

Telkom's 8ta opens doors with competitive rates

By [Gareth Vorster](#)

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As telecommunications group Telkom opened its mobile arm, 8ta, for business on Monday, growth partnership company Frost & Sullivan said it expected South Africa's fourth mobile player to shake up pricing in the sector.



Frost & Sullivan ICT industry analyst Spiwe Chireka says that Telkom aims to take a 15% mobile market share within the first five years of operation.

Telkom is expected to spend R6 billion during the next five years on its mobile infrastructure.

"Through a number of different niches, they [Telkom] want a 15% market share in five years.

With 50 million subscribers in South Africa, Telkom wants 7.5 million. It is already sitting on more than four million fixed-line subscribers, which they will want to convert to mobile," Chireka said.

At its launch Telkom announced a range of voice and data tariffs including a number of unique offerings.

Telkom's base rate for calls to other mobiles is 150 cents per min based on a flat rate anytime of day, with no peak/off-peak time.

Calls to fixed-lines are at 65 cents per min, below the current market rate.

Matching Cell C?

Managing executive of Telkom Mobile, Amith Maharaj, promised that 8ta products would offer more value than any other network provider would. For example, for the first time in South Africa, all prepaid customers will benefit from free talk time

to any network every time they receive calls from a mobile phone, one free second of airtime for every three seconds of call received.

This benefit is available all day, every day, he said.

He also highlighted a flat rate of R2.50 per minute to more than 100 international destinations.

Additionally, when customers send five SMSs in a day, 8ta would provide 50 bonus SMSs at no extra cost to use that same day.

The new network will also provide prepaid internet customers with an out-of-bundle rate of R1 per megabyte, while prepaid data bundles can be purchased for 25 cents per megabyte.

"One thing is clear, Telkom has launched on a pricing product strategy, coming in at a much lower price than its competitors for many services, and possibly matching Cell C for overall competition," said Chireka.

They have matched and bettered existing operators for many standard services, and then have offered diverse packages to differentiate themselves, which is good.

At the end of the day you need to be competitive, and still make a profit," Chireka said.

Telkom 'in a good space'

The analyst pointed out that Telkom had "picked gaps in the market" for some of its packages and "are running with that first, before adding new data and other packages at a later date.

"The international offering is very cheap. Telkom has picked some popular destinations such as Australia, the UK, Zambia, Nigeria, and Kenya.

They have capitalised on African nationals living in SA," Chireka said.

He said that while rivals, including MTN, and Vodacom had taken a 'wait and see approach,' recently, "in a mature market the likes of MTN and Vodacom will defend their market share.

"We will see more activity in the next three months from the rival groups".

Frost & Sullivan concluded that in a saturated market such as South Africa, Average Revenue Per User (ARPU) would be "the name of the game".

Telkom was in a good space here, Chireka said.

8ta will offer prepaid voice and data products from launch. Post-paid voice, data and hybrid products will be made available in November 2010, the group said.

8ta has constructed 800 base stations across the country, and plans to construct a further 3200 base stations over time to improve coverage and connectivity, Telkom said.

The services have been built on an end-to-end all-IP 2G and 3G network, which is easily upgradable to LTE (4G).

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