



Operator business services: South Africa forecast 2019– 2024



Terry van Staden

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- 10. Operator business revenue will remain mostly flat over the forecast period as growth in fixed and mobile data services and ICT will offset the decline in legacy voice
- 11. The decline in legacy voice revenue is most marked in the large enterprise segment, but this is also where we expect to see the bulk of the growth in ICT revenue
- 12. The new EUSSC regulation will cause a decline in mobile business revenue in 2019/ 2020, but this will be offset by an increase in the number of connections thereafter
- 13. Revenue from fixed services will decline marginally in South Africa over the forecast period, driven by the significant fall in fixed voice and narrowband revenue
- 14. High-bandwidth services for both broadband and dedicated connections will continue to grow in importance, and vDSL will be the dominant technology in 2024
- 15. Revenue from ICT services will grow consistently as businesses migrate to cloud-based solutions and public cloud providers increase their presence in the country

- 16. We expect that operators will claim around 16% of the total addressable ICT market in 2024; co-location, security and SaaS will account for the bulk of this revenue

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About this report

This report analyses the demand for telecoms services by micro, small, medium-sized and large enterprises, expressed in terms of revenue, the number of connections or users and the average revenue per user (ARPU).¹

The report highlights the key trends in the business telecoms market in South Africa; it covers the decline of legacy services and highlights the areas that are most likely to deliver growth.

It quantifies the market for fixed and mobile voice and data services, IoT connectivity services and ICT services such as unified communications (UC) and hosted voice, security, co-location and hosting and cloud services.

The report is based on several sources, including data from operators' reporting and websites, the Independent Communications Authority of South Africa (ICASA) and Analysys Mason's 2019 survey on business telecoms and ICT usage.

WHO SHOULD READ THIS REPORT

- Operators that want to identify key areas for revenue growth, both in terms of enterprise segments and individual services.
- Vendors that are considering targeting the enterprise market.
- Third-party service providers that are seeking to collaborate with operators.

REPORT COVERAGE

| Geographical | Services ² | |
|--|---|--|
| Countries modelled individually: <ul style="list-style-type: none"> ▪ South Africa | Mobile: <ul style="list-style-type: none"> ▪ Voice and messaging ▪ Handset data ▪ Mobile broadband ▪ IoT connectivity | ICT: <ul style="list-style-type: none"> ▪ UC and hosted voice ▪ Security ▪ Co-location and hosting ▪ Software-as-a-service (SaaS) ▪ Infrastructure-as-a-service and platform-as-a-service (IaaS/PaaS) ▪ Enterprise mobility ▪ Desktop management |
| Enterprise size | Fixed: <ul style="list-style-type: none"> ▪ Narrowband voice ▪ VoBB ▪ ADSL/SDSL, vDSL, FTTP/B, cable, FWA, other fixed broadband ▪ Dedicated connections: below 100Mbit/s, 100Mbit/s and up to 1Gbit/s, and at least 1Gbit/s | |
| Segments: <ul style="list-style-type: none"> ▪ Micro (0–9 employees) ▪ Small (10–49 employees) ▪ Medium (50–249 employees) ▪ Large (250+ employees) | | |



