

# Data growth an unparalleled opportunity

Issued by [Gordon Institute of Business Science](#)

7 Sep 2015

Vodacom CEO Shameel Joosub told a forum at GIBS recently that the nature of the mobile telecoms industry is due to fundamentally change as exponential data growth drives revenue.

"We need to prepare for the data revolution," Joosub said. By 2020, every person in South Africa is expected to have four connected devices, "We have to prepare our networks and put in a lot of fibre optic transmission cable."

In July, Vodacom's acquisition of fixed line telecommunications provider Neotel was approved by the Competition Commission, and is now awaiting endorsement by the Competition Tribunal. "With fixed line penetration of only 7%, South Africa is overly dependent on mobile. Neotel provides us with the opportunity to play in that space as they have the expertise. Vodacom is fundamentally a mobile company," Joosub explained.

He said the growth in data is an opportunity for the telecommunications industry like none it has ever experienced before, with data accounting for 34% of Vodacom's current revenue: "We are seeing exponential growth in data. The demand is there, we just have to provide the capacity."

However, while data is fundamental to growth, it requires significant infrastructure expenditure. "Neotel has done very well with its hands tied behind its back as a small company: Data is a capital-intensive business and they haven't been able to reach their full potential," he said.

The move to data services has brought with it a new wave of market consolidation, Joosub explained: "You are starting to see the break up of assets across the industry." He said Vodacom's strong balance sheet had allowed it to capitalise properly on its business.

Joosub said beyond this, the future of the industry lies in content, such as video, television on mobile devices and music streaming services such as Deezer.

## Voice vs Data and the impact on business model

Social media applications such as Facebook and WhatsApp are a double-edged sword, Joosub said. While they help to accelerate data growth, the network isn't always able to cope with the rapid increase in consumption.

Applications such as WhatsApp Voice also complicate the industry's business model. The service uses data to make calls, which are charged at a lower rate than that earned on traditional voice calls. "The implication of these developments for our business model means that data growth has to offset declining voice growth, and our voice offerings have to be appropriately priced."

## Africa

Opportunities for growth across the Africa abound, Joosub said. Vodacom provides connectivity to large corporations across the continent through Vodacom Business Africa, which is growing at 15% growth per annum.

In terms of mobile voice operations, the most untapped lucrative market on the African continent is Ethiopia Joosub said.

## South African economy and the over indebted consumer

South Africa's difficult economic circumstances mean many consumers are over indebted. "Consumers are under pressure and they have to be managed with the correct products and services in order to make it possible for people to consume in bite-sized chunks, through data bundles," Joosub said.

Vodacom has moved to fundamentally simplify its bundles to make them more consumer friendly. Joosub explained: "When the consumer is under pressure our ability to charge a premium is limited. We have transformed our pricing with the long term goal of holding onto spend and reducing customer churn."

## ICT industry's relationship with government

"Our relationship with government is not working," Joosub said. The telecommunications industry needed business and government to pull together: "Government has ambitious connectivity targets but we are lacking the discussions around the clear annual targets that will get us to those eventual goals," he continued.

"If we hold back telecoms, we hold back economic growth. It is an enabler, like power. We have a very strong document in the National Development Plan, but we have spent too much time debating it and not enough implementing."

▮ **Gibs gets Association of African Business Schools (AABS) accreditation** 10 Apr 2024

▮ **Gibs and CETA sign an MoU to boost skills in the construction and built-environment sector** 18 Mar 2024

▮ **Gibs Festival of Ideas: Shaping a world of change** 31 Oct 2023

▮ **Big tech and journalism: Principles for fair compensation** 25 Jul 2023

▮ **Amplify your women-owned business with the Road to Growth programme** 15 Jun 2023

### [Gordon Institute of Business Science](#)



(GIBS) has been built around its intent to significantly improve responsible individual and organisational performance, through high-quality business and management education.

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [Facebook](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>