

# Vision

## The Omsyc Newsletter

### Brazil and Nigeria: in two of the world's most populated countries, operators woo clients with innovative services

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By Amal Mouqadem and Asmaa Zaher, Analysts.

In markets qualified as emerging, cell phone operators in Nigeria and Brazil, offer very innovative services to provide services adapted to their clients' cultural and economic specificities, and especially, as a means to keep their market shares. Consequently, in Brazil, cell phone operator Vivo provides access to a vocal messaging service to listen to horoscopes, hear the summary of a novella or soap opera or listen to a sportscaster's comment

on a goal scored by a favourite team. Nigerian operator Globacom pioneered a vocal SMS service which is very popular amongst a population with a low literacy rate. Celtel Nigeria has launched unique value-added services such as telemedicine (a call center staffed with an emergency hotline which can send out properly equipped ambulances) or an SMS2Email service (sends an SMS to email addresses).

### Two markets with more than 100 million inhabitants...

Brazil and Nigeria are ranked among the world's most populated countries: 5<sup>th</sup> for Brazil and 9<sup>th</sup> for Nigeria with respectively 190 million and 135 million inhabitants. Brazil, however, is 9 times bigger than Nigeria and the GDP/inhabitant stands at \$8 600 versus \$1 400 for Nigeria.

Nigeria boasts a very buoyant industrial sector (53.2%) especially oil (20%), while

Brazil's service industry leads, (54%) boosted by massive exports of agricultural products.

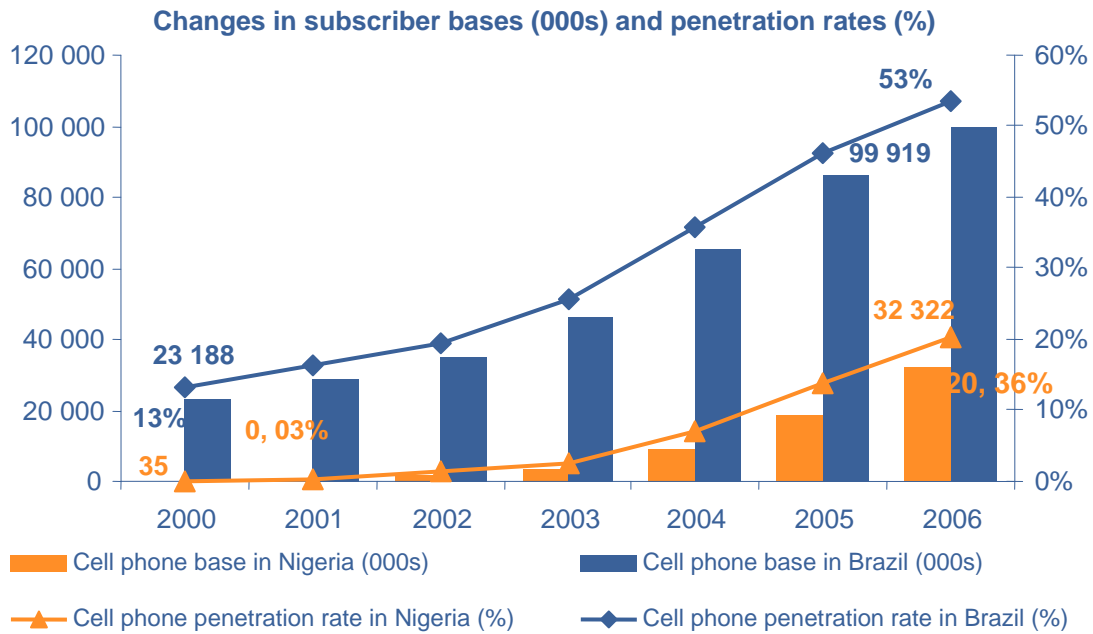
The difference in GDP levels and market segmentation as well as literacy rates (68% in Nigeria and 86% in Brazil) explain each country's HDI rate: 69<sup>th</sup> for Brazil and 159<sup>th</sup> for Nigeria.



<sup>1</sup> Human Development Index

<sup>2</sup> Human Development Index

Graph 1: Cell phone subscriber bases and penetration rates in Brazil and Nigeria



While both countries show buoyant cell phone subscriber base growth, Brazil's end-December 2006 level neared 100 million subscribers with penetration above 50%, and topped Nigeria's total subscribers of 32 million with a 20% penetration rate.

Yet, Nigerian growth rate remains higher than Brazil's. Indeed, between 2000 and 2006, the Nigerian cell phone market grew 200% compared to Brazil's 28%.

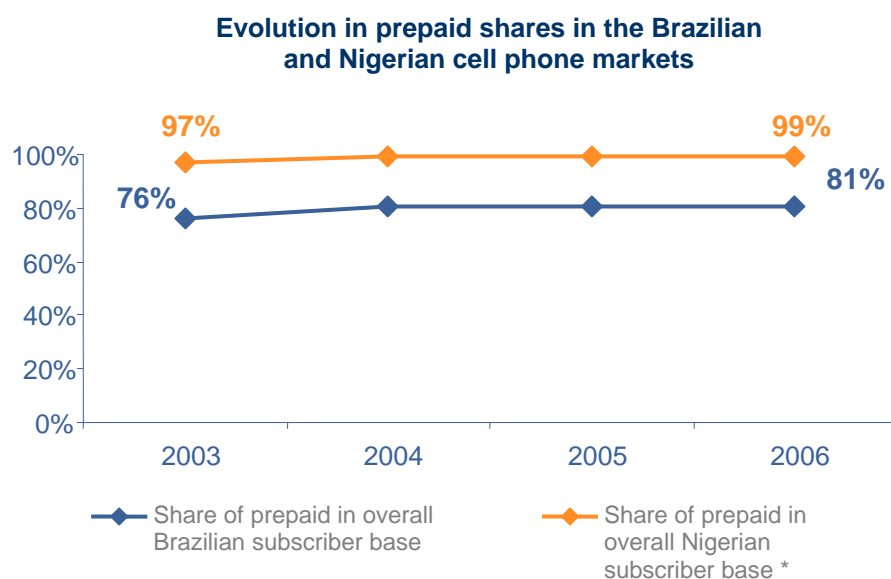
The difference in the evolution of the two markets is driven by Nigeria's lag in deregulating the telecoms sector. And the creation of a regulatory body, NCC, Nigerian Communications Commission, in

1992, did not launch competition across the cell phone market until 1999, when the new government launched a political reform. As a result, the new NCC granted three GSM licenses in 2001 and a fourth in 2002.

