



43 Craighall Road, Victory Park, Johannesburg 2195  
Telephone +27 11 7827003

Fax +27 11 7827063

PO Box 752, Pinegowrie 2123, South Africa  
www.worldwideworx.com

## **Executive Summary**

# **Internet Access in South Africa 2012**

### **Broadband in SA doubles in two years**

6 December 2012:- Broadband access in South Africa has more than doubled in the last two years, as mobile operators slashed the cost of data and network roll-out accelerated.

This is revealed in new data contained in the final version of the *Internet Access in South Africa 2012* study, released today. The study was conducted by World Wide Worx and backed by the *howzit MSN* online portal.

The broadband data, which is analysed in detail in the report, shows that the number of broadband subscriptions grew from 3,6-million at the end of 2010 to an expected 8,2-million by the end of 2012 – 128% growth. Many users have multiple forms of broadband access – such as an ADSL account as well as 3G – while many hop between operators to take advantage of promotional offers. As a result, the number of individual broadband users is substantially lower, but also more than doubling in the past two years. The number has grown from 2,8-million to 6,7-million – 140% growth in just two years.

“The migration from fixed line to mobile represents a profound shift in the way South Africans consume content,” says Justin Zehmke, Executive Producer of *howzit MSN*. “The 9-5 internet peak, along with the traditional desktop publishing and advertising model that has become the South African standard, will become increasingly irrelevant. Coupled with the availability of cheaper mobile devices, this presents an opportunity for smaller publishing and tech companies to enter a market traditionally dominated by a few major players.”

Zehmke’s view is backed up by World Wide Worx’s finding that the total number of fixed line broadband subscriptions is now outnumbered 8 to 1 by mobile broadband subscriptions. Telkom’s ADSL service now holds just 10,6% of the broadband subscriber market in South Africa.

Measured by subscriptions, South Africa now has an apparent 15,8% broadband penetration of the population. However, due to extensive multiple-use of broadband subscriptions, especially thanks to the falling cost of data and the proliferation of promotional offers, the number of individuals using broadband subscriptions represents only 11% penetration of the population.

“This may seem small, but it is still light years ahead of where we were five years ago,” says Arthur Goldstuck, managing director of World Wide Worx. “It suggests that, five years from now, mobile broadband and smartphones will be the conventional means of access, rather than fixed line, which will increasingly be confined to small business.”

Zehme adds: “High speeds, lower rates and ease of access also means that the demographic of the SA user base is shifting significantly, once again creating space for new content and business

models. The trends presented in this survey suggest that we will see a major shift in the type of content supplied and consumed, with mobile apps and services at the top of the industry's priority list."

The impact, he believes, will be highly positive for the content industry:

"The search for viable digital business models will lay the foundation for a culture of innovation in technology and publishing, creating choice and variety for the consumer. As the audience matures and continues to grow, we are set for a reinvention of the South African digital industry."

## **Mobile pushes Internet to the masses**

The number of Internet users in South Africa accelerated dramatically in the past year, thanks to the impact of both smartphones and ordinary mobile phones. As a result, the Internet is finally arriving in the hands of the mass market.

This is a further key finding of the *Internet Access in South Africa 2012* study.

The study shows that the South African Internet user base had grown from 6,8-million in 2010 to 8,5-million at the end of 2011 – no less than 25% growth. World Wide Worx also forecast that this strong growth would continue during 2012, and the Internet user base would pass the 10-million mark by the middle of the year.

"These findings are a powerful signal that the demand for online content in South Africa is likely to explode in the coming years," says Zehmke. "The spotlight will not only be on online media, but also on social networking and electronic services in general. As the market grows and matures, we are likely to see a diversification in the landscape that will create space for successful niche media, a greater choice in information sources and a maturation of online services."

Says Goldstuck: "The Internet has finally awoken, fully, in South Africa. Penetration is now approaching 20%, and for the first time we can see the mass market embracing digital tools on their phones."

The study uses multiple methodologies, including primary research, interviews with providers, and market intelligence.

The headline findings revealed that a total of 7,9-million South Africans access the Internet on their cell phones. Of these, 2,48-million access it only on their cellphones, and do not have access on the computers. The remaining 6,02-million users access the Internet on computers, laptops, and tablet computers. However, 90% of this number – 5,42-million – also access it on their cellphones. This means that almost 8-million South Africans sometimes or regularly access the Internet on their phones.

"This has huge implications for media and social networks," says Zehmke. "It means that, in the coming years, all services offered online will also have to be offered on cellphones."

While smartphones are the main driver of Internet growth, the cost of data use is being driven down by the proliferation of undersea cables connecting sub-Saharan Africa. The study shows that undersea cable capacity to South Africa at the end of 2011 was 2,69 Terabits per second (Tbps), and due to rise to 11,9Tbps by the end of 2012.

"That capacity will double again in 2013," says Goldstuck. "While the industry position is that it won't affect prices, such an excess of supply must result in falling prices, which in turn will further drive up demand. The rapid growth we see this year will therefore be maintained through 2013."

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## Obtaining the report

The full report is available at a cost of R13 000 (single site license) excluding VAT from World Wide Worx.

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