

# Is Paratus set to dethrone MTC?

## An independent analysis of their marketing performance.

### Summary

For years, the Namibian Telco/ISP sector has been dominated by MTC and to a lesser extent, Telecom Namibia. Although, in recent years there have been several smaller vendors popping up such as AfricaOnline, Witel, etc... Perhaps the one that shows the most promise is Paratus Namibia. With its latest service offerings, it has managed to steadily grow its brand presence in the Khomas and Erongo regions. However, is it enough to dethrone MTC and what steps would I recommend to grow its share of the market?

I believe Paratus can become the market leader in Namibia; it will take time, but it can be done. Paratus however faces an uphill battle with certain adjustments and a substantial action plan required to capture the majority of the market share. For the remainder of this analysis, I'll be taking a look at the Paratus and its two biggest competitors (MTC and Telecom). Although there are other vendors, none of them have any significant market share and adding them to the comparison proves more difficult since they are not publicly traded.

### Environment

Since the initial outbreak of the COVID pandemic, Telco/ISP companies across the world have found themselves in quite a favourable position. Suddenly, millions of people needed their services to work, study, or even just pass the time. Naturally, I wasn't surprised to see some increase in revenue for that time across the board. Although I must say, I was expecting to see a bigger spike but I do realise that the 2021 annual reports might show a continuation of that trend.

What's more interesting to me is how the Telco/ISP sector adjusted its offerings to alleviate the challenges their customers now faced. Telecom for example upped the data available in their JIVA packages and have kept those offerings standing even after the first wave has long passed. Paratus and MTC also had their own campaigns with significant (and some insignificant) discounts on their offerings.

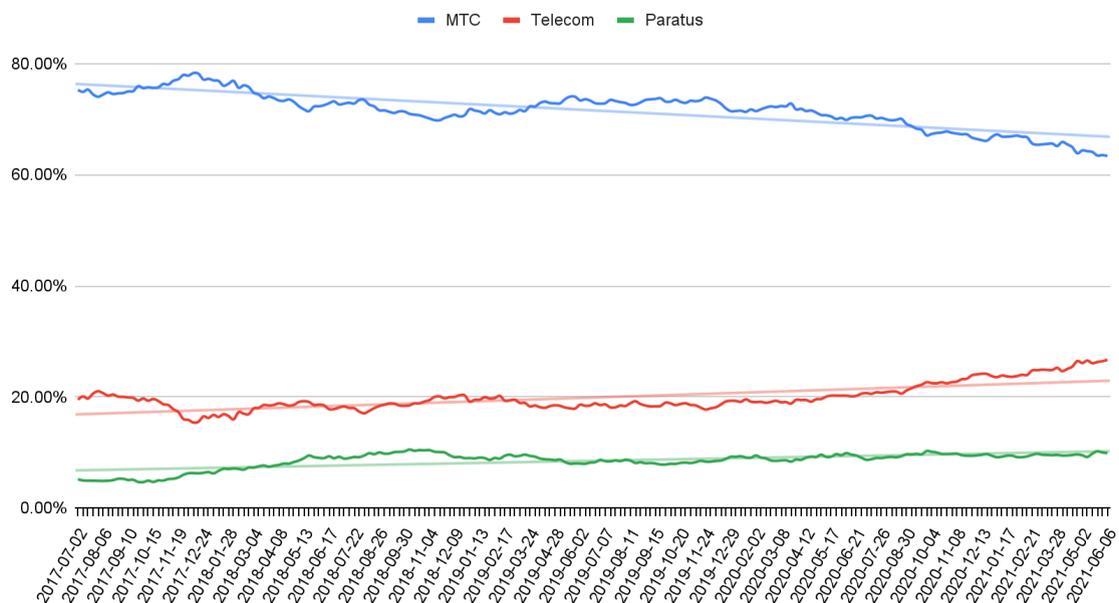
Besides the challenges brought on by the pandemic, Paratus also had to deal with legal trouble during 2020. At one point, the City of Windhoek Municipality

put a stop to their rollout of Fiber across the city, which slowed down the process. Fortunately, those matters were resolved.

## Market Share (Share of Search)

For anyone still unaware of the reports published earlier this year, it turns out that Google search data can be used as a surprisingly (or unsurprisingly) accurate proxy for market share. This helps in our comparison since market share data is a bit more challenging to come by. However, the two rarely map 1:1. Nevertheless, with validation, the Share of Search (SOS) metric is very useful in spotting trajectory and evaluating the competitive landscape. For more info on the specifics, read more [Here](#) and [Here](#).

