

Mobile operators cast net wider

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16 Jul 2013

It is no secret that mobile operators are scrambling to grow substantial margins as saturation and intense competition reach a tipping point in the consumer market.

The two biggest operators in South Africa, Vodacom and MTN, reported declining average revenues per customer in recent financial reports.

Vodacom's average revenue per user (ARPU) decreased from R91 to R76 in a year for prepaid users, while for a contract subscriber the ARPU showed a 9.4% reduction from R362 to R328.

MTN's ARPU was R86 for prepaid customers in the first quarter of 2013 from R95 in the last quarter of 2012. For contract subscribers it declined from R237 to R222 in the same period.

Operators are now gunning for growth in the business enterprise sector, particularly small and medium-sized businesses.

Many experts and industry leaders have predicted that the biggest telecom companies in the future will not be mobile companies but those that are basically one-stop shops.

Convergence

The trend has already started in South Africa with convergence - the ability to provide fixed and mobile services over one network - on the agenda.

It is this direction that supports news of a tussle between Vodacom and MTN for Neotel, which has a significant presence in the business market.

Vodacom Business, which contributes 16% to Vodacom South Africa's revenue, has vowed to increase this to 25% in the next five years, the bulk of it from the small to medium-sized enterprises (SME) market.

"We historically focused on corporate clients and didn't have the scale or products to tackle the huge and rapidly growing SME segment," said Vuyani Jarana, head of Vodacom Business.

According to Jarana, Vodacom Business's portfolio consists of 40% large enterprises, 35% SMEs and the rest comprises the public sector.

Telkom, whose board is reviewing the strategy of its various units, including the business and mobile divisions, is a market leader in the enterprise sector with unparalleled fibre- optic infrastructure with highspeed connectivity.

The division is also the largest contributor to the group's revenue and more competition may not be good news for the floundering company.

"We have a major focus on the SME market," said acting MD of Telkom Business Johann Henning.

Packaging for SMEs

"The packaging and bundling of services in that market were neglected because most of the suppliers were generally looking at large businesses. But with new technologies and devices and broadband going out to areas where small businesses are operating we are now able to package for SMEs," said Henning. Telkom has about 150,000km of fibre-optic infrastructure in South Africa from years of investment as a fixedline operator, an advantage in the convergence world.

MTN has about 8,000km, said Lambo Kanagaratnam, head of MTN's enterprise unit, "and our plan is to continue aggressively on that path".

With MTN's footprint spanning 22 countries on the continent, it is perfectly poised to accelerate the growth of its enterprise business.

"Nigeria and South Africa are our biggest markets and we've also got quite a big presence in Kenya through a joint venture. We have a presence in most countries in sub-Saharan Africa and we're building a global knock that can run global services," said Kanagaratnam.

Cracking the enterprise model depends on infrastructure and things such as cloud and hosting services have placed more demand on the operators.

Vodacom Business manages four data centres across South Africa, covering in total over 4,000m² of floor space.

The company is also in the process of building a fifth data centre at its offices in Midrand and has hosting facilities across Africa to service multinational customers.

MTN, on the other hand, has data centres covering about 15,000m² of space nationally.

Source: Business Times, via I-Net Bridge

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