

## THE MARKETING STRATEGIES OF DJIBOUTI TELECOMMUNICATION

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### ABSTRACT

Globally, telecommunications has become an important revenue-generating sector. The communication market is an important part of the social commercial market, and is one of the subsystems of the whole market. Djibouti is one of the few countries in which the national telecommunications operator (DT) has a monopoly on all telecommunications services, including landline, mobile, Internet and broadband. This paper studies the marketing strategy of Djibouti Telecom and puts forward some practical suggestions to improve the industry.

The research found that the characteristics of telecommunications industry are the rapid innovation of service and transmission between competitors. Djibouti Telecom is a State-owned enterprise with a monopoly power, an advantage that enables telecommunications companies to operate in all areas of the industry. Local dial-up call prices in China are higher than in developed countries such as China and the United States, research shows. It is worth noting that from 2013 to 2018, the number of call prices decreased year by year, and the mobile phone penetration rate also continued to increase. The study recommended that DT seek to work with the world's largest telecommunications network to improve its telecommunications base to meet the immediate needs of its clients.

**Keywords:** Marketing strategy, Djibouti Telecom (DT), SWOT analysis, 4C model.

### 1. INTRODUCTION

Globally, the Telecommunication industry has become a vital revenue generation sector. For instance, at the end of 2008, worldwide mobile service revenues stood at USD 912.1 billion; outperforming the respective revenues generated by the pharmaceutical, IT hardware and semiconductor sectors. While software and services generated more revenue than mobile services, mobile surpassed this sector in terms of year-on-year growth, and was the only industry of the aforementioned five to register double digit growth (of 17.4 percent) in terms of overall revenue between 2007 and 2008. It is estimated that by the end of 2008, worldwide mobile subscribers will total 4.6 billion (International Telecommunication Union, 2010).

The global telecommunications market is continually transforming on account of the ongoing innovations and developments taking place consistently and at a fast pace. The telecommunications industry bears the immense importance in the economy, as it can enhance development and functioning of other sectors. There are various factors fueling the growth of the global telecommunication market including, the advanced technology, intense market competition, and high investments in new telecommunication technologies such as wireless communication and satellite. Some of the other factors behind the growth of the market

worldwide include: affordability of services, innovative services such as e-agriculture and e-education, and demand for high speed internet. On the other hand, the high cost of value added services may restrict the growth of the market. In addition to this, maintaining security will also pose a challenge.

## 2.1 Statement of the Problem

Djibouti is one of the few remaining countries in which the national telecommunication operator, Djibouti Telecom (DT), has a monopoly on all telecommunication services, including fixed lines, mobile, Internet, and broadband. The lack of competition has meant that the market has not lived up to its potential. Growth in the mobile and Internet markets is accelerating in line with DT investment in its mobile network. However, competition and foreign investment are both required for the telecommunication market to develop. In preparation for this, DT is forging international alliances, and has been a key investor in cable network.

### 2.1.1 Significance of the study

This study is relevant because it will analysis the marketing strategies and policy analysis of Djibouti Telecommunications which has little research on it. The study will investigate the marketing strategies of Djibouti Telecommunication sector which is monopolistic thereby contributing great to the existing strategies and how to improve them. The study will be geared towards finding out the relationship between Djibouti market strategies and customer satisfaction. The study will make a useful analysis by using the 4C's and the SWOT strategies. It will therefore explore the extent at which subscribers are satisfied on using the only industry operator in the country.

### 2.1.2 Definition of Concepts

The various concepts related to the topic are reviewed. They consist of the meaning of market, marketing, marketing strategies and trends in current market.

### 2.1.3 Marketing

Marketing is defined by the American Marketing Association (AMA) as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."(AMA, 2007 report) The term developed from the original meaning which referred literally to going to market with goods for sale. From a sales process engineering perspective, marketing is "a set of processes that are interconnected and interdependent with other functions" of a business aimed at achieving customer interest and satisfaction. Philip Kotler (2013) defines marketing as Satisfying needs and wants through an exchange process. The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing involves establishing a company vision and definition and implementing policies that will enable a company to live up to its vision or maintain its vision.