Google Trends Data



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As seen in the chart above we have a clear indication that MTC is the market leader in Namibia. However, their market share is dropping at a steady pace. On the other hand, Telecom and Paratus seem to be growing, with Telecom seeing an increase in growth rate at around 2020/08/30. This “ranking” is also reflected in the revenue figures of the three companies. In 2020 Paratus saw a huge spike in revenue in comparison to previous years.

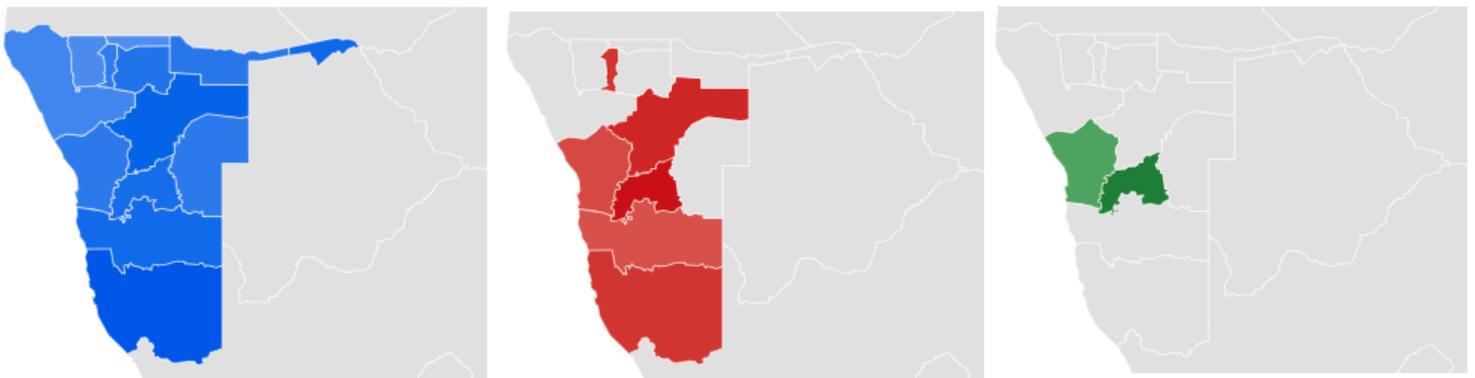


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Although this revenue spike is massive, they still have a long way to go to catch up to MTC whose reported revenue for 2020 was around N\$ 2,683,000,000.

## Distribution

Another interesting data point that I found on Google Trends was a distribution map of sorts for each of the 3 companies. Take a look at this:



These three maps show the interest by region for MTC (blue), Telecom (red), and Paratus (green) respectively. This is especially important when we remember that the biggest drivers of brand growth are Physical and Mental availability (B. Sharp, *“How Brands Grow: What Marketers Don't Know”*, Oxford University Press, USA).

For context, this is what we mean when we say availability:

**Physical Availability** - brands being available to buy in more places (offline).

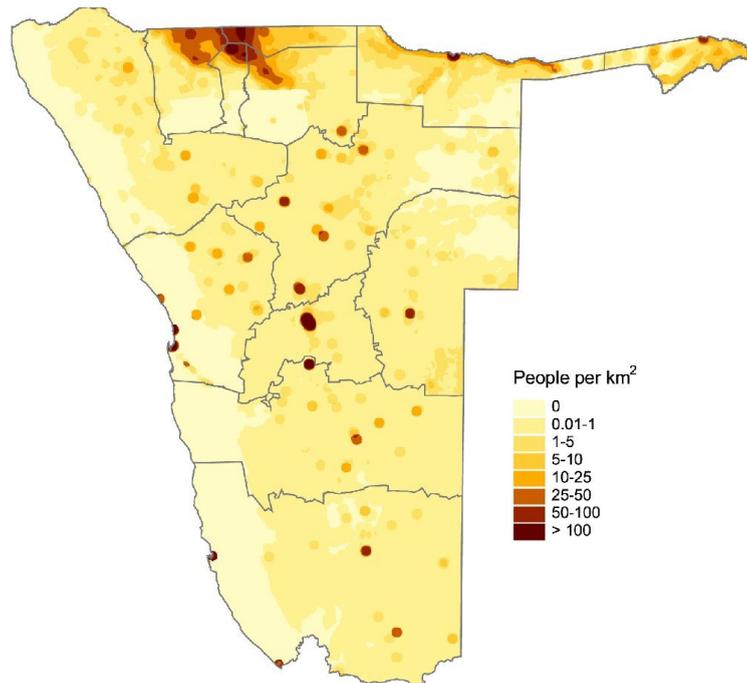
**Mental Availability** - being the first brand in mind when an individual comes to buy.

