

Shift from just-voice services: African markets gearing for internet

Voice and SMS revenues have been eroded by the increasing use of IP-based services such as instant messaging and voice over IP (VoIP). African operators have reacted to this change in the telecommunications market by providing bundling voice, SMS and data services. In South Africa, only MTN and Cell C have introduced prepaid bundled services. Such bundles however are not cheap. With the new mobile termination rate glide path only effective from the end of March 2014, and the implementation delayed by a legal challenge from operators, the effects of the enforcement of the new termination rates are not evident in the market yet. Even so, with increasingly small margins from voice mobile operators have already turned their focus towards data where pricing appears more competitive and is based on bundles.

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New price strategies based on bundles

Across an increasing number of African markets, mobile operators are offering bundles of voice, SMS and data services. These tariffs seek to retain voice customers while trying to move users towards data and increase data use.

MTN and Cell C introduced expensive bundles

In South Africa, only MTN and Cell C have introduced blended prepaid bundles. Discounts and bundles often require upfront payments or volume purchases that are beyond the means of many South Africans.

There is little evidence showing a voice price reduction after enforcement of new revised MTR

After the enforcement of the amended MTR regulation, only MTN reduced its prepaid voice tariffs to R0.79, which is higher than the cheapest tariff in the country offered by Telkom mobile at R0.29 on-net and R0.75 off-net.

Voice and SMS revenue contraction re-balanced by sharp increase in data revenue

Although voice and SMS revenues are still the primary revenue streams for mobile operators, they decreased in 2013 in opposition to data and equipment revenues that are making up an increasing share of revenue.

New financial indicators required to assess cost to communicate

With individualised discounts, dynamic pricing and bundling ICASA would need to collect quarterly indicators of segmented Average Revenue Per User (ARPU) and a monthly average minutes and data of use in order to assess changes in the cost of communication.

Introduction

As competition in the mobile market increases, mobile operators are developing new pricing strategies both to reduce churn, by locking in users who might decide to migrate to cheaper operators, and to stop the erosion of voice and SMS revenues by voice over IP (VoIP) as well as instant messaging platforms such as WhatsApp, BBM and social media. These new pricing strategies include dynamic tariffs, one-to-one pricing, private pricing, time-based pricing and bundles of voice, SMS and data services.

Mobile network operators need to retain customers in an increasingly competitive market, where price sensitive users are likely to move to the cheaper operator providing the services they require and where Over-The-Top players offer VoIP and instant messaging services which are replacing traditional voice and SMS services. They have had to adapt to the growing use of internet capable phones which have stimulated demand for cheap data options, in addition to their voice and SMS options.

In South Africa, the new reduction of the charge mobile op-

erators charge each other to connect to each other's network prompted MTN to reduce per second voice prices from R1.20 to R0.79 all-net, all-time. Despite the fanfare, this is higher than the cheapest offer by Telkom Mobile: 'Sim SONKE'. In addition, only Cell C and MTN launched bundle tariffs which are too expensive for the low-income bracket of the South African population.

New mobile pricing strategies

In the quarterly review of prepaid mobile voice tariffs in 40 countries, Research ICT Africa has found that mobile network operators are moving towards bundled prepaid packages. Bundled prepaid packages are being offered in Angola, Cameroon, Egypt, Tanzania, Namibia, Uganda, Ethiopia and South Africa. In brief, the bundles are set at a particular value and what the customer gets is a number of minutes for voice calls, either on-net or off-net or both, a number of SMSs and an allocation of data. The bundle may consist of all three services (i.e. voice, SMS and data) or may only be for voice calls at peak, off-peak or off-off-peak times to specified networks.

The bundles are either daily - expiring by midnight of the same day a user acquires it - or valued for 24 hours, weekly or monthly. One can pay a price for unlimited or limited voice, SMS and data. In some cases the bundles can be valid for three days or specific hours of the day.

