مجلة دراسات وأبحاث

المجلة العربية في العلوم الإنسانية والاجتماعية

Dirassat & Abhath

The Arabic Journal of Human and Social Sciences

ISSN: 1112-9751

عنوان المقال:

Market share development within mobile service in Algeria (2000-2014): achievements and challenges.

Azeddine Amrane University of Setif 01

Abdelhakim Hetatache University of Setif 01

Market share development within mobile service in Algeria (2000-2014): achievements and challenges.

Azeddine Amrane / Abdelhakim Hetatache

Abstract

This paper aims at evaluating the progress of market share for each mobile service operator in Algeria since the first launch in 1999, through taking into account the different statistics and reports from several institutions, thus to foresee the future of 3rd generation. The study uses the empirical Data to analyze the development of market share, and the different factors that influence it.

The findings indicated that OOREDOO is heading to be the leader of the market, due to different circumstances; as it is the leader of multimedia services in the Middle East.

For further analysis, the future studies should involve customer view to strengthen the evidences.

Key words: mobile service, Information technologies, 3rd generation.

الملخص:

هذه الدراسة تهدف إلى تقييم تطور سوق الهاتف النقال في الجزائر منذ أول انطلاقة سنة 1999 وإلى غاية سنة 2014. من خلال الاعتماد على الإحصائيات والتقارير التي تم الحصول عليها من مختلف الهيئات، ومن ثم التنبؤ بمستقبل الجيل الثالث. وسيتم استخدام البيانات التجريبية لتحليل تطور الحصة السوقية، ومختلف العوامل المؤثرة عليها.

وقد أظهرت النتائج أن شركة OOREDOO تتوجه لأن تكون القائد في سوق الهاتف النقال لمجموعة من الأسباب من بينها أنها أفضل متعامل في الخدمات متعددة الوسائط في الشرق الأوسط.

ومن أجل تعميق التحليل أكثر ينبغي أن تتضمن الدراسات المستقبلية وجهة نظر الزبون وبالتالي تكون الأدلة أكثر قوة.

الكلمات المفتاحية: خدمة الهاتف النقال، تكنولوجيا الإعلام، الجيل الثالث.

1. Introduction:

Along with the development of information and technology, the virtual world is increasing tremendously, so as to do the different tasks from remote distances, especially the communication ones, through many tools as mobile network. This service, as many other technological services, has been changed intensively. Unprecedentedly, technology is about to widely foster the Fifth Generation.

Mobile industry over the world influences the economy through several ways like: employment, GDP, Taxation, therefore governments put more emphasis on. Competition within it is getting fierce, therefore service quality must be improved continually.

"The teleco industry has grown very fast around the world, it took less than 30 years to build a widespread infrastructure from nothing. If their previous operating philosophy was mobility growth, it can't be the case today. While some markets are still growing like India. Malaysia's market is one where mobility has been around for a while. So, what does that mean? IT means that telecos can no longer continue to sell more phones (call plans) to people". Therefore, the companies should incessantly surpass customer expectations"[1].

The Algerian mobile sector includes three operators. The Algerian government gave the authorization to run in the market at first to DJEZZY in 1999, then MOBILIS in 2001, then OOREDOO in 2003. With more than 42 million subscribers and the 3rd generation launch since two years, the challenge has to be taken up by each operator, even if the competition is not fierce.

This research aims at evaluating the different stages in the development of mobile service in Algeria, relying on market share[2], so the main question is:

What are the different stages of market share development of the mobile service operators in Algeria? And which factors did contribute that?

Research design:

1. Development of subscribers' number.
2. Market share of each operator.
3. 3G strategy.
4. Findings and recommendations.

Research method: In this kind of research, it is better to use the descriptive method, which relates to collect qualitative or quantitative data about the studied phenomena, furthermore this method can help to: Define the characteristics of a group in a given situation, think systematically about the phenomena, open probes to new studies, and make some simple decisions[3].

1. **Development of subscribers' number:** After 16 years of being served in the Algerian market,

 ISSN: 1112-9751 مجلة دراسات وأبحاث

the subscribers' number has been increasing tremendously

The table below explains how the number of subscribers has increased during the period 2002 to 2010.

Table 01: The growth of subscribers' number through 2002-2014.

