

ACTIVITY AND PROBLEMS OF SUCCESSFUL FUNCTIONING OF MOBILE OPERATORS IN AZERBAIJAN

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Abstract

Following the gaining of independence, Azerbaijan has reached huge advancements in the field of information and communication technology sector. A series of subjects of ICT sector, including mobile operators started to function in the country. The sharp growth of number of users of services of mobile operators in the country and its regions, the relevant high indicator per capita, as well as the launch of the first satellite of Azerbaijan and other issues proved these achievements in this area. Azerbaijan holds one of the highest positions among the CIS countries for per capita users of mobile phones. Subjects of mobile communication started to function in Azerbaijan in 1994 (since the activity of Bakcell, the first mobile operator in the country). Communication as an important part of social infrastructure and non-oil sector of Azerbaijan plays significant role in growth of national GDP. Growth in ICT made up 11% in 2013. This was the third higher indicator among economic fields after construction and tourism. The growth in ICT was achieved considerably due to growing activity of the mobile operators.

The object of study is the mobile operators of the Republic of Azerbaijan, their place and role in the international arena and functional tasks. The goal of this study is to determine the role and contribution of field of mobile communication, and to assess activity and potential of mobile operators of the country with taking into account perspective base of their development. For this purpose, methods of historical analysis and comparison as well as statistical method were used in the work. Activity of operators of mobile communication (Azercell, Bakcell and Azerfon) was comparatively studied. Challenges and existing priorities of competition, the relevant conducted policies as well as future opportunities in this field and expected changes in prospective development of mobile operators were determined and evaluated.

Keywords: mobile operator, subscription, roaming service, international calls, strategy

1. Introduction

Mobile communication is a new area, and the first operators have been functioning in Baku since 1994. Mobile communication, which is a new and prospective field establishing links with foreign countries in the international arena, takes an active part in improving the gross domestic product of the country's economy.

Activity of three mobile operators in Azerbaijan, the country's position in the region, international recognition, trade relations with foreign countries, the role of mobile communications in the country's economy have been analysed extensively. The mobile operators in Azerbaijan reduce prices of certain companies and offer new services to the population. However, despite the work done in the country, the price of mobile communication is more expensive in comparison to other post-Soviet states.

The study of mobile network operators of Azerbaijan is a new field of research. The annual reports of the Ministry of Communications and Information Technologies of the Republic of Azerbaijan highlight this field at least in part; some data of the State Statistical Committee of the Republic of Azerbaijan have only been published only in papers. However, some research work in this field has been done by scholars and has been published in scientific articles. Especially, it can be seen in the scientific articles like "Tax Audit" by Baghirov, "Economy of Trade" by Feyzullabeyli, "Methods of Financial Management" by Karimov, "Regional development: Problems and Assumptions" by Nadirov. To achieve the goal, we have set our research work based on the scientific publication by Alisenskaya, Deynika, Proklin, Fomenko, Blank, Sheremet and other scientists. Taking advantage of the nature of the theoretical basis of the concept of scientific works of scholars, we conducted a comprehensive inspection.

2. Operators of mobile network in Azerbaijan and its comparative analysis

2.1. The established history of the mobile phone

In 1946, the idea of creating a mobile phone was put forward by the company AT & T Bell Laboratories. At that time, the company created the world's first radio telephone service. Installed in a vehicle to send the signal to the radio station and the ATS, it had the ability to make a call. However, this was done way too complicated. It also hampered negotiations with other sound waves. At the beginning of the 1960's, many companies thought it to be impossible to establish a brief telephone in air communication, that's why they refused to conduct research. However, AT & T Labes and Motorola reached success. The first call to the mobile phone was the beginning of a new era in the field of telecommunications. The height of this phone was 25 cm, width was 12 cm, thickness was 5 cm, and weight was 1 kg.

2.2. The role of mobile communications in the socio-economic life of Azerbaijan

In Azerbaijan, mobile communications is one of the rapidly-growing fields of the national economy. The country occupies one of the highest positions among post-soviet republics.

Table 1: Number of mobile phone subscriptions in Azerbaijan in the period from 2004 to 2013

| Mobile-cellular telephone subscriptions | | | | | | |
|-----------------------------------------|----------|---------|---------|----------|----------|----------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| 420400 | 730000 | 794200 | 1057100 | 1456523 | 2242 000 | 3323500 |
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 4519000 | 6548 000 | 7757120 | 9100113 | 10120105 | 10125200 | 10130102 |

Source: ITU. *Statistics*. [online]. [cit. 2014-05-22]. Available from: <<http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>>.

Table 2: Number of fixed-line phone subscriptions in Azerbaijan in the period from 2004 to 2013

| Fixed-telephone subscriptions | | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| 801200 | 864800 | 926000 | 941366 | 1013400 | 1094200 | 1176976 |
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1253300 | 1310500 | 1401100 | 1506585 | 1683876 | 1724004 | 1757855 |

Source: ITU. *Statistics*. [online]. [cit. 2014-05-22]. Available from: <<http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>>.