The new bundling approach makes it complex to monitor changes in mobile tariffs. With bundled services it becomes very complex to determine the cheapest voice or data tariff. In order to assess the impact of rate reductions on end-user prices in this dynamic price environment, ICASA needs to have monthly voice and data traffic as well as average revenue per user (ARPU) data from operators.

Time-based pricing strategy

Time-based pricing strategies may be understood from the perspective of dynamic pricing¹. Dynamic pricing strategies focus on optimising mobile network traffic in particular areas and at specific times of the day and, therefore, on finding the best price for a particular service based on a number of factors to cater for the dynamic demands in the market. Network operators attempt to regulate users' demands in order to optimise network resources. For example, the offering of cheaper or free calls at off-peak times is a way to use spare capacity resources while at the same time may be a retention strategy for users that would migrate towards cheaper operators. On the other hand, where higher tariffs are imposed during peak times, this may be a method of controlling network congestion, call admission and resource management. Criticisms of this price strategy attack the complexity associated with determining discounts and therefore, in difficulties to attain a percentage that allows them a substantial discount.

Bundled pricing strategy

In order to retain customers and to compensate for the erosion of traditional revenues by IP-based services such as VoIP and instant messaging, mobile operators need to provide reliable and affordable services in terms of data, whilst at the same time maintaining their traditional services of voice and SMS. To cater for this, a growing number of mobile network operators across Africa have adopted a bundled pricing approach. Offering two or more different products together as a single package is known as bundling. In the bundling of products the assumption is that when a customer is offered a choice of one product or two products bundled together, the customers will purchase the bundled product as long as they perceive to get more value out of the purchase of the bundle than buying only one product. The bundling strategy is seen as beneficial to producers when the goods offered in a mixed bundle are perceived by the customer to have a higher value.

New bundles across African markets

In the instance of the African market, bundle-based strategies

appear to have the purpose of retaining customers on one network by tying them in with one good value product, or good value bundle, and to prevent them using multiple network providers in order to get the best of either voice, SMS or data packages. Bundling prices primarily involve flat tariffs. Alternatively, bundles can be added to any tariff. When the bundle runs out, users have the option either to renew or carry on without bundle rates. Bundling of certain services may be seen as providing a service that is not in demand yet but is assumed will be in demand in future. In this instance, operators push customers into the data market, for example, by exposing the customer to this new service that is part of the bundle.

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	Mobinil	Kalamngy All Day long	Voice SmS	13.01	2.77
	Etisalat	Get Smart Tariff	Voice and Data	6.94	
	Vodafone Egypt	Vodafone Elsanawy	Voice	6.94	
Cameroon	Orange Cameroon	Plenty Fun 100	Voice and SMS	8.40	8.40
Kenya	Orange Kenya	Holla	Voice and SMS	3.52	1.47
	Yu Kenya	Ongea Mob Jioni pack	Voice	5.37	
	Airtel Kenya	Tosha 30	Voice and SMS	2.39	
Tanzania	Airtel Tanzania	Yatosha weekly	Voice, SMS, Data	6.40	6.40
		Yatosha Noma weekly Onnet flow	Voice, SMS, Data	6.40	
	Benson	Monthly Bundle	Voice and SMS	10.82	
	Tigo	Tigo Weekly package	Voice, SMS, Data	6.41	
	Vodafone Tanzania	Cheka Bombastik	Voice, SMS, Data	9.60	
	Zanzibar Telecom Limited	EPIQ 600	Voice and SMS	19.19	

¹ In order to simplify the complexity of dynamic prices and due to a dearth of publicly available data on MoU and ARPU, RIA has made some assumptions to calculate the value of dynamic pricing: on-net prices are calculated at 40% discount during peak times, 50% discount during off-peak time and 60% discount during off-off-peak time for on-net calls. For off-net calls RIA assumes a 10% discount.

