The Growth of Tanzanian Mobile Phone Sector: Triumph of Quantity, Failure of Quality?

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Abstract: Tanzania's mobile communications market has enjoyed impressive growth in terms of numbers of operators and subscribers over the past few years. Currently there are six operating companies and over 10 million voice subscribers. It is expected that the number of subscribers will keep on increasing in this decade. However, the question is: Has the increase in the number of operators and subscribers resulted in improved customer services and quality? This presentation reports from a preliminary study—which used both analytical research and empirical data from interviews with operators—to find an answer to this question. The analytical and archival research provided operational statistics concerning telecommunication. The interviews focused on five main thematic areas: the use of mobile phones, future use of mobile phones, customer care, mobile phone rates and customers' rights awareness. The results from this preliminary study show that the rapid development of the Tanzanian telecommunication market has not yet resulted in improved customer services and quality.

1. Introduction

The Tanzanian mobile communications market has enjoyed impressive growth in terms of numbers of operators as well as number of subscribers over the past few years. As illustrated in Table 1, currently there are eight licensed companies, out of which six are currently operational. There are over 10 million voice subscribers [1]. The operational companies are Vodacom, Zain (Celtel), TIGO (Mobitel), Zantel, TTCL, and Benson. The first company to provide mobile phone services in Tanzania was TIGO (Mobitel). Tritel Company, which is no longer operating, was the second mobile operator. Four more operators joined later: Vodacom, Zain (Celtel), TTCL, and Benson. These operators and their subscriber bases are demonstrated in Table 2.

Tanzania is the second largest mobile communications market in East Africa with 11% penetration rate while Uganda and Kenya have 6% and 15% penetration rate respectively [3]. The rate at which Tanzanians are embracing mobile communications technology indicates that there is significant potential for future growth. On the other, landline telephone growth is insignificant over the past eight years if compared to mobile phone growth. This is due to problems with land line technology; problems such as unreliable fixed lines, common fixed lines faults, frequent connection break downs, frequent wrong bills, lack of innovative ideas, and poor maintenance services. In the past it used to take a very long time to get a fixed

Table 1: Voice Telecommunication Operators from 2000 – June 2008.

YEARS	Voice Telecom Operators	Application Services (*Internet & Other Data*)
2000	5	11
2001	6	17
2002	6	20
2003	5	22
2004	5	23
2005	5	23
2006	6	25
2007	8*	34
June – 08	8*	42

Source: Tanzania Communications Regulatory Authority (2008) [1]
* 8 licensed and 6 operational

Table 2: Number of Mobile and Fixed Phone Voice Subscribers

YEAR	BENSON	CELTEL	TIGO	TTCL Fixed	TTCL Mobile	VODACOM	ZANTEL Mobile	ZANTEL Fixed	*TOTAL* x1000
2000	-	-	56,511	173,591	-	50,000	4,007	-	**284**
2001	-	-	89,056	177,802	-	180,000	6,501	-	**453**
2002	-	120,089	160,000	161,590	-	300,000	26,770	-	**768**
2003	-	320,000	210,000	147,006	-	700,000	68,000	-	**1,445**
2004	-	504,000	303,000	148,360	-	1,050,000	85,000	-	**2,090**
2005	-	882,693	422,500	154,420	-	1,562,435	96,109	-	**3,118**
2006	-	1,516,832	760,874	150,897	6,390	2,975,580	355,246	747	**5,767**
2007	3,300	2,505,546	1,191,678	157,816	72,729	3,870,843	678,761	5,453	**8,486**
2008/ june	3,000	2,819,828	1,701,433	153,230	155,251	4,520,120	1,069,035	6,140	**10,428**

Source: Tanzania Communications Regulatory Authority (2008) [1]

telephone line installed, while today just a walk to a mobile phone shop gets one a reliable, affordable mobile phone.

The increase of voice subscribers and teledensity (Figure 1, Figure 2), could be attributed, firstly, to the affordability and ease of maintenance of mobile phones, but, secondly, to the introduction of value added services in the mobile phone services, such as caller number display, voice mail, call forwarding, call waiting, conference calls, long-distance Internet protocol (IP) telephony, and short message services (SMS). In an effort to keep up with mobile commerce worldwide, these operators are aiming at launching nation-wide wireless application protocol (WAP) services. WAP is expected to offer mobile banking, stock trading, news, weather reports, and email services to a wide audience of subscribers. However, it is one thing to have these services available and another thing to use them.

