

Telkom's data-driven packages change the game

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Telkom is positioning itself as a data-driven mobile network operator - a move that is set to shake up the industry. The fourth mobile network operator in the country, with 2.7-million subscribers at the end of March, is overhauling its mobile data and voice packages as it aims to simplify its services and gain market share.



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In the first of a number of competitive products that will be unveiled in the coming months, Telkom launched last week data-first mobile services that will see customers choosing from six packages - ranging from 1GB to unlimited data bundles - that will come with varying amounts of free-call minutes to other networks, and free calls for WhatsApp, Viber as well as BBM.

For example, 1GB of data will come with free WhatsApp, Viber and BBM calls, 50 texts per day and free minutes to Telkom mobile and fixed-line numbers. Customers will have to pay for phone calls to other mobile networks. A 20GB and unlimited data bundle will have between 1,500 and 3,000 free call minutes to other networks.

Abandoning tradition

Telkom believes its new products fly in the face of industry tradition, where mobile users have to navigate confusing contracts, seemingly endless terms and conditions, high peak rates and pricey extras. Telkom Consumer CEO Attila Vitai says data has become the central requirement for most smartphone users, hence the group has prioritised it.

"We think this will disrupt the industry," he says. Vitai says there is a large disparity in the South African market between the prepaid and post-paid (contract) tariff, with prepaid customers tending to pay more. The new packages will not differentiate between contract and prepaid customers.

Telkom has experienced a sharp rise in mobile data consumption in recent years because of the increase in smartphone penetration, and application and social-media platform usage. The company seems to have an advantage, given its size in the market, to execute these data-driven packages. Its biggest rivals are heavily reliant on voice revenues, with data making up about 30% of their total revenues.

Data-first economy

World Wide Worx MD Arthur Goldstuck says while most networks do not realise it yet, they are already operating in a data-first economy as far as their most valuable customers are concerned.

"We're moving into a dual-behaviour world, where high-spend customers primarily spend on data and low-spend customers on voice. The challenge is to bring the low-spend customers into the data world without forcing them to spend more money," Goldstuck says.

"This can only be done if they embrace the concept of becoming data-first organisations and make data more accessible to those who cannot afford the punitive rates charged outside of bundles," Goldstuck says.

Antony Seeff, CEO of cellphone spend-management company Tariffic, says while the other operators are complaining about over-the-top (OTT) usage on their network, such as WhatsApp, Skype, and Facetime services that use data but don't pay networks for it, Telkom "is going in the opposite direction, and endorsing them - offering packages where the network won't even make a cent off these services".

Game-changer

Consumers throughout the world are making fewer voice calls on their cellphones and are using exponentially more data every year. "It's great to see a mobile operator that gets this and is making data the focal point of a new set of tariffs, while still catering for certain voice usage," Seeff says.

The new packages are a game-changer for Telkom, as it marks a shift from its mobile division being voice-driven to being data-driven. "This is quite revolutionary for an organisation that was built on voice, and marks the final proof that its cultural transformation under Sipho Maseko is real," says Goldstuck.

Telkom has seen significant improvements in its operations in the past three years. It has also managed to move its loss-making mobile business into the black. Goldstuck believes a key element of Telkom's new mobile services structure is its positioning, meaning it is a factor not only of its business model, but also of its marketing abilities and flexibility.

"This points to the fact that it's not just a bunch of accountants working out how best to sell services, but in fact evidence of an ecosystem that integrates, among other, business goals, marketing strategy, and service capacity.

"If Telkom gets it right, it won't be something that can be replicated overnight by the competition."

Source: Business Day