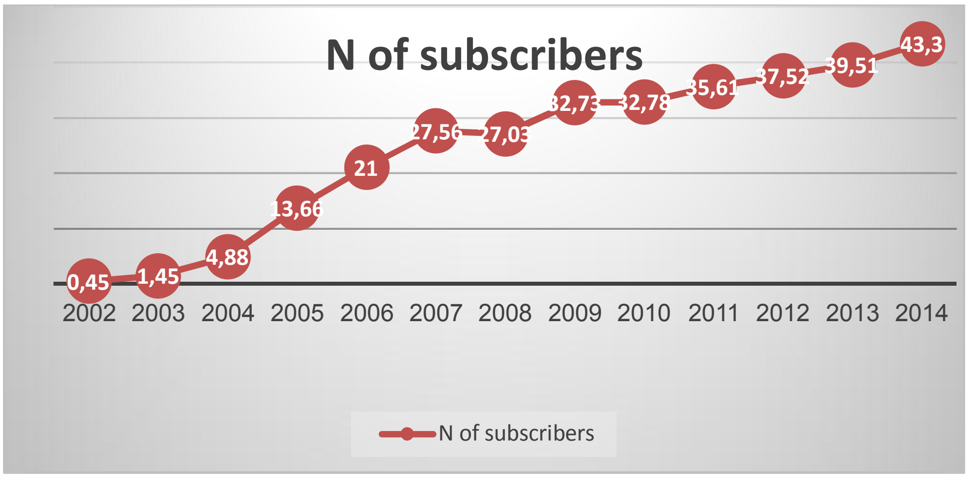
Unit: million subscriber

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
N of subscribers	0.45	1.45	4.88	13.66	21.00	27.56	27.03	32.73	32.78	35.61	37.52	39.51	43.30

Source: Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2010, 2014, P :47, 46.

The figure Bellow explains much more:

Figure 01: The growth of subscribers' number through 2002-2014.



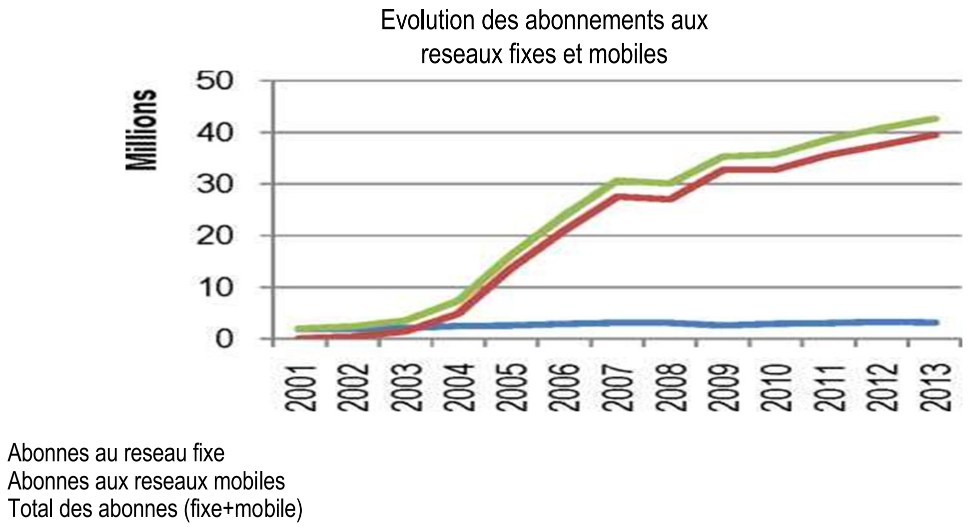
Source: Prepared by the researcher, following the results of the previous table.

According to the results, the number of subscribers has been increasing since 2002, which means that the Algerian customer is keen on this service. Most likely it is due to the fact that the prices are suitable with the purchasing power. In The year of 2011, the number of subscribers continued to grow, the rate was 8% according to the Annual report of ARPT, besides the penetration's rate seems much better than the fixed telephone sector (See figure 02), it depends apparently on the privileges provided in each sector.

The same report mentioned that the turnover reached up 274541 billion dinar in the year of 2012, which means 60% of Total turnovers in the communications sector.