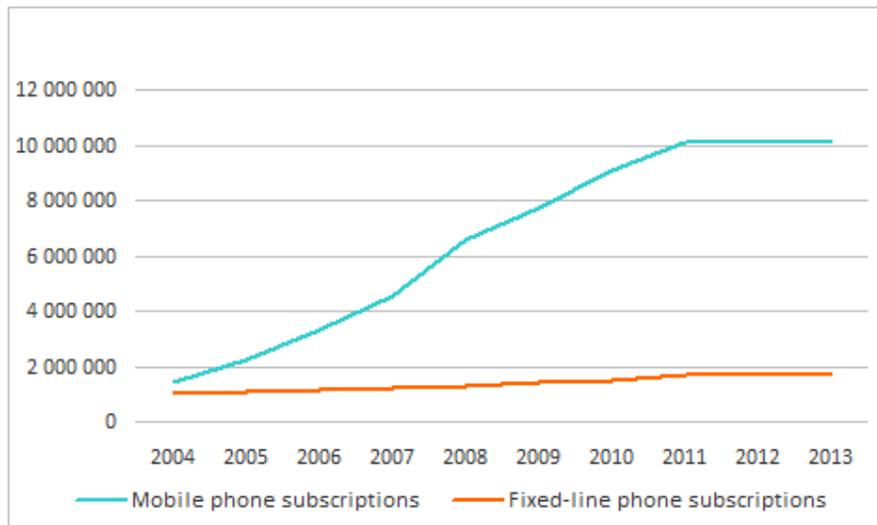


Figure 1. Number of mobile and fixed-line phone subscriptions in Azerbaijan

Source: ITU. *Statistics*. [online]. [cit. 2014-05-22]. Available from: <<http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>>.

As we can see from the tables and the figure above, both the number of mobile phone and fixed-line phone subscriptions has steadily been growing since 2004. However, the growth trends obviously demonstrate that the number of mobile phone subscriptions shows greater growth than the number of fixed-line phone subscriptions. Thus, in 2004, the total number of mobile phone subscriptions in Azerbaijan made up almost 1.5 million, while the same figure for fixed-line phone connections slightly exceeded 1 million. At the same time, in 2013, the number of mobile phone subscriptions in Azerbaijan exceeded 10 million, while the same figure for fixed-line phone connections was slightly more than 1.75 million. The overall growth of mobile phone subscriptions in the period from 2004 to 2013 made up approximately 700%, while the overall growth of fixed-line phone subscriptions amounted to approximately 75%. Therefore, the pace of growth of mobile phone subscriptions exceeded the same pace rate for fixed-line phone subscriptions almost tenfold.

The difference in the growth pace of mobile phone subscriptions and fixed-line phone subscriptions testifies the great prospects of mobile phone operators on the territory of Azerbaijan. The far larger coverage of the Azerbaijani territory with mobile connectivity allows mobile operators offering a far wider range of mobile services to customers, thus only promoting further development of the mobile communication sector in the country. Also, expansion of the geographical coverage of Azerbaijani mobile operators brings significant yield to the state and the customers who seek better satisfaction of services. However, despite the positive tendencies, it should also be mentioned that the growth rate of mobile phone subscriptions in the last two years significantly decreased. Thus, in 2012, mobile phone subscriptions overall grew by only 0,05% as compared with 2011, while in 2013, this figure grew by only 0,048% as compared with the previous year. The same figures for the same periods reached by fixed-line phone operators made up 2,38% and 1,96%, respectively. In our opinion, those trends testify that the market of mobile phone connection has already reached a high degree of saturation in the Republic of Azerbaijan, due to which its subsequent geographical and customer expansion is much complicated. At the same time, as fixed-line phone connectivity covers a far smaller range of customers; it has greater space for growth, especially taking into account the latest tendencies toward the reduction of operation and maintenance costs incurred by the Azerbaijani fixed-line phone operators.

Table 3: Number of mobile phone subscriptions per 100 inhabitants in Azerbaijan

| Mobile-cellular telephone subscriptions per 100 inhabitants | | | | | | |
|-------------------------------------------------------------|-------|-------|--------|--------|--------|--------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| 5,18 | 8,91 | 9,59 | 12,63 | 17,21 | 26,18 | 38,36 |
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 51,53 | 73,76 | 86,32 | 100,06 | 109,97 | 108,77 | 107,61 |

Source: ITU. *Statistics*. [online]. [cit. 2014-05-22]. Available from: <<http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>>.

