

# Deloitte.



## Global Mobile Consumer Survey 2017

The South African Cut

# Foreword

## The age of the smartphone, integral to our lives and so much more than just a communication device

In 2017 there was a significant turning point in the mobile industry in South Africa. It was the year where the smartphone clearly emerged as the most popular communication device for consumers, relegating the feature phone to history. South Africans are now among the top users of smartphones globally and are adept at using it to access the applications and services it offers. South African consumers have transitioned into the world where data-driven applications such as instant messaging and social network applications enable people to communicate and stay connected more than traditional voice.

For now, the need for quality and speed is paramount but data-hungry consumers are increasingly shopping around for value when it comes to internet plans. We use our phones everywhere and are increasingly multi-tasking and multi-screening. Indeed our love for smartphones has reached a point where most of us feel we use them too much.

## Where to from here?

The fintech era is beginning to find its feet and though consumers are still using the mobile channel predominantly for browsing, we expect consumers to use the mobile channel increasingly to make online purchases. Consumers are also becoming more comfortable with authentication features such as fingerprint verification to authorise payments and purchases, supporting the trend for mobile to become a true payment enabler.

The connected device revolution is truly under way with approximately 62% of consumers surveyed owning a connected device, especially entertainment devices such as Games Consoles and Smart TVs. The Internet of Things (IoT) revolution is in its nascent stages in South Africa, but as operators roll out networks capable of supporting IoT traffic and as new ecosystems emerge, we expect to see more demand and commercially successful applications.

As more sophisticated machine-learning applications come into the mainstream, supported by more powerful hardware and chipsets in the smart phone, we expect consumer adoption to rise. New use cases will emerge which will capture the imagination of consumers and we expect these to become central to smartphone use.

### **Arun Abraham**

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# About the Report

This report focuses on how consumers are using their mobile devices in South Africa. It examines consumer consumption trends, usage and purchasing behaviour and patterns. The survey, now in its second year, involves 1,000 respondents across age groups, genders and socio-economic clusters.



## Choosing an operator:

need for speed trumps, but consumers will shop for value



## From kilobits per second to gigabits per second

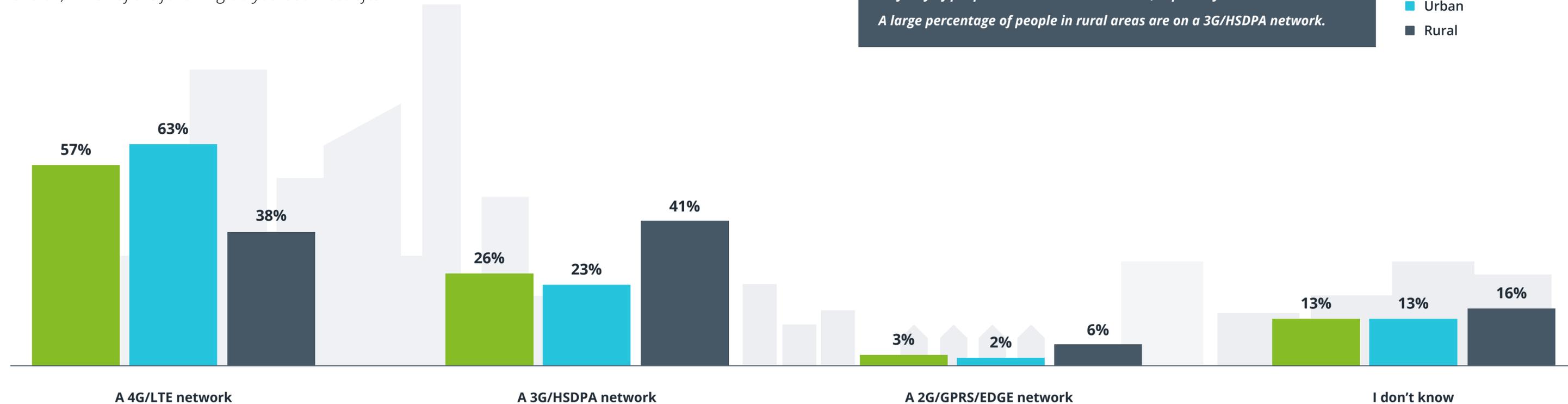
The potential to monetise the anticipated data explosion has driven operator investment strategies. Competitive intensity has heightened and operators have been focused on reaching the underserved markets in rural areas with faster broadband offerings and upgrading to 3G and 4G/LTE networks (83% of surveyed respondents had access to a 3G or a 4G/LTE network). Mobile operators in South Africa have embraced 4G/LTE networks and the majority of respondents in urban areas (63%) and a significant portion of respondents in rural areas (38%) now have access to a 4G/LTE network.

The majority of respondents with access to 4G/LTE perceived that connectivity speeds are now faster compared to their previous network. This is in contrast to respondents on 3G networks where 59% did not perceive a marked increase in speeds. This perceived gap is likely to fuel further consumers' demand for access to 4G/LTE networks in both urban and rural areas.

The impressive take-up of 3G and 4G/LTE networks is driving the underutilisation of 2G networks and hastening their ultimate obsolescence. Although operators have farmed some of the 2G and 3G spectrum to support the expansion of 4G/LTE, discontinuation of the 2G service in South Africa is still not imminent. There are still a significant number of active 2G-only mobile handsets and the migration process to 4G of other 2G-reliant devices such as vehicle trackers and point-of-sale systems is not yet pervasive.

**Figure 1. Consumer access to mobile networks by type of connectivity**

Overall, which of the following do you use most often?



## Social recommendations, price and network quality drives consumer choice

The quality of the network with respect to internet provision, the availability of 4G/LTE coverage and usage of the network by family and friends were found to be the key drivers for consumers choosing a mobile operator. The significant cultural and ethnic diversity in South Africa and the tendency to coordinate choice of an operator among families and friends implies that brand and marketing techniques must be able to appeal to targeted segments.

Most operators in South Africa have launched discount bundles and tariff plans that target friend and family groups. These 'Friends and Family' packages can be a strong differentiator in the market, influencing buyer behaviour through social networks.

Our survey results reveal that only 18% of customers would definitely recommend their current operator to friends, colleagues and families. A significant proportion of the survey respondents (31%) indicated that they are neutral. Operators are clearly prone to disruption from both new and existing players that can better meet consumer needs. In a market where potential customers are strongly influenced by their social and family networks, this marks a significant focal point for the operators who need to improve customer loyalty by creating positive brand perception in target customer segments.

When it comes to customer retention, value for money for access to data and the internet trumps everything across all age groups, geographic areas (rural and urban) and gender. South African mobile subscribers are looking for cheaper data prices to the extent that large-scale consumer activist movements have formed, such as the recent #DataMustFall and #SocialMediaBlackout campaigns, pressurising the industry to lower data tariffs. Operators have responded by slashing data rates but, as consumers become more data hungry, are likely to face more pressures to reduce the price of data and remain price competitive.

**Figure 2. Top three reasons why consumers chose their current operator**

*Why did you choose your current mobile operator?*



**Figure 3. Top five reasons why customers may churn**

*If you were to change your operator in the future, which, if any, of the following would be the reasons for changing it?*



While price competition in terms of mobile data is a reality for operators, the survey results show that 14% of consumers are prepared to pay more for faster internet and that 39% would access the internet more frequently if it were cheaper. Delivering networks that are capable of faster speeds is therefore key to driving up usage.

Consumers also want greater visibility with respect to data usage and are likely to use more data if they are able to manage their data usage better. Approximately 50% of survey respondents indicated that they frequently surpass their monthly data budgets. Operators have an opportunity to develop applications that help consumers to manage their data budgets, thereby improving trust and transparency and driving up usage.

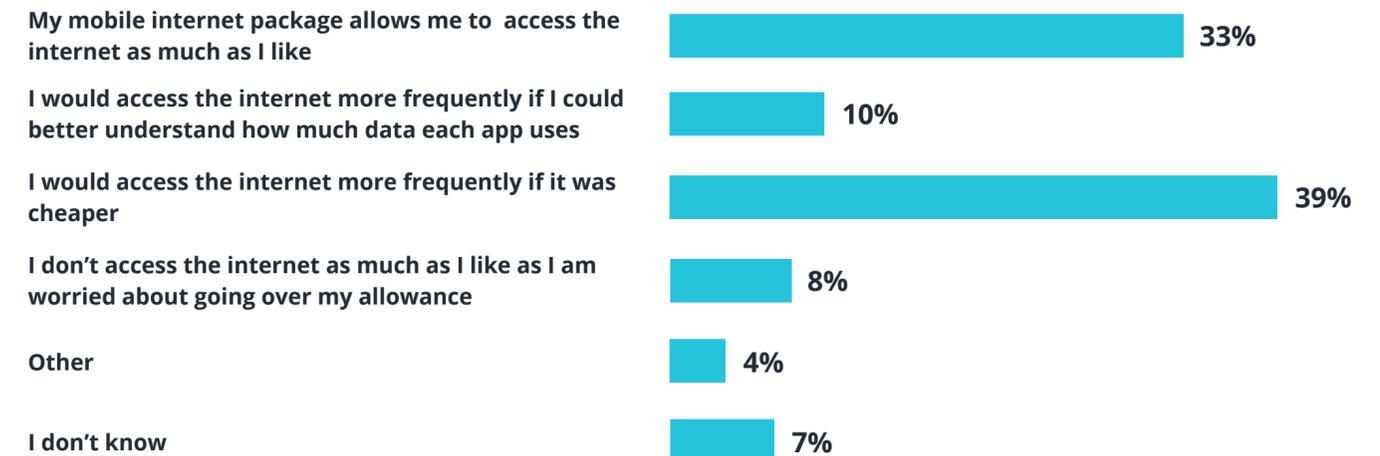
Though the price of data is the most important factor influencing churn, other factors such as the quality of the network for internet access, availability of 4G, the quality of customer service and device price are also important.

Operators face the difficult challenge of balancing consumer perceptions with respect to the price of data and the need for further network investments, including the anticipated move towards 5G, needed to satisfy the demand for data.

Addressing the evolving expectations of customers, investing in network quality and developing innovative data packages and data management solutions should be high priorities for mobile operators.

#### Figure 4. Internet subscription and usage dynamics

How do you feel about your current internet subscription/tariff on your mobile phone from your mobile operator?



# 18%

of customers would definitely recommend their current operator to friends, colleagues and families.



## Consumers want 4G, but Wi-Fi is winning for now

Comparing connectivity technologies, smartphone owners broadly feel that 4G is providing them with faster internet speeds and 57% of respondents have access to it. However, when it comes to how consumers keep their phones connected, Wi-Fi is dominant – 64% connect using Wi-Fi.

A significant majority of consumers (73%) utilise Wi-Fi at home, work or a place of study, compared to 45% for mobile networks. However, the usage of Wi-Fi in public spaces (35% of consumers) and while commuting (14% of consumers) is significantly lower.