In 2012 the hole number of subscribers reached up 37, 53 getting way high above the fixed telephone sector. The Figure below describes the situation much more:

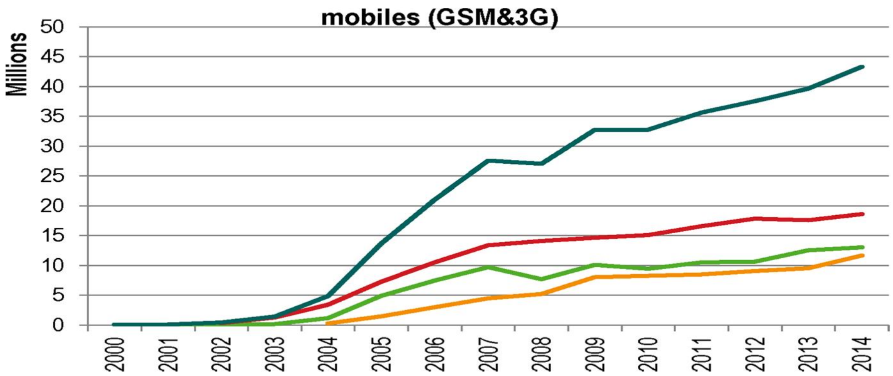
Figure 02: Evolution of Subscribers' number between Fixed and mobile sector.



Source: Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2013, P:38.

In the year 2014, the number continued to increase, due to 3G service launch, literally a new market share has been created, as mentioned in the figure below:

Figure 03: Evolution of Subscribers' number within mobile sector.



Source: Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2014, P:47.

According to the collected data, It is very important to set out that the mobile service companies focused on customer better than Algérie telecom, Even if MOBILIS is a field of Algerie Telecom group, it made his services perfect due to the fact that it mimicked the behavior of the foreign operators.

The Operators have been benefiting from the huge demand, because of the advantages the customers found in the service. Especially when we it is revealed that the subscribers' number switched from 5 million in 2004 to 43 million in 2014. Here, we would focus on the prepaid subscribers, because their turnovers are ensured, Among 34.7 million in 2014 as GSM (2G) subscribers there were 31.4 million as prepaid subscribers, which means 90.29%[4].

2. The distribution of Market share between the operators:

مجلة دراسات وأبحاث ISSN: 1112-9751

It is difficult to give a definition to market share, as long as there are different approaches as: share of products, share of category, share of channel, share of customer…[5]

Market share could be used as a measure of competitiveness, through driving focus on competitive interrelations between products and brand[6]. Accordingly with the development of information technology, it is getting easier to analyze tremendous data anywhere and anytime[7].

Competition is rising the challenge between the three operators, each one is seeking to improve its retention's rates, then try to increase the subscribers' number by attracting customers of the other operators. As some researchers mentioned that larger market is associated with higher profitability[8].

The table below explains the growth of market share during the period 2010-2014.

Table 02: **Market share of each operator**

Operator	2010	2011	2012	2013	2014
MOBILIS	9446774	10515914	10622884	12 451 373	**13 022 295**
DJEZZY	15087393	16595233	17845669	17 574 249	**18 612 148**
NEDJMA	8245998	8504779	9059150	9 491 423	**11 663 731**
TOTAL	32780165	35615926	37527703	39 517 045	**43 298 174**

Source: Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2012, 2013, 2014, P : 50, 44, 46.

According to the numbers, DJEZZY is still the leader, because it was the first operator to run business, Otherwise MOBILIS didn't provide high quality services to its customers. Even if OOREDOO is ranked as the lowest, it is the best service provider, using the customer-centric view; for instance the quality of its network and the percent growth. The table below clarifies further the percent growth.

