THE MOBILE TELECOMMUNICATION MARKET IN BANGLADESH: STRUCTURE, GROWTH AND TECHNOLOGY

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Abstract

This paper explores the development and structure of the telecommunications market in the country of Bangladesh. This market has benefited heavily from technology in order to enjoy a rapid rate of growth and market penetration in just 18 years. The market is not yet mature; and is highly competitive with five companies fighting over 161 million potential customers in an area slightly smaller than the size of Iowa.

The paper explores the market as it now exists, and the emerging use of Web 2.0 technologies as a method for retaining customers and attracting new ones. Unfortunately, practitioners are not fully aware of how Web 2.0 technologies can influence customer attraction and retention. More research needs to be done on how these technologies could enhance the customer attraction and retention processes from the view point of core relationship marketing.

Keywords: Web 2.0 technologies, B2C, Bangladesh, telecommunications market

1. Introduction

The mobile telecommunication industry has become a dynamic key area for economic growth in many countries and has attracted much attention from service marketers (Gerpott, Rams & Schindler, 2001). What are known as "Third World" countries are now investing heavily in cellular telecommunication services. In many cases, they have jumped one full level in their technological development, bypassing hardwire technology almost completely.

2. Background

Bangladesh, where this data was collected, has been an independent country since 1971 when the nation separated from Pakistan in a liberation war. It is in the South East Asia region. The country is almost entirely surrounded by India, with the Bay of Bengal as a coastline; and the country also shares a small border with Myanmar. The total land boundaries are 4,246 km, with a coastline of 580 km. India shares with Bangladesh its major land border of 4,053 km, and Myanmar shares 193 km. With a total area of 144,000 square km, Bangladesh has a large number of rivers and their tributaries crisscrossing the country. The country is mostly flat and fertile. The hilly terrain in the north is less than one tenth of the territory in the south-eastern part of the country (source: www.cia.gov).

Bangladesh has experienced rapid economic growth over the past years. Though the population growth has resulted in average annual real GDP per capita growth of only 3.5 per cent, (source: www.cia.gov), this is still higher than the 1.8 per cent, that the average low-income country enjoyed over time. To achieve middle-income status within a generation, it is crucial for Bangladesh to design and implement policies to sustain the recently achieved growth rates. A sound and effective financial system is a policy area that is associated with faster economic

growth. The mobile telecommunication sector has enormous potential in Bangladesh because of the lack of fixed infrastructure (Murtaza&Fulford, 2011).

3. Cellular service

Initial permission to launch a cellular service was given to Bangladesh Telecom (Pvt.) Limited (BTL) in 1989. But in 1993, permission was transferred to Pacific Bangladesh Telecom Limited (PBTL) under the CityCell brand name, and with CDMA technology. Another three licenses were issued to Grameen Phone, Telecom Malaysia International Bangladesh Limited (TMIB) as AKTEL brand and Sheba Telecom in 1997 for GSM technology. Among the mobile operators, Grameen Phone quickly established the market leadership. Later, SingTel purchased most of the share of PBTL and Orascom Telecom took over the Sheba Telecom's operation in Bangladesh under the brand name Banglalink in 2004. TeleTalk, the state-owned mobile operator under the Ministry of Post and Telecommunication came on the market at the beginning of 2005 in technological collaboration with the incumbent fixed operator Bangladesh Telegraph and Telephone Board (BTTB). The shareholders, technologies and growth of subscriber base of mobile operators are summarized in Appendix I.

The mobile phone industry of Bangladesh has experienced rapid growth in recent years. Mobile penetration was 0.2 per cent in 1995, rising to around 40 per cent in the middle of 2010, for a population of roughly 147 million. Bangladesh hosts Asia's fastest growing mobile network. OddvarHesjedal, CEO of Grameen Phone, recently forecast that by 2020, the number of subscribers will be around 75–80 million. The impact of mobile services on the economy of Bangladesh is potentially far reaching, and the benefits of mobile telecommunications for the welfare of families and society are well recognized.

Except for the late starter Teletalk, the other mobile operators have almost achieved coverage over the whole country. Most of the mobile operators claim that they cover 61 districts out of 64. They also cover almost 484 *upazillas* (sub-districts) of the country. The remaining three districts are the less densely populated hilly areas of Bangladesh. More than 90 per cent, of the population is currently under the coverage of mobile telephones in Bangladesh.