### 2.1.4 Trend of Marketing Strategy

Modem discussion of marketing strategy can be traced back to a discussion of marketing management by Leverett S Lyon (1885-1959) in 1926. Marketing management was perceived

as the business function that developed marketing strategy. Lyon argued that marketing management involves ongoing planning of a company's marketing activities in response to the constantly changing internal and external conditions. In the 1950s Peter Drucker (1909) and others advanced theories of management that emphasized a customer centered business strategy. They held that this orientation should be long term, not temporary. Consequently, strategic thinking grew in the 1980s and 1990s in response to the formulaic, theoretical approach to marketing theory in the 1970s. Strategic thinking focuses on competitive advantage, consumer needs and wants, creativity, and flexibility. Competitive advantage refers to gaining a superior market position and therefore higher profits by offering better products, prices, promotions, convenience, or service than competing companies. In a sense, competitive advantage includes all the other elements of strategic thinking, customer satisfaction, creativity, and flexibility - in that each of them can provide a company with a competitive advantage. Marketing strategy is the result of decision making by corporate executives, marketing managers, and other decision makers. In general, the formal organizational titles or jobs of decision makers, or the nature or purposes of the organization, are irrelevant to the formulation of marketing strategy. When the decisions concern products or markets, the results i.e., the decisions are all considered.

## 2.2 SWOT analysis model

The SWOT Model is a powerful tool used for strategic planning, evaluation, and analysis. **SWOT** stands for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. SWOT analysis is a type of diagram widely used in business and education used for exploring strengths, weaknesses, opportunities, and threats in a given situation. A SWOT analysis is a visual study tool that can be used to identify specific strengths and weaknesses in work and personal life situations. It helps with decision making and planning ahead. A SWOT analysis diagram is formed by a two-by-two grid. Each quadrant has an outline of the subject's strengths, weaknesses, opportunities, and threats (SWOT).

Any business has strengths and weaknesses, but no organization exists in a vacuum--you must also analyze the opportunities and threats that abound in the marketplace. A SWOT analysis evaluates the internal strengths and weaknesses, and the external opportunities and threats in an organization's environment. The internal analysis identifies resources, capabilities, core competencies and competitive advantages, using a functional approach to review finance, management, infrastructure, procurement, production, distribution, marketing, reputational factors and innovation. The internal analysis is critical in identifying the source of competitive advantage. It pinpoints the resources that need to be developed in order to remain competitive. The external analysis identifies market opportunities and threats by looking at the competitors' environment, the industry environment and the general environment. The competitors' environment is an analysis of the resources and functions of each rival firm. The industry environment is reviewed through the five forces framework of competitive rivalry, new entrants, suppliers, buyers and product substitution. The external environment is analyzed in terms of political, economic, sociocultural, technological, ecological, demographic, ethical, and regulatory implications. The objective of a SWOT analysis is to use the knowledge an organization has about its environments and to formulate its strategy accordingly.

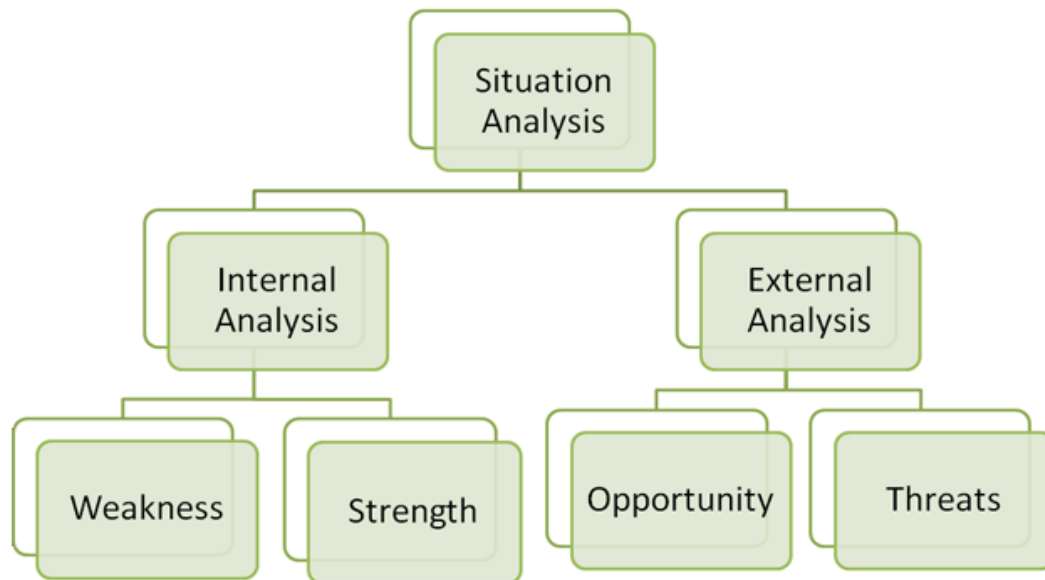


Figure 2.1 SWOT analysis

### 2.2.1 Internal Strengths

Are factors, or core competencies, which will help make use of opportunities, contribute to the achievements objectives and lessen the impact of threats or remove them completely? For a factor to be considered a strength, the business must 'do better it' than its competitors.

