Why Naspers could dominate the African MVNO space

By Mauritz Venter

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Frost & Sullivan recently highlighted the top technology trend predictions for 2017, among them the need for the adoption of content intensive strategies among mobile network operators (MNOs). This view is based on the assumption that OTT services will continue to negatively impact the average revenue per use (ARPU) of MNOs across the continent and the globe.

Local MNO Cell C has responded to these threats by hosting mobile virtual network operators (MVNOs) on its network, dramatically improving client acquisition rates and revenue growth, whilst forming partnerships with over-the-top content providers (OTTs) rather than attempting to slow their growth. This strategy seems to be catching on, as African telecoms giant, MTN, has expressed interest in hosting MVNOs on its network.

Content production advantage

With Naspers actively searching for MNO partners to launch its video-on demand-services across Africa, the real question is why stop there? Naspers has an unassailable advantage in terms of content production, whether news, sports, entertainment or e-commerce. This is the sort of content that could see average revenue per user amongst MNOs rise dramatically, and makes Naspers a leading candidate for a content-based MVNO servicing the entire African continent.

The plethora of content Naspers could provide through an MVNO service would have mass appeal, and currently faces no direct competition. Content could be viewed through once-off payment models, monthly subscriptions to specific content and channels, or a premium package including all content.

By staggering content packages, Naspers could maintain demand across various income groups, and is sure to counter the effects of diminishing clients in the pay TV sector; all while the host MNO benefits from an increasing client base prone to data intensive activities. Furthermore, Naspers can use its new platforms to promote e-commerce, particularly with its partner Takealot.com, enhancing the geographic reach of one of Africa's leading online retailers.

African challenges

Launching services across Africa is a daunting task with many challenges. However, no organisation is arguably more prepared to face these challenges than Naspers. The first notable challenge is the cost of data in Africa, discouraging the use of data intensive activities amongst subscribers. Naspers would mitigate this challenge with relative ease, as it has two major competitive advantages.

The first response would be to allow for third party advertising on the Naspers MVNO platform, as this would notably be premium advertising space, allowing for targeted advertising through the use of big data analytics, thereby increasing its value. The revenue generated through advertising space could be used to subsidise client network costs. A second strategic move would be to acquire an African content producer like Tuluntulu that is geared towards low bandwidth mobile video streaming.

A final challenge will be speed to market. Naspers is accustomed to launching products and services internationally; however, reaching the African mobile market is the expertise of MTN. MTN is searching for an MVNO to host, in order to improve turnover following a challenging 2016. Hosting a content intensive MVNO, powered by Naspers, is sure to improve the ailing MNOs bottom line.

In conclusion, Frost & Sullivan believes Naspers could be set to dominate the African MVNO space, driving demand through various forms of premium content; a sector where they are a prominent global player and the undisputed leaders in Africa.

ABOUT THE AUTHOR

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