Country	Operator	Product name	Bundle type	OECD basket price (USD)	Cheapest product in the country (USD)
Namibia	Telecom Mobile (ex Leo)	TN Mobile 20	Voice, SMS, Data	8.05	8.05
	MTC	Aweh	Voice, SMS, Data	12.71	
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
	Cell C	Infinity	Voice, SMS, Data	91.98	

Bundles were found in eight African countries on prepaid packages as listed in Table 1. The bundles all come with offers on voice and with either SMS, or data, or both. Based on the OECD (2010) 40 calls/60 SMSs basket calculation, most of the new bundles are more expensive than the cheapest product in the country (for instance in South Africa, Cell C and MTN's cheapest bundle products are 19 times higher than the cheapest product in the country). Tanzania, Cameroon and Namibia point to a different pattern as the new bundle tariffs correspond to the cheapest mobile prepaid product in these countries. The introduction of bundles in these countries seems to result in value for money for the customers who can benefit from a blend of voice calls, SMSs and data at a contained price.

What is new in the South African market?

Research ICT Africa found an introduction of bundles in the South African market in Q1 2014. Cell C and MTN are the only two players in the market who have introduced prepaid packages including voice, SMS and data services. Vodacom offered bundled products only on contract in Q1 2014. Cell C introduced the prepaid product 'Infinity' valued at R999. In this package the customer receives unlimited calls to any network, 1000 free SMSs and 1GB of data valid for 30 days. Unused services are not carried over to the next month. MTN introduced 'Sky' bundles which offer unlimited calling to all networks, unlimited all-net SMSs and capped or uncapped data that comes with a fair use policy². MTN Sky bundles are valid for 7 days, 15 days or 30 days. The cheapest package for 30 days is MTN Sky Super where the user gets 1GB capped data use and unlimited all-net calls and SMSs. However this package is on promotion and is not a tariff lodged with the regulator. MTN Sky ultimate is a permanent 30 day product for R1,799 where one receives uncapped internet

which slows down after 5GB use.

MTN Sky bundle	Price	Capped/uncapped internet	Validity	Offer
MTN Sky Ultimate uncapped	R1,799	Uncapped (*5GB)	30 days	Permanent
MTN Sky Super uncapped	R999	Uncapped (*3GB)	15 days	Permanent
MTN Sky Super 1GB	R999	Capped 1(GB)	30 days	Limited time offer
MTN Sky Absolute	R599	Capped (2GB)	7 days	Permanent

Little price change after ICASA's amendment MTR

In March 2014³ the new three year glide-path for a reduction in the call termination rate was introduced by ICASA, setting the rate for operators to R0.20 on 1 April 2014. The amendment regulations state that in April 2015 the rate will further decrease to R0.15 and it will culminate in an MTR of R0.10 by 1 April 2016. However, operators with less than 20% market share (Cell C and Telkom Mobile) will enjoy a considerable asymmetry in the rate with the two dominant operators paying R0.44 in 2014, R0.42 in 2015, R0.40 in 2016 and R0.20 in 2017 to the smaller players.

	MTR	MTR for operators with less than 20% market share	Difference
Previous	0.40	0.40	0%
1 April 14	0.20	0.44	55%
1 April 15	0.15	0.42	64%
1 April 16	0.10	0.40	75%
1 April 17	0.20		

The full glide path did not come into effect at the end of March as planned after MTN and Vodacom filed for an urgent interdict to stop ICASA implementing the regulation on the grounds that ICASA had not undertaken the necessary cost studies to ascertain the operators costs. Following the withdrawal of the regulations and the reissuing of new regulations, the court found that the cost study had not been adequately undertaken and suspended the introduction of the regulation for six months for this to be done. Until then, the March 2014 mobile termination rate would apply with its associated asymmetry.

The intention of the of termination rate regulations is to enable competitive pressure by allowing smaller players to charge lower voice prices than its larger competitors operators. However, neither MTN South Africa nor Vodacom had reduced tariffs by the end of Q1 2014. Their cheapest OECD

² The fair use policy means that internet speed will be throttled once the maximum data use of 3GB/5GB is reached.