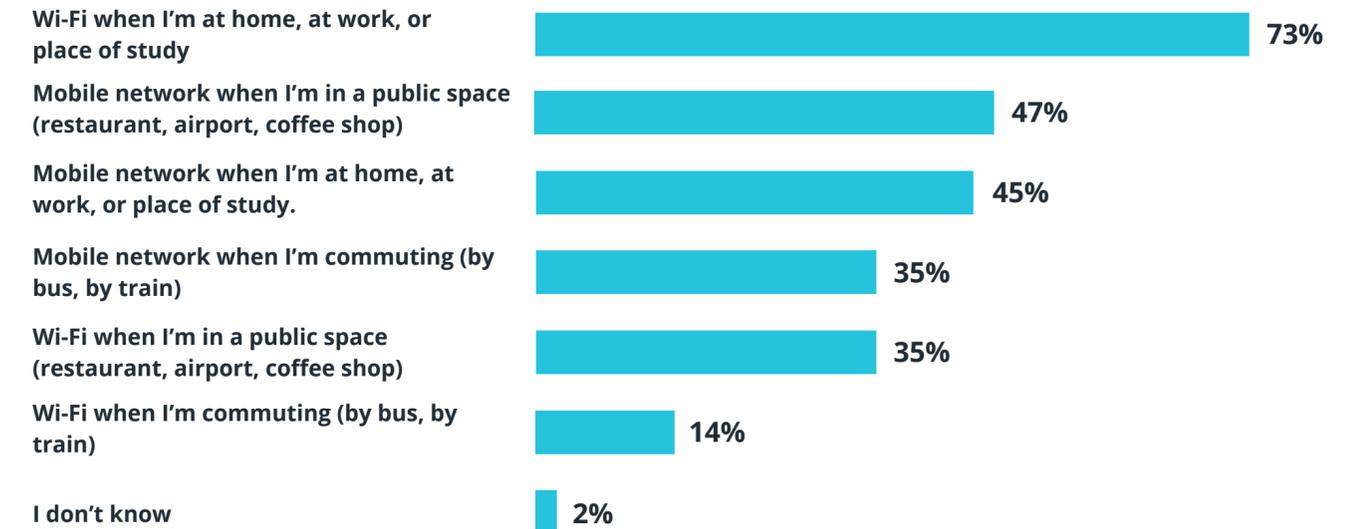
What is driving this trend? Our view is that where data-hungry consumers perceive Wi-Fi as a competitive alternative to the mobile data network in terms of speed they prefer to use it to save on data allowances. Consumers are effectively defaulting to Wi-Fi to supplement their data demands.

In addition, given the price sensitive nature of the base, consumers are likely to defer usage of data-intensive applications (such as streaming and on-demand video) where Wi-Fi is available. The fact that usage of Wi-Fi in public spaces and while commuting is lower than the usage of mobile networks is likely to be driven by: the difficulty of locating access points; variability in speed offered through public Wi-Fi networks; and the nearly ubiquitous coverage of mobile data networks.

South African consumers' preference for access through Wi-Fi also aligns with global trends. Cisco's<sup>1</sup> forecast indicates that Wi-Fi will carry 49% of total global IP traffic by 2021, and mobile only 17%. Looking into the future, our view is that Wi-Fi, mobile and other connectivity solutions are likely to continue to be complementary and indeed required to enable customers to remain 'always on'.

**Figure 5. Type of connection used by consumers to access internet on phone**

How do you access the internet on your phone?



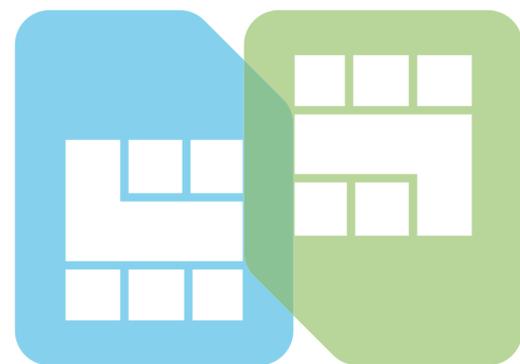
<sup>1</sup> Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2016–2021



## Multiple SIMs separate business from private phone use

Multiple SIM card ownership is a growing trend in South Africa, with 32% of consumers owning more than one card. The main factor behind this trend is the desire to separate business and private phone use; the ability to take advantage of cheaper internet and data roaming tariffs offered by mobile networks is also influential. What this survey reveals is in line with the global trend: a study by GSMA intelligence<sup>2</sup> showed that the most important driver for multiple SIM ownership globally is separating business and private usage.

Looking forward, while there are no conclusive indications that multiple SIM ownership will grow significantly in South Africa, data-hungry consumers are likely to try shop around for value in data tariffs.

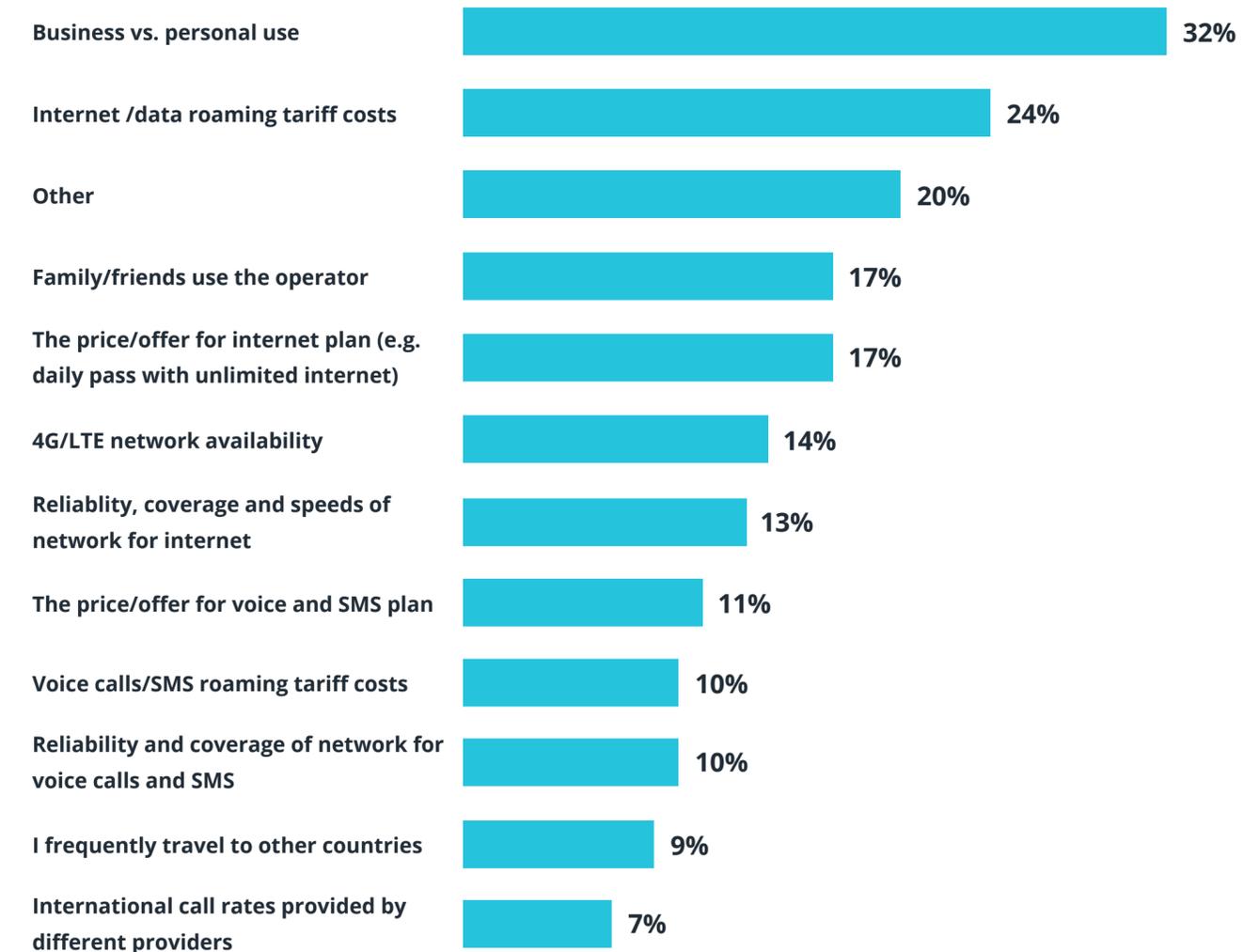


# 32%

of consumers possess more than one SIM Card

**Figure 6. Reasons for owning multiple SIM Cards**

What are your main reasons for having more than one SIM?



**Continuous consumption:**  
smartphone usage reaches  
a pinnacle



## The phone is not for calling anymore

The smartphone has not just penetrated the South African market, it is integrated into even the simplest facets of our lives. The rapid technology evolution of the mobile phone and the proliferation of faster data networks means that consumers are increasingly using alternative ways to communicate, rather than just phone home.

Consumers have embraced the 'data exclusive' world and while 63% do use text messages, South African mobile phone users prefer to communicate via instant messaging (82%) and social networks (74%) than through text messaging and voice calls.

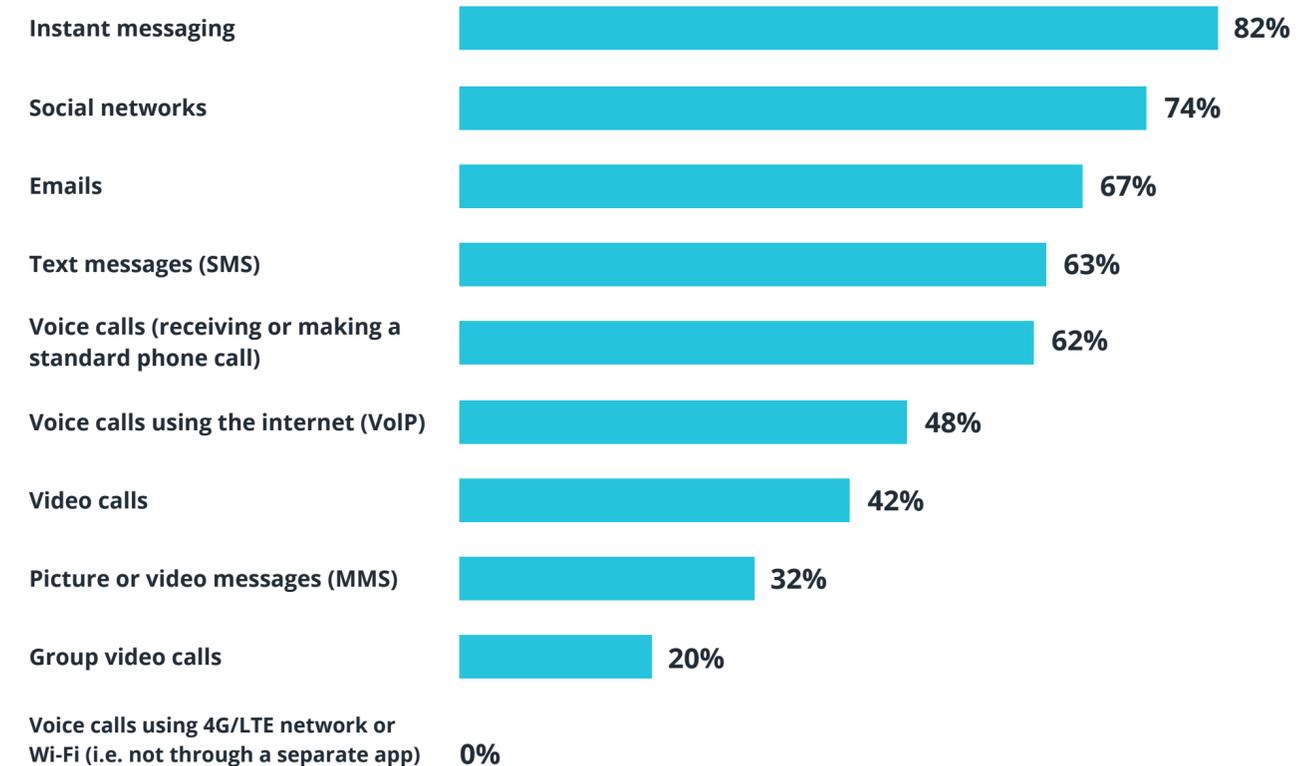
The popularity of so-called OTT (over-the-top) applications will continue to force an unrelenting shift in operator revenues from traditional voice and SMS text message to data revenues. Email using the phone continues to be a popular medium for personal and business communication.

