

Data becomes MTN's new turf war

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Africa's largest cellular company, MTN, which reported a 9% rise in half-year profits last week and now has 215m subscribers across the world, has a plan to boost flagging revenue in South Africa.



With revenue from voice calls declining for MTN in South Africa, Chief Executive Sifiso Dabengwa is keen to drive up data usage particularly among high-worth South Africans. Image: MTN

Chief Executive Sifiso Dabengwa said that MTN intended to expand its fibre network to the homes of its wealthier South Africa clients during the third quarter of this financial year.

This is an important move because it illustrates that MTN is not just going to let its share of the South African market slip, despite the fact that this remains one of the weakest of its regions. Though MTN operates in 22 countries in Africa and the Middle East - including a number of war zones - its revenue in South Africa fell 7% for the six months to June to R19.2bn.

Competition from Cell C in particular sparked a price war, while the regulator's move to slash rates that operators pay each other to connect calls hurt. In contrast, it grew its Nigerian revenue 21.5%.

Overall, MTN's revenue climbed 10.7% to R72.7bn, but the most notable aspect of the results was the stellar 38.9% jump in data revenue to R12.7bn. Already, nearly R1 of ever R4 made by the cellular company comes from data.

MTN's plans to improve data services

Aslam Dalvi, Investment Analyst at Kagiso Asset Management, said MTN's strategy to improve value to customers through promotions and a clear focus on lowering costs were key drivers of better-than-expected results.

"Regulatory uncertainty and price competition remain significant obstacles," Dalvi said.

Speaking of the fibre plan, Dabengwa said: "We should have something in the market before the end of the year."

MTN launched a pilot project in May, providing fibre to people living in Monaghan Farm, north of Johannesburg. But it missed its June target for wider commercial launch for its high-speed data service.

Though the company is clocking up far more money from data services, it remains to be seen whether this can compensate for the drop in revenue from voice calls in its home market. For the past six months, its revenue from data in South Africa climbed 13.7%, while the amount of data traffic on its networks spiked 117%.

The fibre service is geared towards high spenders who typically download Internet content that includes videos, but it could also be used to provide bandwidth for security and surveillance.

This represents a big swing in emphasis. Dabengwa said he expected distribution of music and content to account for between 30% to 50% of MTN's revenue in the next five to 10 years.



Kagiso's Analyst Aslam Dalvi says that regulatory uncertainty and price wars pose significant obstacles for MTN. Image: Kagiso

Though the fibre plan is still embryonic, an MTN SA spokesman said residents of Johannesburg suburbs such as Parktown had shown particular interest.

This sets the stage for a new bun-fight as MTN is not the only company to have this strategy.

In June, Telkom said it would roll-out its fibre network to homes in more than 20 suburbs by year's end. Equally, Vodacom, SA's largest cellular group, and Neotel are also pursuing fibre roll-outs to homes.

MTN's recovery plans for South Africa don't rest entirely on data. Dabengwa said it planned to reposition its pricing of headline tariffs and cut the number of subscribers who discontinued their service.

MTN SA gained 394,000 subscribers in the past six months.

Source: Business Times via I-Net Bridge

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