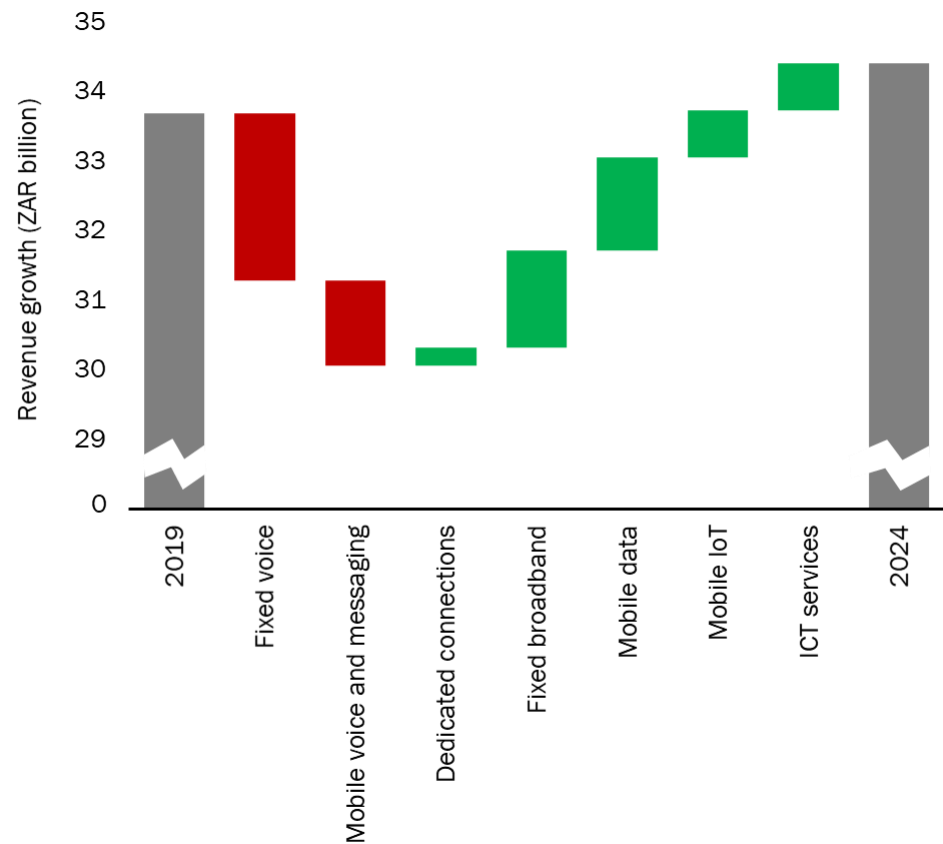
Our forecasts are refined throughout the year. This report presents the results at the time of publication and will continue to give useful background information about key drivers. However, we recommend that you always use the Analysys Mason [DataHub](#) to view the latest data associated with this report.

¹ For the complete data set, see Analysys Mason's [DataHub](#).

² See service taxonomy in the 'Forecast methodology and assumptions' section of this report.

Executive summary: operator business revenue in South Africa will be largely flat: revenue growth in data, IoT and ICT services will offset declines in legacy services

Figure 1: Change in telecoms operator retail revenue from businesses by service type, South Africa, 2019–2024^{1,2}



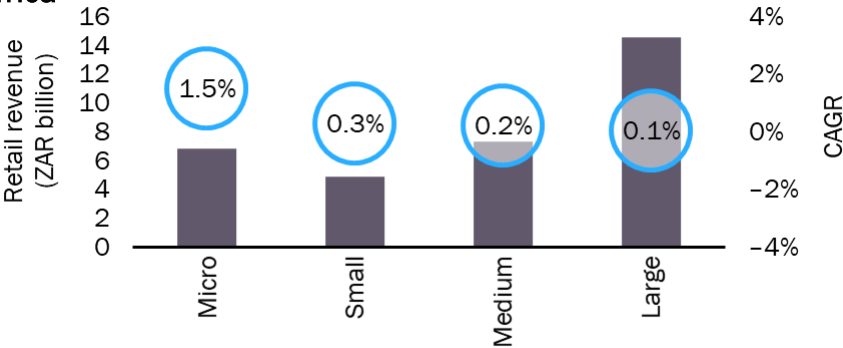
Source: Analysys Mason

Figure 2: Connections for businesses and CAGRs by type of connection, South Africa, 2019–2024²

| Connection type | Connections (thousand) | | CAGR | |
|-----------------------|------------------------|--------|-----------|-----------|
| | 2019 | 2024 | 2014–2019 | 2019–2024 |
| Mobile handsets | 3970 | 4460 | 5.4% | 2.4% |
| Mobile broadband | 699 | 838 | 7.4% | 3.7% |
| Mobile IoT | 7160 | 22 980 | 14.3% | 26.3% |
| Fixed voice | 1400 | 1260 | –3.1% | –2.1% |
| Fixed broadband | 560 | 729 | 10.9% | 5.4% |
| Dedicated connections | 18 | 19 | 0.3% | 1.3% |