•Examples of such strengths include:

- Patents
- Good reputation among customers
- Strong brands name
- Using new technology
- Favorable access to distribution networks

### 2.2.2 Internal weakness

Are factors that will lessen the ability to pursue opportunities, reduce the ability to achieve objectives or allows threats to have impact or allow them to occur. For a factor to be considered a weaknesses, the business must 'do it less well' than its competitors in an area that is important to its customers, or to the efficient running of the business. Factors that can be considered as weaknesses are:

- Lack of patent protection
- Poor reputation among customers
- Weak brand name
- High cost of raw material
- Lack of access to key distribution channel

### 2.3 External Opportunities

Opportunities are factors that will allow you to reduce cost or gain control over your inputs. Allow you to improve your processes and increase the volume and variety of your outputs. Examples of such Opportunities include:

- Better technology
- Identification of new market segments.
- Acquisition and merger
- Collaboration
- Loosening of regulations
- Removal of international trade barriers.

### 2.3.1 External threats

Threats are external conditions which could do damage to the business performance. Changes in external environment also may presents threats to the firms. Examples of such Threats include:

- Natural disasters reducing supplies
- Increased competition for supply materials
- New regulations
- Changes in the taste or needs of your markets.
- Increased trade barriers.

### 2.4 Advantages of SWOT Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

- a. SWOT Analysis helps in strategic planning in following manner-
- b. It is a source of information for strategic planning.
- c. Builds organization's strengths.
- d. Reverse its weaknesses.
- e. Maximize its response to opportunities.
- f. Overcome organization's threats.
- g. It helps in identifying core competencies of the firm.
- h. It helps in setting of objectives for strategic planning.
- i. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

### 2.5 4C' MODEL

The 4Cs to replace the 4Ps of the marketing mix: Consumer wants and needs; Cost to satisfy; Convenience to buy and Communication (Lauterborn, 1990). In 1990, Bob Lauterborn wrote an article in Advertising Age saying how the 4Ps were dead and today's marketer needed to address the real issues. The traditional Marketing mix is a 4 P's model and is business oriented. The 4 C's model of marketing on the other hand is more consumer oriented. Because of its focus on consumers, the 4 C's model is mainly used for Niche Marketing. However, just like the traditional marketing mix, it can also be used for mass markets. The four variables in the 4 C's model are

- a. Consumer
- b. Cost
- c. Convenience
- d. Communication

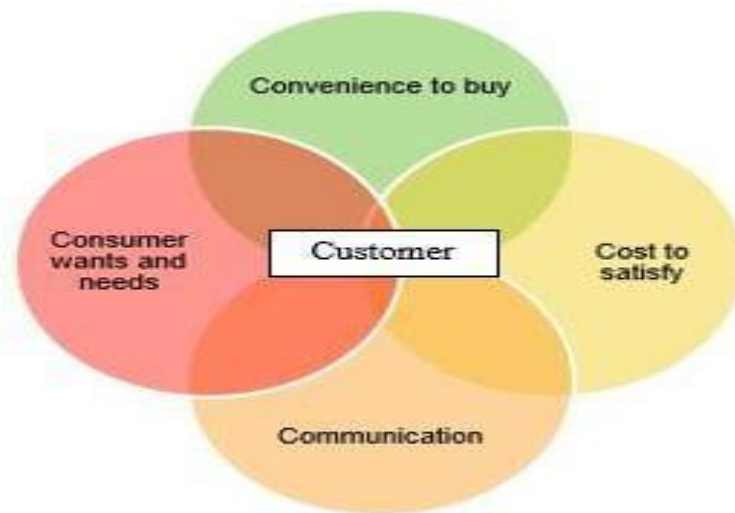


Figure 2.2 4C's Model

**Consumer:** The principle of four C's of marketing states that customer should be the prime focus. Unlike the traditional marketing mix where the primary focus is on Products, in the 4 C's model, the primary focus is on the customer. Thus the companies which follow this model believe in making products which satisfy their customers. They are generally ready to offer customizable products and because they have a general set of target customers, this principle is only applicable for smaller market segments and not for mass markets. For mass markets, the traditional marketing mix can be used.

