

THE IMPACT OF ENTRY ON COMPETITION IN THE SOUTH AFRICAN MOBILE DATA MARKET: A CASE STUDY ON RAIN MOBILE

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SA Mobile Telecoms Market



2001

2017

1993

2010



Key Objectives & Research Question

- **Key Objective**

- Extent to which Rain Mobile had been able to bring about effective competition

- **Research Questions**

- What was the impact of Rain Mobile on the nature of competition in the market?
- Whether Rain Mobile had been able to bring about effective competition in the market?

Research Methodology & Data

- **Research Methodology**

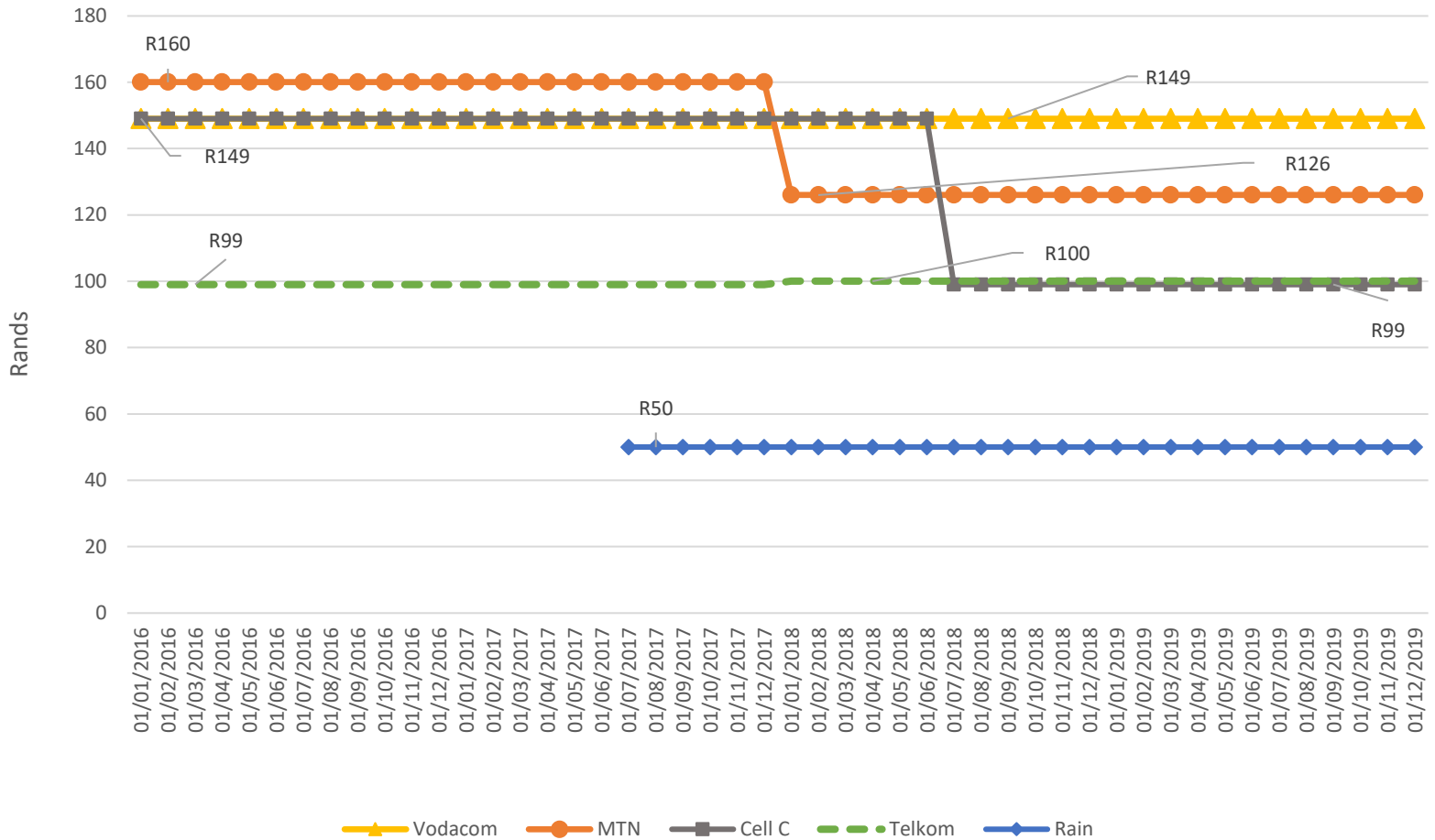
- Comparison of headline prices for the 1GB and 5GB data plans
- Comparison of promotional offering (*social bundles, double your data*)
- Analysis of effective prices for the 1GB and 5GB data plans
- Analysis of competition on non-price factors
(*Quality, Coverage, Reputation, and Brand Awareness*)
- Assessment of the effectiveness of Rain Mobile
(*First-Mover Advantage, Network Effects, Switching Costs*)