It seems that mobile consumers are increasingly comfortable with video calling by smartphone, taking advantage of faster 4G/LTE networks. Cisco predicts that globally IP video traffic will account for 82% of all consumer internet traffic by 2021<sup>3</sup>. For mobile operators, video calling presents a significant growth opportunity to monetise data traffic and offset some of the losses from reduced voice calls. However, operators would need to establish high-speed, high-quality networks (4G/LTE) that are capable of transmitting video traffic without lag and jitter.

Interestingly none of the survey respondents indicated that they are making voice calls using 4G/LTE or Wi-Fi. Globally operators have continued to roll out Voice-over-LTE offerings and some operators in South Africa have followed suit. As capable handsets are launched in the market, this will be a space to watch.

**Figure 7. Phone usage in the last 7 days**

*In the last 7 days, which of the following ways have you used your phone to communicate with others?*



## If you can imagine it, there is an app for it

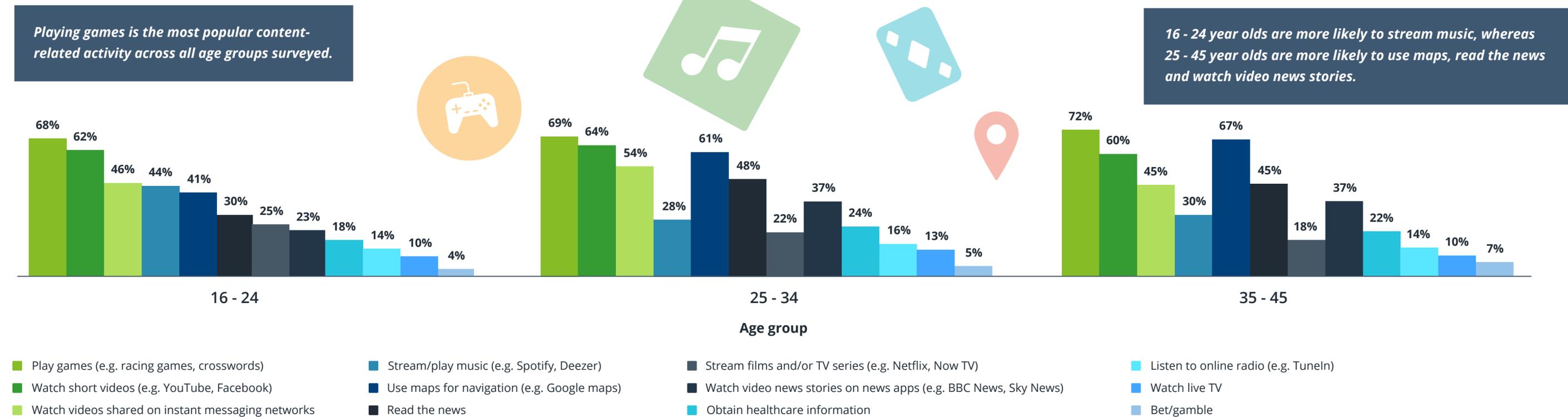
'If you can imagine it, there's an app for it' – this is more and more our reality. We are now in a period where smartphones and smart devices are an integral part of our lives across all age groups and as we demand entertainment, knowledge and instant connection at an increasing pace, we will continue to explore and embrace this life-enhancing journey.

Games, short videos and navigation are the most popular content-related activities across all age groups surveyed. The 25-45 year old age group prefers to spend more time on short videos and news stories while 16-24 year olds are more likely to spend their time streaming music and TV

series and are the least likely to read the news. Indeed, the popularity of music streaming has grown to such an extent in South Africa that Spotify, the global leader, officially launched its local offering despite the service being offered at a significantly discounted price compared to the US, its main market.

While global giants Google (through YouTube) and Facebook continue to be the dominant platforms for streaming short video content, platforms developed by the traditional telecoms operators (for example, Kwese by Econet and Cell C's Black) are beginning to gain significant traction by focusing on lucrative niches in sport, local productions and user-generated content.

**Figure 8. Usage frequency of content-related activities by age**  
Which of the following, if any, do you regularly use your phone to do?



## WhatsApp and Facebook dominate, but Instagram is making a run with younger users

Globally social network and messaging apps have become the centre of mobile, with WhatsApp and Instagram each having 300 million daily active users and WhatsApp users sending 60 billion messages a day<sup>4</sup>. Facebook's acquisition of Instagram for US\$1bn and their recent acquisition of WhatsApp for US\$19bn are strategic moves to dominate the instant messaging market.

Consumer usage is being driven by rich media-centric social interactions and increasing adoption of instant messenger services (chat, voice and video). Analysing the survey results,

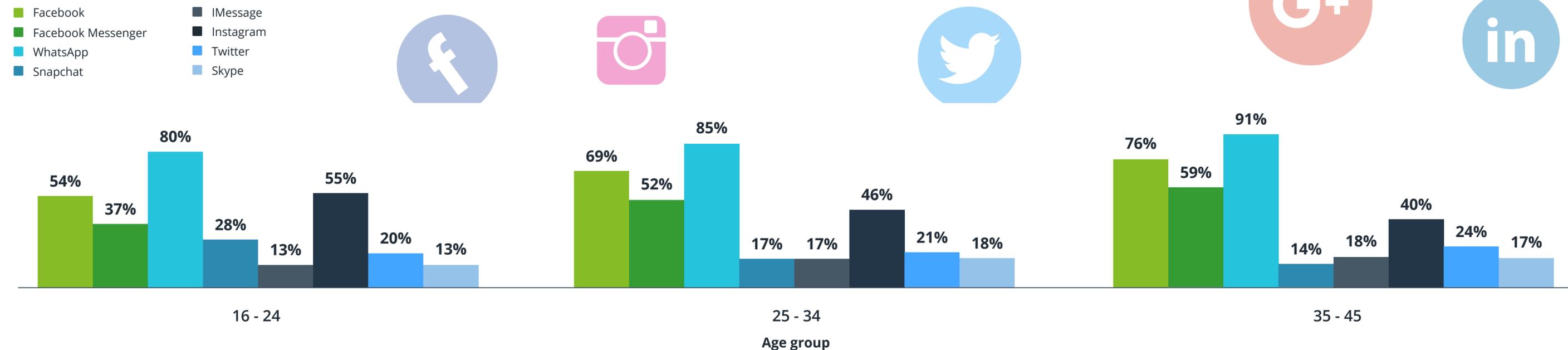
WhatsApp is the most popular messaging platform across all age groups in South Africa. Facebook and Facebook messenger are popular with consumers in the 25-45 age bracket while younger consumers (16-24 year olds) use Instagram more frequently.

The challenge for platform/OTT providers will be to further monetise these apps without driving consumers away, especially given recent controversies relating to advertising on Facebook and YouTube, data privacy and usage of consumer data.

Social and photo sharing is synonymous with 63% of users sharing photos on instant messaging apps. Video sharing has also started to be important as social networking sites add new features; 54% of users share videos on instant messaging apps and 41% post videos on social networks.

**Figure 9. App usage on phones**

Below is a list of apps that you may have on your mobile phone. Which, if any, do you use daily?



<sup>4</sup> TechCrunch. (2018). WhatsApp hits 1.5 billion monthly users. \$19B? Not so bad.. [online] Available at: <https://techcrunch.com/2018/01/31/whatsapp-hits-1-5-billion-monthly-users-19b-not-so-bad>

## Phone usage: hooked to the screen

Across South Africa, consumers are in love with their phones, using them for entertainment, to connect with friends, stay informed and just about everything else. The perception of overuse has, however, increased: 61% of survey respondents believe they use their mobile too much.

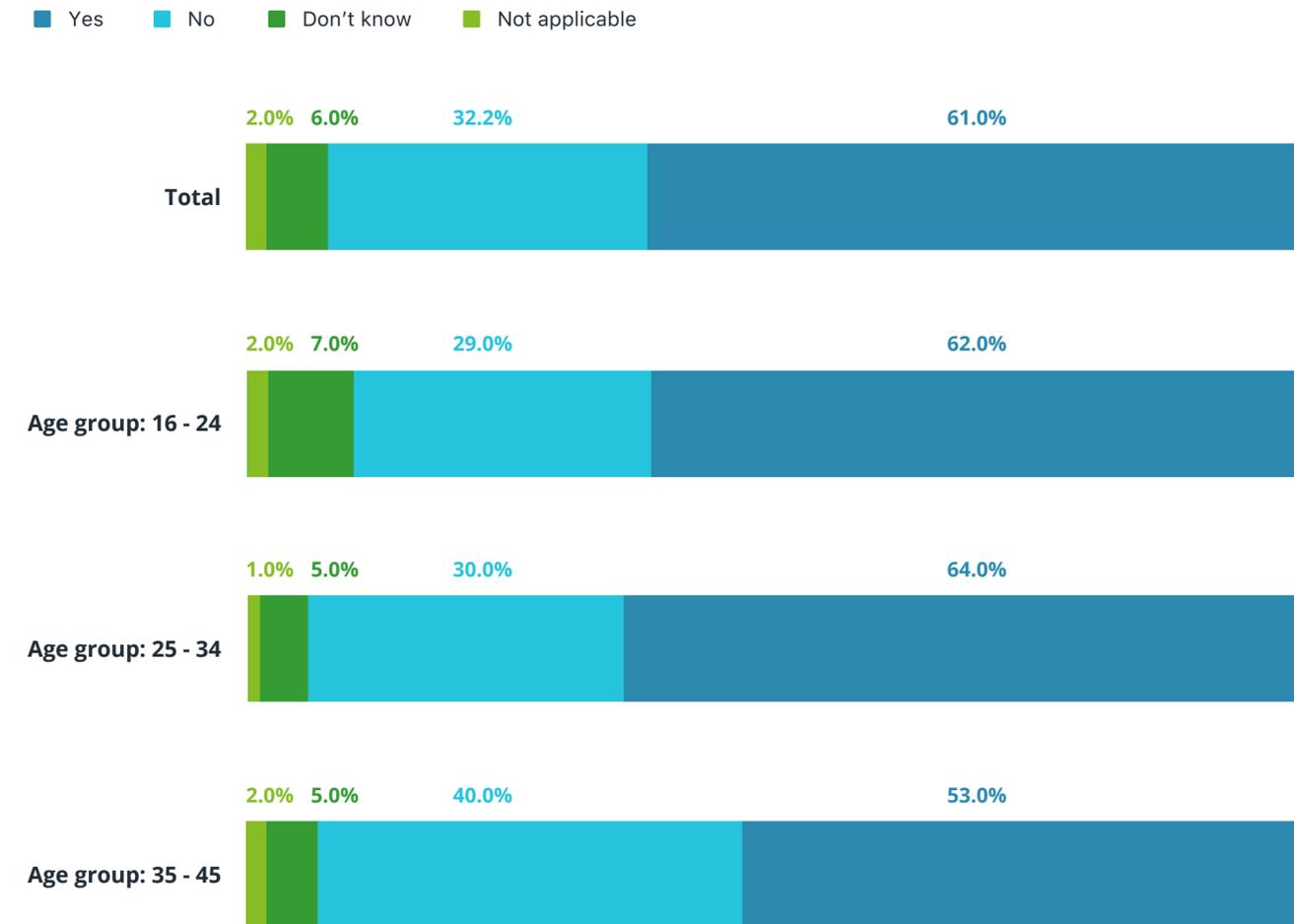
The 16-34 year old segment are most likely to feel that they are unable to disconnect and consumers aged 35-45 years indicate they are better at controlling their usage.