Table 03: The percent growth for each operator

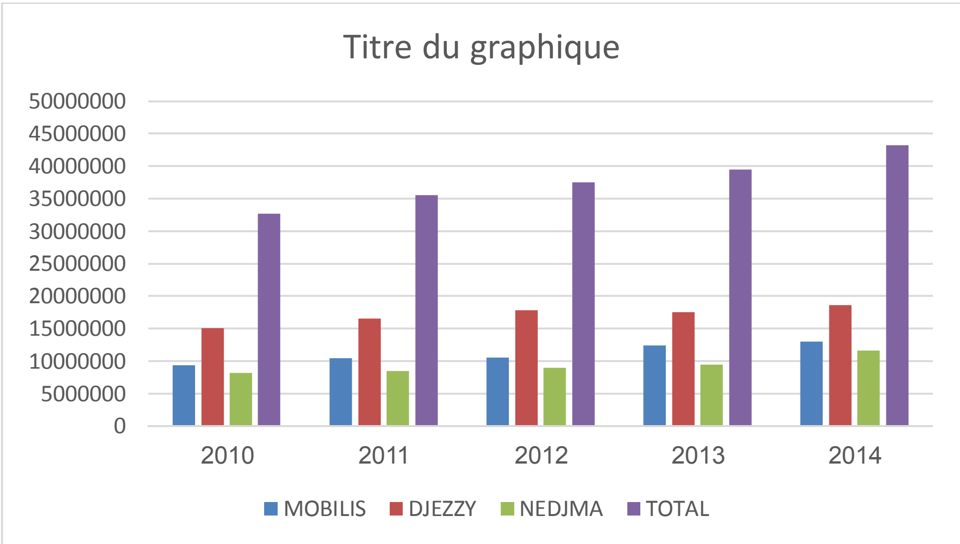
Operator	2011	2012	2013	2014
MOBILIS	11,32%	1.01%	17.21%	5%
DJEZZY	10%	7.53%	-1.5%	6%
OOREDOO	3.13%	6.51%	4.77%	23%
TOTAL	24.45%	15.05%	23.48%	34%

Source: Prepared by the researcher relying on results of the previous table.

The results show that OOREDOO is the sole operator, which got the best increased percent rate in the subscribers' number, after 3G launch, in spite of the fact that the new strategy of Qatari group, even if the bureaucratic procedures, that stave off against the foreign companies to execute their strategies, Therefore Algeria is ranked 152 out of 185 countries in doing business. Moreover a report was announced in a web site called the technology news in Africa on April 8th 2011, mentioned that Algeria is still late in comparison of Tunisia and Morocco, and if it fails to get the expected investments by the end of 2015, the percent growth of the sector will surely decrease. The same report goes back to the conflict between the Algerian government and DJEZZY, and the weak role of the ARPT, even though it was the only entity, which could have applied the law. This warns all foreign companies that the political trend is heavier than competition[9].

For further analysis we can take a look at the market share for each operator during the last five years.

Figure 04: Market share of each operator



Source: Prepared by the researcher, relying on: Autorité de régulation de la poste et des télécommunications ARPT, Rapports annuels 2012, 2013, 2014, P: 50, 44, 46.

According to the results, MOBILIS and OOREDOO are barely matched in market share, For instance in 2014 MOBILIS got 30.07%, and OOREDOO 26.93%, even if there was a difference in time and means. The leader is still DJEZZY, which got 42.98%. Although the political problem between Algeria and Egypt after the football game in November 2009, DJEZZY retrieved its market share, in particular after getting purchased by cooperation between the Russian group: Malcolm and the Algerian government.

3. The future Strategies –the 3rd generation service-:

The Launch of 3G in Algeria is totally an administrative issue and not marketing. So the different operators should take all factors into consideration before launching the service[10].

ISSN: 1112-9751 مجلة دراسات وأبحاث

3.1. **Settlement licenses:**

This process was ambiguous[11]. When the ARPT announced each operator's license, MOBILIS got a privilege comparing to the other operators, then OOREDOO as the second and DJEZZY as the third[12]. In this case we have two points to focus on: the first is that DJEZZY seemed to have the best offer due to the fact that it is the leader, at least better than MOBILIS. The second is that OOREDOO is the best operator in the Middle East in multimedia services and smart phones, so it has a competitive advantage to overtake MOBILIS.