- **Data**

- Bi-annual mobile data prices for the 1GB and 5GB data plans over the period 2016 to 2019
- Data on promotions and discounts offered by the operators – both collected from ICASA's Tariff Reports
- Interviews of market participants
- Information from financial, industry reports, desktop research

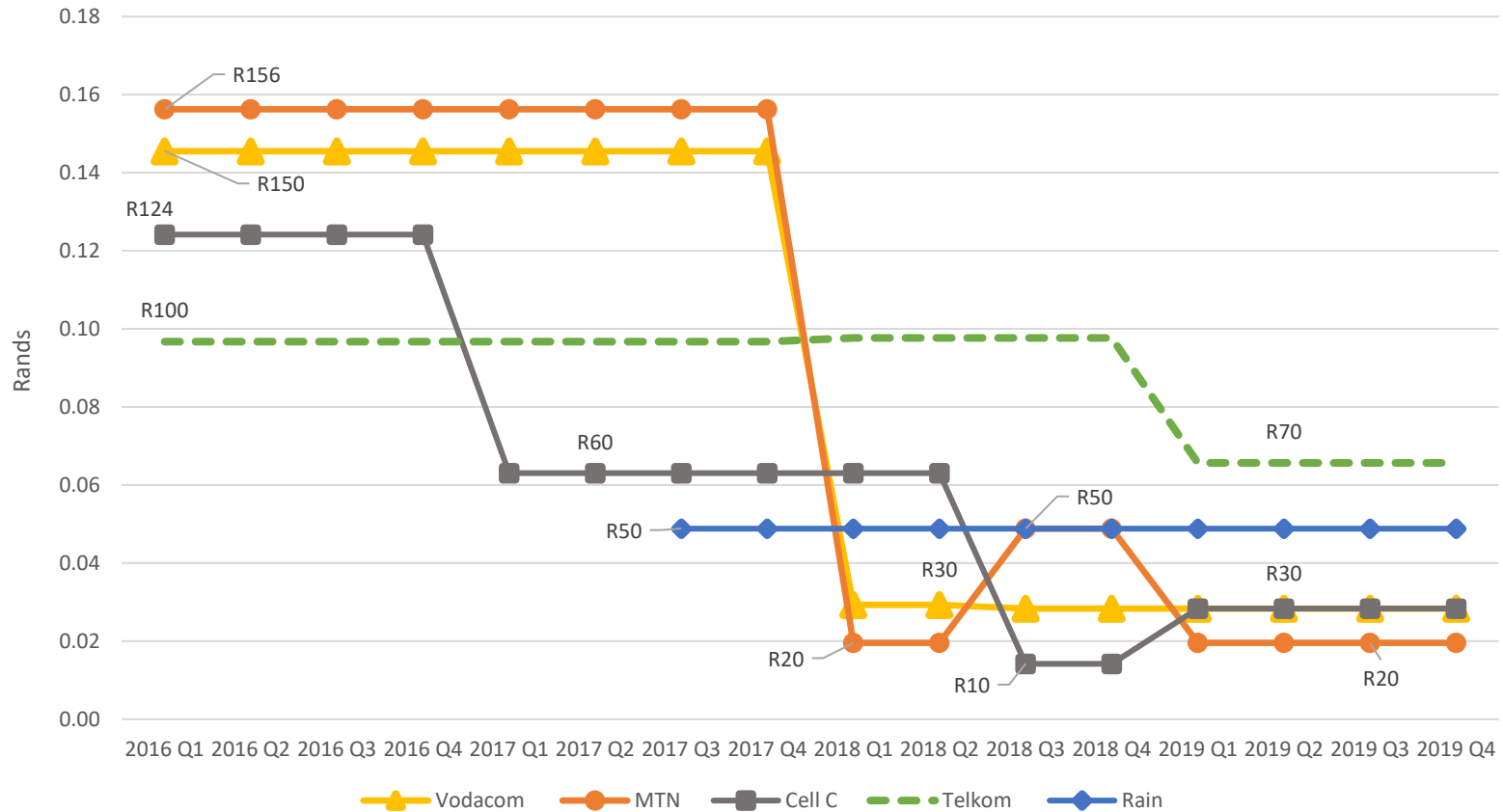
Findings: Price Factors

Headline Prices of the 1GB data bundle - 2016 to 2019



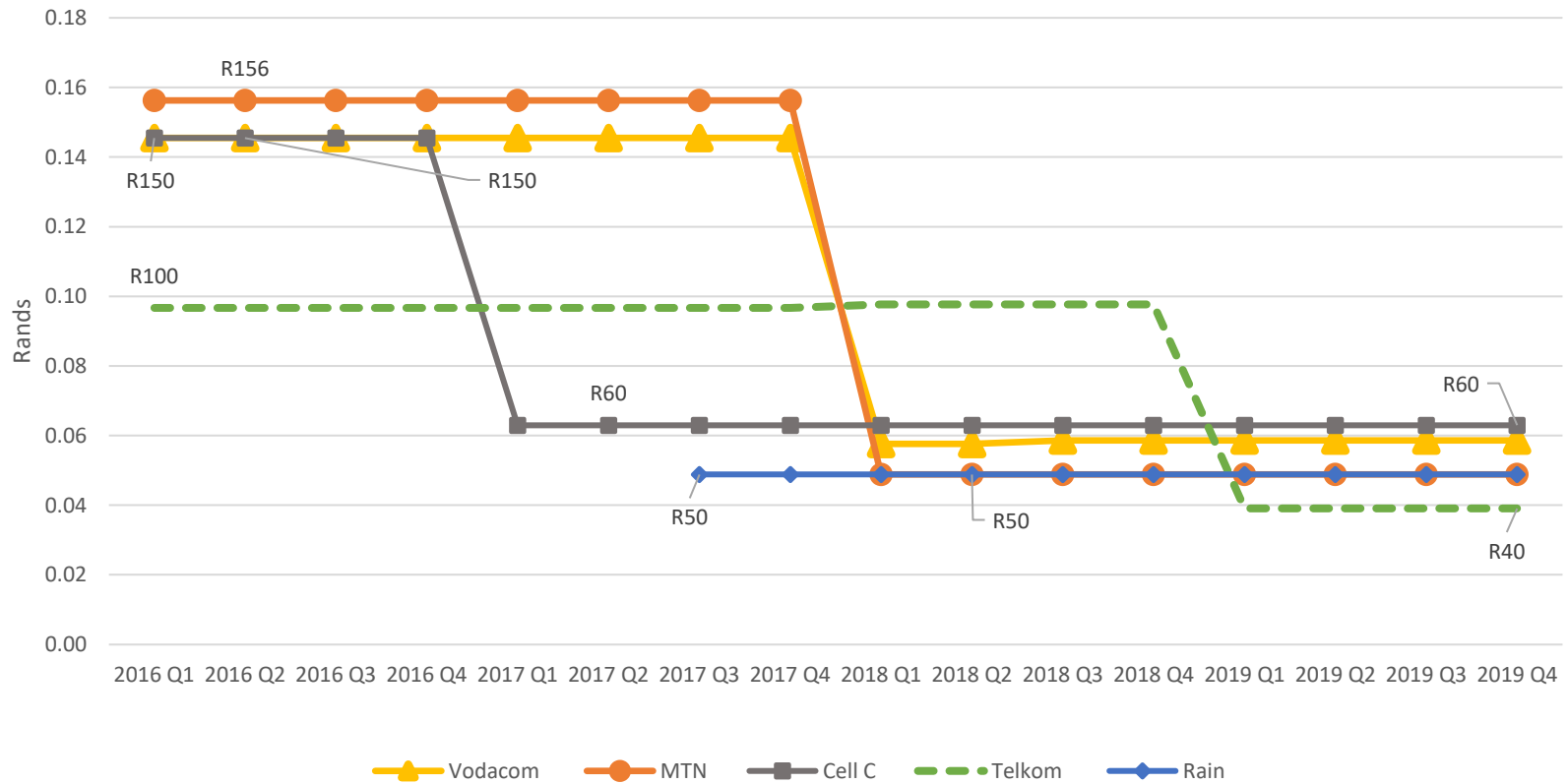
Findings: Price Factors

Effective Prices of the 1GB WhatsApp-Data-Bundle Promotions



Findings: Price Factors

Effective Prices of the 1GB Social-Media-Bundle Promotions



Findings: Non-Price Factors

- Quality & Coverage
 - Rain Mobile had 3150 active 4G or LTE sites in the major metropolitan areas by 2019
 - High-Demand Spectrum 1800MHz, 2600MHz, and in the scarce 3500MHz bands
- Brand Awareness & Marketing
 - Vodacom & MTN big spenders compared to smaller operators
- Network effects impacting Rain Mobile
 - Does not provide national coverage - may be conceived as unattractive to those customers living outside the metropolitan and township areas in which it operates
 - Does not have smaller data packages – may be considered unaffordable to someone living in rural areas who can only afford to spend R20 a month on data services

Implications

- **Effectiveness of Rain Mobile as a Competitor**
 - Even with access to high demand spectrum and favourable roaming & facilities sharing agreement the impact of Rain Mobile was limited
 - Regulations on infrastructure sharing are limited to access
 - Determination of prices is based on negotiation
 - New entrants remain vulnerable
- **Implication**
 - Competition is multi-dimensional

Implications

- **Competition vs Regulation**

- DSMI – regulation only way to achieve lower prices
- Argument - regulation stifles innovation

- Implication

- Incumbents have durable competitive advantages – insulated from competition
- Regulation is necessary – Balanced against achievement of reasonable returns on investment & innovation

- Conclusion

- Need better & co-ordinated regulation in SA



THANK YOU!