**Cost:** Cost is equivalent to Pricing in the traditional marketing mix. Cost is a very important consideration during consumer decision making and hence in the 4 C's principle, the cost variable is given special attention. The 4 C's model generally plans on the basis of Customers and not products. And hence they have to plan the cost of the product on the basis of their customer. To targeting a segment, then the costing of the product needs to be premium to have proper psychological positioning. On the other hand, if your product is for the SEC B and SEC C classes, then it needs to have a lower costing. Thus over here, costing of the product depends on the customer.

**Communication:** The concept of communication remains same for both, the traditional marketing mix as well as for the 4 C's of marketing. Off course, the marketing communications for a company following the 4 C's of marketing is completely different as it needs a completely different segmentation, targeting and positioning. The 4 C's of marketing are generally used for Niche products. The media vehicles used for marketing communications for a mass product and that for a niche product are different.

**Convenience:** Convenience is equivalent of distribution or placement of the traditional marketing mix. When you have a niche customer base, the convenience of the customer in acquiring your product plays a critical role.

All in all, the traditional marketing mix model helps a company define its strategy more efficiently. However, the 4 C's model, although not much different, really helps if you are a customer oriented firm.

### 3. Telecommunications in Djibouti

Telecommunications in Djibouti falls under the authority of the Ministry of Communication & Culture. Djibouti Telecom is the sole provider of telecommunications services and utilizes mostly a microwave radio relay network; fiber-optic cable is installed in the capital; rural areas connected via wireless local loop radio systems; mobile cellular coverage is primarily limited to the area in and around Djibouti city. The international country code 253.



Figure 3.1 Map of Djibouti

#### 3.1 History of Djibouti

Djibouti is a country in the Horn of Africa. It is bordered by Somalia to the southeast, Eritrea and the Red Sea to the north and northeast, Ethiopia to the west and south, and the Gulf of Aden to the east. In antiquity, the territory was part of the Land of Punt. The Djibouti area, along with other localities in the Horn region, was later the seat of the medieval Adal and Ifat Sultanates.

The republic of Djibouti is made up of 6 administrative areas called districts. The new government policy relative to decentralization has put in place regional councils in the districts. The members of those councils are chosen from the residents of the districts and are granted much power in public management.

In the late 19th century, the colony of French Somaliland was established following treaties signed by the ruling Somali and Afar Sultans with the French. It was subsequently renamed to the French Territory of the Afars and the Issas in 1967. A decade later, the Djiboutian people voted for independence, officially marking the establishment of the Republic of Djibouti. The Republic of Djibouti gained its independence on June 27, 1977. It is the successor to French Somaliland (later called the French Territory of the Afars and Issas), which was created in the first half of the 19th century as a result of French interest in the Horn of Africa. However, the history of Djibouti, recorded in poetry and songs of its nomadic peoples, goes back thousands of years to a time when Djiboutians traded hides and skins for the perfumes and spices of ancient Egypt, India, and China. Through close contacts with the Arabian Peninsula for more

than 1,000 years, the Somali and Afar tribes in this region became the first on the African continent to adopt Islam.

The autonomous port of Djibouti (PAID) has an operational oil terminal from the beginning of 2006, a container terminal put into service in 2008 and a free zone. The country then experienced a resurgence of economic growth: 4.5% in 2006 and more than 5% in 2007. The PAID provides a secure regional platform for international transshipment and a refueling Centre. Imports and exports of neighboring landlocked Ethiopia account for 85% of the port activity at the Djibouti container terminal. The port of Djibouti is also ideally located to serve the COMESA (common market for Eastern and southern Africa) market, which links 19 countries and 380 million people.

Moreover, Djibouti enjoys political stability and its telecommunication system is exemplary. The modernity and quality of telecommunication equipment which the Republic of Djibouti has acquired, confer on it the status of the region's hub in the field of telecommunications. Indeed, this performance puts the Djiboutian telecoms sector at the forefront of African systems, both by its capacity to host and by its power of interconnection. The evolution of the network has in particular fostered the development of trade, banks and others in the country.

### **3.2 Djibouti Telecommunication**

Djibouti Telecom (Djibouti Telecommunication) Co. is the government run telecommunications monopoly in Djibouti City, Djibouti. It provides landline, mobile and internet services to the general public. The firm has its head offices and outlets in the national capital. In late 2013 the company finally unveiled its 3G service throughout the country and as of 2017 has unveiled 4G+ service. Currently the company's main internet offerings for internet throughout the country are focused specifically on ADSL service. In January 2018, Djezzy launched a new prepaid offer "Hayla" with three packages (Wafa 2018).