**Digital Availability** - brands being available to buy in more places (online).

The Paratus Namibia brand shows most interest in the Khomas and Erongo regions. This is not surprising since they have focussed most of their efforts on these regions and only have branches in those two. To grow their brand, and by effect, market share; Paratus will need to expand geographically to the other regions in Namibia. MTC has done this extremely well in its lifetime, granted that

it has been around for much longer. They have a distribution network all over Namibia both online and offline which has helped cement their position as the market leader.

One promising area would be the northern regions where the population density is much more concentrated. Perhaps the biggest challenge however would be the infrastructure required to sufficiently support these areas. A great deal of these northern regions is underdeveloped and as a result, MTC has invested billions of dollars over the years to provide network coverage for these rural areas.



When we reviewed the annual report from Paratus, we saw that their leadership team seem to understand the importance of this geographic expansion. They do mention that they have plans of rolling out Fiber and LTE across other major towns and opening additional outlets.

## Products

Paratus offers a host of services to both the consumer and business markets in Namibia. Their best selling offer during 2020 was the Fiber service. They've been working extremely hard on expanding the Fiber infrastructure, spending a whopping N\$ 72.6 million from March 2019 to June 2020. During this time, it was also the Fiber offering that grew at the fastest rate, reaching just under 1200 customers by June. It's no surprise that Fiber and LTE will continue to be a focal point for Paratus in the coming years.

However, they do also have some interesting new offerings in the pipeline. Their 2020 report mentions a Tier-3 datacenter as well as the Equiano submarine cable. Both of these developments promise to further expand their capacity, with the datacenter enabling them to provide additional offerings (peering services to improve network efficiency, cloud services and disaster recovery services). These offers will be aimed mostly at the financial services sector and content service providers.

Meanwhile, MTC and Telecom have also started offering their own variants of Fiber to varying degrees of success. MTC especially has not been idle in its R&D. With new offers like Taamba and Spectra, competition remains fierce and it seems like MTC is doing everything in its power to reverse the downtrend in its market share.

## Pricing

As far as pricing strategy goes, it's not uncommon to see market entrants undercut competitors' prices in an effort to penetrate the market. However, Paratus does not appear to be taking this approach. If anything, Telecom seems to have the cheapest offers of the three. With packages that are ridiculously affordable like the JIVA packages mentioned previously, I can't help but wonder if that is partly why Telecom has seen such a sharp increase in its SOS. For example, let's compare a couple of prepaid and postpaid offerings from MTC, Telecom and Paratus:

	<b>MTC</b>	<b>Telecom</b>	<b>Paratus</b>
<b>Pre-Paid</b>	Netman 7 day 10 GB of Data Valid for 7 days N\$ 159	JIVA Supreme 10 GB of Data Valid for 7 days N\$ 50	LTE BYO 5 GB of Data Valid for 30 Days N\$ 100
<b>Post-Paid</b>	Netman Turboboost 20 GB of data Valid for 30 days N\$ 589	LTE Lite 15 GB of Data Valid for 30 Days N\$ 398	LTE Lite 30 GB of Data Valid for 30 Days N\$ 345

Granted, these bundles are slightly different and don't offer the exact same thing. This makes it quite challenging to compare apples to apples. On the prepaid side, Telecom makes it extremely easy for just about any person to get access to 10GB of data for N\$50. Looking at the contractual offerings, Paratus is slightly cheaper with its LTE Lite package, with Telecom being a close second. This might be because Paratus wants to incentivise customers to buy subscription services.

Nonetheless, if they intend to steal away market share from MTC or Telecom, I don't think this is the way to go. Especially at a time where people have seen pay cuts and retrenchments, you want to be able to offer a competitive package without the necessity of a 24-month contract. Both Telecom and MTC seem to have a ton of packages for all different price points.

With that being said, the Namibian Telco/ISP sector is very commoditised. Packages compete on price and features in most cases. In general, the company that can afford to offer the most affordable deal will get more sales. However, price sensitivity is also a lever Paratus might want to pull on. If they'd like to continue charging current rate (or even increase margin on some offerings), they will need to find a way to lower price sensitivity in the market. There are hundreds of potential initiatives that could accomplish this goal, especially when looking at the world of behavioural economics. And as such, I would like to talk about two.