Approximately 47% of respondents believe their partners use their phones excessively while only 27% of parents believe their children use their phones too much. While the mobile phone has become integral to our lives, individuals and families are increasingly concerned with how to manage usage and find balance.



**Figure 10. Consumers' perception of their phone usage**

Overall, do you think you use your mobile phone too much?



*Ages 16 - 34 are more likely to feel that they use their phone "too much" vs. 35 - 45 year olds.*

## On the phone: where we call home

South Africans use phones everywhere and are increasingly multi-tasking with their phones. A substantial 69% of consumers use their phones while watching TV. Phones are used extensively at work and while shopping to communicate, share and be informed. 'Second screening' is not a phenomenon unique to South African consumers. In a recent study by Deloitte, it was found that 92% of consumers in the US multi-task while watching TV<sup>5</sup>.

The smartphone allows us to improve our productivity significantly – for example, by using it while commuting on public transport. However, it is also a major source of distraction – 41% of consumers indicate they continue to use their phones while talking to friends and family. Some find it so difficult to disconnect that they engage in risky behaviours – 15% of users admitted that they use their phone while driving.

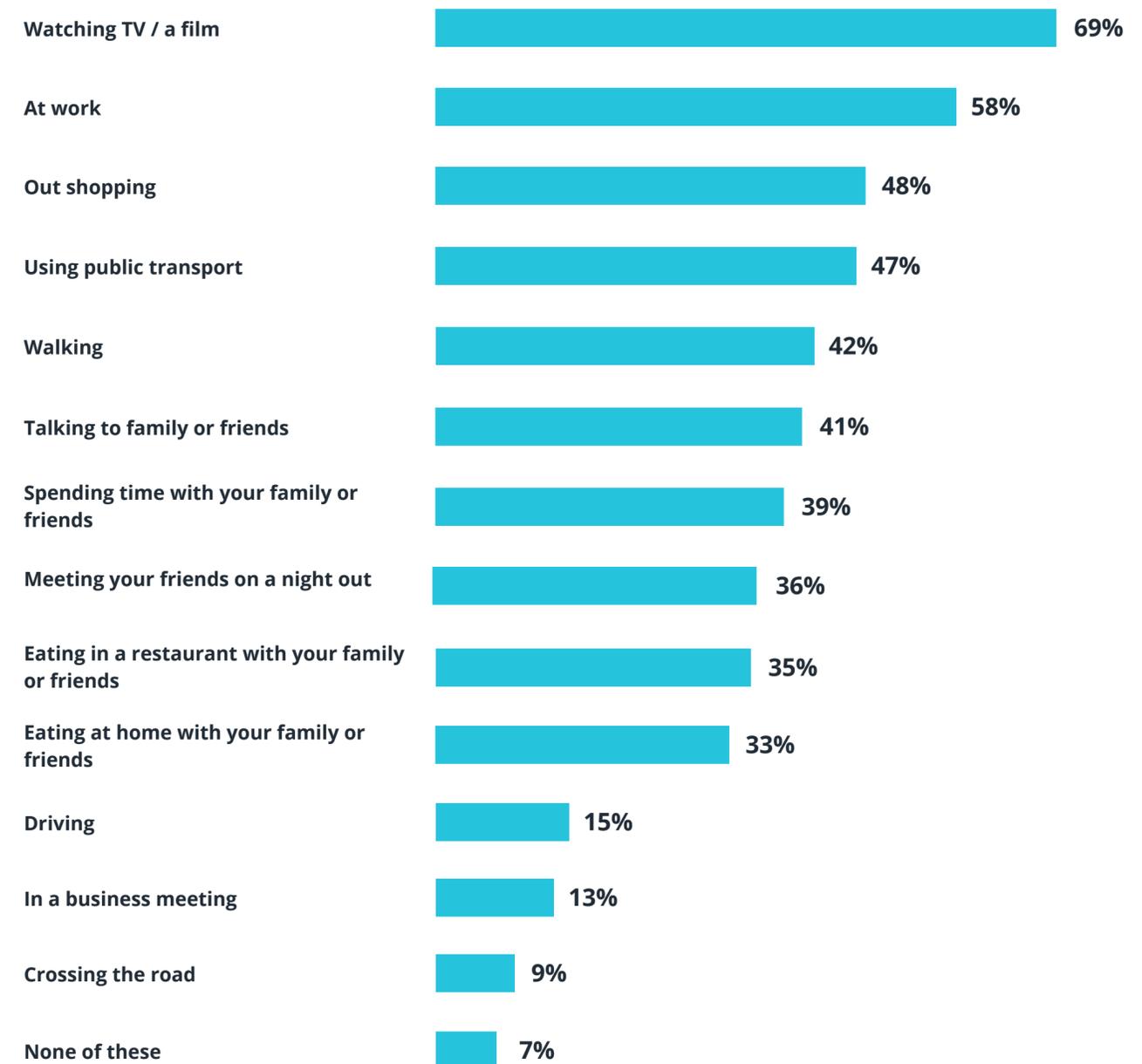


15%

of consumers use their phone while driving

Figure 11. Multi-tasking while using the phone

Do you use your phone while...?



## The slow rise of machine learning in our phones of machines

Deloitte predicts that globally over 300 million smartphones, or more than a fifth of the units sold in 2017, will have on-board neural network machine-learning capability<sup>6</sup>.

Machine learning using applications on the phone is in its early stages of adoption in South Africa. A significant proportion of the survey respondents (48%) either do not use or do not know about machine-learning apps on their phones.

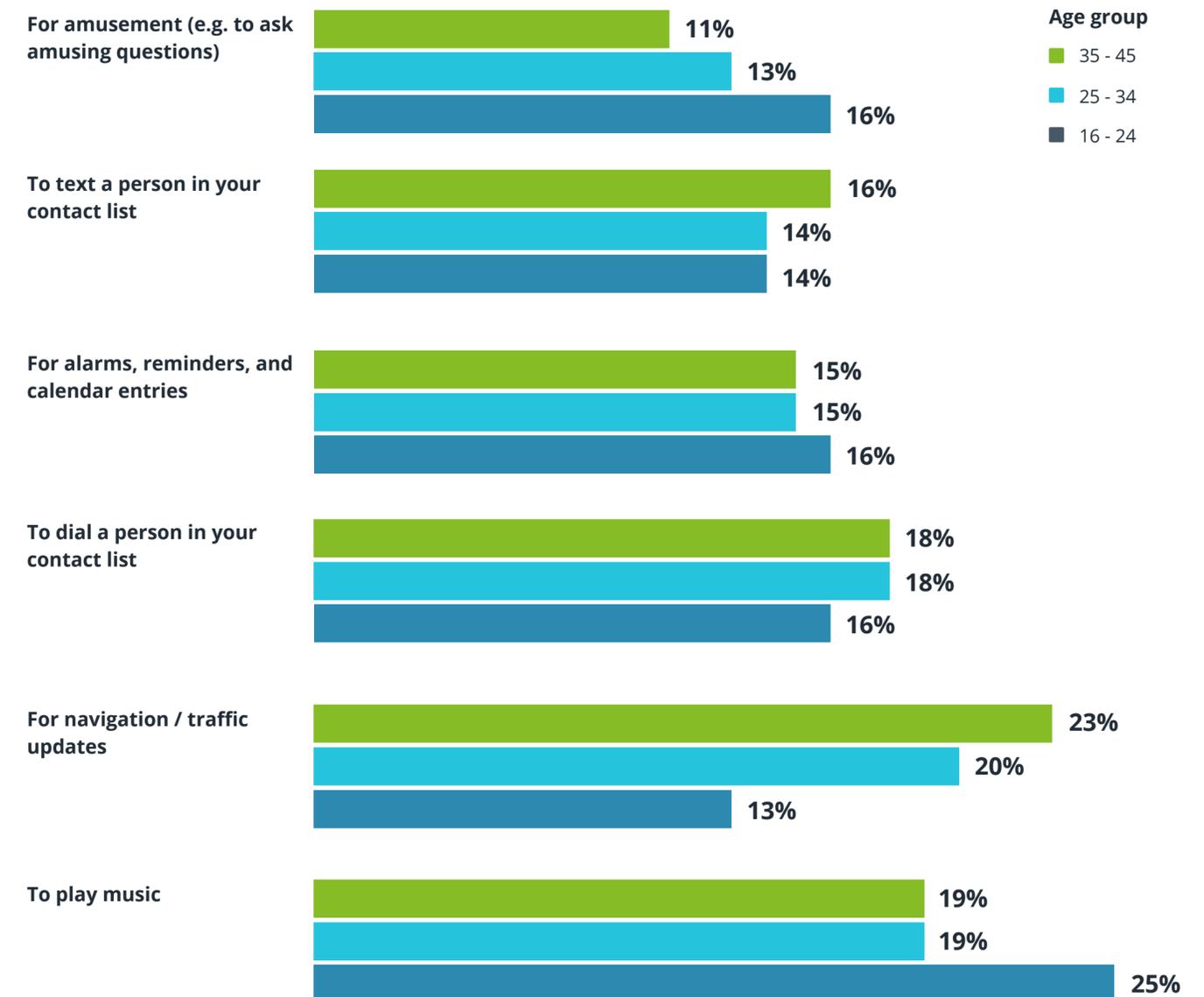
For consumers aged 16-24 years, the most popular use is to play music whereas for consumers in the 25-34 and 35-45 year age brackets, the most widely use application is for navigation and traffic updates.