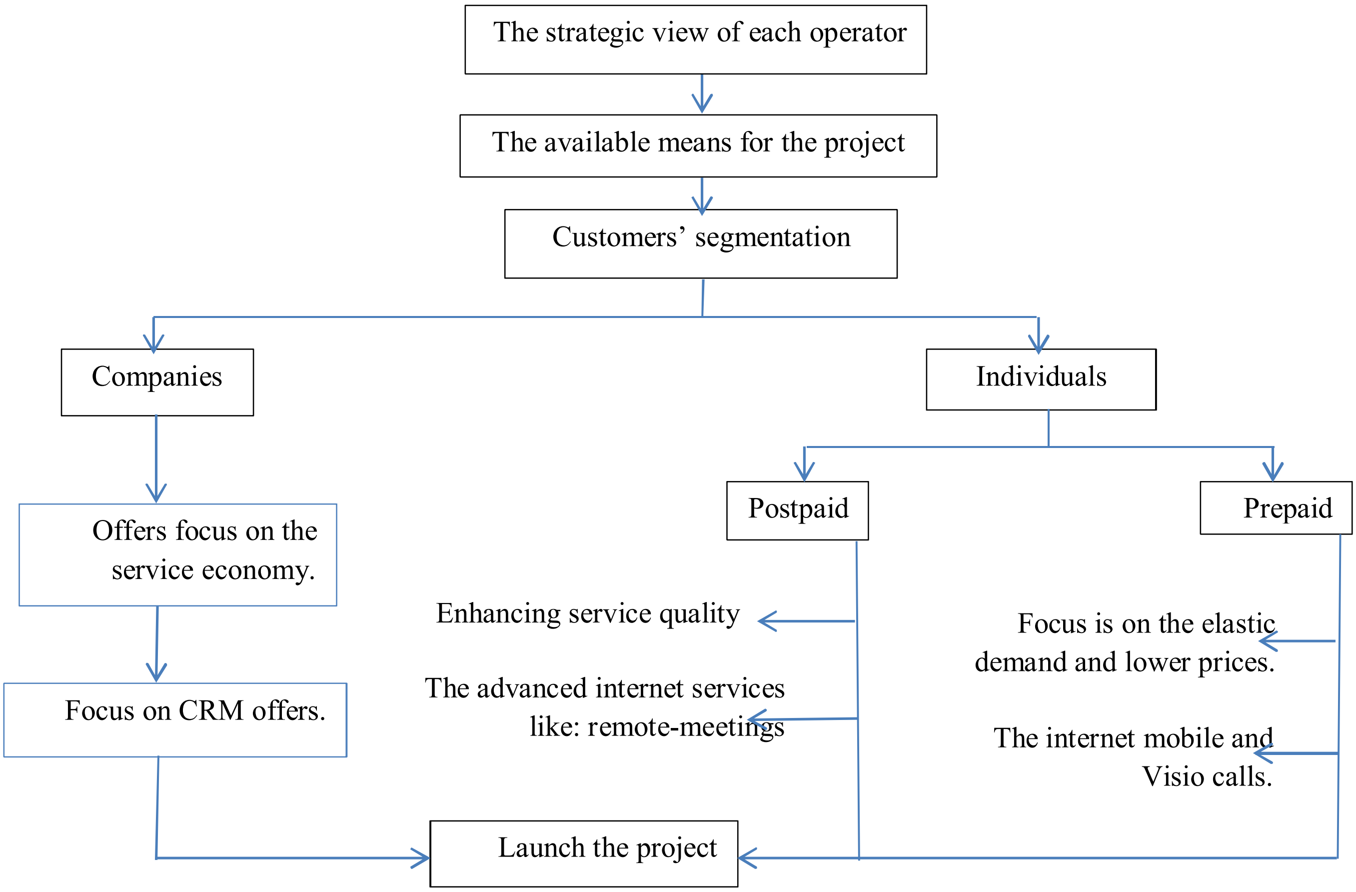
The other obstacle is that ALGERIE TELECOM decided to launch the fourth generation service (4G). The tendering was announced to choose the best operator, which is also technically qualified to establish LTE-WiMax or long term evolution network. It is expected that 4G will be the fastest network in Algeria, and Two times in comparison the 3G[13].

Several Experts pointed out that the decision of 3G launch contained much bureaucracy. Most of the Algerian citizens were waiting for the 1st of December 2013 to start enjoying this new technology, but the delays made it a pipe dream. ARPT was also criticized by several experts, where it opposed each operator to spend six years for making the service spread out all over the country. Conversely OOREDOO for instance has the means to make it real just within two to three years.

3.2. The opportunities:

The proposed model, which will help to adopt a strategic view, for the mobile companies is very important, as mentioned below:

Figure 05: 3G launch model.



<u>Source:</u> Prepared by the researcher.

Let's take a look at the values that each customer segment could get from 3G use:

A. **Individuals:** high debit in comparison to the current technology, moreover they can benefit Visio calls and conferences, so the internet becomes an extra opportunity for mobile operators. After cell phone replaced fixed telephone, it is time to use mobile internet instead of fixed one, so it could be a successful project, in particular with the failure of ADSL, where the government hoped to reach up 6 million subscriber by the end of 2010, but it didn't get even 1 million by the end of 2012. Controversy mobile service grew up very quickly; approximately each individual has its own mobile, so the total number became 43 million by the end of 2014.