Table 4: Number of fixed-line phone subscriptions per 100 inhabitants in Azerbaijan

| Fixed-telephone subscriptions per 100 inhabitants | | | | | | |
|---------------------------------------------------|-------|-------|-------|-------|-------|-------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| 9,87 | 10,55 | 11,18 | 11,25 | 11,97 | 12,78 | 13,58 |
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 14,29 | 14,76 | 15,59 | 16,57 | 18,30 | 18,52 | 18,67 |

Source: ITU. *Statistics*. [online]. [cit. 2014-05-22]. Available from: <<http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>>.

From the growth dynamics of mobile subscriptions in Azerbaijan per 100 inhabitants of the country it is seen nearly the same results as with the absolute growth dynamics. In the early 2000's, the number of mobile subscriptions per 100 inhabitants of Azerbaijan was considerably smaller than the number of fixed-line phone subscriptions per 100 inhabitants. This was mainly due to the narrow spreading of Internet connection in the country, and lack of quality mobile communication and telecommunications services provided by the local operators. Inhabitants of the country mostly preferred using fixed-line telephones which were more cost-efficient, and allowed reaching a far wider target audience. However, the situation drastically changed in 2004, when the number of mobile subscriptions per 100 inhabitants exceeded the number of fixed-line phone subscriptions per 100 inhabitants by 44%, which can be seen from the tables and chart above. In the subsequent years, the difference in growth dynamics of mobile phone and fixed-line phone subscriptions per 100 inhabitants of Azerbaijan was only further growing, and mobile operators left their fixed-line phone competitors behind by rapidly increasing the territorial coverage of provision of mobile services, increased the offer of services, and ensured a higher quality of connection. As of 2013, the number of mobile phone subscriptions per 100 inhabitants in Azerbaijan made up 107,61, while the same figure for fixed-line phone subscriptions amounted to only 18,67, i.e. the number of mobile phone subscriptions per 100 inhabitants was 476% higher than the number of fixed-line phone subscriptions per 100 inhabitants.

The data given above testify that, as of today, the total number of Azerbaijan's citizens using the services of mobile phone operators considerably exceeds the number of people using fixed-line phones in their everyday life. This can be explained by several main reasons. First of all, the development of information and Internet technologies in recent years has significantly helped increase the coverage of the Azerbaijani territory with various up-to-date connectivity opportunities different from fixed-line phones. Thanks to this, the citizens of Azerbaijan have an opportunity to speak freely at considerable distances, without being attached to their fixed-line phones. Next, the quality and range of the services offered by the Azerbaijani mobile phone operators has lately been rapidly growing, thanks to which the local operators were able to considerably expand their customer base. It is worth noting that operators on the Azerbaijani market have lately been trying to always introduce technical and technological innovations introduced in the Western countries for the purpose of maximizing the quality of services they offer on the domestic market. Thus, Azerbaijani consumers are gradually increasing the rate of use of mobile phones thanks to

the wide opportunities of communication and Internet connection offered by the Azerbaijani mobile phone operators. Finally, the prices for mobile phone operators' services have been significantly reduced in Azerbaijan in recent years thanks to the geographical expansion of the local operators' activities and the economies of scale reached by them. Thus, mobile talks are now much more accessible to the local population than before, and therefore people tend to use the services of local mobile phone operators for different purposes without spending any extraordinary amounts of funds.

Based on the latest trends in the Azerbaijani sector of telecommunications services, stable dynamics of mobile phone subscriptions should be expected, as the market is already significantly saturated as of today. Moreover, the growth rate of fixed-line phone subscriptions may even be higher than the one of mobile phone subscriptions due the former's low coverage of the Azerbaijani population. However, the expanded use of new technological achievements by the Azerbaijani mobile operators will allow maintaining their stable positions on the market, and will prevent people from opting toward fixed-line phones.

The mobile sector is rapidly developing new technologies, including the introduction of 3G and 4G services. There are 110 mobile phone users per 1,000 persons in Azerbaijan. The country's ICT sector and private sector development are closely supported.

2.3. Bakcell LTD

Bakcell LTD the first company to provide mobile services in the country since 1994. Bakcell made considerable investment in the development of its network a few years ago. Currently, Bakcell network encompasses more than 9/10 part of Azerbaijan's population and up to 85% of the country's territory. In order to provide high-speed internet outlet, its network is based completely on EDGE technology. To-day, it has more than 2,000 base stations and provides high-quality communication in remote areas, while the number of active subscribers of Bakcell is 2.5 million people.¹ Currently, the share of this company exceeds 35% of mobile market. Base stations of Bakcell are able to serve both 2G and 3G standards. Bakcell aims to develop and implement products for reaching the goals of active base.

In 2009, Bakcell was awarded "the Telecommunication Company of the Year" by the Caspian Integration Business Club. In March 2010, Bakcell won "The fastest growing companies" National award. In 2010, the company won the "Technological Leader of the Year" and the "Corporate Social Responsibility Leader of the Year" Azeri Business Award nominations. Bakcell is one of the Azerbaijani companies that invest most in care and support for children.