Professor Felix Oberholzer-Gee at the Harvard Business School talks about the concept of value-based strategy in his book "Better, Simpler Strategy". Essentially, he believes that to reduce a customer's price sensitivity (or increase their willingness-to-pay as he puts it), a business needs to focus on creating more value for that customer. Theoretically, this can be done by offering better products/services and by innovation. Now, while that seems obvious, it may prove beneficial to run a mental exercise and draw up a value map.

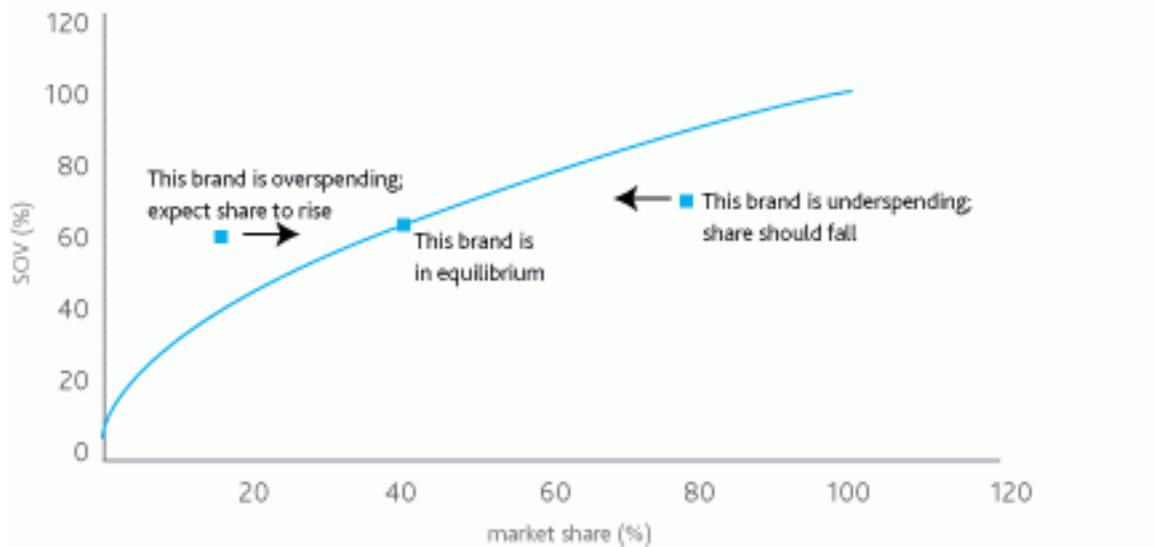
The second and perhaps more tactical answer to lowering price sensitivity draws on behavioural economics and marketing science. System1 Research published their report "Fame, Feeling & Fluency" in 2016 in which they go on to explain how those three metrics can be used to measure and predict brand growth. Fluency being the one most related to price sensitivity is essentially a measure of how easy it is to recognise your brand in the buying scenario. If Paratus can improve that fluency (or mental availability as Byron Sharp would call it) they could in effect lower their customers' price sensitivity. This can be done by developing distinctive brand assets (when we say distinctive assets, we mean anything that might trigger someone to think of the brand such as logos, taglines, etc) and through the strategic use of advertising.

## Promotion

The IPA, the UK marketing industry's peak body, published a report in 2007 with the help of Les Binet and Peter Field in which the concept of Share of Voice (SOV) appeared (although it was first introduced in the early 90s). Much like Share of Market (SOM), Share of Voice is the amount your brand spends on marketing relative to the rest of your sector. Binet and Field noted that SOV and SOM have a directly proportional relationship. There exists an equilibrium between the two

and a brand that manages to increase its share of voice (also seen as having an excess share of voice; ESOV) will likely increase its market share.

