

Vodacom data usage soars

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14 Nov 2013

Data usage on Vodacom South Africa's network grew 79% in the past year, driven by lower handset prices and data costs.



Vodacom has seen a dramatic rise in data usage in southern Africa. Image: [Woodlands Boulevard](#)

As a result of the demand Vodacom is investing in increasing network capacity, providing innovative solutions and improving customer service. The group plans to increase its data coverage on its 3G network from 88,9% to 100% in South Africa in near future.

According to Frost & Sullivan the growing demand for data services, triggered by the proliferation of smartphones with innovative, value-added services and customer demand for converged voice and data services, is driving the broadband market in southern Africa.

Vodacom reported a 29% rise in data revenue to R6.1bn for the six months to September driven by bundle sales and integrated offers. In South Africa, Vodacom has 15-million active data customers up 13.4% from 2012.

"Mobile data is one of the biggest opportunities facing us, with smartphone and tablet penetration still at low levels in all our markets," says Vodacom's chief executive Shameel Joosub.

Research by Informa Telecoms and Media found that smartphone users in South Africa spend on average US\$31 per month on their mobile phone. Of the 12 countries surveyed, South Africans are the fourth biggest spenders, behind consumers in the US, Saudi Arabia and the UK.

Mobile data usage rising sharply

Africa's mobile data business is worth US\$8.5bn a year and will rise to more than US\$23bn in 2018, according to the report.

"It is consumer demand that is driving this growth," says principal analyst at Informa Telecoms and Media, Nick Jotischky. "But retail prices are still too high, smartphones are too expensive and there is a lack of investment in connecting parts of rural Africa. These are barriers restraining greater consumer demand."

Vodacom has been providing finance for consumers who cannot afford to buy smartphones upfront. The company says in South Africa, handset financing underpins its strategy of putting data capable devices into customers' hands.

The financing has helped increase the number of active customers with smartphones to 21.8% of active customer base and there are 6.6m active smartphones on the network.

In South Africa, Vodacom's data revenue increased 20.6% to R5.1bn. Joosub says during the six-month period, the group reduced pricing on all its bundles resulting in a 108.4% growth in the number of bundles sold. The effective price per megabyte has dropped by 16.3%.

Network investments

Focus on handset financing to drive smartphone penetration has led to a 24% growth in sales of these devices, with 6.6m now active on the network. The average monthly usage has also increased 78.9% to 220MB per device.

Vodacom will increase its capital investment as a percentage of revenue by as much as 17% in the coming three years. It intends investing in new services, further enhancing the network and accelerating coverage roll-out.

According to Bloomberg, Vodacom's parent company Vodafone is putting aside about US\$10bn from the sale of its Verizon Wireless stake in the US, to upgrade networks for its subsidiaries including Vodacom, as part of an investment plan known as Project Spring.

Vodacom operates in South Africa, Mozambique, Tanzania, the Democratic Republic of Congo (DRC) and Lesotho. Joosub points out that these subsidiaries more than doubled data revenue while data customers rose 41% to 6.1m. Mobile payment platform M-Pesa was central to the international operations' strategy, and is already contributing 18.7% to Vodacom Tanzania's service revenue.

M-Pesa has been launched in the DRC, Lesotho and Mozambique. Joosub says the service will be relaunched in South Africa in the first quarter of 2014 with improved distribution footprint, among other things.

In South Africa, the voice market has reached saturation and price competition is intensifying, hence companies are investing heavily in upgrading the network to cater for the demand in data. During the six months to September, Vodacom's total capital expenditure was R4.8bn. Of that R3.1bn was invested in South Africa, and the rest in its international subsidiaries.