As smartphones become more efficient at machine learning, with more powerful hardware, chipsets and with increasingly sophisticated software, consumer adoption will increase. Equally, as the volume of information that is now available through our phones increases and the amount of activity that we conduct through our smartphones rises, machine-learning technology will find new use cases and will improve. We expect it to become a central feature of smartphone use.



**Figure 12. Use of machine learning on phones**

For which, if any, of the following reasons do you use the voice assistant provided on your mobile phone? (e.g. Siri on Apple, Google Now on Android, Cortana on Microsoft etc.)



**Quiet, I'm shopping:**  
the stage is set for growth  
in mobile commerce



## Growing traffic in e-commerce

About a quarter of consumers are now buying products online using their phones and consumers are more comfortable than ever using mobile as an e-commerce channel. Smartphones are still predominantly used for browsing, conducting research and getting information about products.

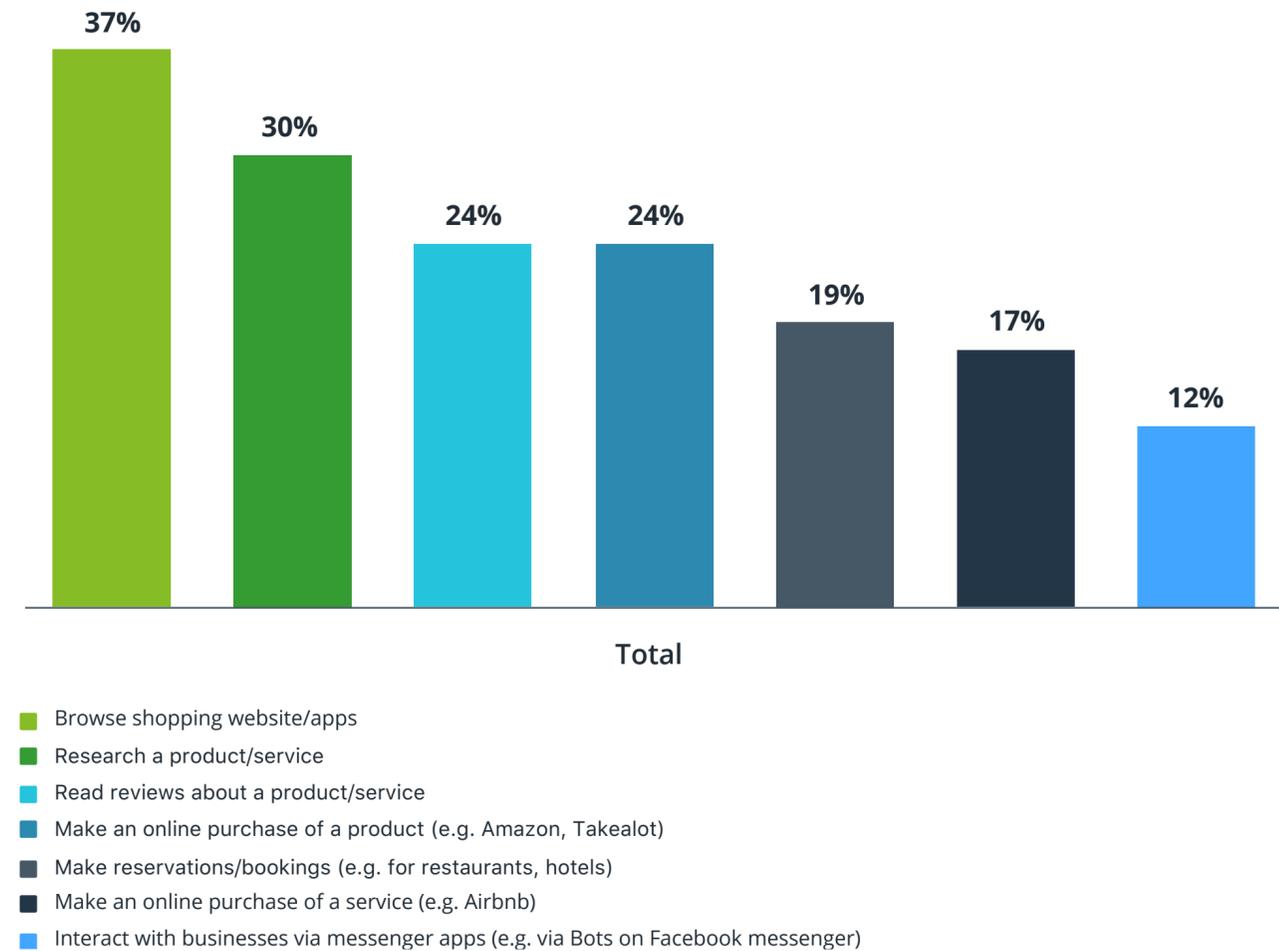
According to Paypal and Ipsos Research, online spending in South Africa is expected to reach R53 billion in 2018, up from R37 billion in the previous 12 months. Furthermore, due to relatively high rates of mobile penetration in South Africa, online spend via mobile devices is expected to achieve 65% growth between 2015 and 2016 to reach around R9.5 billion, with momentum expected to continue.<sup>7</sup>



One of the key barriers to increased online and mobile commerce is trust (or the lack thereof). As biometric authentication becomes mainstream and as policies addressing companies' use of personal information become clearer, we expect consumers to make an increasing amount of online purchases through mobile.

**Figure 13. Usage of phones for e-commerce**

Do you use your phone for any of the below types of products or services?



*Browsing, researching and reading are more common than actual purchases on mobile phones.  
Females are more likely to use their phones for online shopping and bookings.*

## Money matters: P2P transfers are most important for South Africans

According to the World Economic Forum, payments have continued to migrate away from cash and become less visible to the customer as consumers move their purchases to online and mobile channels.

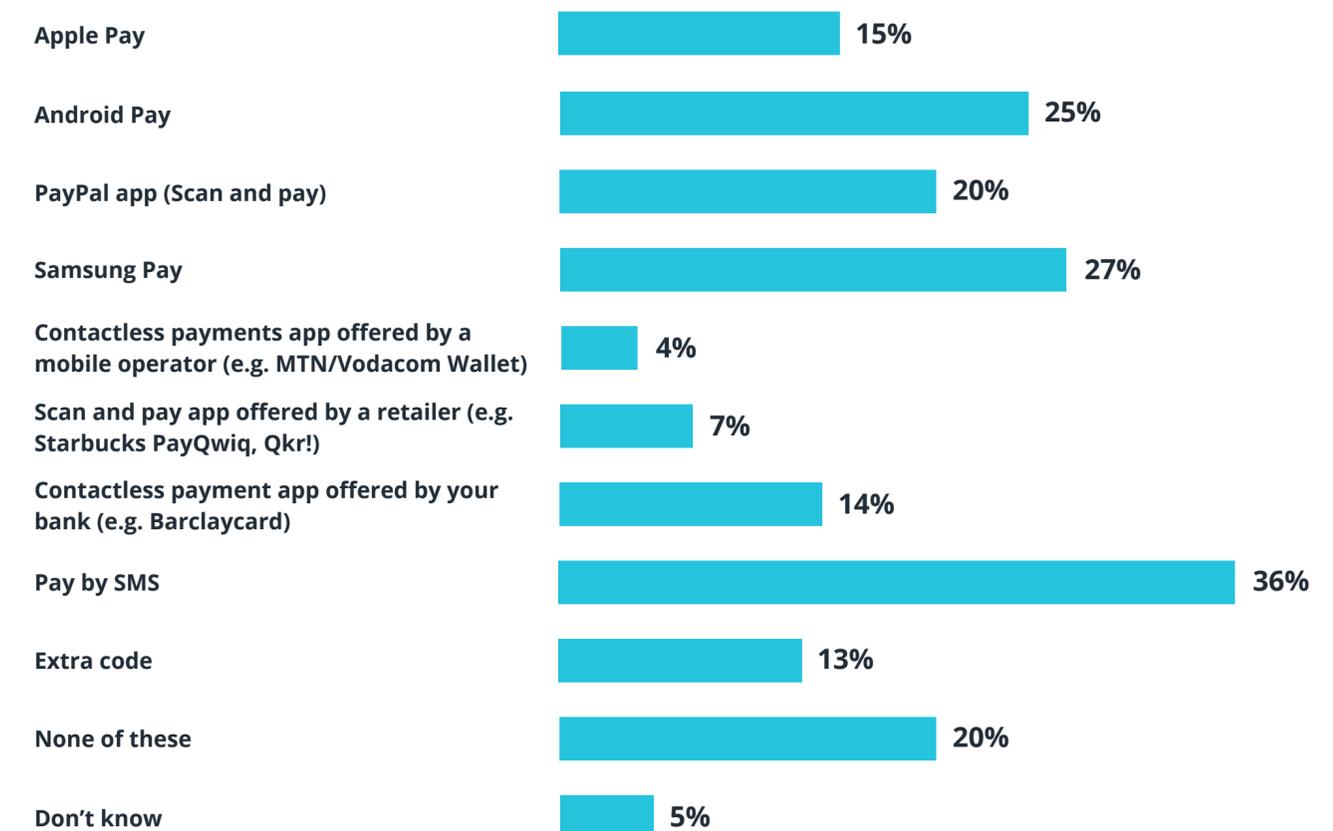
In South Africa, the use of mobile payment solutions for in-store purchases is in its nascent stages, with 13% of survey respondents indicating that they used such solutions in the past 12 months. While Apple Pay is the most popular mobile payments platform in some developed markets, SMS payment (36%) is the clear leader in South Africa, followed by Samsung (27%) and Android (25%) pay solutions, respectively.

It is interesting to observe that the patterns of mobile payment solution usage are somewhat at odds with smartphone ownership patterns. Considering that Apple accounts for approximately 8% of the South African smartphone market, it is surprising that 15% of respondents using in-store mobile payments used Apple Pay for such transactions. The inference that can be made is that a higher proportion of iPhone users are inclined to use mobile payment solutions over Samsung (and Android) users. The question that has not been probed is why this is the case, and what can be done to facilitate greater usage of mobile payments among Android users who make up over 70% of the smartphone market.

While these insights suggest that there is value in developers creating seamless experiences combining mobile applications and payments for fast purchasing on the go, it is worth noting that more survey respondents (34%) actually use their phones for person-to-person money transfers than those who use them for commercial transactions (13%).

**Figure 14. Usage of mobile payment solutions**

Which of the following in-store mobile payment solutions have you used?



Given that 76% of South Africans have bank accounts, it is not surprising that an overwhelming majority of money transfers (84%) are made using online banking apps, while mobile operator and social payment apps are used by less than 10% of respondents. The use of online banking apps for money transfers is more prevalent among higher income groups, while lower income groups are more likely to use online money transfer providers.

It is possible that mobile operator and social payment apps are largely used for international remittances since the proportion of users of such apps corresponds closely with those who indicated that they also use their mobile phones to transfer money to individuals located in other countries.

The limited, but growing, use of mobile operator and social payment solutions in South Africa is consistent with the larger global trend of increased use of decentralised and non-traditional

payment solutions. Although they are rising in value, alternative currency and payment schemes have not yet made significant inroads into the traditional payments ecosystem, especially as traditional payment solutions are quickly being modernised. Nevertheless, it may be instructive to develop a better understanding of how the evolution of decentralised or non-traditional payment schemes can disrupt the traditional payments ecosystem.