³ The MTR rate in the table is according to the gazetted Second Call Termination rates 2014.

basket cost is R122 and it has not changed since Q1 2013, when they both introduced an all-net, all-time per second billing tariff of R1.20. MTN then further reduced the tariff at beginning of Q2 2014. The cheapest package, MTN Pay-per-Second, with a reduced flat rate of ZAR0.79, was made effective from 10 April 2014 and it will be valid until 9 July 2014 as stated in their terms and conditions. MTN has indicated that following this promotion this tariff will be lodged with ICASA. This price cut is the only reaction to the newly enforced reduction in mobile termination rates.

South Africa prepaid mobile voice/SMS prices

Although the cheapest South African operator's basket price continued to drop in Q1 2014 from USD5.2 in Q4 2013 to USD4.9 the basket did not change in real value⁴. This price is 4.4 times more expensive than the cheapest product in Africa and 1.7 times more expensive than the cheapest product available from a dominant operator in Africa (Vodafone Egypt and Zain Sudan had a basket price of USD2.8; see Table 4 or Figure 1).

Figure 1 below compares the cost in USD of the cheapest prepaid mobile product available in South Africa, and in all of Africa, for the OECD⁵ 40 calls/60 SMSs basket between Q4 2010 and Q1 2014.

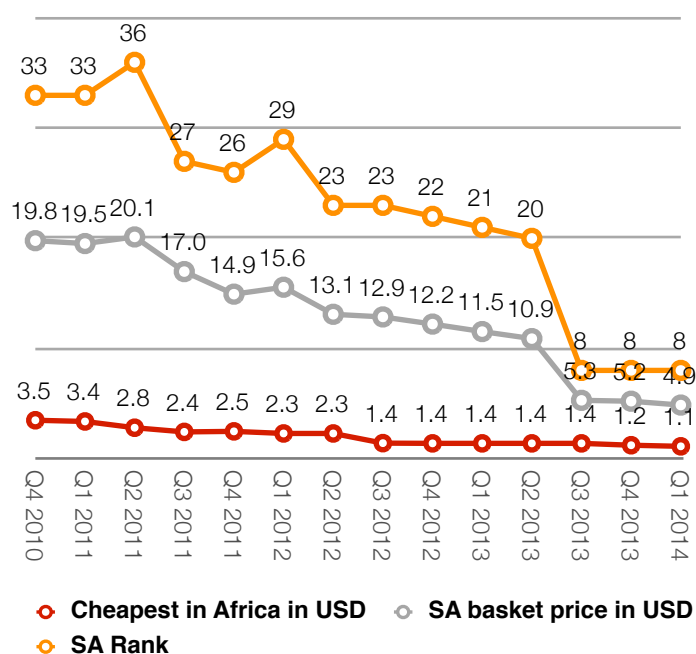


Figure 1: Ranking and cost of cheapest prepaid mobile product available in South Africa and Africa for OECD 40 calls/60 SMSs basket

South Africa's cheapest product rank improved from 20th in Q2 2013 to 8th in Q3 2013. This position remained stationary until Q1 2014. Yes, the ranking of South Africa for the cheapest product from dominant operator is 18th. The detailed

ranking for all countries for the first quarter of 2014 is displayed in Table 4 below.

Table 4: OECD mobile baskets, 2010 definition, 40 calls. Montly call distribution, minutes and SMS

