

Move away from just voice: African mobile markets gearing for internet

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Introduction

- ❖ Study based on quarterly assessment of prepaid mobile voice prices
- ❖ Explores new pricing strategies and impact on market and end users
- ❖ Research is based on supply side data on tariffs and financial data from operators
- ❖ South African case is used as a case study to assess impact of regulatory interventions and new pricing strategies on financial performance
- ❖ Policy recommendations on how to monitor bundled prices

Methodology

African Prepaid Voice Mobile Index

- ❖ Quarterly collection of mobile prepaid voice tariffs in 43 African countries from all operators
- ❖ Identification of bundled prices offered by African operators
- ❖ Application of OECD (2010) mobile voice pricing methodology
- ❖ Focus on South African market-new regulation, records of financial performance

OECD (2010) Mobile Basket Methodology - Expanded

40 calls/60 SMS prepaid monthly

- ▶ **Pricing products for baskets of minutes and SMS**
- ▶ **All mobile operators**
- ▶ **Cheapest products for country comparison**

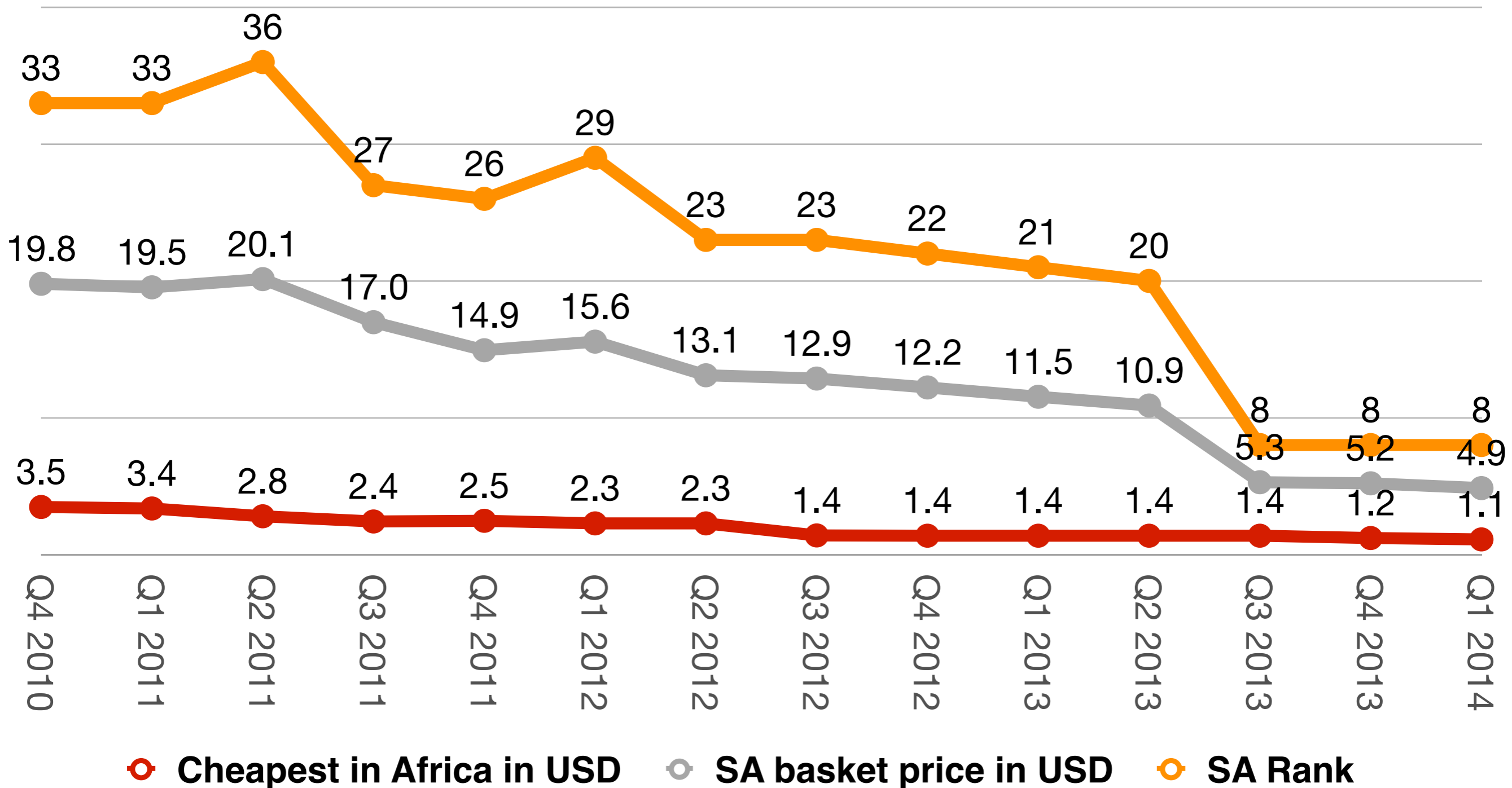
Main findings

- Introduction of bundles in 8 African countries
- Most of the new bundles more expensive than cheapest products
- Cameroon, Tanzania and Namibia new bundles result in the cheapest prepaid product based on the OECD basket measure
- South Africa's bundle is 18.9 times more expensive than cheapest product in country