## A Brand That Punches Above It's Weight, Will Gain Market Share

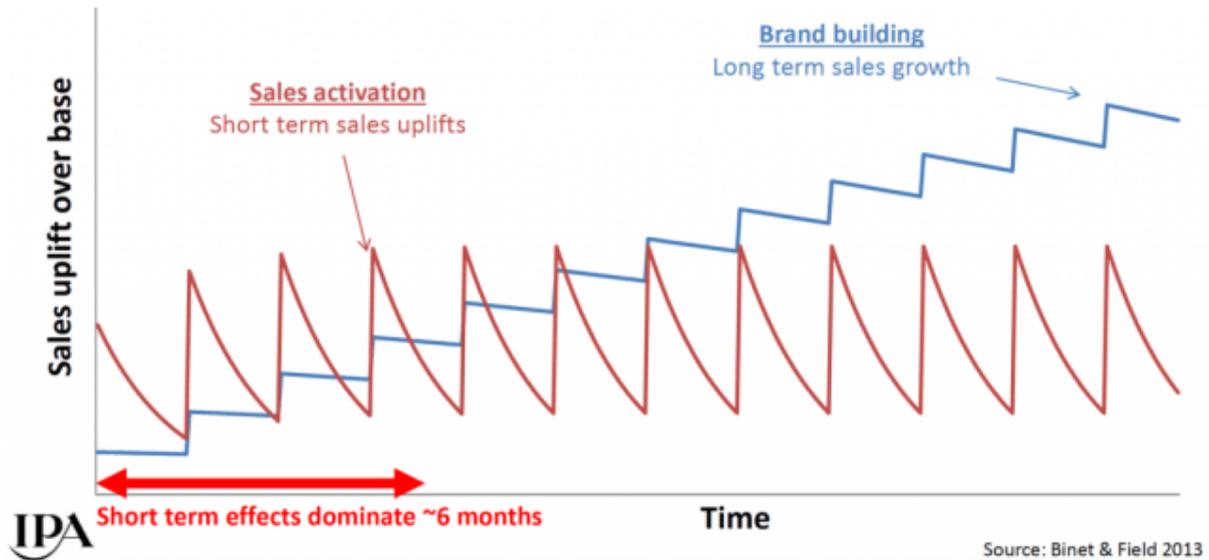


Source: *Institute of Practitioners in Advertising (IPA) Marketing in the Era of Accountability*

How much the market share is affected by changes in SOV is dependent on a whole host of factors including size of the market, size of the brand, category, etc... However, as a benchmark, in the case of Paratus, that efficiency should be about **1.68 points of SOM per 10 points of ESOV**.

Of the three brands discussed in this report, MTC outspends the rest by at least N\$ 50 million. However, keep in mind that we noticed a drop in SOM, which means that even that astronomical amount is not enough to sustain its size. So there is an opportunity for Paratus to gradually build up its SOV.

Now, if you'd agree, we have established that Paratus can grow its SOM by spending more, but how it should best spend its marketing dollars is another question entirely. After all the quality of the promotion plays a big role in its effectiveness. Fortunately, I have seen that Paratus does emphasise good quality advertising which shows me that they are aware of the role it plays. Keeping with Binet and Field's research, we have seen that advertising can work in two distinct ways. There exists long term and short term effects.



Activities focussed on Sales Activation see quick bursts of sales for the duration of the promotion. Whereas Brand building activities generally take a long time to really build up momentum, the best approach would be to find the optimum balance between the two. Again, there are a lot of factors that could play a role, but a solid ratio to start with would be 65:35 (Brand Building : Sales Activation). These two methods obviously require very different approaches, for example, Sales Activation performs best when it is targeted to a specific audience, whereas Brand building should appeal to as many people as possible.

## My Initial Hypothesis

Based on what we have seen, I believe Paratus can (eventually) beat MTC. It will probably take a decade or two, but it can be done. Paratus however faces an uphill battle with a substantial action plan required to capture the majority of the market share.

Judging by the annual reports they are heading in the right direction. Here are my recommendations:

1. **Increase marketing spend (ESOV).** We've seen that MTC's SOM is dropping which means more and more people are looking for alternatives, this places Paratus in an advantageous position to appeal to those category buyers.
2. **Rethink the Brand : Sales split.** From the promotion I've seen Paratus is investing in both Brand building activities and Sales Activation, but neither are being done very well. I'd apply the 65:35 split and start investing in the appropriate channels and creative for each.

3. **Continue with the distribution expansion.** Expanding to the other major towns and regions is essential in becoming a national brand. Both physical locations and online retail will aid in market share growth.
4. **Review product mix and pricing.** The Khomas and Erongo regions are major business hubs with most of the people in those areas being middle class. However the moment Paratus expands to other parts of the country, there will be a growing need for cheaper offerings. By expanding the product portfolio to include more affordable offers, they will capture the lower class segments which will further improve their market position. The Equiano cable should enable them to do this profitably as they have pointed out in their annual report.

What are your thoughts? Based on the info available, what insights do you gather?

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*Disclaimer: I have written this report as an independent consultant. All information used in this report is publicly available and can easily be found online.*

*The following data was used for this analysis:*

- Annual Reports of [MTC](#), [Telecom](#) and [Paratus](#)
- CRAN media releases
- Namibia Statistics Agency datasets
- Google Trends Data

*For more info on the reports mentioned take a look at these links:*

- [Marketing In the Era of Accountability](#)
- [The Long and the Short of it](#)
- [How Brands Grow](#)
- [Article on Digital Availability](#)
- [Fame, Feeling & Fluency](#)