

MTN mobile money may build more loyalty

MTN's mobile money service has the potential to contribute 15% of MTN SA's total revenues in the long-term, the company claimed last week.



MTN SA's Ahmad Farroukh believes that mobile money will contribute about 15% to the company's revenue as its usage grows. Image: MTN

In June this year MTN partnered with Pick n Pay, Boxer stores and Visa to re-launch its mobile money service allowing customers to transfer and receive money, and pay their bills.

MTN's mobile money subscribers increased by more than 20% in the quarter to September, and it now says it has 22.2m customers equivalent to about 10% of its total number of subscribers.

MTN SA's Chief Executive Ahmad Farroukh said the use of the service was still slow but said he believed it would contribute to MTN's revenues significantly in the future.

"It will be nice to get 15% of total revenues from mobile money," he said.

MTN SA's Chief Marketing Officer Larry Annetts said from next month the company would add more agents to its network, creating more mobile money distribution channels in townships.

MTN still facing tough times



Kagiso's Analyst Aslam Dalvi says that MTN must focus on cost cutting and improving customer loyalty. Image: Kagiso

Kagiso Asset Management Investment Analyst Aslam Dalvi said mobile money was most successful in markets with low formal banking penetration.

MTN SA reported an improved performance in quarter to September attracting 1.4m to its total subscriber base of 26.7m.

Combined average revenue per user for pre-paid and contract was down 4.6% to R89.26.

Data subscribers increased to 16.1m and data usage grew by 55.9% supported by data promotions and improved network quality. Data now contributes 22.7% to MTN SA's total revenue.

MTN SA has had a rough trading period in recently, losing its market share and customers but its recent promotions have played a role in helping the company to regain traction.

Kate Turner-Smith, an analyst at BPI Capital Africa, said while the performance was pleasing, it was not enough to make the full year good.

The promotions that MTN has been doing in SA are not sustainable and the company needs to invest more in its network to ensure that it retains its customers.

Dalvi said management's strategy on improving value to customers through promotions and a clear focus on lowering costs was yielding results. MTN has already cut 100 jobs and further retrenchments might be looming.

"To remain competitive and deliver profits, MTN has to focus on all its cost structures in SA," said Dalvi.

Source: BDPro via I-Net Bridge

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