Selected New bundles in African countries					
Country	Operator	Product name	Bundle type	OECD basket price (USD)	Cheapest product in the country (USD)
Angola	Movicel	Movicel 2500	Voice, SMS, Data	25.68	19.84
Egypt	Vodafone Egypt	Vodafone Elsanawy	Voice	6.94	2.77
Cameroon	Orange Cameroon	Plenty Fun 100	Voice and SMS	8.4	8.4
Kenya	Airtel Kenya	Tosha 30	Voice and SMS	2.39	1.47
Tanzania	Airtel Tanzania	Yatosha weekly	Voice, SMS, Data	6.4	6.4
Namibia	Telecom Mobile (ex Leo)	TN Mobile 20	Voice, SMS, Data	8.05	8.05
Nigeria	Glo Mobile	Talk Free	Voice and SMS	6.12	4.49
South Africa	MTN SA	Sky Super	Voice, SMS, Data	91.98	4.85

Highlights in SA market

Ranking and cost of cheapest prepaid mobile product available in South Africa and Africa for OECD 40 calls/60 SMSs basket



New bundle offerings

INFINITY PREPAID VOUCHER BENEFITS

- 1 Unlimited calls to any local network
- 2 1000 FREE SMSs
- 3 1GB (1024MB) Data

Cell C

[tell me more](#)

Infinity Prepaid Voucher Deals

Product options

Additional Information

Device may differ from image shown but capacity will remain the same. In order to experience Cell C's HSPA+ network you need to use an HSPA+ UMTS 900MHZ device.



New bundle offerings - Cont.

MTN Sky Prepaid Bundles



MTN SKY bundles

If you like to live life to the full, MTN Sky bundles are just right for you. This great offer brings you unlimited all-net calling, unlimited all-net SMS as well as capped and *uncapped data. This means that you can call and SMS anyone, on any network in South Africa, at any time. MTN Sky bundles offer you the freedom and convenience of an unlimited life while giving you the control of prepaid.

Here are the bundles on offer to you to begin your unlimited adventure:

Take your pick and explore the unlimited life

MTN SA

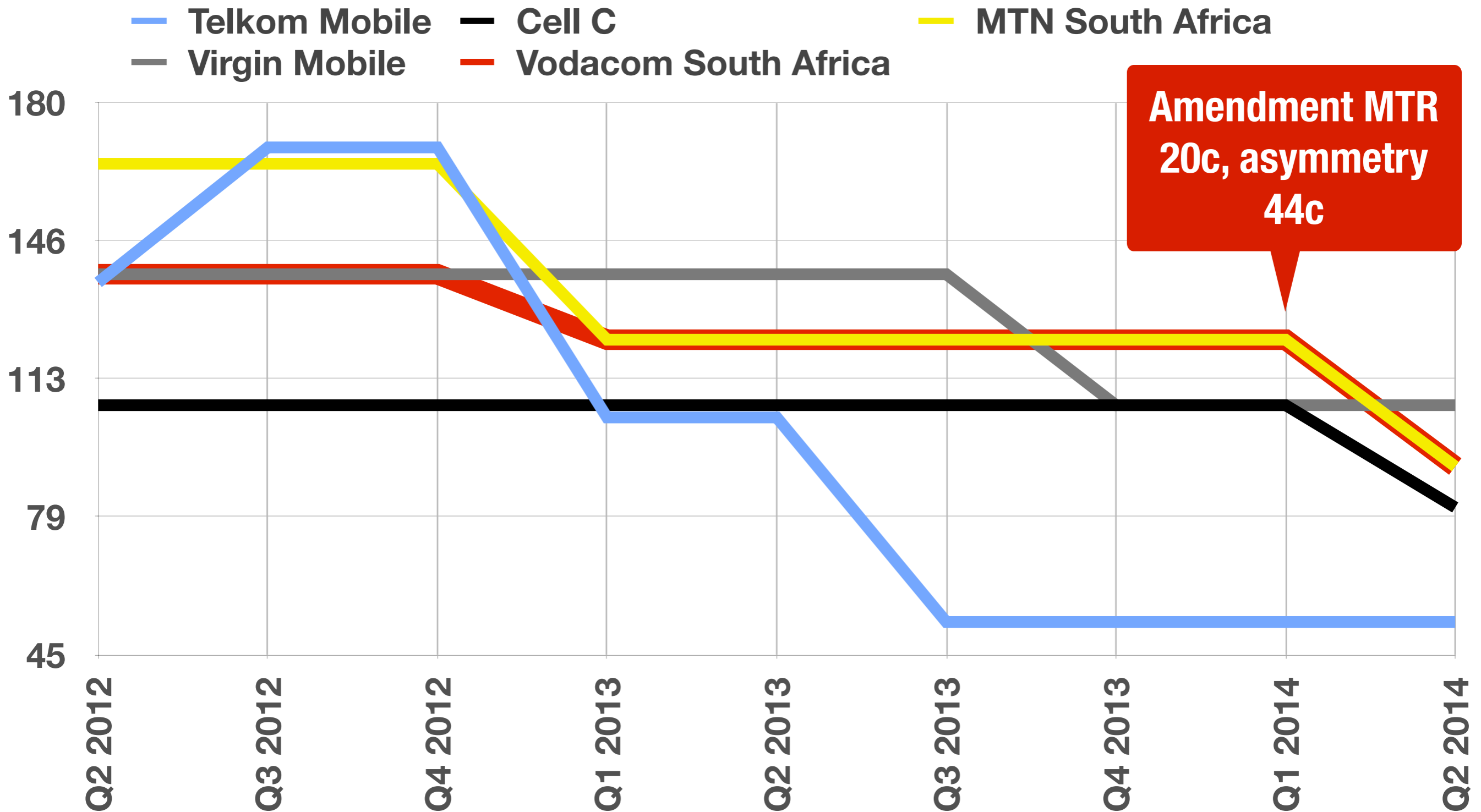
MTN Sky bundle	Price	Capped/Uncapped Internet	Validity	Offer
MTN Sky Ultimate (Uncapped)	R1799	Uncapped (*5GB)	30 days	Permanent
MTN Sky Super (Uncapped)	R999	Uncapped (*3GB)	15 days	Permanent
MTN Sky Super (1GB)	R999	Capped (1GB)	30 days	Limited time offer!
MTN Sky Absolute (2G)	R599	Capped (2GB)	7 days	Permanent