Source: Analysys Mason

Figure 3: Telecoms operator retail revenue from businesses in 2019 and CAGR for 2019–2024 by enterprise size, South Africa²



Source: Analysys Mason

¹ Red denotes a decrease, and green an increase.

² See the 'Presentation of results' slide in the 'Forecast methodology and assumptions' section of this report for full definitions of the aggregate categories presented in the figures.

Operator business revenue in South Africa will be affected by mobile regulations in 2019 and 2020, but will recover thereafter

We forecast that operators' retail revenue from businesses in South Africa will be mostly stable between 2019 and 2024. The impact of the mobile regulation that was implemented in 2019 will cause a decline in the total market initially, but growth will return, driven by fixed and mobile data and ICT services.

Operator business revenue for telecoms and ICT services in South Africa will grow from ZAR33.7 billion in 2019 to ZAR34.4 billion by 2024. Revenue from fixed services will continue to decline due to the ongoing impact of fixed voice. Mobile revenue will dip in 2019 and 2020 due to the new regulation that limits out-of-bundle data charges (see slide 12), but it will recover in 2021 because an increase in the number of connections will offset the fall in ARPU.

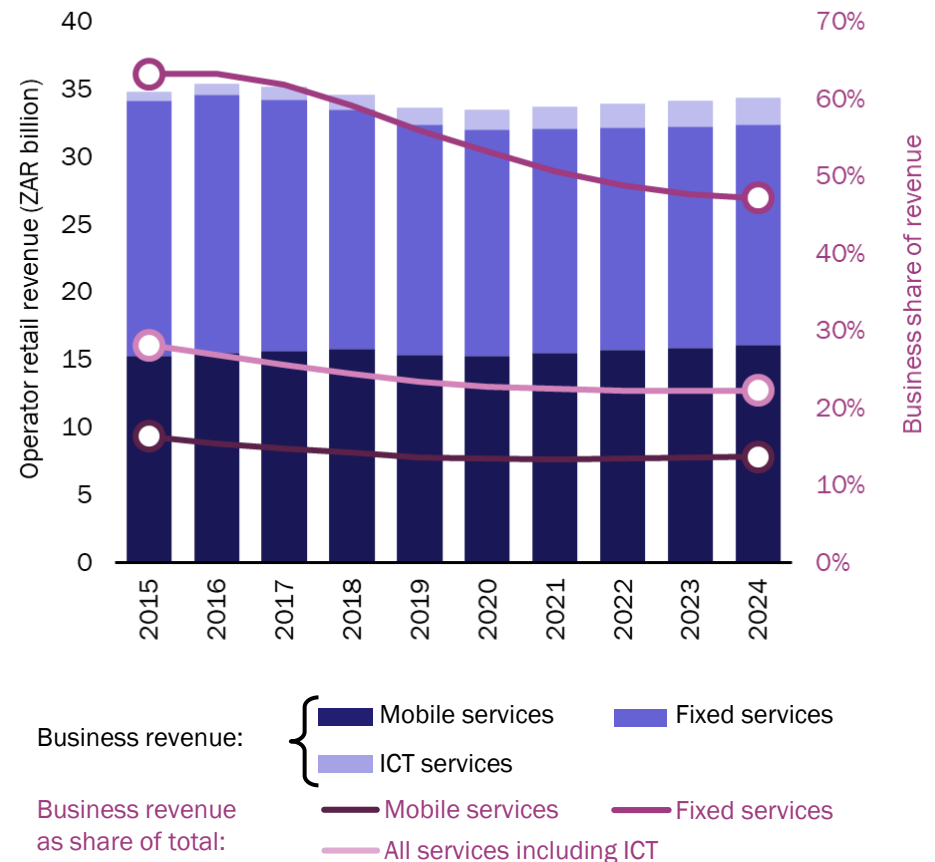
Business revenue currently accounts for 23% of the total operator revenue, and this share is expected to decline slightly over time. Declines in fixed voice revenue, in particular, are affecting the business market more than the consumer market. The consumer demand for mobile data (often due to video applications) will continue to outstrip the business demand, and will drive greater growth in consumer ARPU than business ARPU.