Amongst the Algerian people, merely 5% are subscribed in ADSL, whereas each family has at least three (03) mobile phones. If we assume that 20% of these families have smart phones, it means that we can reach up 1.2 million subscriber within just 6 months, so it will go faster, in particular with the problems encountered with ADSL.

Cloud computing, which is based on sharing data and information broadly, because of the virtual technics of storing, hopefully it will be helpful to solve storing problems of cell phones[14].

B. **Companies**: 3G might be a new perspective for companies to develop CRM solutions, through lifting up call centers, e-commerce tools, and rapid response to complaints. Furthermore they would be able to get a direct contact with customer, through smart phones, and thus needless to the contact face to face[15]. They can develop drivers of multi-channel buyers as well.

The economy of services is a new trend for international corporations, even the industrial ones; it contains 70% of the international economy[16]. 3G has a critical role to improve service quality, for instance: the possibility of purchasing and communicating online anytime and anywhere. Furthermore companies would be able to draw market studies without the necessity to interact with customers face to face.

3.3. Strategic view of each operator:

Despite the problems of bureaucracy and lack of transparency, the operators are trying to take the advantage of this new service. So, they should primarily focus on the advantage that the ARPT has not granted the settlement licenses, except for the three operators.

The International Telecommunication Union reported that OOREDOO expects that more than 2 million new subscribers would move to third-generation service once launched, The CEO Joseph Ged has explained that the company has started in preparation for the project since 2011 and invested more than $ 1 billion to develop its network system[17]. The company was quick in the process of implementation in recent months to add Service disruptions which has been incorporated in the network, where many customers complained after the problems have raised in the implementation phase of the project. The deployment of high technology advancement is also a new project, which will lead Algeria to rank as one of the most developed countries in the region, especially through support treatment projects, e-learning, and access to the internet for everyone everywhere. He also emphasized that the success of the project relates to the extent of the Algerian government's response to the ambitions of different operators. Furthermore, He explained that the companies' human resources are squared away for the launch of the service through receiving training sessions locally, and through series of training sessions abroad. and because of the Algerian market reached up to the point of saturation, it became a real opportunity to revive competition again in the domain of third-generation, especially if the ARPT and the

 مجلة دراسات وأبحاث *ISSN: 1112-9751*

competition board work together to maintain the rules of fair competition, So he emphasized the need for stimulus measures to achieve a fair equilibrium in the market between all the operators, and not, as the situation is, especially in terms of price control mechanism and freedom of movement of numbers.

Obviously, the size of investments undertaken by OOREDOO ensures the great hope of its managers that the third-generation market will allow the company to be the leadership in mobile market by taking the advantage of the power in multimedia service. To bring evidence, it was the first operator in the launch of the service even if it involves a lot of risk.

DJEZZY has shown willingness to launch the service in the first quarter of 2014, so it was late comparing to the other operators. the CEO Vincenzo Nesci explained that the company delayed the launch of the service as a result of worry about the poor quality of services, and promised in return to be better in the future in terms of quality and price, also he ruled out that this delay would not affect customers satisfaction and their switching to the other operators. Furthermore he avoided to criticize ARPT and Bank of Algeria for being late in granting the license for his company to get the required means to launch the service. He also explained that the operator does not have any intention to get into the Algerian Stock Exchange currently[18].

DJEZZY in comparison to its competitors has the best opportunity; especially it occupies the lead in the second-generation service. However its managers should take into account the expected threats from OOREDOO in particular and the possibility of changing the mentality of management, due to the fact that the government is the owner of 51% of its shares.

The ARPT has confirmed that the offer proposed by MOBILIS was the best among all the offers and this grant it the privilege of covering 48 states within 24 months and one day, it has been revealed that MOBILIS is the only operator, which is currently able to cover the 19 states using a network System called 3G ++[19]. It is not difficult to suspect about the validity of such data about the quality, if we go a little back and remember the problem of coverage in its network during the second generation period, which was the weakest, although its managers declared that the coverage rate had reached nearly 100%. through a group of meetings between the researcher and the technical manager at the regional administration of Setif, the latter explained that the problem of coverage is caused by two circumstances: the quality of coverage devices, which remain weaker compared to the other operators', because they had been imported from China with medium quality, and the second reason is that promotions and permanent offers do not take into account the technical possibilities of the operator and precisely the coverage.