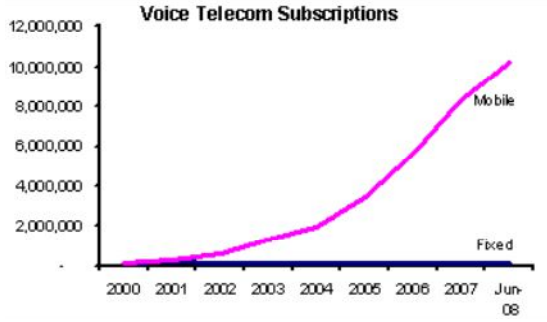


Figure 1: Voice Telecommunication Subscribers

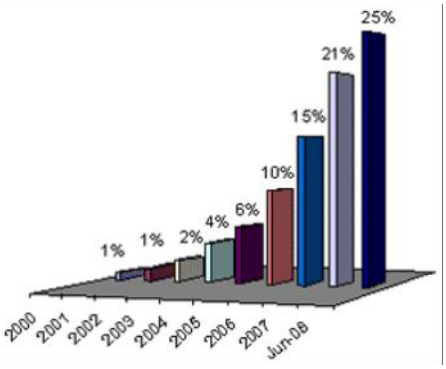


Figure 2: Teledensity in Tanzania

Source: Tanzania Communications Regulatory Authority (2008) [1]

2. Research questions

The purpose of this paper is to set a scene for a major study on mobile phone services for agricultural improvements in Tanzanian rural households. This paper describes the mobile phone situation in Tanzania by reporting a preliminary survey as well as analytical and archival research on the proliferation of mobile phone services in Tanzania. This paper attempts to answer the following question:

> *Has the increase in the number of operators and subscribers resulted in improved customer services and quality?*

To answer the question above five thematic issues were addressed: Current use of mobile phones in Tanzania, anticipated future use of mobile phones, customer care, mobile phone rates, and customer rights.

3. Methodological approach

This paper is descriptive and theoretical. The focus of this part is to reveal the attributes and dynamics of mobile phone use from operators' and regulators' view points. In this first phase, two methods were employed: Firstly, archival and analytical research, and secondly, empirical data from interviews with mobile phone operators.

The archival and analytical research provided telecommunication operational statistics.

The interviews focused on five main thematic areas as identified in the previous section. The interviews were carried out with three mobile phone representatives of the southern zone of Tanzania. As the findings discussed in section 4 show, the interviewees are well aware of subscribers' complaints. The results from the preliminary survey, however, do not portray the whole picture since subscribers were not interviewed in this phase of the study.

The interviewed company representatives were: Mobitel (TIGO) sales manager representing the southern zone of Tanzania, TTCL Ag. area regional manager (Commerce), and ZAIN (formerly Celtel) southern zone of Tanzania business development coordinator. The interviewees are key people in the southern zone of Tanzania, representing their operators. Face-to-face interviews were carried out between 17-18/11/2008. The interview data were analyzed using qualitative content analysis, and presented in tables.

4. Findings and Discussion

In this section we present, in a tabulated form, results from the three interviews and discussion of the findings. The first interviewee was TIGO's sales manager from the southern zone of Tanzania (Table 3); the second interviewee was TTCL's acting area regional

manager (Table 4); and the third interviewee was ZAIN's business development coordinator for the area (Table 5).

Table 3: Interview with TIGO Sales Manager Southern Zone of Tanzania

Thematic Issue	Responses from the informant
Current use of mobile phones	Customers use mobile phone for communication purposes to maintain relationships and communicating emergencies. Very little is used for business, marketing information, or weather information purposes.
Future use of mobile phones	With proper education mobile phone use will be based on development, business, economy, and productivity. The future use of mobile phones in Tanzania will move from voice to data.
Customer Care	Customers have been complaining frequently with regard to the time taken to handle customer issues or complaints, as well as to slow and low-quality network at some points. Customers lodge their complaints physically to operators and representatives' offices.
The mobile phone rates	The rates are higher than other East African Countries.
Customer rights	Majority of mobile phone subscribers in Tanzania are very ignorant. It is rare to take operators to answer for their wrong incidences. For instance, it has happened several times tat the network is disconnected without apologies. Even in the extreme situations of network unavailability customers are not seriously complaining. Customers need to lodge their complaints to the Consumer Consultative Council (CCC) and/or Tanzania Communication Regulatory Authority (TCRA). Customers' ignorance makes them not understand when they should use SMS and when they should call for cost reduction, which is one of the basic things customers have the right to know.

