

# Vodacom Community Services

“Providing all South Africans with access to mobile  
communications”

SP.259 Seminar  
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# Who?

- Vodacom- South Africa's largest cellular phone company
- Vodacom is valued at between 6 to 7 billion dollars, making it one of South Africa's top ten companies
- Current servicing 93% of South Africa's 44 million citizens (2003).

# A new initiative...

- Vodacom Community Services (CS) was launched in 1994 by a government mandate.
- In 1993-given one of two GSM network licenses. Under Nelson Mandela in 1994, the license would be revoked unless 22,0000 new lines.
  - " a successful example of how business and government can work together to achieve significant social and economic goals"
    - *What Works* Case Study



# The Business Model

- To provide telecommunications services to disadvantaged communities in South Africa
- Establish phone-shop franchises, owned and operated by local entrepreneurs
- Although once subsidized by Vodacom, the program now runs on revenue from sales
- Telecommunications services come at government-mandated prices, well below commercial rates.
  - \$.11 per minute, less than 1/3 of the commercial rate for pre-paid cellular calls



## ■ Costs:

- \$3,450 US for a franchise to operate 5 cellular lines in a pre-approved location
- Vodacom invests \$3,950 US for the converted shipping container to house the " phone shop"

- Entrepreneurs pre-pay Vodacom for calls on their phones at rates that retain  $\frac{1}{3}$  of calling revenue for themselves
- Typical phone shops receive more than 100 hours of calling per month per phone line.
- Generates about \$3500 US, \$1190 of which is retained as revenue for the entrepreneur



# How does it work?

- The units resemble traditional landline phones, but hook into a cellular antenna.
- These units transmit across Vodacom's national GSM network just like any personal cellular phone.
- Simple handset/display
- Wires run from the monitoring units behind the service counter up the wall of the container to small antennas, which facilitate transmission for each phone. Owners pre-pay for phone time through Vodacom and program the phones with the purchased time.

# A Success Story

- By March 31, 2004 Vodacom had deployed more than 24,767 community services telephones in previously under-serviced areas compared to the license obligations of 22,000.
- People in previously underserviced areas are making over 35 million calls (65 million minutes) per month
- 1,800 entrepreneurs; 4,400 sites (2003).



# Investing in the Future

- Mutually beneficial for the company and the citizens
- More than 20,000 jobs have been created and the shops help attract many other businesses, boosting local economies. In addition, the franchise system adopted by Vodacom is helping to empower black entrepreneurs and women, with around 40% of franchises held by women.
- Vodacom couldn't operate these stations alone. Increasing sales, reputation, and Africa's welfare.