Country name	Cheapest product				% cheaper than dominant
	dominant operator		cheapest in country		
	USD	Rank	USD	Rank	
Egypt	2.77	1	2.77	4	Dominant is the cheaper
Sudan	2.83	2	1.06	1	62.5%
Ghana	3.38	3	2.64	3	21.9%
Mauritius	3.69	4	3.69	5	Dominant is the cheaper
Ethiopia	3.98	5	3.98	6	Dominant is the cheaper
Kenya	4.27	6	1.47	2	66%
Rwanda	5.06	7	5.06	9	Dominant is the cheaper
Tunisia	6.30	8	6.10	11	3.2%
Algeria	6.43	9	6.43	14	Dominant is the cheaper
Libya	6.91	10	6.91	15	Dominant is the cheaper
Nigeria	7.11	11	4.49	7	37%
Uganda	8.53	12	7.10	16	17%
Namibia	9.21	13	8.05	17	13%
Sierra Leone	9.33	14	9.33	20	Dominant is the cheaper
Tanzania	9.60	15	6.40	13	33.3%
Mozambique	10.01	16	10.01	22	Dominant is the cheaper
Botswana	10.99	17	10.01	21	8.9%
South Africa	11.26	18	4.85	8	56.9%
Benin	11.59	19	11.59	23	Dominant is the cheaper
Cameroon	11.94	20	8.40	18	29.7%
Liberia	13.19	21	13.19	26	Dominant is the cheaper
Mauritania	13.20	22	13.20	27	Dominant is the cheaper
Central African Republic	13.91	23	13.91	28	Dominant is the cheaper
Malawi	14.15	24	14.01	30	Dominant is the cheaper
Sao Tome and Principe	14.56	25	14.56	31	Dominant is the cheaper
Congo Brazzaville	15.49	26	14.68	32	5%
Niger	15.70	27	15.70	35	Dominant is the cheaper
Burkina Faso	15.80	28	15.56	34	2%
Cote d'Ivoire	15.90	29	15.90	36	Dominant is the cheaper
Mali	16.04	30	16.04	37	Dominant is the cheaper
Senegal	16.27	31	16.27	38	Dominant is the cheaper
Togo	16.37	32	16.37	39	Dominant is the cheaper
Lesotho	16.93	33	16.93	40	Dominant is the cheaper
Zambia	16.98	34	15.11	33	11%
D.R. Congo	17.10	35	12.18	24	29%
Chad	17.76	36	17.76	42	Dominant is the cheaper
Swaziland	18.54	37	18.54	43	Dominant is the cheaper
Seychelles	20.61	38	20.61	45	Dominant is the cheaper
Madagascar	21.28	39	8.64	19	59%
Angola	22.04	40	19.84	44	10%
Zimbabwe	22.70	41	21.78	46	4%
Cape Verde	31.57	42	31.57	47	Dominant is the cheaper

⁴ The reduction is affected by the USD/ZAR exchange rate that increased from 10.14 in Q4 2013 to 10.86 in Q1 2014. This translates into a reduction of the cost of the OECD basket in USD.

⁵ OECD (2010), Revision of the Methodology for Constructing Telecommunication Price Baskets, OECD Working Party on Communication Infrastructures and Services Policy.

Table 4: OECD mobile baskets, 2010 definition, 40 calls. Montly call distribution, minutes and SMS

	47.20	43	12.40	25		74%
Morocco						
Morocco	46.62	42	12.25	24		74%

Figure 2 below compares the cost of the cheapest prepaid mobile products for each mobile operator in South Africa according to the OECD 40 calls/60 SMSs basket. Telkom maintained the cheapest product in the market. Its price of the Sim SONKE product remains only R0.29 per minute for on-net and R0.75 per minute for off-net calls (including calls to fixed lines). This is followed by Cell C which offers a flat rate set at R0.99 a minute. Both MTN SA and Vodacom SA are still the most expensive operators in terms of mobile prepaid voice tariffs with a R0.02 per second tariff (R1.20 per min).

