Fact Sheet
Tanzania IT-Vendor Survey[1]

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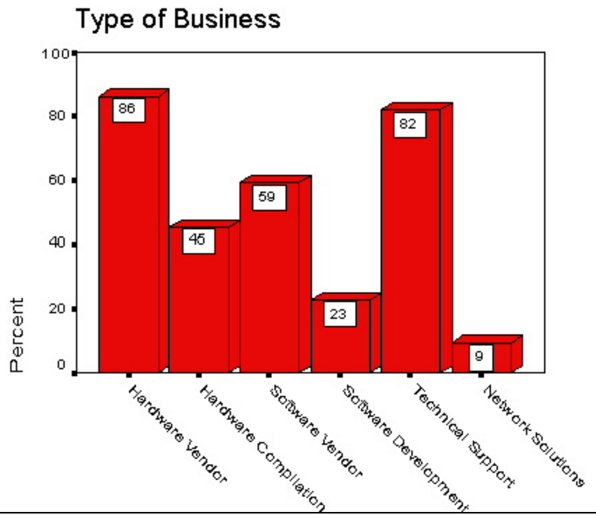
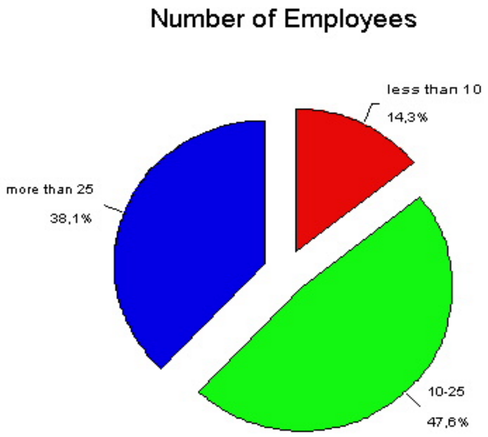
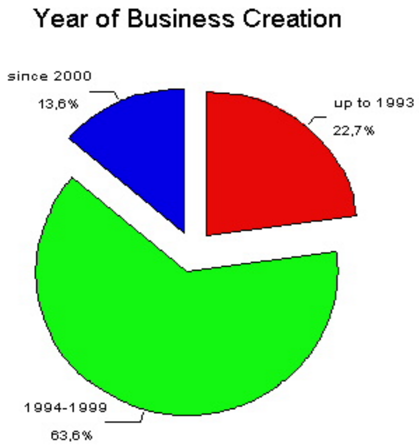
UNDP Tanzania, the Dar es Salaam Institute of Technology (DIT) and the Institute of African Affairs (Hamburg) have conducted a joint online survey focusing on the IT-Vendor sector in Tanzania. The questionnaire was sent to 60 recipients. 22 completed survey forms were submitted which is a fairly good returning rate of almost 37 percent. Although the survey cannot claim to be representative, due to the small size of the sample, it does reflect strong tendencies and offers some valuable facts about the IT-Vendor environment in Tanzania. The basic figures of the survey and some additional comments are given below.



Most IT-Vendors offer ready-to-use hard- and software equipment and the respective technical support. Value added services like software development and network solutions are immature and mainly provided by companies that have developed a distinctive business profile in the field. With regard to network solutions, the majority of providers are not IT-vendors and, hence, neglected in this survey.





Almost half of the vendors are small businesses (10-25 employees), 14,3% have even less than ten employees. The segment of more than 25 employees is headed by two mavericks (150 and 94 employees), whereas the largest part in this segment is between 26 and 40 and can, thus, be characterised as medium businesses.

The majority of companies were created in a period that coincides with the beginning of the telecommunication sector reform in 1993 and the arrival of the Internet in 1996 – the main boost for the sector. The 22,7% of companies that existed prior to 1993 indicate that the ban on computers had never been strictly executed. Business creations since 2000, a phase of considerable catching up in IT utilization in Tanzania, have decreased and point towards a hardware saturation point in the *served* market segments.

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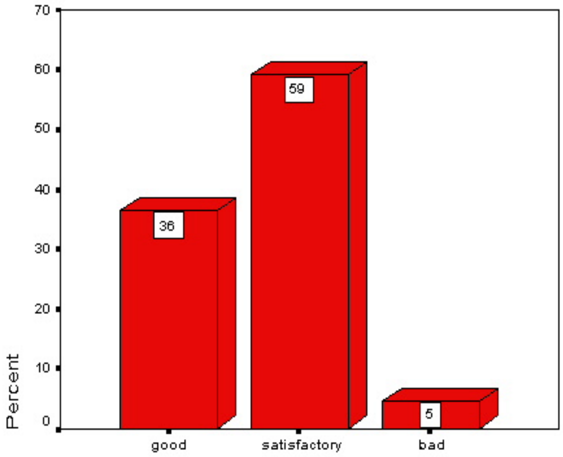
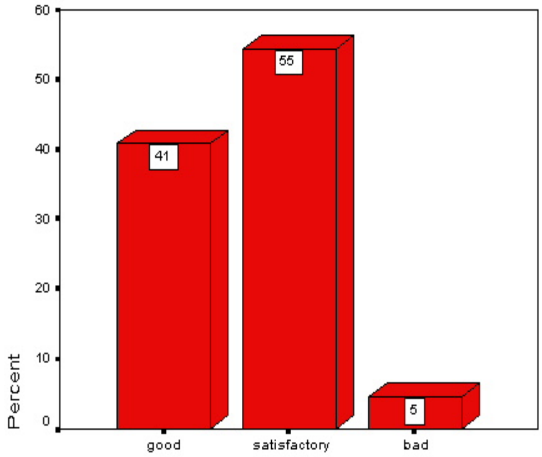
[1] This fact sheet is part of the ongoing research project 'ICT for Development: The Case of Tanzania' conducted at the Institute of African Affairs, Hamburg, and financed by the Fritz Thyssen Foundation, Cologne.
The fact sheet aims to provide some preliminary results of work still in progress. Hence, comments are welcome and can be sent to nielinger@duei.de.