Perhaps the thing that is going to make the third generation more important for mobile phone companies, is that three months after the launch of the service MOBILIS and OOREDOO have exceeded 30 billion dinars as profits, and the number of subscribers

ISSN: 1112-9751 مجلة دراسات وأبحاث

reached up 1 million, Moreover Mr.Younis Guerrar[20] Pointed out that these results proves the overall success in the launch of third-generation service in Algeria, while the ARPT estimated that the number of subscribers will not exceed 03 million after 5 years[21].

3.4. **Some achievements.** After almost two years since the first launch, each operator got some achievements (According to the ARPT reports), which are sometimes ambiguous.

Table 04: Market share of each operator (3G)

Market share	2013	2014
MOBILIS	28,28%	44,85%
DJEZZY	0,00%	14,74%
OOREDOO	71,72%	40,41%

Source : Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2014, P:50.

It is very important to analyze the achieved results. If we go back to the licenses, we can easily understand why MOBILIS is the leader in the 3G services. It is due to the fact that the best and the first license was given to MOBILIS, because of its outstanding offer to launch 3G. However the question has come to be real: How couldn't OOREDOO and DJEZZY offer be better than MOBILIS'? How could the worst network during the 2G period became the best during 3G?

4. Findings and recommendations

A. Findings:

It is very important after this brief presentation about the development of mobile phone sector in Algeria to remind that it is one of the important and very useful sectors, because it represents 60% of the telecommunications market in Algeria, contributes to 4% in GDP and has created over 20 thousand jobs. The Ministry of Post and information and communication technologies and the ARPT must work together to maintain fair competition, and without a favor of one party over another, as they must reduce the bureaucratic procedures which are obstacles against the achievement of different projects and in particular the third-generation.

Through our study we have reached the following findings:

- The study has shown that the three companies are working with the principle of reaction, as the efforts made to escalate the market share, although there has been some variation, especially when the comparison comes between DJEZZY and OOREDOO.

- MOBILIS is still managed through the public sector mentality imposed by Algerie Telecom Group, even if its experience with the foreign operators, For example the commercial agencies are not included in decision making, even if it relates to the services provided by.

- Fair competition remains the major problem within this sector. The bureaucracy through the long procedures of granting licenses for settlement, and doing favors to MOBILIS over the other operators. This leads to many questions about the adopted way in that, therefore the achieved results in the area of market share could be argued that it does not fully return to the effective management and good application of managing the relationship with the customer, especially if we know that the impact of technological means did not bring evidence for the Qatari operator which is the best multimedia operator in the middle east.

- After the way the Algerian government dealt with the problem of DJEZZY, It is surely that the future of the three companies is dominated by uncertainty about the new position will be occupied in the market, since the government became the owner of 51% of DJEZZY's shares, the main question will be: how will it deal with the problem of management?, especially since we have learnt about the bad management style of MOBILIS, For example since it has started to run in the Algerian market, there have been eight changes in the position of CEO, while the Qatari operator remained with just one CEO. The question will be put also on how will OOREDOO deal with competition contains just two public companies, thus the future remains uncertain and unfortunately will relate to unexpected changes in the economic and political sides.

- The optimal use of the internet is a subject to the successful of third-generation and e-government project, especially if we know that Algeria is one of the lowest ranked countries in the field of readiness of the internet network, as we can see on the Web sites of the three operators with the difficulty of access to them, which proves lack of interest about that. The ranking problem of Algeria in the field of information and communication technologies, it was indicated as 105 out of 157 countries in 2011, to fall to be ranked 106 out of 157 countries in 2012 in terms of technological development indicators[22]. And thus experiencing a great weakness in the different electronic services, whether e-commerce or e-government, with the exception of a few experiments carried out by some institutions and individuals in some government departments as well as, up till now we cannot fully apply the third generation, even if after years since we've talking about. This service allows people to accelerate access to the internet service.