The strategy of Bakcell focuses on promotion of the mobile operator's services among corporate customers. Although Bakcell offers a wide range of services among all customer segments, its key priority has lately become the business-to-business segment. This is mostly due to the high competition from other major operators, and the company's lack of resources to overcome Azercell in the competition for market share expansion. Therefore, the new products developed and promoted by Bakcell on the market are mainly aimed for corporate customers, while the company continues maintaining its relations with individual customers, and offers standard services to them.

As of today, Bakcell's marketing strategy on the corporate segment includes several key directions followed by the company's management with an aim to become the largest mobile operator providing telecommunications and mobile communication services to Azerbaijani firms and corporations.

Bakcell aims to use a profound segmentation of the corporate market of mobile services for the purpose of providing individually crafted services to different companies.

In order to fulfil the needs of corporate customer to the largest extent possible, Bakcell actively promotes provision of Internet and Wi-Fi connection services in complex packages together with the services of mobile phone communication. Such complex packages also include the possibility of sending corporate newsletters to other corporate and individual mobile phone users for the purpose of advertising a particular company's products or services or simply informing its customers of any new offers or

¹Bakcell.History. [online]. [cit. 2014-05-28]. Available from: <<http://www.bakcell.com/en/company-history>>.

developments on the market. This is an important feature which allows Bakcell's corporate customers being more effective in the field of telecommunications and mobile communication.

Despite the fact that Bakcell largely focuses on the corporate segment of the telecommunications, the mobile operator has lately been actively undertaking measures in order to expand its customer base on the segment of individual clients. The company's strategy on this segment assumes cooperation with other companies from different spheres of the national economy for the purpose of reaching a high synergic effect when selling mobile communication services. Bakcell doesn't provide well differentiated mobile communication services to individuals due to the company's major focus on the corporate segment. Thus, the company doesn't have many different packages for different groups of customers (for instance, businessmen, young people, retirees), and doesn't provide any comprehensive tariff segregation of its customer packages. However, Bakcell tries to compensate this by running campaigns for mutually beneficial promotion of products together with some Azerbaijani banks and companies running their activities in other sectors of the national economy.

Thus, as of today, Bakcell has a joint promo action with the Azerbaijani bank Amrahbank, under which each of the bank's customers receiving a special debit card "Fankart" gets free minutes of communication for calls to all operators within Azerbaijan. This promo event is mainly aimed at employees and officers of the bank for the purpose of covering at once the corporate and the individual segments in the bank sector of mobile communication users.

Also, Bakcell currently runs a joint promo event with the Bank of Baku. Customers having contract communication within the network of Bakcell have an opportunity to receive loans from the Bank of Baku within short periods of times, without any delay in their provision, and with enhanced conditions of bank services provided for servicing such loans. Thanks to this, interest in Bakcell's services is raised among individual customers, as loans to individuals become far more popular among the Azerbaijani population.

Besides, Bakcell organizes joint promo events with different establishments for the purpose of attracting young people to the company's products. Thus, as of today, Bakcell has mutual discount policies with several key Azerbaijani stores selling cell phones and smartphones, with a network of cinemas, and so on. Finally, Bakcell holds some quite interesting promotional events such as free minutes to the fans of Manchester United for each of the team's victories in the Premier League.

As Bakcell has agreements with 256 operators in 153 countries, Bakcell subscribers can use roaming services for voice and SMS roaming in Europe, Asia, North and South America, Australia and Africa.

2.4. Azercell Telekom

Azercell Telekom was founded in 1996. Turkish "Turkcell Communication Services, Inc.» and the Ministry of Communications of the Republic of Azerbaijan were the primary founders of the company. Looking on the activity of Azercell, it is remarkable that two years later after its foundation, the post-paid subscription based on the mobile services was replaced with the pre-payment system.

The company established its quality management system in 2000, and the same year the system received the Certificate of Compliance with the International Standard ISO 9001. In 2003, the same standard on the company's quality system according to the updated version of the 2000, and in the beginning of 2004, it obtained ISO 9001:2000 certificate of conformity.²

Standard CIP within the company meets all the 12 criteria and Standard CIP in the world, working with more than 36,000 companies included in the list. Within the company's scope of activity, 99,7% of the population, 80% of the republic's territory (except Nagorno-Karabakh occupied by the Armenian armed forces) was included. In Azerbaijan, Azercell has 16 mobile switching centres (MSC), 13 major stations, controller (BSC), 2 spare subscriber database (HLR) and a 1,700-capacity main receiving station (BTS).

In 2012, around 1,000 new radio base stations were built, the number of customer service centres reached 54 (in 32 regions).

²Azercell Telekom. *About Company*. [online]. [cit. 2014-05-28]. Available from: <<http://www.azercell.com/ru/company/>>.

Azercell is the second largest taxpayer after the oil sector in the country. Throughout the course of its activities, the company paid more than U.S. \$ 780 million of taxes to the state budget and off-budget funds.