The Brazilian cell phone market was deregulated as of 1997, when the country was segmented into 10 regions, with 3 to 4 operators present in each region. Market structure has undergone a radical change since 2001, starting with a number of small regional operators, to finally consolidate with eight players.

## Strong demand for prepaid contracts...

Graph 2: Evolution in prepaid shares in the Brazilian and Nigerian cell phone markets



\* MTN data

In Nigeria, pay-as-you-go or prepaid contracts account for 99% of the subscriber base, compared to 81% in Brazil. The difference can be explained by the two GDP per inhabitant levels, since in Brazil GDP per inhabitant is much higher than in Nigeria.

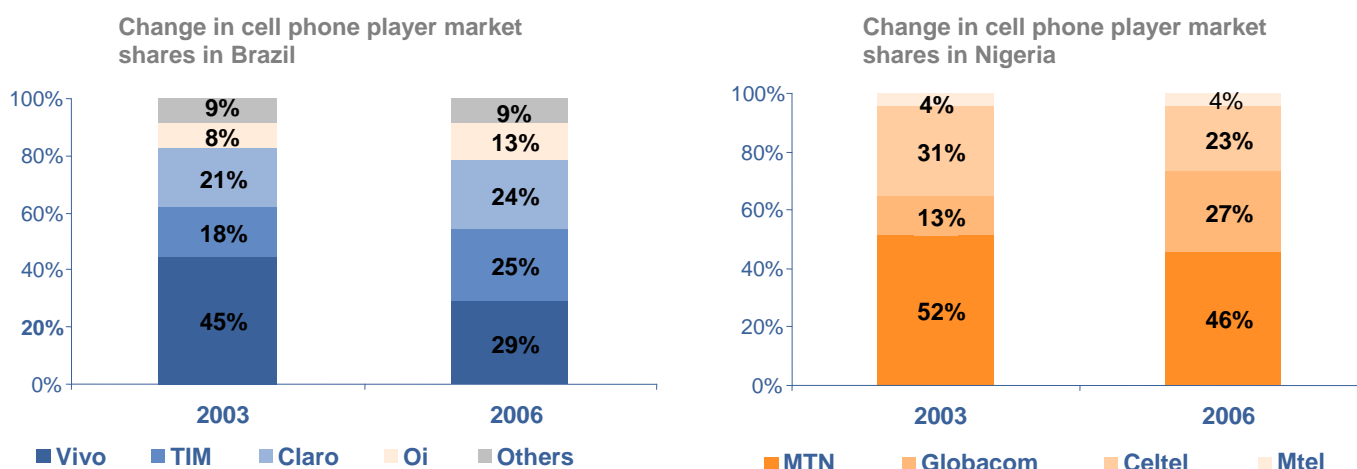
Quite naturally, the difference in GDP levels also appears in tariffs. In Nigeria, the pre-paid per minute on-net tariff totals

0.31 US cents, compared to USD 1.02 in Brazil. In both countries text messaging (short message service) costs 3.6 times less than an on-net call, which amounts to 0.08 US cents in Nigeria and 0.27 US cents in Brazil (2007 Tariffs<sup>1</sup> - MTN Nigeria and Vivo Brazil).

<sup>1</sup> Tariffs in USD PPP (Parity Purchasing Power)

## Multinational groups dominate marketing offers

Graph 3 : Change in cellophane market player shares in Brazil and in Nigeria



Brazil counts four key cell phone operators: as market leader, Vivo boasts a 29% market share. Vivo is a subsidiary of Spanish and Portuguese incumbents, respectively Telefonica and Portugal Telecom. And is ahead of TIM (subsidiary of TIM, cell phone arm of incumbent Telecom Italia) with 25%. Claro (a subsidiary of Mexican America Movil) is 3rd with a 24% market share and Oi (a Brazilian funded operator) is 4<sup>th</sup> with a 13% market share. Between 2003 and 2006, Vivo lost 16% of its market share to the other three main competitors

Both countries show a predominant position of subsidiaries of international groups across their markets. In Brazil, the

3 international players concentrate 91% of the market. In Nigeria, however, despite leadership of the South African subsidiary MTN (46% of the market), Nigerian Globacom is ranked second (27% market share) after outreaching Celtel (subsidiary of international MTC) with a 4% market share. Since its entrance in 2003, Globacom has dominated because of its innovations, service quality and competitive tariffs. Globacom has won several awards including best Nigerian cell phone player in December 2006, awarded by NITTA (Nigerian Technology and Telecom Awards). Globacom was also the first Nigerian operator to launch the Voice-SMS service in 2006.

Data used to write this article can be purchased directly online at [www.omsyc.com](http://www.omsyc.com)

For more information contact:

Sara Clignet

01.55.04.87.30 / [sales@omsyc.fr](mailto:sales@omsyc.fr) / [info@omsyc.fr](mailto:info@omsyc.fr)

OMSYC – 32, rue des Jeûneurs – 75002 – PARIS - FRANCE

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