory for Brand building. He must first identify the areas where his brand is lacking by carrying out a conjoint analysis on his services and his brand and comparing the two, and then lay out the objectives he wants to achieve from the promotion. Once the objectives are in place he can design the promotion.

One more important aspect that comes out about promotions of telecommunication companies in Nigeria is that most of the promotions lack innovation. Why strategy the major competitor is using other companies also start following that. They do not come out with their own ideas so that they can make their promotions distinct from other and that can appeal the minds of consumers. This seems to be the single most important reason for the success behind any promotion. The Brand managers must come out of this paradigm and dare to be innovative.

Pricing structure
Among the three important factors influencing consumer choice between providers of telecommunication services, price stand as the most important factor. Telecommunication consumer faces a menu of price structure and it become difficult to determine such pricing structure in a meaningful notion of what is the price of a product or service to be compared to the price of other substitute. Such structure includes; fixed or access charges, variable charges, bundled service discount and night free calls (Marcel Boyer, 2005:35).

Menus of pricing promote efficiency insofar as the marginal last units of service are sold at or close to marginal coat. Hence at the margin, that is, for the last communication units consumed, the most important allocative efficiency condition is satisfied calls (Marcel Boyer, 2005).
Connectivity is the ability of a carrier to have easy access to other carriers, it also refers to the geographical area (or to the set off potential called/calling parties) over which communication can be established; connectivity is a multidimensional characteristic since it relies often on a multi-layer pricing plan; different connectivity at different pricing (Dzieciolowki K, Galbraith J .G. 2004). For example, a call made from Benin-City to Benin-City will have a different charge from a call made from Benin-City to Lagos in a as well as a call made from Lagos to London or Japan in a fix line network but the advent of GSM has place tariff on time bases.

Flexibility refers to the availability of the service under different circumstances, the most important being certainly the availability throughout a given geographic area as one moves around in the area,

Safety refers to the health hazard one may be exposed to in using the services on regular bases, an example being the concerns for safety have prompted different jurisdiction to forbid the use while driving of the handheld cell phone, in some case all use of cell phones,

Dependability refers to the assurance of service of a high quality level, for example, free of parasite and free of breach of confidentiality, when one needs it, especially but not only in emergency situations.

Accessibility refers to the availability of the service when one wants to communicate with another party.

Capacity refers to the possibility to transmit vast amounts of information, such as large files high definition pictures as well as videos at a high rate high enough to quasi-replicate in situ communications.

User-friendliness refers to the ease of use of the technology and services. It is because they offer some combination of the above characteristics that the different telecommunications products and services are of interest to the consumers.Clearly none of the available telecommunications product or services dominates the others in every single dimension of the characteristics. There is no doubt that the firm that provides all the above characteristic will win the consumers affection by creating trust and satisfaction amongst other and is more likely to have a better brand performance than the other competing firms

Conclusion
There is statistical evidence that comprehensive reform promotes the availability of telecommunications services, service quality, and labor productivity. Nigeria still suffers from higher prices compared to the world average, although reforms are beginning to contribute to a downward trend. Nigeria also seems to be catching up on overall penetration compared to the world average by virtue of competition introduced in the mobile segment. The quality of regulation seems to play a major role in bringing down prices and improving access to telecommunication services. Evidence has shown that the more competition and better regulation the lower prices and improved availability of telecommunications services in the mobile and fixed-line.

References


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