Telecommunications in Djibouti falls under the authority of the Ministry of Communication & Culture. The Djibouti ICT sector is one of few monopolistic telecommunication sectors in the world, and has a relatively low level of penetration for telecommunication services. Despite these challenges, the country has seen important progress in the last years with the launch of LTE services. Djibouti has not yet liberalised the telecommunication market, which has affected the prices, access, and quality of mobile and fixed services. Djibouti Telecom still holds a monopoly on the national and international market, and as a result, high speed Internet access is relatively more expensive than in other countries in the region. Strengthening the ICT sector and making quality telecommunication services available at affordable prices is crucial to achieve the objectives in the Djibouti Vision 2035 and the aim to triple per capita income by 2035. Djibouti highlighted the importance of its ICT sector in its recent World Trade Policy Statement provided to the World Trade Organization in September 2014. To achieve the Djibouti Vision 2035 policy objectives, the Government set up since 2014 a specific strategy for ICT (Integrated Strategic Plan) which has for objective to develop and to generalize the access to ICT.

While domestic infrastructure remains poor, the country is one of the best connected for optical fibre international cables in the region. The Djibouti Internet Exchange is a meeting point for a number of cable systems passing between the Red Sea and Indian Ocean. Despite this connectivity, broadband services in Djibouti remain very expensive: high rates have contributed to an under-utilization of the copper network. Subscriber and line connection fees are very high, taking into account the population poverty rate, which continues to hold back



the full growth potential of the sector. (Measuring the Information Society Report 2017 – Volume 2)

**Table 3.1 Djibouti Telecommunication**

<b>Key Indicators for Djibouti (2016)</b>	<b>Djibouti</b>	<b>Arab States</b>	<b>World</b>
Fixed-telephone sub. per 100 inhab	2.7	7.7	13.6
Mobile-cellular sub. per 100 inhab	37.8	107.1	101.5
Fixed-broadband sub. per 100 inhab	3.0	4.7	12.4
Active mobile-broadband sub. per 100 inhab	11.6	45.2	52.2
3G coverage (% of population)	57.6	81.9	85.0
LTE/WiMAX coverage (% of population)	n.a.0	33.8	66.5
Mobile -cellular prices (% GNI pc)	n.a.	4.3	5.2
Fixed- broadband prices 500 MB (GNI pc)	32.0	10.1	13.9
Mobile-broadband prices 1GB (% GNI pc)	16.2	4.5	3.7
Percentage of households with computer	9.7	5.5	6.8
Percentage of households with computer	20.3	43.3	46.6
Percentage of households with Internet access	9.1	45.3	51.5
Percentage of individuals using the internet	13.1	41.8	45.9
Int Internet bandwidth per internet user (kbit/s)	15.2	39.0	74.5

Source: Data in Italics are ITU estimates source: ITU (as of June 2017)

The effort made by the Government of Djibouti and Djibouti Telecom in the last ten years, with the launching of HSPA and LTE, and with many international alliances, has reflected positively on the sector. Growth in the mobile and Internet markets is accelerating in line with DT investment in its mobile network. However, competition and foreign investment are both required for the telecommunication market to show solid development in coming years. The following are some of the key developments:

Work starts on the PEACE submarine cable linking Djibouti with Pakistan;  
Djibouti Telecom joins six regional telcos to build the DARE submarine cable system, is contracted to manage the Australia West Cable landing;  
Djibouti Internet Exchange (DjIX) joins the African IXP Association;  
Djibouti Telecom signs an agreement to peer IP traffic through France-IX's IXPs in Paris and Marseille;

Growth in the mobile and internet sectors accelerates with 3G launch;  
Gulf Bridge International (GBI) signs MoU to land an extension of its cable to Djibouti;  
Report update includes the regulator's market data, ITU data for 2017, recent market developments.

### **Mission**

to provide and exploit all services under the State monopoly in the telecommunications sector in all their forms and at the regional, national and international levels,  
to develop and ensure the operation of the public networks necessary for these services and to ensure the connection with foreign networks,  
to guarantee to all, individuals and professionals who request it, access to the various telephony services: fixed, mobile and Internet in objective, transparent, non-discriminatory and affordable conditions.

### **Goal**

In order to ensure equitable access to telecommunications services, Djibouti Télécom SA undertakes to: modernize the public network in order to extend it to the entire national territory, including rural areas, in accordance with the Government's decentralization and spatial planning policy, to pursue an incentive pricing policy, thereby enabling disadvantaged populations to access telecommunication services, to provide all the communication requirements of our customers with offers of hermetically packaged products and high quality services thanks to motivated and qualified teams.

### **Values**

Djibouti Telecom believe in being more than just a service provider. We adopt a unique partnership model to engage closely with you in order to understand your specific needs and help you focus on your core business.