Table 4: Interviews with TTCL acting Area Regional Manager

Thematic Issue	Responses from the informant
Current use of mobile phones	Majority of mobile phone customers use mobile phone for prestige and communication purposes. It is possible to meet people who have unnecessarily many phones that may be unnecessarily expensive. In villages and schools customers use mobile phones predominantly for receiving calls and not for making calls. Very few people use mobile phones for business purposes. Less than 10% use their phone for business purposes.
Future use of mobile phones	Nothing will change unless people's attitudes change towards seeing mobile phones as tools for their own socioeconomic development.
Customer Care	Mobile phones are sold haphazardly and customer records are not properly managed. If a customer loses a phone, operators normally do not cooperate at all. While the easiest way for solving this subscribers' problem is to record properly all the IMEI serial numbers and to cooperate between operators to provide best customer services
The mobile phone rates	Customers complain that calling from Europe to Africa is sometimes cheaper than calling neighbouring African countries. But sometimes the rates are higher due to the high taxes operators are charged by the government
Customer rights	Customers do not know their rights. One customer visited their office to buy a new Subscriber Identity Module (SIM)-card for his phone simply because Zain (by then Celtel) sold it to somebody else because the customer had not used his/her phone for a month. In many incidences where technical faults lose customers' air time, operators are not sued or taken to task seriously.

Table 5: Interview with ZAIN Business Development Coordinator

Thematic Issue	Responses from the informant
Current use of mobile phones	Communication with parents and friends; less than 5% used for business, money and data transfer.
Future use of mobile phones	The merger of IT and phones will transfer power to more mobile data services than voice exchanges.
Customer Care	Generally in the industry customer care is very low. For example, if one faces a problem, the speed of getting in touch with the customer service centre or customer care representative is very slow. Even the 100 hotline number are sometimes hard to reach. Point-of-sales working hours also face several problems. During most of the holidays, weekends, and festivals, when customers need customer centre services, most of the offices are closed. The reliability of backup systems, such as automatic answering machines, is questionable. Lastly, customer care personnel do not get regular training apart from the induction training. Mobile phone operators in the near future will be identified and differentiated by the quality of their customer care services.
The mobile phone rates	Many people claim that mobile phone services in Tanzania are very expensive
Customer rights	Nobody knows anything about these matters. The government authorities in relation to the mobile phone customer rights have not done much to create rights awareness to customers.

The three informants agreed that communication with relatives and friends is the most important reason for owning a mobile phone in Tanzania. Other purposes, such as business, banking, market information, or weather forecasts, are rarely motivations for obtaining a mobile phone. Two of the informants emphasized customers' own active role and attitude change in turning their mobile phones from just tools for communication to multi-purpose tools for their various needs.

Informants acknowledged the current poor state of customer services in the mobile industry. Firstly, slow handling of issues and complaints was seen as a problem. Secondly, quality of services was considered a problem—even though many people might not actively complain about it at all. A lack of co-operation between operators was considered to hinder customers' rights.

One of the informants argued that the price of mobile phone use in Tanzania is more expensive than it is in other East African countries; another argued that people consider the prices very expensive; and the last informant attributed the high price at least partly to taxation issues. Although mobile phones have during the 2000s become very popular in Tanzania, customers' awareness about their rights is lacking. All informants argued that people are highly unaware of their rights, and do not know the procedures for filing complaints. Although Tanzanian government plays a big role in educating people about their rights concerning mobile services, it has failed to do so.

Probably the main reason for the success of mobile phone services in Tanzania is their adaptability to the local, low-income consumer markets. There is a vibrant second-hand market (as well as a black market) for SIM cards and phones. In some cases, individuals owning a mobile phone will rent it out; others offer a battery charging services. Operators' involvement in sponsoring programs such as health, disadvantaged programs, and sports are further helping to promote the use of mobile phones. People's enthusiasm on mobile phones as well as the aggressive competition in the market suggests a bright future to mobile phone markets in Tanzania.