Being a largest mobile operator of Azerbaijan, Azercell is covering over 4/5 part of the Azerbaijani market of telecommunications and mobile communication services. Azercell is the leader also for the spatial coverage within the territory of Azerbaijan where it renders service for its customers. The company targets at once corporate and individual customers, and provides a wide range of services to all of them. The company also has different tariff levels applied to calls, messages and Internet services both on the domestic market and for roaming. Thanks to the great economies of scale reached by Azercell, the company is able to allocate its resources to different marketing campaigns and promotional activities, thus reaching a high degree of differentiation of the corporation's offers on the telecommunications and mobile communication market.

On the individual customer segment, Azercell offers over ten different tariff packages, including with their segregation for businessmen, students, old people, people using mobile services mainly for Internet connection purposes, people mostly calling abroad, etc. Moreover, the company offers four different bonus programs for its customers based on the time they spend on calls within the Azercell network or the time for which they have used the services of Azercell. Such loyalty programs are especially popular on the middle class segment which represents the majority of Azerbaijan's population, and help maintain the corporation's leading positions on the Azerbaijani telecommunications and mobile communication market.

As for marketing campaigns aimed for individual customers, the company has contracts with producers of smartphones such as Samsung and Huawei under which customers awarded with specific bonuses within bonus programs have an opportunity to receive the newest models of the aforementioned manufacturers' phones for free as a gift. Azercell's marketing differentiation on the corporate customer segment is significantly much less than on the segment of individual customers. There is only one preferential corporate tariff provided to corporate customers – "Corporate Region". This program can be used by companies having their network of offices and branches within a single administrative region of Azerbaijan, in which case they get significant discounts on all calls both within the Azercell network and to other operators' subscribers. Meanwhile, Azercell provides its corporate customers with an opportunity to purchase cell phones directly from it at reduced prices, which allows significantly sparing the funds of those companies where there is a need to provide many employees with mobile phone communication connection.

Otherwise, the company's offers to the corporate sector are relatively restrained and generally assume the same conditions for all corporations seeking provision of mobile communication services. However, thanks to the beneficial conditions offered by Azercell, the company's wide geographical coverage within the territory of Azerbaijan, and the quality of services offered by the mobile operator, Azercell still remains a major player on the corporate segment.

Azercell's specific feature on the Azerbaijani market of telecommunications and mobile communication is the non-standard services the company offers. Thus, as of today, such services include fixed GSM, bulk SMS (which is especially beneficial to corporate clients), M2M service, enhanced online banking capacities, and car fleet management by using GPS systems.

Azercell is able to maintain its leading positions both on the individual and corporate segments. However, the company's marketing strategy rather focuses on individual customers, while marketing efforts on the corporate segment remain considerably narrower.

2.5. Azerfon MMC

In 2007, Azerfon started working with the brand "Nar Mobile", and shortly, the company became a leader in the field of ICT. It should be mentioned that the trademark Nar was created as a symbol of commitment to the rich cultural heritage and modern life. The network of Azerfon encompasses more than 4/5 part of Azerbaijan. Currently, it has some 2 million subscribers.

Bakcell LTD, Azercell Telekom and Azerfon MMC offer cell (mobile) phone numbers in order to provide transportation services to the joint work carried out by the mobile operators, the number of legal normative documents adopted in connection with the introduction of the transport service, the equipment required for its activities, the centre of the base system and equipment, as well as the networks of mobile operators.

Azerfon (Nar Mobile) has begun to provide services based on 3G (third-generation) technology (video call, mobile TV, etc.).³ Nar Mobile's marketing strategy focuses to the largest extent on the individual customer sector of the Azerbaijani telecommunications and mobile communication sector, while the corporate sector is not widely covered by the company, and it rather remains beyond the scope of the mobile operator's key strategic priorities.⁴

When speaking of the individual corporate sector and its coverage by the services provided by Nar Mobile, it should first of all be mentioned that the company has a wide number of tariff packages offered to its individual customers. The packages offered by Nar Mobile on the market are well differentiated in terms of the prices for calls within the country and abroad, and are also diversified for calls within the network and to other mobile operators.

A particularly important detail in the marketing strategy of Nar Mobile is that the corporation's key customers are young people, and the company's marketing efforts launched on the market are mainly aimed for students or other young people. This can be seen from the tariff packages and bonus programs offered by Nar Mobile on the market.

Nar Mobile offers different special programs for young people such as various combinations of unlimited calls and cheap SMS or Internet connection, free calls at night, free calls within Nar Mobile's network between subscribers joining a single group (for instance, for friends or families), tariffs where fees are charged for each second of talk, and not for entire minutes, etc.

Nar Mobile reaches a great marketing effect on the Azerbaijani ICT sector due to the wide differentiation of its products for young people. This group of customers are mainly attracted by opportunity of making cheap calls to their friends with a wide choice of the time or communication method most suitable for them. The company introduces special tariffs for users of smartphones interested not only in mobile communication, but also in the connection to the Internet, and the aim was reached thanks to online connectivity.

