

Data pricing trends in South Africa

PPC presentation by Research ICT Africa

31 October 2017

Prepaid vs postpaid pricing

RIA household survey data

- ❖ Mobile broadband services remain very expensive for low-income individuals in South Africa — **55% of the population is not using the Internet.**
- ❖ About 15% of non-Internet users stated that Internet access is too expensive, while 36% of all citizens have no access to smartphones or computers.
- ❖ Prepaid services are far more expensive than contract/postpaid, despite prepaid customers being less costly and risky.

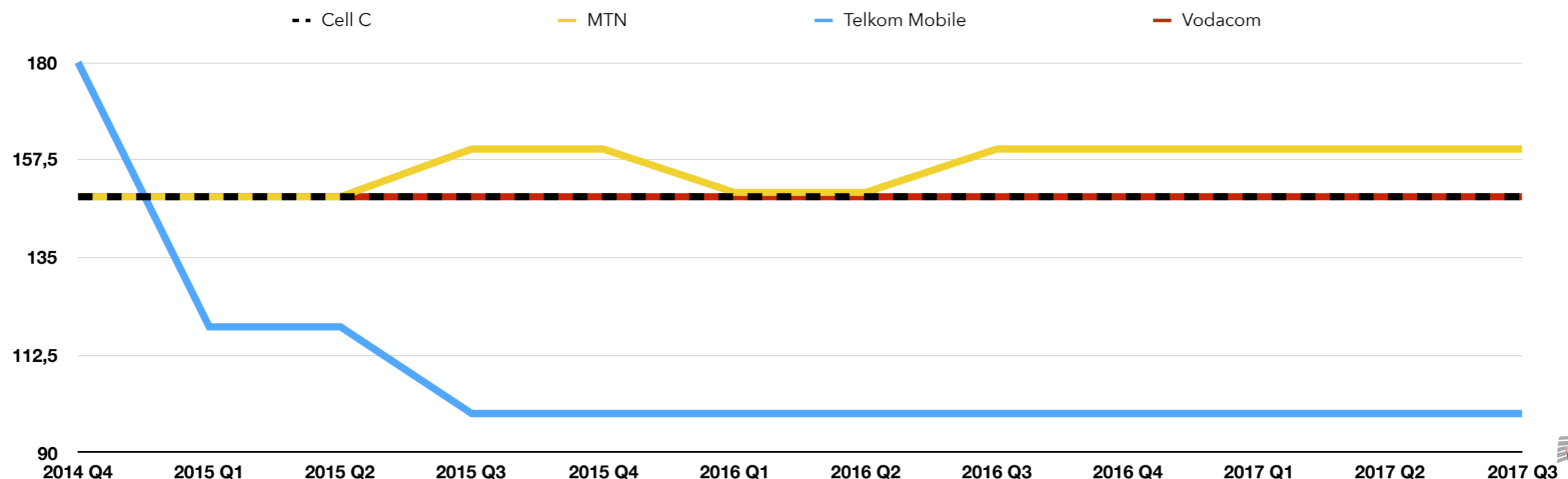
MTN bundles (mb)	Prepaid cost	Postpaid cost
500	R105	R51
1000	R160	R83
2000	R260	R125
5000	R430	R315



Pricing competition in the mobile data market

RIA's African Mobile Pricing (RAMP) Index

- ❖ Prices of 1GB monthly prepaid data bundle have remained fairly constant between R149 and R160 over the last nine quarters, except for Telkom (R99).
- ❖ There has been **minimal price competition in the prepaid mobile broadband market** in the last three years.
- ❖ The Telkom strategy to undercut other operators did not initiate any response from the other three operators.



Africa's cheapest prepaid mobile data prices

Regional ranking - 1GB measure

- ❖ The RAMP Index shows that the lowest price for 1GB of prepaid mobile data puts **South Africa 25th out of 49 African countries** for Q3 2017.
- ❖ In Egypt, the cheapest 1GB of prepaid data is sold at **USD1.69**, while in South Africa Telkom offers the most affordable package at **USD7.52**.
- ❖ Among SADC countries, SA is ranked sixth.