## **3.3 Products and Development in Djibouti Telecommunication**

Born on 20 September 1999 of the merger of the telecommunications service of the Office of postal and telecommunications (OPT) and of the international telecommunication company of Djibouti (STID), Djibouti Télécom SA is an autonomous operator of private law, monopoly of national and international telecommunications throughout Djibouti territory. A national actor committed, because Djibouti Télécom SA believes in the power of telecommunications as a creator of social link and as indispensable tool for the economic development of our country, Djibouti Télécom SA thus creates close ties with the fabric local. Djibouti Télécom SA is mainly a range of products and services, tailored to the needs of its customers articulated around 3 trades: the landline, the mobile (GSM, CDMA) and the Internet (IP/DATA for ADSL networks).

Through these three trades, Djibouti Télécom SA responds to the expectations of its customers in the professional and private sectors. By establishing a strategy of complementarity between the fixed network, the mobile and the Internet, Djibouti Télécom SA puts the customer at the Centre of his concerns and offers him the possibility to personalize his services according to his needs.

In line with Djibouti's regional integration policy and its exceptional geo-strategic positioning. Djibouti Télécom SA is also a company with an international vocation falling point of submarine cables of interconnection between Europe and Asia, it is naturally the transit

route of communications from all the countries of East Africa, Central and South. This highly strategic role contributes actively to the development of the international telecommunication network and makes Djibouti a telecommunications hub. Since 2005, Djibouti Télécom SA has reached an important stage in its development. Fixed and mobile networks have benefited from significant investments that enable subscribers and the national economy to benefit from the latest technology innovations in access networks;

International and regional links have been the subject of significant investment.

Djibouti Télécom SA has created new commercial expansion poles to take advantage of the tremendous development of the global telecommunications market both globally and regionally. This new approach has consisted in creating an international capacity and data transit activity for the benefit of operators in the region. This activity commonly known as the regional hub of regional telecommunication is broken down as follows:

Sale of rental capacity to transport it to international operators or major accounts in Djibouti (IPLC);

Sale of irrevocable right-of-use capacity to transport it to international operators (IRU);

Grouping in Djibouti of IP data traffic generated by operators in the region to be routed to a POP IP located in Djibouti and in partnership with TI sparkle;

### 3.4 Data Source and Validity

Djibouti telecom has several pricing strategies ranging from broadband, internet, calls and other network charges. Table 4.2 describes and compare Djibouti, China and UK voice call on mobile and landline statistics.

Rates shown effective 3/6/2017. All pricing is per-minute. "Mobile" is defined as any call made to a mobile phone. "Landline" is defined as any call made to a landline telephone. \* = Included with Spectrum Voice International (SVI) Calling Plan. In table. Djibouti voice on mobile is the same as on landline and the price 0.90 respectively. Voice call services in China are lower than UK and Djibouti which 0.11.

Table 4.2 Djibouti, UK and China mobile prices

Country	Spectrum voice int. mobile (\$)	Spectrum voice int. landline (\$)	voice service mobile (\$)	voice landline (\$)
Djibouti	0.3012	0.2971	0.90	0.90
China	0.0057	0.0048	0.11	0.10
UK	0.0172	0.0049	0.35	0.08