مجلة دراسات وأبحاث *ISSN: 1112-9751*

C. Recommendations:

After the findings obtained, We have a set of recommendations as follows:

- Each operator has to strive on the implementation of true dimensions of customer relationship management by working to build a profitable and long-lasting relationships, in order to escalate the market share, the adoption of a view beyond the saturation of the market and not to the numbers achieved currently. Moreover each operator should work to eliminate the problems faced by customers in the use of communication service, as the coverage problem and slowness in dealing with the technical issues.
- Optimization of the internet use, through the wider spaces for customer and through Client-server applications, which enables them to carry out wider on-line services will cause avoid to visiting the commercial agencies, especially since the majority of these agencies are located in the capital cities of the states, and are characterized by long waiting lines. The third-generation might be an opportunity to activate most of these services directly in the customer's smartphone.
- MOBILIS should get rid of the public sector mentality in management, to be successful in the market, including the problem of favoritism in hiring, especially in marketing department. The experience of the researcher in this company and his relationships with some heads emphasized an employment of people specialists in agricultural science and electronics as heads in Marketing and commercial departments, Whereas some others were refused even if they are specialists in the field of marketing and have a suitable experience, So that actually reflected the process of customer service in commercial agencies.
- Due to the fact that the Algerian government is the owner of 51% of DJEZZY's shares, the fear from MOBILIS scenario to be repeated again, might become true and maybe it will be one of the worst decisions in the mobile sector in Algeria.
- OOREDOO should look for new strategies to adapt with the new environmental variables, in particular escalating of public-sector strength in the market. It must first rely on the strength of leadership in multi-media services, which are very useful in the 3G, and it must secondly adopt the new concept of relationship marketing based on creating a balance between all stakeholders by building profitable and long-term relationships with them.

References and endnotes.

[1]Mohd Farid Bin Shamsudin, **Determinants of Customer loyalty towards prepaid mobile cellular services in Malaysia**, dissertation submitted in partial of the requirement for the degree of doctor of business administration, university of Utara, Malaysia, 2012.

[2] The evaluation of market share seems to be a tough issue, due to sevral points of view ; for further information check :
Nobuhiko Terui, **Forcasting dynamic market share relationships**, journal of marketing intelligence & planning, 18/2, 2002, P : 75.

[3] Uma Sekaran and Roger Bougie, **Research Methods for Business**, Wiley edition, West Sussex, United Kingdom, Sixth edition, 2013, P : 97-98.

[4] Autorité de régulation de la poste et des télécommunications ARPT, Rapport annuel 2014, P : 50.

[5] Stuart Jackson, **Market share is not enough: why strategic market positioning works, Journal of business strategy**, Vol.28, No.1, 2007, P:19.

[6] IBID, P : 282.

[7] Nobuhiko Terui, **Measuring delayed and long term effects of pricing decisions on market share**, journal of marketing intelligence & planning, Vol.22, No.3, 2004, P :280.

8 Kevin J. Laverty, **Market share, Profits and business strategy**, Management decision journal, 38/9, 2001, P : 609.

[9]http://www.itnewsafrica.com/2011/04/report-algerian-politics-could-determine-telecom-sector/

[10] We would mention That 09 African countries had launched 3G before Algeria did : Morocco, Egypt, South Africa, Nigeria, Somalia, Tunisia, Senegal and Cote d'ivoire…Japan had been the first ever to launch this sevice, in 2001.

[11] For further information Consult the official journal of Republic of Algeria, No.60, 2013.

[12]According to that, Algerie Telecom's offer is the best one technically and financially, then OOREDOO and Djezzy's offer was ranked as the lowest, even if it is the best operator in the 2nd generation service, with 17 million subscribers out of 37.4. The three operators had to cover 19 other states in the year 2014, and all the Algerian provinces within five years at most, further more they commited to create between 400 to 600 direct jobs and thousands of indirect jobs.

[13] **http://3galgerien.com/.**

14 For more information read :
Robert Reix et autres, Systèmes d'information et management des organisations, Vuibert, Paris, France, 2011, P : 193-194.

[15] Adrian Payne and Pennie Frow, Strategic Customer management, Cambridge university press, UK, 2013, P : 364-366.

[16] IDEM, P: 07.

[17] http://www.itu.int/ITU-D/ict/newslog/Ooredoo+Algeria+Expects+2m+Subscribers+To+Migrate+To+3G.aspx

[18] The press conference of DJEZZY's CEO ; Nesci Finshzo on the 21st of December 2013, available on the website :
http://www.djezzy.com/annexes/espace-media/revue-de-presse/?revue_id=38031&myyear=2013

[19] http://www.3g.dz/ar/page_couverture.php

[20] Mr. Younes Guerrar is an expert in telecommunication and post services. He also used to be a consultant in the ministry of post and information and communication technologies.

[21] http://3galgerien.com/3g10981.html

[22] http://www.itu.int/en/ITU-D/Statistics/Pages/publications/mis2013.aspx.