General IT Business Climate

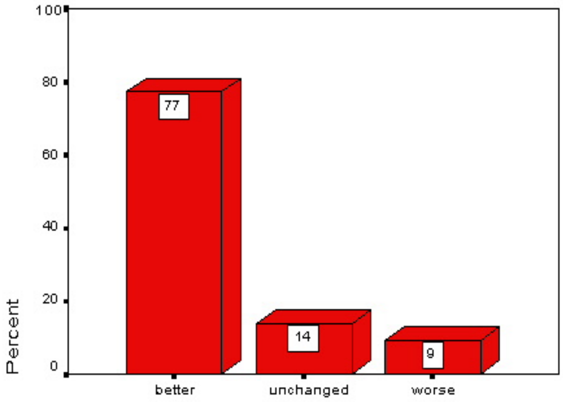


Assessment of own Business Performance



Expected Business Performance

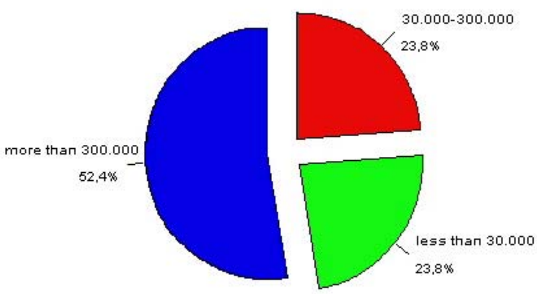
(next 6 months)



The three figures mirror the good business climate and high expectations in the market. The great majority of the surveyed businesses value the general climate and their own business performance/expectations good or satisfactory. The almost identical charts 'Climate' and 'Performance' might reflect that the general sectoral assessment depends significantly on the individual performance of each company. This is clearly in contrast to the expectation chart, where almost 80% of the vendors expect better performances for the next six months. Although some responses might have been submitted as desired or expected responses, the overall bar distributions suggest an evident good or satisfactory business environment.

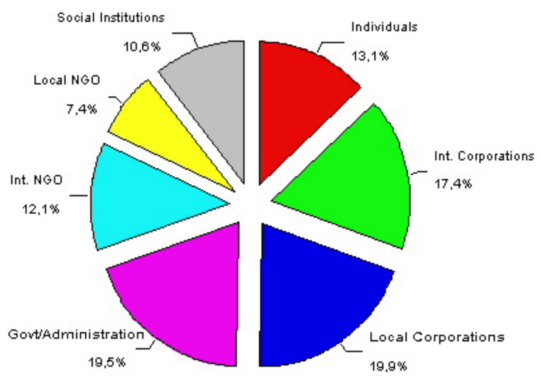
Annual Turnover

(in Mio. TSh.)



Almost 48% of the surveyed vendors have an annual turnover of less than 300.000 US$ (1US$ = roughly 1.000 TSh.) Hence, half of the business takes place in the small and medium segment. The other half has a turnover of more than 300.000 US$. This considerably coincides with employment figures given above. In sum, the bigger companies perform and assess their business expectations slightly better.

Customer Basis



The customer basis is noticeably evenly distributed. If pooled into main sectors, the business sector takes the lead (37,3%), followed by the public and NGO sector (both 19,5%). Noteworthy is that the segments of local customers ('Local Corporations' (19,9%) and 'Govt./ Administration' (19,5%) present the highest values in the chart.

Note: The customer basis is measured as the contribution of each customer segment to the company's annual turnover, regardless of the size of the company. Thus, the chart reflects the ratios of the respective customers but not the actual volume.

Some Implications

- Small and medium local companies dominate the vendor market. They offer ample evidence that sustainable business can develop in a good market environment.
- The vendor market is heavily DSM biased. Though DSM still offers some growth opportunities, most vendors will need to diversify, either expand locally, i.e. into unserved market segments / upcountry, or move into value-added services and new products.
- The vendor market is hardware-biased. Only two companies in the survey focus almost exclusively on software development. If tailored solutions are targeted, the software market will have considerable potentials.
- Some market consolidation seems inevitable – there are currently too many suppliers in only one market segment.
- The fair distribution of IT-users and utilization points towards business opportunities in different market segments. This is risk-reducing, because it avoids dependency on just one user group, and it provides a good starting point for diversified growth strategies.
- The main business obstacles come from cross-sectoral issues like bureaucracy or red tape. Sector-specific obstacles appear with respect to import procedures, the tax regime or a lack of qualified staff.
- The major impetus for the vendors has been the telecommunication sector reform and the arrival of the Internet. Good policies and an adequate promotion of the technology have served the business segment and offer good business opportunities in the future.