4. Telecommunication infrastructure

Bangladesh is currently upgrading its mobile telecommunication infrastructure to the third generation. Compared to the second generation technology, the new technology allows mobile subscribers to browse the internet, send and receive emails, and use many other data applications. This allows for the use of Web 2.0 Technologies as part of both marketing and customer service.

The aim of telecommunication companies in Bangladesh is to offer superior products, high quality services, networks, affordability, and customer support to capture market share. One company in particular wants to be perceived not only as a telecommunication operator of voice services, but also as a universal provider of comprehensive communications services both for residential and business customers.

Because Bangladesh is a developing country, it has taken companies a long time to use e-commerce and Web 2.0 technologies (i.e. social networking sites and blogs etc.) to attract and retain customers. To get the most benefit from Web 2.0 technologies, companies have spent significant amounts of money, but unfortunately, they are not fully aware of how Web 2.0 technologies can influence customer attraction and retention. Most importantly, in the context of Bangladesh, not a single researcher has addressed the ways in which Web 2.0 technologies

can enhance the customer attraction and retention processes from the view point of core relationship marketing (i.e. relationship strength antecedents).

5. Web 2.0 technologies

Some examples of Web 2.0 technologies are as follows:
● Blogging (the writing and maintaining of a web log, called a blog): Blogs are self-publishing tools that resemble online journals where people can periodically post messages. Readers can subscribe to a blog, link to it, share links, post comments in an interactive format and indicate their social relationship to other bloggers or companies who read the particular blog.

● Social networking sites: Websites that encourage social interaction through profile-based user accounts. This interaction can be between individual users or between individual users and businesses. Popular social networking sites include Facebook, MySpace and Twitter.

The above examples are the most common types of Web 2.0 technologies. There are other Web 2.0 technologies such as Wikis, Social book-marking, Tagging and Really Simple Syndication (RSS), but, these are less frequently used by the individual users and businesses (George, 2007).

Web 2.0 technologies provide users with the ability to create a global list of contact details (either in a graphical or text-based format) of people with whom they have strong professional ties, co-workers, colleagues and people from whom they get business services and trust sufficiently to be associated with and even to recommend to others (O'Reilly, 2005). One of the practical functions of Web 2.0 technology is in facilitating customers whilst choosing a product. There is a lot of evidence, for example, when comparing professional and personal service providers, that customers prefer to be guided by information from friends and other personal contacts rather than a company's formal promotion mix (Harrison-Walker, 2001; Susskind, 2002). Of course, positive word-of-mouth recommendation is generally dependent on customers having good experiences with an organization.

Many companies have embraced Web 2.0 technologies to develop "viral" marketing, in which a message can be spread quickly from one person to a handful of friends, who each in turn inform a handful of *their* friends (Ferguson, 2008).

In one case, the online marketing firm NewGate distributed advance excerpts of a new children's book to online forum leaders. When the forum leaders read the pre-released chapters they quickly spread the excitement and anticipation for the book, which ended up being on the New York Times bestseller list. The company had used around 400 discussion boards and message forums, targeting about 11 million people, who in turn reached 55 million consumers by spreading the word (Ferguson, 2008). Web 2.0 technologies are becoming increasingly important to companies, with evidence that influencing customer behaviour by means of traditional marketing media is becoming less effective, due to the proliferation of social media and to falling readership levels of conventional media (Ferguson, 2008). Gillin (2007) found that messages received through online communities are believable and trusted in most cases; a finding that can be used to build business-to-customer relationships.

Very little information is available on how Bangladeshi companies manage Web 2.0 technologies, alongside customer attraction and retention. Indeed no research has been conducted in relation to these three features in the B2C environment. In this situation, extensive preliminary work (in-depth interviews) was necessary to gain familiarity with the phenomenon in the Bangladeshi situation.

6. Competition

In many countries, the telecommunications sector has become a dynamic key area of the economy. The mobile phone service sector is an important, rapidly developing and rapidly changing service industry in many countries. It has become a dynamic key area for economic and technological development. Intense competition has arisen in this sector as a result of the removal of monopoly rights from the state-owned mobile phone services.