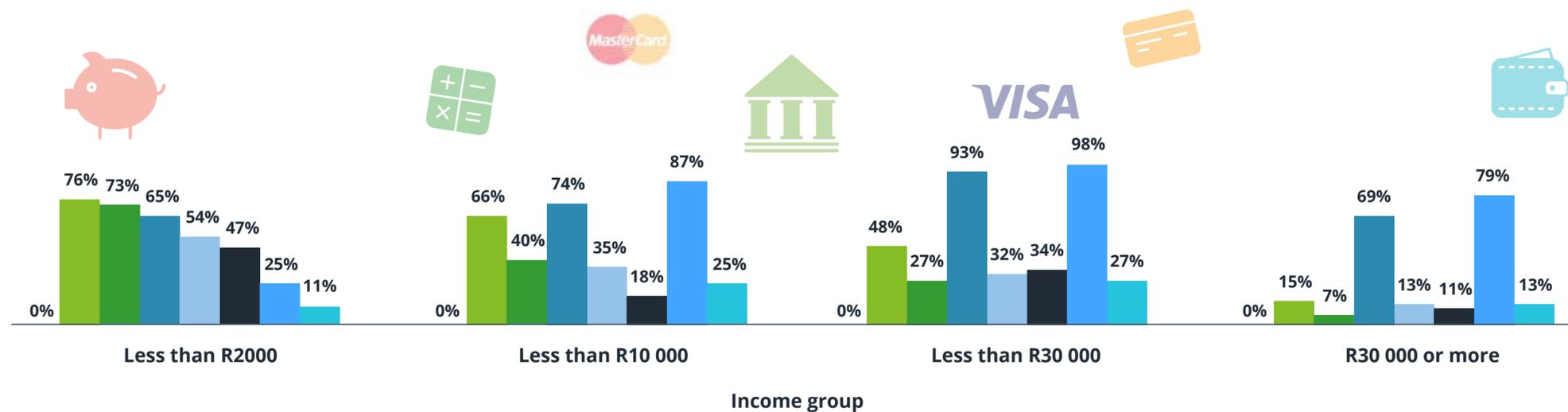


84%

of money transfers are made using online banking apps

**Figure 15. Usage of mobile money transfer solutions**

*In which, if any, of the following ways have you ever used your mobile phone to transfer money?*



- Mobile operator app/service
- Facebook
- Online money transfer provider (e.g. MoneyGram)
- Social payment app (e.g. Circle, Venmo)
- App/solution provided by mobile manufacturer or operating system provider (e.g. Google Wallet, Apple Pay)
- Financial institution app (e.g. Visa, MasterCard)
- Your online banking app (e.g. FNB, ABSA, etc.)
- By SMS

*Lower income groups are more likely to utilise online money transfer providers vs. higher income groups, who are more likely to use online banking apps.*



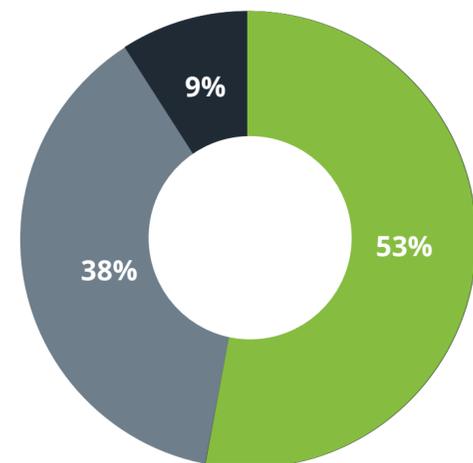
## Phone users are embracing fingerprint-based authentication

Just over half of phone users already have phones with fingerprint-based authentication. Of these, just under half (46%) already use fingerprint authentication on their phones to authorise payments and money transfers.

**Figure 16. Access to fingerprint-enabled phones**

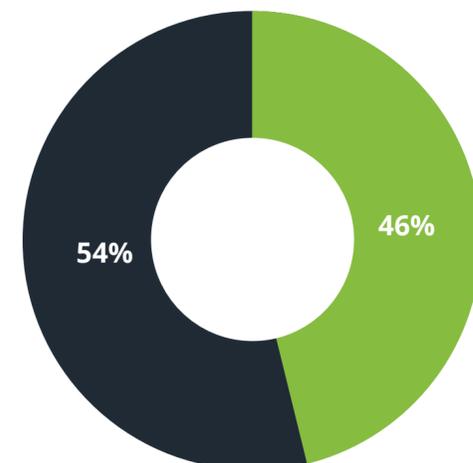
Does your mobile phone have a fingerprint reader? If yes, do you use the feature to authorise monetary transactions?

**Access to fingerprint-enabled phones**



■ Yes, my mobile phone has a fingerprint reader  
■ No, my mobile phone does not have a fingerprint reader  
■ I don't know

**Fingerprint usage for authentication, authorisation of payments and money transfers**



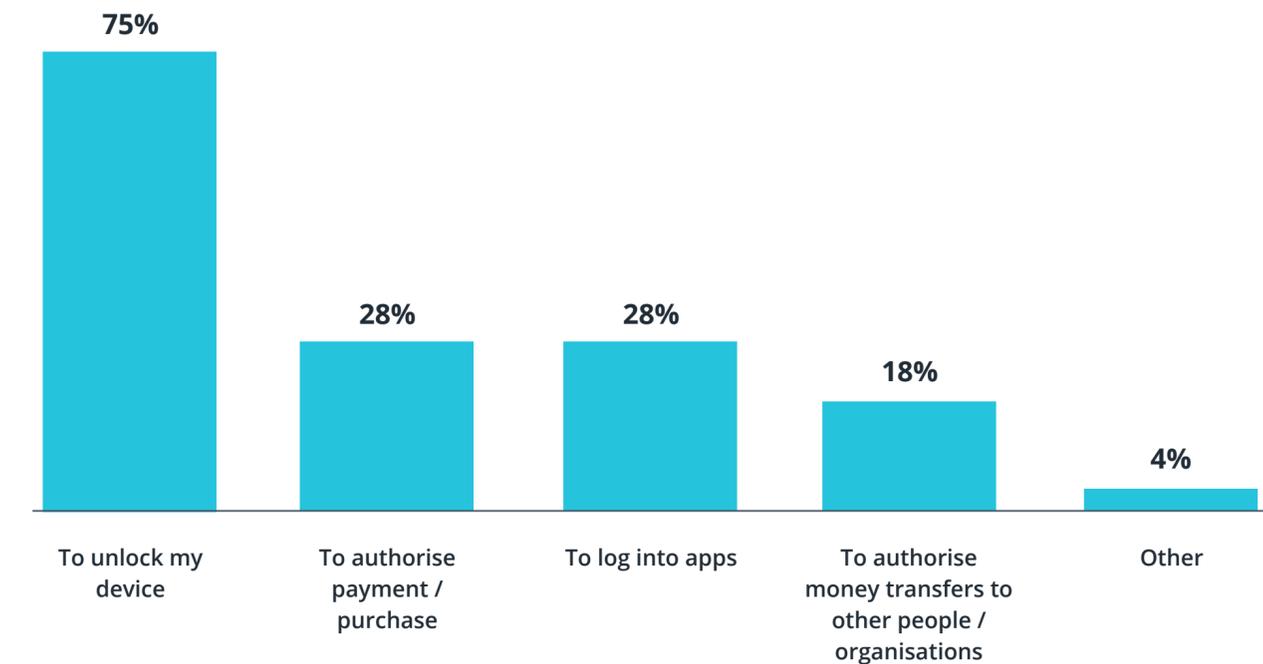
■ Yes  
■ No

Though fingerprint authentication is being used to authorise payments and purchases, most consumers (75%) are still mainly using it to unlock phones.

Nevertheless, the fact that consumers are already using their devices' fingerprint readers creates an opening in the South African market for more sophisticated mobile commerce applications and new biometric authentication uses, such as smart lock apps for unlocking car and home doors or remotely authenticating access to IoT devices.

**Figure 17. Common uses of phone fingerprint readers**

How do you use your fingerprint reader?



**Fingerprint readers are mostly used to unlock devices with authorisation use comparatively lower.**



# Getting smarter: device ownership habits in South Africa



## The smart money is on IoT

Approximately 62% of the consumers surveyed own a connected device. South Africa's connected device market is still heavily concentrated on entertainment-based devices as opposed to home appliance or surveillance systems, which are currently at the early adoption stage.

Game console and Smart TV ownership is now at 30% and 23%, respectively. This is probably driven by the higher number of connected entertainment devices in the market and the phasing out of 'dumb devices'. Other contributing factors include improving affordability and the launch and growing popularity of streaming content services such as Netflix and Showmax.

In comparison to EMEA<sup>8</sup> markets, Smart TV penetration in South Africa remains low at 23% (the EMEA average is 42%), suggesting that as the price of Smart TVs drops further, there is room for growth in adoption rates.

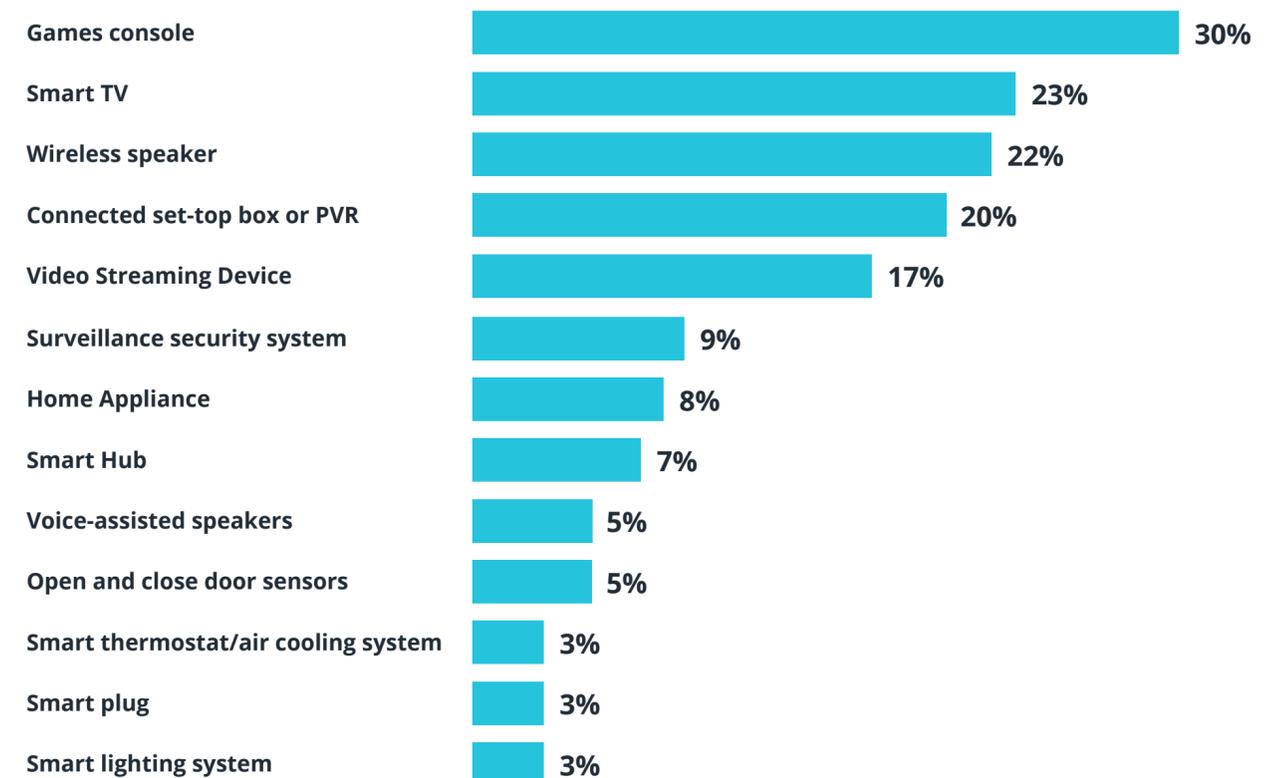
The penetration of connected Set-top box/PVR and Video streaming devices (20% and 17%, respectively) shows that consumers are looking to access video content online. There has been a significant influx of streaming devices into the market recently, launched by local telecommunications operators (for example, Telkom's LIT Android TV media player, Econet's Kwese play and Cell C's black set-top box) and various global and local technology service providers. As the quality of connectivity improves and the price of data falls, the take-up of video streaming and video-on-demand services is expected to grow significantly.