*Fair Use Policy will apply: Internet speed will be throttled once the maximum data usage of 5GB/3GB has been reached.

Vodacom introduced bundles on contract only

Highlights in SA market - Cont.

Cost of cheapest prepaid mobile product for OECD 40 calls/60 SMSs basket by operators in ZAR



Financial Performance

MTN SA

For FY ending December 2013

		2010	2011	2012	2013
CAPEX	Total (ZARmillion)	3,908	4,105	6,416	5,835
	% of revenue	10.9%	10.6%	15.5%	14.7%
	per subscriber (ZAR)	208	186	253	227
Revenue (Rm)	Total	35,822	38,597	41,349	39,708
	Voice (outgoing)				19,327
	Voice (incoming)				3,698
	Data	3,638	4,646	6,409	8,822
	SMS	2,490	2,641	4,176	2,477
	Devices				4,902
	Other				481
	(ZARm)	12,188	13,591	14,476	13,425
EBITDA	Margin	34.1%	35.2%	35.2%	33.8%
	EBITDA / subscribers (ZAR)	648.3	616.8	569.9	

Vodacom SA

Quarterly update December 2013

		Dec 2013	Sep 2013	Dec 2012	Yoy % change
Revenue ZAR(million)	Mobile contract	5,336			-0.1
	Mobile prepaid	5,444			6.8
	Mobile intercon	999			-24.1
	Equipment	3,562			26.9
	of which mobile voice	7,296			-3.7
	of which mobile messaging	650			-16.3
	of which mobile data	2,967			31.2

Financial Performance

Telkom Mobile

Cell C

Quarterly update December 2013

		Sept 2012	Sept 2013
Active subscribers (thousand)	All	1,495.1	1,598.2
	Prepaid	1,122	1,283.6
	Postpaid	373.1	314.6
ARPU	Blended (R)	67.16	58.8
	Prepaid (R)	23.12	28.8
	Postpaid (R)	164.68	156.6
Revenue	Mobile voice & subscription	282	225
	Mobile interconnection	37	33
	Data	202	303
	Mobile handset sales	75	365
	Total operating revenue	596	926

- Subscriber base: +35% (Yoy end 2013)
- +3.5 customers
- Total revenues: +14% (Yoy end 2013)
- driven by prepaid customers: +40%
- prepaid customers spent: +31%
- Broadband subscribers: +55%

Final remarks

- ▶ Regulated MTR in S.A. market played a role in price reductions for the mobile voice prepaid market
- ▶ Vertically integrated operators now moving to focus on data while maintaining traditional sources of revenue
- ▶ Bundles launched as beneficial to consumers yet they are complex and not easily affordable
- ▶ Difficult to determine actual value of services in bundle

Policy recommendations

- ▶ To monitor cost of communication, new price baskets need to be developed - capturing voice, SMS and data prices
- ▶ Need for additional financial indicators
 - **Prepaid and postpaid Data and voice/ SMS ARPU + prepaid and postpaid MoU and traffic data**