The telecommunications market in Bangladesh is not yet mature, and so strong competition has developed due to this removal of monopoly rights from the state-owned telecommunication companies. This heavy competition is particularly prevalent in the case of mobile telecommunication services in Bangladesh. Because of this, Gerpott, Rams andSchindler (2001) point out that in the mobile telecommunication sector, once customers have been acquired, their long-term links with the service provider are crucial for business success. Reducing the churn rate, or customer turnover, is always one of the mobile operator's main challenges.

This same challenge is also faced by service providers in many other industries, such as internet service providers, cable TV providers, fitness clubs, utilities, and credit card companies. The service industry as a whole is currently facing tough challenges. There are changes in both the market place and the customers (Bateson, 1995; Bennet &Barkensjo, 2005). Many markets are reaching market saturation due to the ever increasing competition; leading to the situation where attracting additional customers is increasingly expensive. Therefore, retaining existing customers has become an important concern for many organizations. Customers are now better equipped with information regarding the service firm's capability to deliver the service (Chattopadhyay, 2001), and can demand more information prior to making a purchase decision. Increased competition makes it easy for existing customers to jump from one service provider to another, and allows potential customers a choice of service provider. A service firm therefore must have competitive advantage in order to survive in the current market situation, and service marketers must find effective and efficient solutions to creating advantages (Berry, 1995; Cousens et al., 2001).

The Bangladesh marketing environment has similar characteristics to the environment in most other developing countries. Bangladesh's economy is now expected to grow at a similar rate to that of other developing countries. Customers, as in most developing countries, are expected to become more brand and status conscious as they move towards a wealthier society. The Bangladesh marketing environment also possesses characteristics similar to other Asian countries. For example, although competition is encouraged, deregulation in Bangladesh, as in other Asian countries, is not intended to abolish the corporate state. The main goal of deregulation is to increase the level of customer satisfaction. Thus, any generalization of the findings of this research beyond the location in question should be made with caution. Some specific issues such as culture may limit the generalization while being valid and applicable in developed countries.

Bangladesh's government is now making the mobile telephone number portable. As a result, one major switching cost will disappear. Therefore, existing and potential customers may look for a mobile service provider that ensures either service quality or best value for money. Companies offering a service quality assurance by using Web 2.0 technologies, may be seen as one possible way of persuading existing and potential customers that companies are making an extra effort to maintain and improve their business relationships in the B2C context.

7. Need for further research

This particular paper is based on a case study in Bangladesh. From a practical viewpoint, further research could provide companies with specific guidelines for elaborating the policies of Web 2.0 technology to match their objectives, in order to attract and retain customers in the context of Bangladesh. It is expected that the findings of this research can be used in other countries with similar socio-economic structures.

Relationship strength antecedents from Bangladesh's perspective could differ from those in First World countries due to differing socio-economic structures (Murtaza&Fulford, 2011). Talukder and Yeow (2006) suggest that the relationship strength construct could be significantly different in Bangladesh than in First World countries in terms of its conservative cultural background, collectivism and vulnerable internet-based communication. The findings of Zhu et al. (2005), and Hasan and Sattar (2011) also show conformity with Talukder and Yeow's (2006) findings.

Finally, in the context of Bangladesh, the concept of service marketing is not new, but the majority of Bangladeshi companies consider service marketing only for customer service purposes. They need to see the linkages between service marketing, relationship strength antecedents, B2C relationships and Web 2.0 technologies. It has to be established that service marketing is more than just providing customer service.

Conclusion

The telecommunications market in Bangladesh is rapidly growing, in terms both of size and technology. The cell phone service wasn't launched until 1989, but it is expected to reach 50 per cent of the potential market by 2015, less than 20 years from start-up. The telecommunications market in Bangladesh is still not even close to being mature.

The research done for this paper shows that customers are primarily interested in high and reliable service quality. The use of Web 2.0 technologies can aid a company significantly in providing a good and reliable service. Thus, companies need to invest in order to provide this service quality, which will help them to retain existing customers and attract potential ones for strong relationships in the B2C situation.

Telecommunication companies in Bangladesh need to learn about Web 2.0 technologies in order to retain and attract customers, and other countries, whose telecommunication market is not yet mature, could also benefit from Bangladesh's experience. It is worth adding that an outcome of research into 'Positive Linkage' among Web 2.0 technologies, customer attraction and customer retention is likely to make others interested in using Web 2.0 technologies.

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