However, despite the deep differentiation of services provided to individual customers, Nar Mobile's marketing campaigns launched in Azerbaijan aren't well differentiated, and in fact are much restrained by the company's resources available for allocation. For instance, as of today, Nar Mobile has one major marketing campaign aimed at attracting individual customers. The mobile operator offers an opportunity to get the second mobile phone number for free when purchasing a package, and talks between such two numbers can be done at very low prices.⁵

In regard to the corporate customer segment, marketing activities of this company are far less intensive. Thus, Nar Mobile doesn't provide any tariff differentiation to its corporate customers, and promo events are mainly limited to the possibility of sending newsletters, and reduced roaming prices for companies mainly focusing on foreign cooperation. In this connection, Nar Mobile's position in ICT sector of Azerbaijan remains not so strong, and in terms of relevant corporation, Nar Mobile's activities on this segment are not highly attractive.

Thus, overall, it can obviously be stated that Nar Mobile's marketing activities are mainly aimed at individual customers, where the company indeed runs effective marketing campaigns, while the segment of corporate customers is only seen as an addition to the corporation's main activities by Nar Mobile's management.

2.6. Comparative analysis of mobile phone operators

Mobile operators try to provide advanced services to subscribers. They always try to provide quality communication. Every operator of mobile social networks has a Facebook and Twitter account, and

³Nar Mobile. *History*. [online]. [cit. 2014-05-28]. Available from: <<http://narmobile.az/aboutus/aboutcompany/history/>>.

⁴Nar Mobile. *History*. [online]. [cit. 2014-05-28]. Available from: <<http://narmobile.az/aboutus/aboutcompany/history/>>.

⁵Nar Mobile. *History*. [online]. [cit. 2014-05-28]. Available from: <<http://narmobile.az/aboutus/aboutcompany/history/>>.

there are a lot of customers' questions answered here. However, there are very few who are interested in the services and prices of mobile operators, always new services of the campaign. However, it is proven that the mobile operator pages on social networks. Many people in connection with any order of service, shift from one tariff to another tariff, any specific service activation / deactivation, they try to learn the terms of a new campaign in social networks as well as customer services and telephone centres.⁶

In Azerbaijan in 2012, mobile phone operators carried out a comparative analysis with other countries, we call mobile phone, domestic prices calculated in U.S. dollars in the general survey carried out separately for each country.

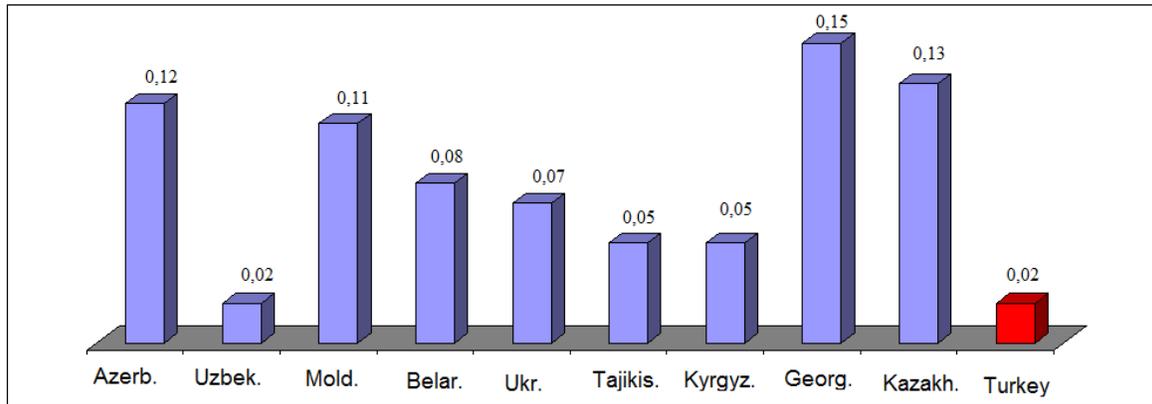


Figure 2. Domestic price of mobile telephone conversation, in U.S. dollars

Source: Azadliq. *Fire in the price of mobile services*. [online]. [cit. 2014-05-28]. Available from: <<http://www.azadliq.info/qtisadiyyat/299-qtsadiyyat/27933-azerbaycanda-mobil-xidmet.html>>.

It should be noted that this study is carried out in the analysis of the mobile operator of Azerbaijan and Turkey to the above diagram, we have added to the conversation in the domestic mobile phone. In this connection, it is seen that the price of a minute of talk on the mobile phone in Turkey is cheaper than in Azerbaijan.