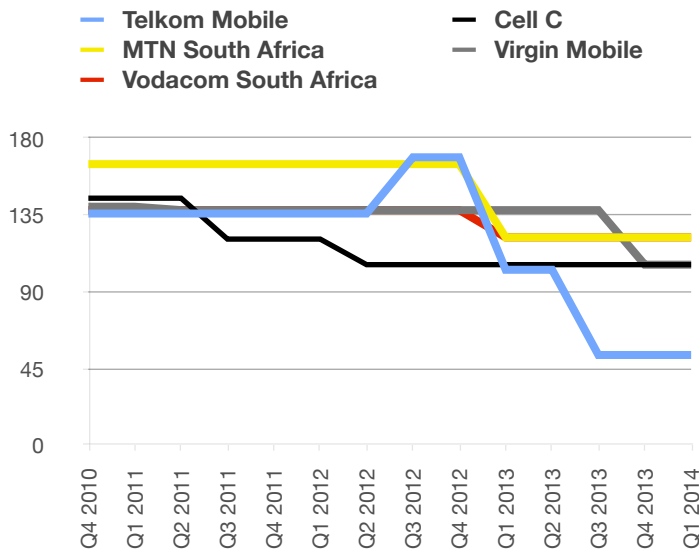


Figure 2: Cost of cheapest prepaid mobile product for OECD 40 calls/60 SMSs basket by operators in ZAR

Financial performance of mobile operators

MTN

Table 5: MTN South Africa for FY ending December 2013

		2010	2011	2012	2013
Subscribers (SIMS) in million	Prepaid	15.5	18.20	20.90	20.70
	Postpaid	3.4	3.8	4.50	5.00
	Total	18.8	22	25.4	25.7
ARPU (ZAR)	Prepaid	112	106	95	86
	Postpaid	329	273	237	225
	Blended	152	134	122	113
MOU	Outgoing	71	69	70	71
Implied minute prices ARPU/MOU (ZAR)		2.14	1.94	1.74	1.59
Capital expenditure	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

⁶ CAPEX = capital expenditure

Table 5: MTN South Africa for FY ending December 2013

		2010	2011	2012	2013
Revenues (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
EBITDA	(ZARm)	12,188	13,591	14,476	13,425
	Margin	34.1%	35.2%	35.2%	33.8%
	EBITDA / subscribers (ZAR)	648.3	616.8	569.9	522.4
Interconnection (Rm)	Interconnection revenue	6,568	5,924		
	Interconnection and roaming expenses	5,483	5,183		
	Net cash flow from interconnection incl. roaming	1,085	741		
	Net interconnect	1,481	1,182		

Source: MTN annual reports (2010-2013)

In comparison to its direct competitor Vodacom SA, MTN SA underperformed in the FY2013. Total revenue declined by 6.1% and it was mainly a result of lower outgoing voice revenue, which declined by 8.3%, and a significant 40% decline in SMS revenue - eroded by the increasing number of IP-based instant messaging users. The decline in revenue decreased the EBITDA margin by 0.3%. Revenue contraction also resulted in lower CAPEX⁶ in 2013, which decreased from R6,416million to R5,835million. Combined with an increase in the total number of MTN subscribers, CAPEX per subscriber declined from R253 to R227.

Telling a very different story, data revenue, including MTN Business, increased by 20.2% to R8,822million and contributed 22.2% to total revenue. This significant growth is the result of increased 3G coverage, 9.7million 3G devices, including 7.3million smartphones on MTN's network, which increased by 32.6% compared to 2012, as well as the launch of competitive data bundles. Figure 3 below depicts the breakdown of data revenue by services and shows that internet traffic is the main source of revenue for the data market.