Many of the smallest businesses (as much as 60% of micro enterprises and 30% of small enterprises in South Africa) rely on consumer products for mobile services and for fixed voice and broadband.¹ We expect that this practice will continue, because improving consumer services, especially fibre, limit the ability of operators to differentiate their entry-level business products.

¹ Revenue from consumer products is excluded from our business revenue estimates, in line with operator reporting practice.

² See the 'Presentation of results' slide in the 'Forecast methodology and assumptions' section of this report for full definitions of the aggregate categories presented in the figures.

Figure 4: Telecoms operator retail revenue from businesses by service type and share of total market, South Africa, 2015–2024²



Source: Analysys Mason



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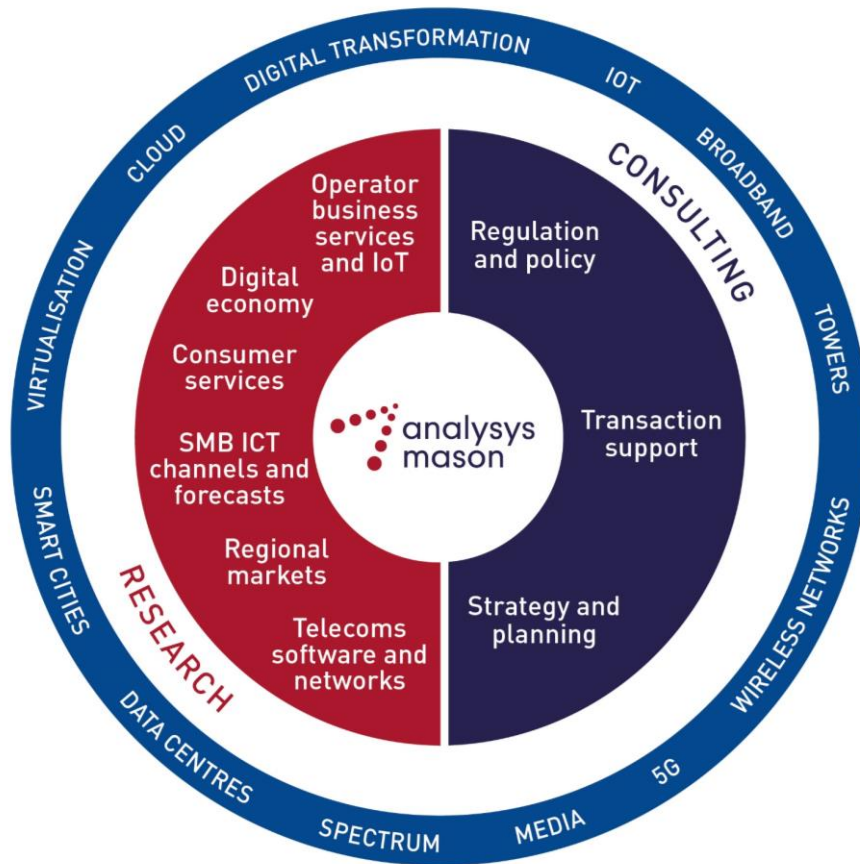
About the author



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Digital Economy Strategies
Future Comms

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Large Enterprise Emerging Service Opportunities
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IoT Platforms and Technology

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PUBLISHED BY ANALYSYS MASON LIMITED IN JANUARY 2020

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