The increase in popularity of music streaming has led to an explosion in the ownership of increasingly affordable wireless speakers, especially among 16-24 year olds. South Africans are unwired for sound wherever they go.

The penetration of connected home and IoT devices remains low in South Africa and is in early adoption stage. Operators are in a race to roll-out IoT networks to capitalise on the potential opportunity in the consumer and enterprise market. Looking forward, we can expect growth in the uptake of IoT services as these networks become more pervasive, new ecosystems emerge and as device costs drop.

**Figure 18. Connected device ownership**

*Which, if any, of the following do you own or have ready access to?*



## The smartphone is ubiquitous

The rise of the smartphone continues to accelerate and South Africa now finds itself among the leading global adopters. Norway, Netherlands, Ireland, and Luxembourg are among the few which have surpassed the 90 percent threshold and South Africa now joins them, with 93% of the populace having ready access to smartphones.

South Africans have enthusiastically embraced the smartphone and its myriad and multiplying uses. This disruptive innovation, which started out as a kind of technological Swiss Army knife, has gone on to enable radical changes in not only the global communications landscape but across many facets of life and the economy. Whether its teens ordering pizza for a movie night, to the busy executive going from a mindfulness meditation app to a conference call in the kitchen – our phones are indisputably indispensable.

Smartphone device penetration has significantly overtaken that of all other devices and has reached the maturity tipping point. Only 11% of South Africans have feature phones and they are expected to become obsolescent in the medium term. Other smart devices, such as fitness bands, smart TVs and watches, are still in the early adopter stage, but, like smartphones, are set to become pervasive.

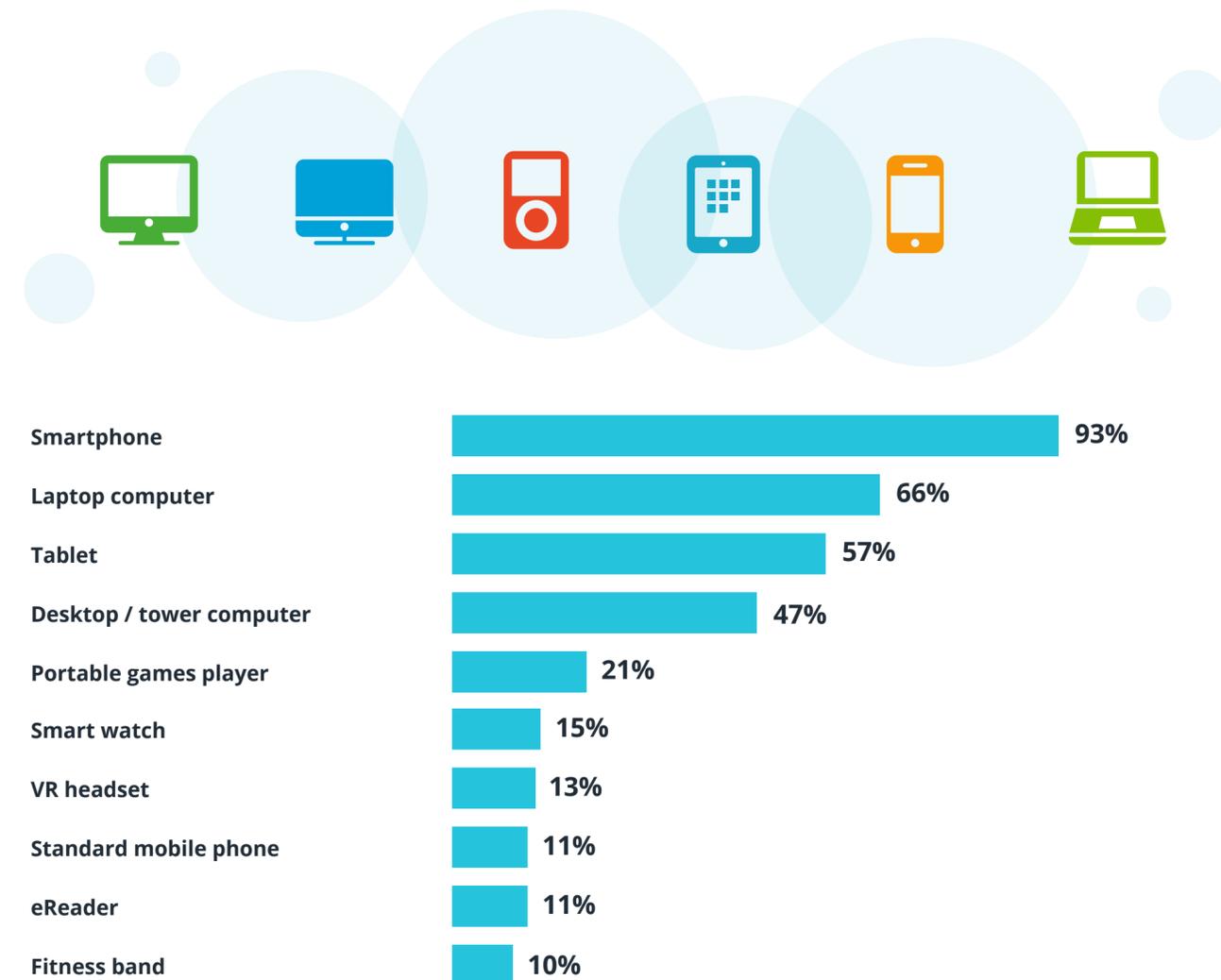
Interestingly, in comparison to the EMEA region, the penetration of laptops and tablets is low in South Africa. On average 81% of EMEA consumers have a laptop and 71% a tablet versus 66% owning a laptop and 57% a tablet in South Africa. This might be related to the affordability of these devices for the average cash-strapped South African; in addition, these devices might be less useful to consumers given that most now own a feature-rich smartphone capable of running sophisticated software and applications.

When one considers the benefits of mobility, affordability and improved internet speeds through accelerated 4G network investment the smartphone becomes the kingpin device for South Africans.

As smartphone penetration reaches saturation point, device manufactures need continually to develop new innovative features and exciting products in order to maximise profit through device replacement and market share rather than new users.

**Figure 19. Device penetration**

*Which of the following devices do you own or have ready access to (at work or at home)?*

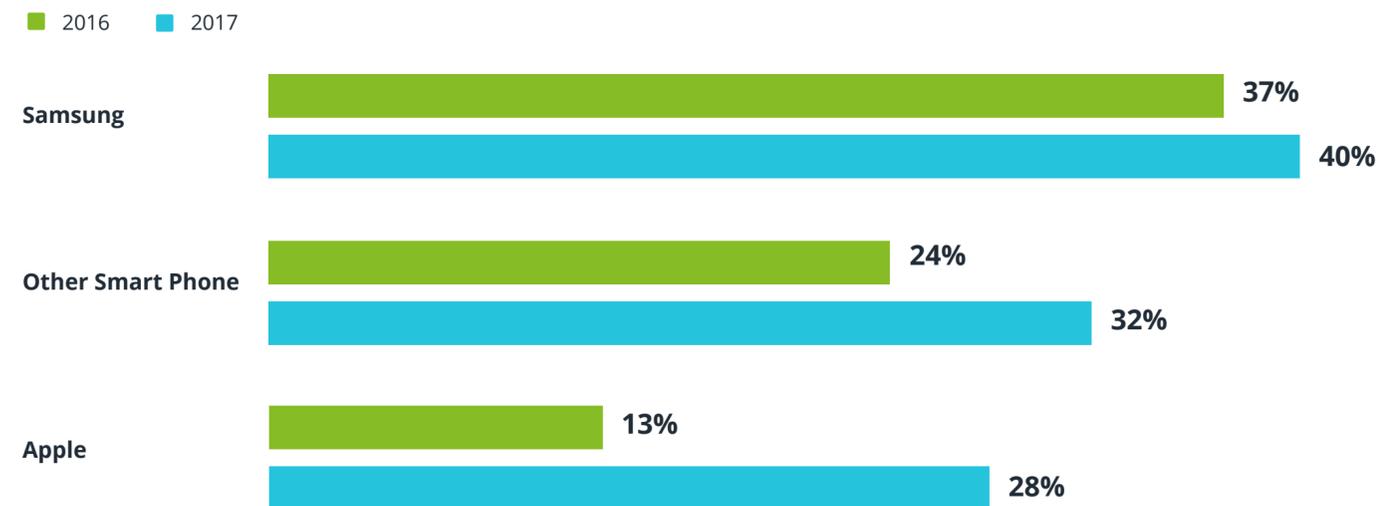


South African mobile phone owners continue to show loyalty to two manufacturers – Apple and Samsung. These brands make up 68% of the market. In comparison to 2016, both Samsung and Apple increased their share in 2017. Their dominance in South Africa can be traced back to promotion of these devices by operators through handset subsidisation practices in the post-paid market. The high-end phone is a critical status symbol for brand-conscious consumers.

Samsung has captured 41% of the market share in the crucial 16-24 years old segment while Apple has a 26% market share. Huawei is seen as an emerging competitor, capturing 15% of market share in 2017. The remaining market is fragmented, with multiple brands providing devices that offer complete bouquets of smart functionality, with entry-level models available at price points as low as US\$45.

**Figure 20. Device brand**

What is the brand of your device?