Other Blackberry BS SA VAS
Internet

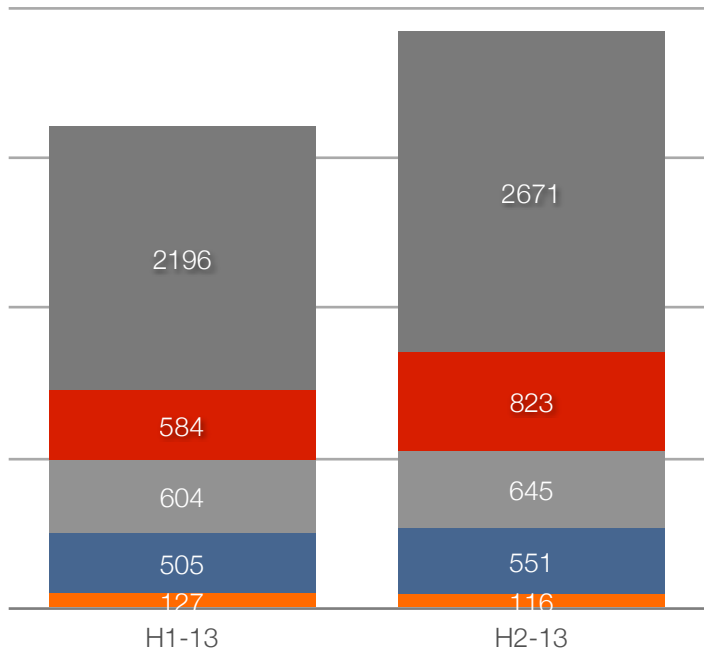


Figure 3: Data revenue breakdown (ZARmillion)

In order to benefit from a significant increase in data users and data revenue, in Q1 2014 MTN launched new range of bundled products which include data (capped or uncapped) and free voice and SMS services. These tariffs, however, are not pro-poor because they are too expensive for the bottom-end of the market who cannot afford high once-off payments to benefit from unlimited or high volumes of data and unlimited all-net calls and SMSs.

Prepaid subscribers declined by 1.1%. Conversely, the more lucrative postpaid segment performed better and increased its subscriber base by 11.3%. MTN SA also recorded an increase in the number of upgrades to higher tariff plans. However, in the FY2013, prepaid/postpaid ARPU decreased by R9 while the MOU was relatively stable at 71 minutes per subscriber. On a positive note, the implied minute prices (ARPU/MOU) decreased as well from R1.74 in 2012 to R1.59 in 2013. This estimate for MTN is based, however, on blended ARPUs because prepaid and postpaid MOU are not reported separately by MTN.

MTN stopped reporting on interconnection revenues and expenses in 2012. However, the 2013 financial report mentions a 24.9% decline in interconnect revenue due to the implementation of the MTR cut. Without detailed reporting, particularly reduced interconnection charges, it is impossible to determine the net effect of termination rate reductions. The same report states that MTR reductions resulted in higher off-net traffic.

Vodacom South Africa

Vodacom South Africa's performance has been satisfactory in the quarter update ended in December 2013. Although Voda-

com registered a decline in interconnection revenue by 24.1% in Q4 2013, the overall revenue increased by 6.6%. This result was ascribed partially to a 26.9% growth in equipment revenue, which represented 21.6% of total revenue. Service revenues grew for the third consecutive quarter by 0.6% to R12,587million due to growth in data revenue. Data revenue grew significantly by 31.2% accounting for 23.6% of service revenue. On the other hand, and similarly to MTN, mobile messaging revenue and voice revenue decreased respectively by 16.3% and 3.7%, showing that in the South African telecommunications market a growing number of users are replacing expensive voice services with cheaper IP-based services such as social media and instant messaging. Conversely, prepaid customer revenues grew by 6.8%.

The number of active customers increased in both prepaid and postpaid markets, as did the traffic in terms of outgoing minutes. Total active⁷ SIM cards numbers increased by 5.1% between December 2012 and December 2013.

Vodacom's ARPU decreased mostly due to a reduction of postpaid ARPU. Similarly, contract MOU decreased by 4.2% between December 2012 and December 2013. Overall, implied minute prices (APRU divided by MOU) decreased, and prepaid implied minute prices (R0.71) were considerably lower than contract implied minute prices (R2.15). This indicates that Vodacom's price structure may reflect the purchasing power of South African mobile users: those who prefer prepaid options have irregular or lower income, while those that are on contract have regular or higher income.