The price per minute of mobile phone talk for a minute about 0,12 in the case of U.S. dollars, we would be closer to the political and economic situation in the former Soviet states of Uzbekistan is \$ 0.02, in Moldova is \$ 0.11, in Belarus is \$ 0.08, in Ukraine is \$ 0.07, in Tajikistan and Kyrgyzstan is \$ 0.05, In Georgia is \$ 0.15, in Kazakhstan is \$ 0.13. If we look at the diagram, we can see that the highest rates of mobile phone conversation is in Georgia, Azerbaijan, Kazakhstan, and Moldova but the cheapest is in the Central Asian states, Uzbekistan, Tajikistan and Kyrgyzstan.

The results of research of mobile communications market show that, due to high rate of mobile phone in 2012, a one-minute call would cost about 12 cents. However, the prices of mobile operators differ significantly from each other. Thus, the mobile operators currently operating in the country prefer the company in the market if the share of the lowest tariffs for subscribers of Nar is applied. However, there are still some problems in services provided by the mobile operators to customers.

For example, each of the three mobile operators operating in Azerbaijan –Azercell, Bakcell and Azerfon only operator offers discounts for local calls. Calling to another operator is much more expensive for the customer. Due to this, most citizens are forced to use numbers in each of the three operators. This means additional costs for citizens.

Taking into account the roaming services and international calls glancing at the prices specified in the tariffs, we can see that it is more expensive. For example, Azercell uses the services of the operator's roaming customers for the calls at \$ 1.80, to \$ 2.05 in Russia, Georgia, Iran, and the fee was \$ 0.65.

⁶Texnopress.Home. [online]. [cit. 2014-05-28]. Available from:<<http://www.texnopress.com/mobil-rabite-istifadecilerimizin-ve-mobil-operatorlar-haqqinda.html>>.

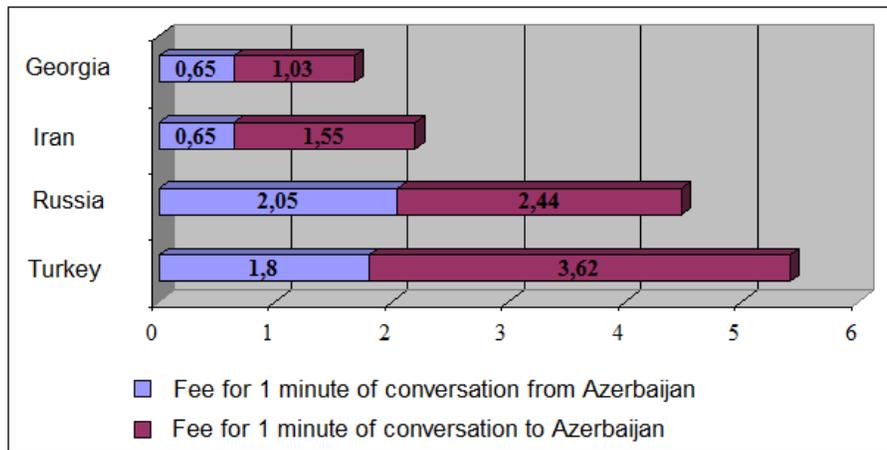


Figure 3. Roaming services and international calls in Azercell - specific rates, in U.S. dollars

Source: Azadliq. Countries and prices. [online]. [cit. 2014-05-28]. Available from:

<http://www.azercell.com/en/personal/roaming/roaming_prepaid/roaming_countries_prepaid/#.VCq1m_1_v1g>.

The cost of calls from Turkey to Azerbaijan is \$ 3.62 per minute, from Russia is \$ 2.44, from Iran is \$ 1.55 but from Georgia is \$ 1.03. Every minute of local calls to other countries, according to the company's subscribers, costs \$ 2.05 to \$ 2.30, depending on the country's fee for the calls.⁷

Bakcell customers are required to pay U.S. \$ 0.47-0.64 per minute to call to international numbers. If you are a rich former Soviet Union and the Baltic countries amounted to \$ 0.47 per minute, to \$ 0.55 Turkey and Iran, Europe, America and other countries, to \$ 0.65. Bakcell subscriber roaming cost \$ 2.30 to \$ 6.55 per minute of talk depending on the country.

In Azerfon, international calls cost just as in Bakcell. According to the minutes of call, depending on the country, the subscriber is required to pay U.S. \$ 0.47-0.64. While roaming service connection for outgoing calls depending on the country is from \$ 1.60 to \$ 4.5, for incoming calls is from \$ 0.65 to \$ 2.80, but for SMS messages is from \$ 0.32 to \$ 1.28.

Despite the global financial and economic crisis, communication services for mobile operators around the world are increasing their income. According to the statistical report of the Organization for Economic Cooperation and Development, the greatest income from mobile communication in the world is reached by the U.S., Canada, and Spain. According to the report, although prices for mobile phones become cheaper, services are becoming increasingly popular.