Source: World Mobile Report, 2017

### 3.5 Cost of Djibouti telecommunications

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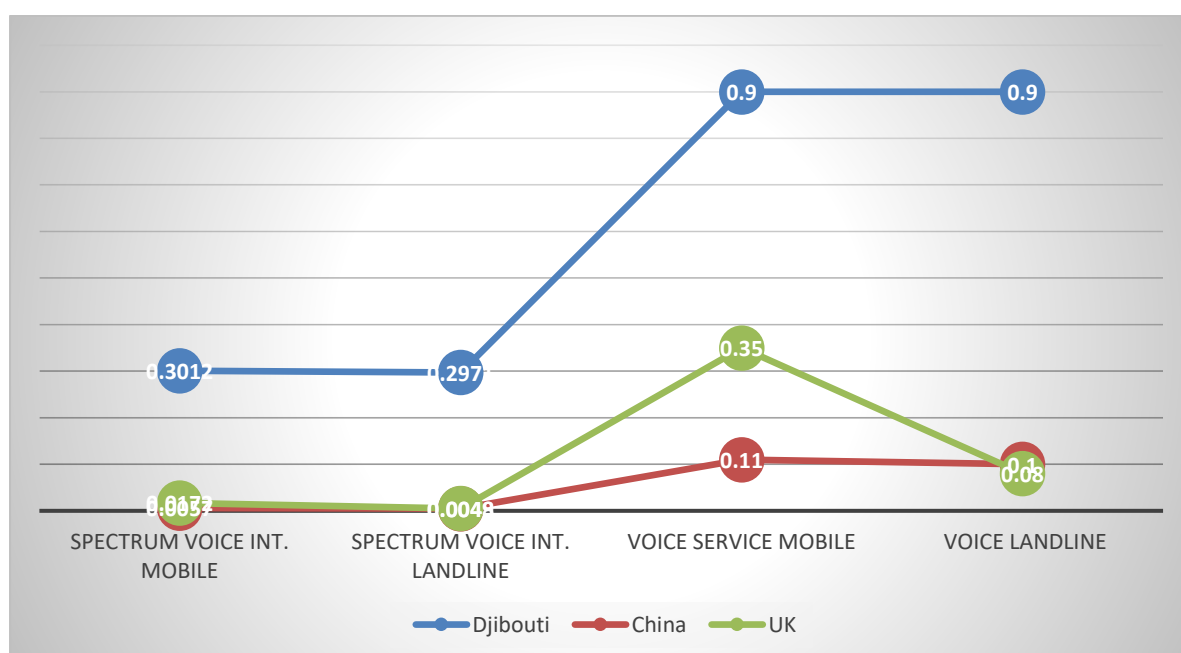


Figure 3.1 Voices of Djibouti, China and UK

Table 3.1 shows the call price details in Djibouti telecommunication market in Djiboutian Franc (DJF). (As at 11<sup>th</sup> may, 2018, 1 DJF=0.0056 USD. The table compares the incoming calls and the outgoing call price and also the price of international calls. According to the table, Djibouti international call price is DJF 1.00 and answering machine detection is 0.0075 DJF. The country's local call price is 0.5550 DJF which is higher as compare other developed country like China and USA.

**Table 3.2 Djibouti Call price**

Number type used	To make calls/min (DJF)	To receive calls/min (DJF)
Local calls	0.5550	N/A
Browser/app calls	0.0040	0.0040
Sip interface	0.0040	0.0040
Conference calls	0.0018	0.0018
Call recording	0.0025	0.0005
Answering machine detection	0.0075	
International numbers	1.00	

Source: Djibouti Telecom Report, 2018.

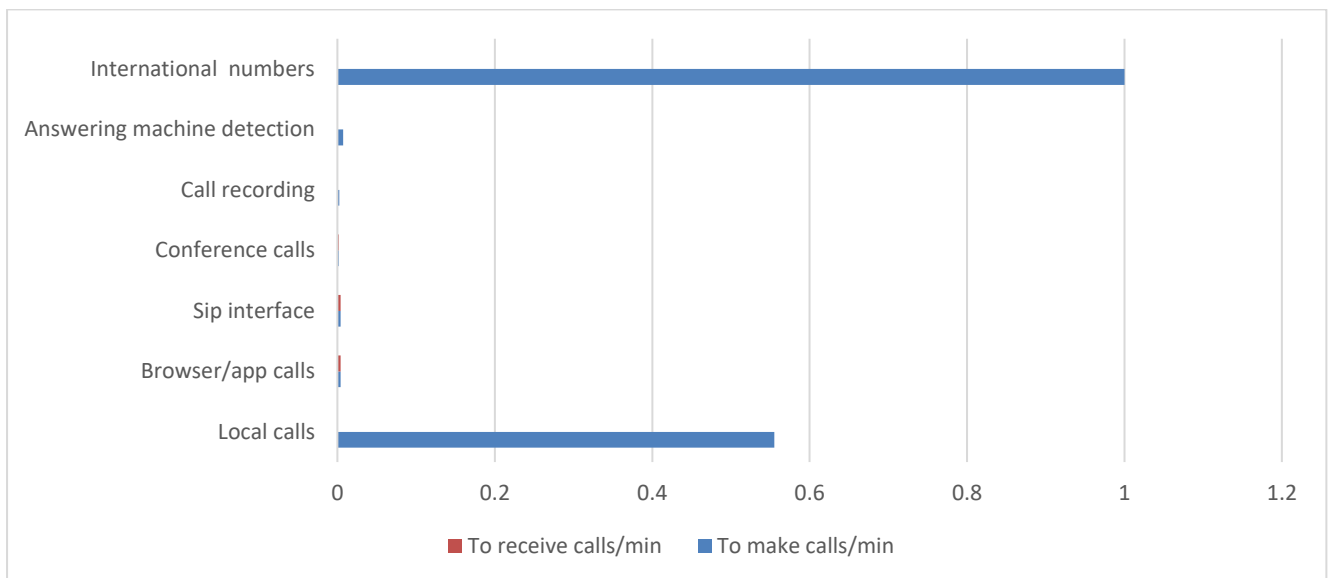


Figure 3.3 call prices in Djibouti

The statistic shows the most population distribution of mobile service subscribers in Djibouti by service type, in the second quarter of 2018. From the table, the non-subscribers were 73.3%, voice and test only is 11.5% and mobile internet is 15.5%.