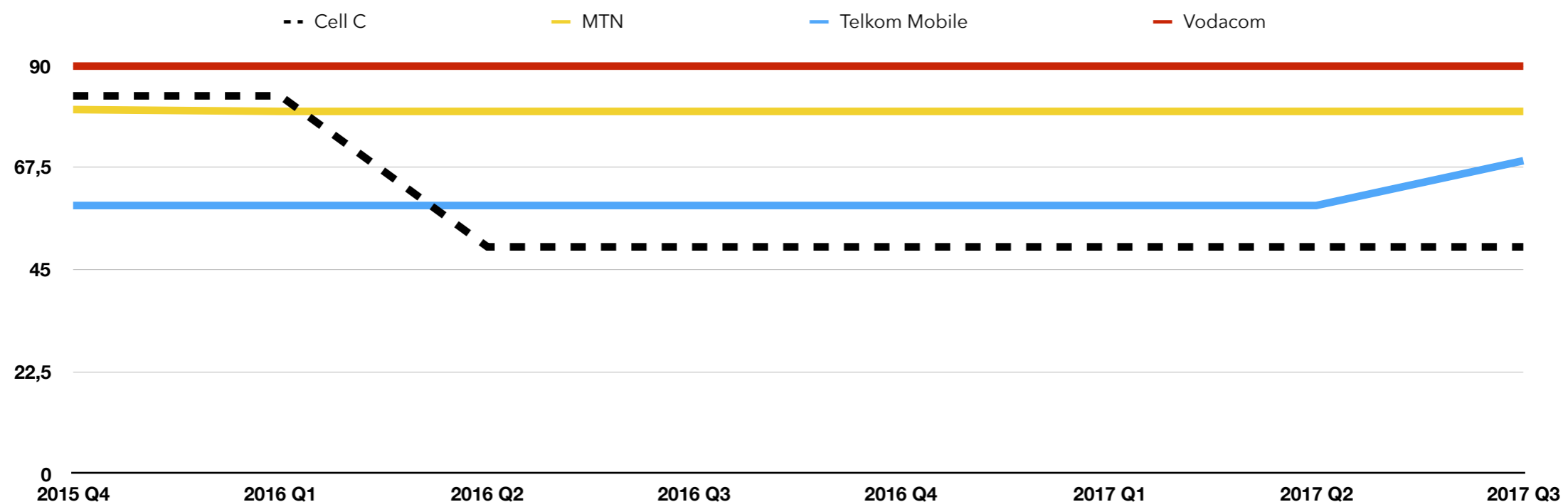
Table 1: Cheapest 1GB prepaid data price in six large African markets (USD)				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Egypt	1.7	1.4	1.2	1.7
Tanzania	3.0	2.3	2.3	2.3
Ghana	2.5	2.3	2.3	2.3
Nigeria	3.2	3.2	3.1	2.9
Kenya	5.0	4.9	4.7	4.9
South Africa	7.1	7.5	7.6	7.5



Pricing competition in the mobile voice market

RIA's African Mobile Pricing (RAMP) Index

- ❖ Calculating the cheapest basket of 50 mixed minutes and 100 SMSs produces the OECD basket used here to illustrate the lack of price changes and competition in the prepaid voice market over the last two years.
- ❖ Cell C's Mega Bonus package offers three times the purchased airtime value and is the cheapest available product (since the middle of last year).



Africa's cheapest prepaid mobile voice prices

Regional ranking - OECD measure

- ❖ South Africa currently ranks **13th out of the 49 African countries** measured.
- ❖ Egypt continues to charge a fraction (less than 33%) of what the cheapest OECD basket costs in SA.
- ❖ Two SADC countries perform better than SA in this measure: Madagascar (USD 3.4) and Mauritius (USD 3.3).

Table 1: Cheapest OECD prepaid basket price in six large African markets (USD)				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Egypt	1.4	1.2	1.2	1.2
Tanzania	3.7	2.4	2.3	2.3
Ghana	2.0	2.2	2.2	2.0
Nigeria	2.3	2.3	2.2	2.5
Kenya	2.3	2.3	2.3	2.3
South Africa	3.6	3.8	3.9	3.8

Final remarks

Conditions for success

- ❖ Index measurement and benchmarking is only the beginning when it comes to understanding why communication costs in SA are high, and how to alter them.
- ❖ Assessing network coverage and the quality of service can qualify some higher costs in relation to competing networks or country comparisons.
- ❖ Economic conditions can also affect the cost to communicate, and condition factors such purchasing power. However, **South Africa's economic status does not sufficiently defend its low prepaid mobile price ranking** among other strong African markets.
- ❖ The lack of policy and regulatory progress has hamstrung the reduction of communication costs in South Africa, especially the lack of high-demand spectrum assignment, rapid network deployment, and the failure to meet the digital migration deadline.