However, the findings from interviews demonstrate that all three key informants—who are managerial position employees of large mobile phone operators—agree that customer care is functioning poorly. Specifically the informants mentioned low quality network and

improper handling of complaints. It seems that despite the large market volume, mobile phone operators in Tanzania do not offer quality services or high customer care to their subscribers. The focus of mobile phone operators is increasing their share and customer base, and customers' needs and concerns are shrugged aside with an occasional shoddy incentive package, such as per second charges and cheap days. An MBA thesis study carried out to compare the service quality of Vodacom and Celtel (Zain) came up with similar results [2].

In terms of costs the interviewees argued that it is more expensive to own and use mobile phone services in Tanzania than in other East African Countries. Although that might have been the case in the early 2000s, the situation has changed. Table 6 illustrates that, on average, since 2006 Tanzania's mobile phone operators offered the cheapest rates in East Africa.

Table 6: Average Mobile Phone Tariffs in Ushs/Minute in East Africa

Year	Uganda	Kenya	Tanzania
2000	336	425	580
2001	341	425	580
2002	356	425	500
2003	344	260	470
2004	390	260	400
2005	494	260	375
2006	410	370	315

Source: Hisali, E. (2007) Review of Sector Taxation Policies, p. 31 [3]

Conversional business wisdom would have suggested that with six operators in the market there should be competition, which in turn should end up benefiting the subscribers in terms of quality of service and cost. This appears to take longer in the Tanzanian mobile communications markets. We conjecture that the reason for this is operators' collusion and lack of government regulatory power. In addition, mobile phone operators in Tanzania have ongoing problems in terms of interconnection charges, which even the regulator has failed to arbitrate. The regulatory body has failed to oversee the introduction of new services, to ensure competitive costs and offerings, and to resolve disputes when operators overstep.

The account for high charges set by mobile phone operators are partly caused by the numerous charges they have to pay. Operators have to pay nine different taxes and duties. The first four are annual royalty fee (1% of net operating income), annual spectrum fee, excise duty on air time (5%), and corporate income tax (30%). Other taxes are value-added tax (5%), business licence fee ($10,000 plus an additional $5,000 for any additional area of operation), import duties on all operational items, tower taxes to all local authority ($3,500 for a tower per annum per local authority), and refuse collection charge ($30 per tower per month per local authority). Furthermore, the tax regime on import of high technology devices, such as mobile phones, is a major stumbling block for the sector's development. Similar tax complaints were raised in Uganda [3]. The government has failed to make a firm decision on encouraging proliferation of mobile devices by implementing favourable tax policies.

The national target for telephone density in Tanzania is six telephones per 100 people by year 2020. However, the uncontrolled development in mobile communications may lead to polarization in communications development. Most operators are present in the profitable urban areas, but poorer rural areas may be left behind in the unregulated telecommunications development. Moreover, poor quality—or even non-availability—of basic services, such as electricity, plus lack of fixed-lines telecommunications infrastructure, increase the cost of rolling out and running mobile networks in many parts of Tanzania. Equally important is the

question of why subscribers are not using mobile phones for development and business related purposes.

5. Conclusion

The growth of mobile phone services over the past few years reflects the enormous potential of Tanzania's wireless communications market. While data transfer is not very popular in this market, the wireless system plays a significant role in meeting the public's demand for quality point-to-point and point-to-multipoint-content communications.

The Tanzanian experience is an example of aggressive growth at the cost of customer satisfaction. Advanced customer care and user-friendly technologies need to be developed and adopted. The anticipation that more subscribers will use mobile data communications in the future indicates the importance of motivating content providers to supply content. Moreover, a pricing scheme enabling mobile data communications to function as a cheaper substitute for voice service is also important, at least in low-income economies where subscribers are highly sensitive to price. Consumer behaviour must also be considered within a country's cultural and political context.

The increasing competition is expected to increase supply, improve quality, and bring more competitive prices to the benefit of subscribers. This will lead to subscribers receiving timely information at reduced transaction costs for the benefit of country's economy.

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