**Table 3.4 subscribers**

2018	Population (%)
Non- Subscribers	73.3
Voice and test only	11.5
Mobile internet	15.5

Source: Djibouti National Statistical Report (2018)

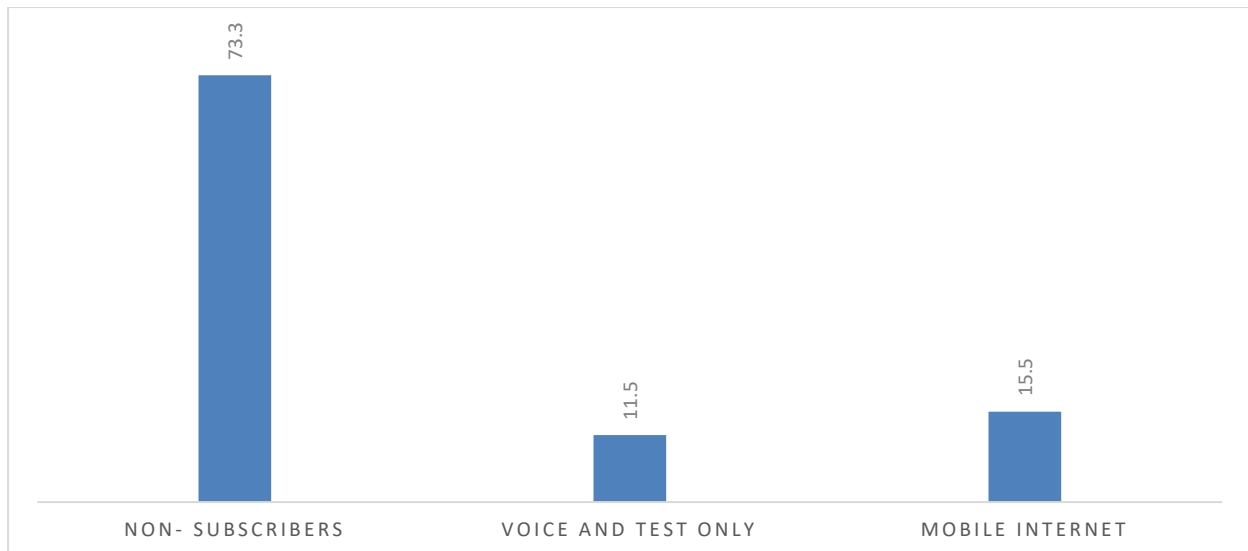


Figure 3.4 mobile

#### 4. CONCLUSION

The study revealed that the telecom works under ministry of communication and culture and facilities that will be needed to run the state telecommunication is strictly determine by the board of directors. A natural monopoly is a monopoly in an industry in which high infrastructural costs and other barriers to entry relative to the size of the market give the largest supplier in an industry, often the first supplier in a market, an overwhelming advantage over potential competitors. Natural monopolies are uncontestable and firms have no real competition. Therefore, without government intervention, they could abuse their market power and set higher prices. Therefore, natural monopolies often need government regulation. Man and the British (Shin &Ying, 1992) 1958~1983 years using cross-sectional data, 57 local network telecommunication company level data and time series data, estimation of logarithmic cost function. The conclusion is that the local network has weak economies of scale, but the cost structure of the local telecommunications network is not weak, that is, the local telecommunications network does not have a natural monopoly.

This findings is similar to late into the 20th century, American Telephone and Telegraph Company (AT&T) was a government-sanctioned monopoly providing local and long distance telephony. It was also one of the most profitable companies. Its origins go back to Alexander Graham Bell, the inventor of the telephone system. Its monopoly ownership also gave lucrative captive business of all telecom equipment and leasing of lines to its subsidiary called Western Electric. AT&T's long-lived monopoly status is quite remarkable in a country that prides itself on the intensity of anti-trust scrutiny. However, the company's monopoly was broken up in 1984, with the parent retaining long-distance telephony and the seven regional.

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