However, there is a huge difference between the prices for mobile communication services in different countries. These services in Europe are considerably cheaper than in the U.S. and Canada. In particular, users in Denmark, Finland and Sweden make minimum payments for mobile communication. However, these countries do not hurry to give users a complete in-patient communication. According to estimates, each mobile phone user accepts on the average 780 calls, 400 SMS and 8 MMS per month.

The term of the contract signed by the customer, operator of Europe's leading countries in this period of time, usually doesn't exceed 2 years. According to the agreement, the customer must use the services of the same operator. As for tariffs, for example, in Germany, paying 22-29 euros per month allows getting unlimited calls to all destinations. In this case, several tariff packages are offered, according to the web traffic and SMS as well as other operators connected calls. Even the customer with his choice can get free calls with one of the other operators.

There are 4 mobile operators in Germany and in all areas in this country. In the case of calls to foreign countries, the price makes up about 50 cents per minute, but there are special discounts for European countries and Turkey. However, if the customer does not want to sign a two year contract with

⁷Azadliq. Countries and prices. [online]. [cit. 2014-05-28]. Available from:

<http://www.azercell.com/en/personal/roaming/roaming_prepaid/roaming_countries_prepaid/#.VCq1m_1_v1g>

any mobile operator, very cheap rates will be used in this case. A total of 5 cents per minute will be charged for a call. And 19 cents per minute will be charged for calls to other countries. Roaming services are provided to those who do not pay for incoming calls.

The United States is one of the countries in the world that provide the cheapest mobile telecommunications services, and domestic and international calls are charged according at minor rates. Most operators offer unlimited calls in exchange for a few dollars per month. The price of international calls, depending on the package of your choice can be arranged at 1 cent per minute. Sometimes, in accordance with the customer's choice, local calls are free-of-charge, but international calls are a bit more expensive.

3. Conclusion

Thus, in Azerbaijan, operating in the domestic and international calls and SMS service (by all three operators) is much more expensive compared to other countries and analogical services rendered there. In the meantime, the mobile operators are different for their activities. Concerning Azercell as the largest operator, considerable segregation does not exist for different customers in terms of company's priority and attractiveness. Azercell holds the greatest share in ICT sector of Azerbaijan, and has the required financial and human resources in order to be able to target different segments of customers. The company pursues its goals at different segments of customers, and allocates significant amounts of funds to finance its activity. The mobile operator rather relies upon the quality of its services offered on the market, and the scope of geographical coverage in the country. Meanwhile, Azercell's marketing campaigns run on the individual customer segment are differentiated at higher extent. The company not only offers different tariff programs and individual packages to its customers, but also runs various promo events for the purpose of attracting new clients and raising the interest and loyalty of the previous customers.

Bakcell differs from Azercell in that it considerably makes emphasis on the corporate segment of the Azerbaijani ICT, and targets corporate in its activity. In this regards, the company offers different tariff plans and product packages to corporate customers. Meanwhile, Bakcell is continuously organizing various promotional events and campaigns with the purpose of enlarging its segment of corporate customers. Thanks to such emphasis, the company doesn't conduct any massive marketing campaigns or events aimed at the individual customer segment. Relevant promotional activities of Bakcell have been very successful in recent years.

As for Nar Mobile, it differs from Azercell and Bakcell due to the fact that it targets the individual customer segment telecommunications and mobile communication market of the country. Nar Mobile largely relies on interest of young people in Azerbaijan. Activities of Nar Mobile on the corporate segment are the weakest compared to other two operators, and in reality limited to basic packages offered to all companies on the same terms. The company differs from its competitors also in that it stresses on the need to provide young people with permanent online connectivity and the ability to reach each other at the lowest price in the market of communication. Due to such functioning, Nar Mobile has strong bases for further achievements positions although for existing potential it is still lagging behind Azercell and Bakcell.

It is worth noting that only Nar Mobile has comprehensive product differentiation within its target segment: the company mainly focuses on the needs and wants of young people, at the same time considering other customers as secondary in its operational activities. In the case of Azercell and Bakcell, they also have their target market segments, but fail to further comprehensively differentiate them for the purposes. Azercell simply covers all ranges of customers, while Bakcell tends to provide the same services to all companies, regardless of their target industry, and so on. This testifies that the companies prefer using their competitive advantages currently available in order to maintain their shares in sector of communication, while their strategies of functioning are far from being perfect.

Another important aspect in the activities of the three Azerbaijani operators is that they do not have any large-scale strategic programs for retirees or people interested in calls abroad. Retirees may become an important segment, and therefore, as we think, they should be targeted by the Azerbaijani mobile operators. The roaming functions offered mainly assume the same tariff grids, without any special promo events or bonuses. This is a major drawback of the Azercell, Bakcell and Nar Mobile. As a conclusion,

tariffs for conversation, as we think, should be more realistic and not more expensive in the future. Regarding the all three mobile operators, it is remarkable that more successful functioning within Azerbaijan and on international scale necessitates the implementation of more improved large-scale strategic programs in the condition of fair competition as well.

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