## New phones still drive the market

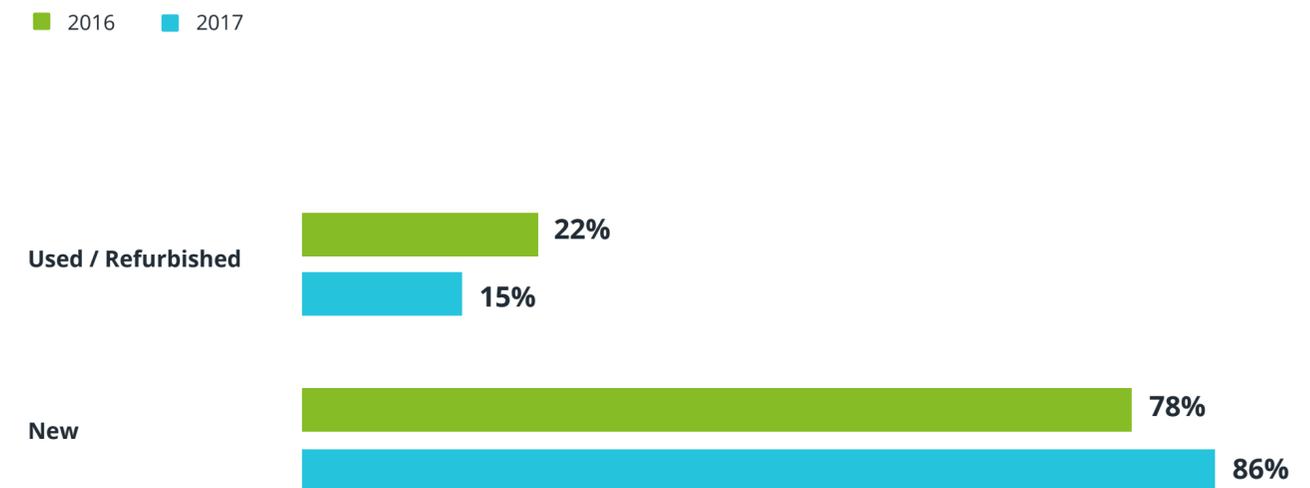
Across all age groups, gender and income brackets, consumers prefer to buy new phones over used ones.

The percentage of consumers owning new phones over used phones increased from 78% in 2016 to 86% in 2017. Approximately one in ten consumers owns a second-hand phone regardless of whether it is a feature phone or smartphone.

The rate of mobile technology evolution is increasing and new applications are emerging that attract an increasingly technologically savvy South African consumer base. These factors, along with the mobile operators' strategy of subsidising phones in the post-paid market, is expected to maintain the dominance of the new phone market over the used one.

**Figure 21. Used versus new phone ownership**

When you got your current phone, was it new or used?



## Operators dominate the new phone market, but alternatives are emerging in the used one

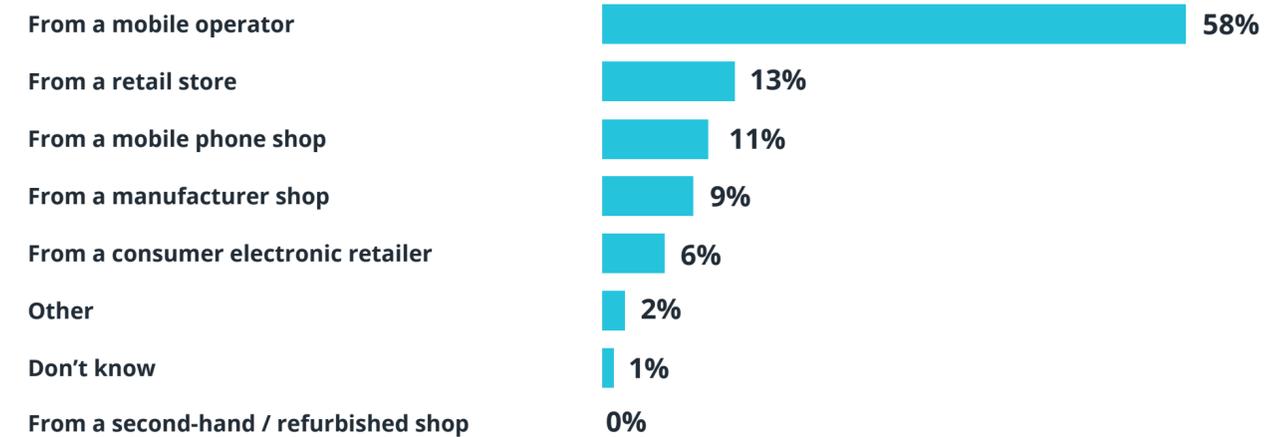
Compared to other shopping channels, mobile operators remain dominant in the new phone market. 58% of consumers who preferred to buy their phones directly from stores and 33% of consumers who bought online preferred to purchase the phone directly from operators. This is hardly surprising given the strong competition between the mobile operators and operator strategies to use device subsidisation and marketing strategies to support new subscriber acquisition and retention.

However, in the online new phone market, e-commerce websites are emerging as an alternative channel. Across the survey base 23% of prepaid users and 13% of post-paid users purchased new phones online from an e-commerce website. As more consumers come online and e-commerce sales become more pervasive in the South African market we can expect an increase in sales of new phones through this channel, particularly in the prepaid market.

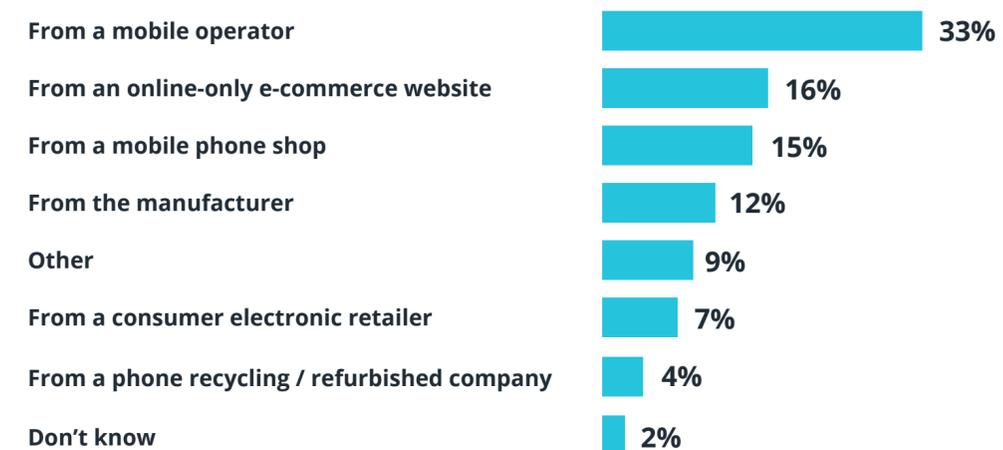
**Figure 22. New phone purchase channels**

*Which of the following best describes where you purchased your phone?*

### All who bought their phone 'new' in-store



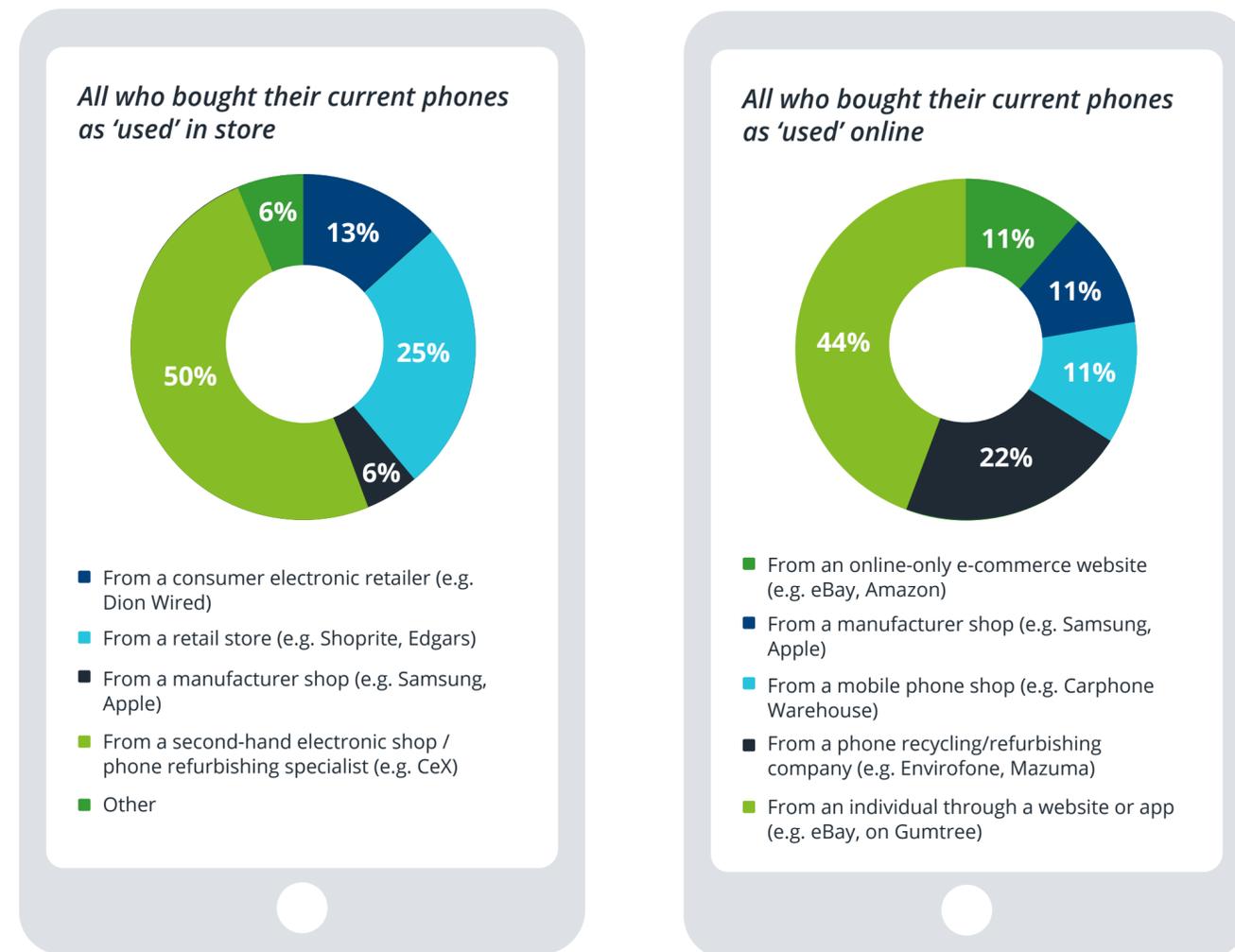
### All who bought their phone 'new' online



In our assessment of the second-hand phone market, half of the respondents who bought a used phone from a store bought it from an electronics shop or a phone refurbishment specialist. Of consumers who bought a used phone online 44% bought it directly from an individual through a website or an app. The strong growth of e-commerce and classified channels that support South African consumers to trade goods and services will support further growth.

**Figure 23. Mobile phone purchase channel**

*Which of the following best describes where you purchased your phone? (Respondents selected one answer only)*



# Endnotes

- 1 The Mobile Consumer Survey, now in its fourth year, is a multi-country study of mobile phone users around the world. The 2017 study comprises more than 51,500 responses across 33 countries.
- 2 Data cited in this report are based on a nationally representative sample of 1,000 South African consumers aged 16-75. The sample follows a country specific quota on age, gender, and region and socio-economic status. Fieldwork took place between May and June 2017 and was carried out by Ipsos MORI, an independent research firm, based on a set of questions provided by Deloitte.

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