Table 6: Vodacom South Africa financials and key performance indicators (quarterly update December 2013)

		Dec 2013	Sep 2013	Dec 2012	YoY % change
Revenue ZAR(million)	Mobile contract	5,336		5341.3	-0.1
	Mobile prepaid	5,444		5,097.4	6.8
	Mobile interconnect	999		1,316.2	-24.1
	Equipment	3,562		2,806.9	26.9
	of which mobile voice	7,296		7,576.3	-3.7
	of which mobile messaging	650		776.6	-16.3
	of which mobile data	2,967		2,261.4	31.2
Total revenue		16,502		15,480.3	6.6
Active customers (million)	Total	30.9	30.1	29.4	5.1
	Prepaid	26.1	25.3	24.7	5.7
	Contract	4.8	4.8	4.7	1.7
Traffic (millions of minutes)		11,298	11,034	9,631	17.3
All		124	124	109	13.8

⁷ These are customers have used the operator's services in past three months.

Table 6: Vodacom South Africa financials and key performance indicators (quarterly update December 2013)

		Dec 2013	Sep 2013	Dec 2012	Yoy % change
Monthly MOU	Prepaid	113	112	93	21.5
	Contract	183	183	191	-4.2
Monthly ARPU	All	129	127	133	-3.0
	Prepaid	80	75	80	0.0
	Contract	393	398	409	-3.9
Implied minute prices	All	1.04	1.02	1.22	-0.1
	Prepaid	0.71	0.67	0.86	-0.2
	Contract	2.15	2.17	2.14	0.0
Source:		Vodacom Quarterly update, Dec 2013			

Telkom Mobile

Telkom Mobile subscribers, for the six months ended September 2013 increased 6.9% compared to September 2012, from 1,495 thousand to 1,598 thousand. This growth was due to a 14.4% prepaid customers increase. Conversely, postpaid customers decreased by 15.7%. Similarly, the prepaid ARPU increased by 24.4% from R23.12 in September 2012 to R28.75 in September 2013, while with a blended ARPU of R58.81. Mobile revenues increased 55.4% to R926 million, boosted in particular by data and mobile handsets revenues, which grew respectively by 365% and 50%. On the contrary, mobile voice & subscription revenues decreased by 20.2%.

Table 7: Telkom Mobile financials and key performance indicators (quarterly update September 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
Source: Telkom Interim Results Sept 2013			

Conclusions

The analysis of voice tariffs in RIA Pricing Transparency Index for the first quarter of 2014 revealed a trend in African telecommunications markets towards data offerings.

Vertically integrated operators which cover the entire mobile value chain, from wholesale, internet access and voice/SMS to equipment and apps, are offering bundles of services

which normally include capped or uncapped data and a limited or unlimited amount of minutes of voice calls and SMSs.

Across African markets, eight countries introduced prepaid bundle services. Among them, those in Tanzania, Namibia and Cameroon turned out to be the cheapest offerings in the mobile prepaid markets according to the OECD basket definition adopted for the Index.

In South Africa, only MTN and Cell C introduced prepaid bundles. The cheaper bundles for both operators cost R999 and includes 1GB of data, unlimited calls, unlimited SMS for MTN customers, and 1000 free SMS for Cell C customers. Although these tariffs offer free calls they are still expensive for low-income users who cannot afford a high once-off payment to acquire these bundles.

There has been little pricing response in the market in the days following the court ruling that enforced the new MTR regulation in South Africa for the six months that ICASA was given to conduct the necessary costing study. Only MTN introduced a discounted per-second tariff at R0.79 a minute all-net, all-time, which is on promotion until July 2014. It has indicated that it will lodge this tariff with ICASA in future.

Due to the increasing use of IP-based services by mobile internet users, voice and SMS revenues of the dominant South African operators are decreasing. Conversely, data and equipment revenues are growing steadily.

In order to capture the changing nature of mobile pricing in South Africa, the regulator ICASA will need additional indicators from the operators. This must include, at very least, quarterly prepaid and postpaid data and voice/SMS ARPU, prepaid and postpaid MOU and traffic data. In this way it would be possible to construct new mobile services baskets based on actual use of voice and data services.

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