

**Address by Dr Brian Armstrong, Senior Managing Executive: Enterprise Markets
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Topic: The mobile landscape has changed with the launch of 8ta

May you live in interesting times is often referred to as the Chinese curse. Whether this is true or not, I do not know. What I do know is that interesting times is a feature of 21st century life in general, and the ICT industry in particular as it continues to evolve at a sometimes bewildering pace.

This evolution occurs across the board, from technology to the regulations that govern the industry to customer demands.

At the same time competition is becoming more intense and the convergence phenomenon is becoming more entrenched.

These changes are shaking things up and leading to the collapse of the established order of things.

Consider for a moment that IT services players are trying their best to capture the full potential of the ICT market, while telecom players are entering the IT space. Internet players are entering the telecommunications and software arena while device manufacturers are moving into the service game.

You get the picture. Things are becoming very interesting indeed.

In such an environment you simply cannot view “interesting” as a curse or obstacle or handicap. Better to see it as challenging and thought provoking and more often than not, deeply rewarding.

Telkom has chosen to see it this way and we view the many developments changing the face of the ICT industry not as obstacles, but as opportunities to re-define our business, seek new areas of growth and meet the expectations of our stakeholders.

We've now put this attitude and intent into action in no uncertain manner.

Last night we launched our mobile business, under the new brand-name 8ta. South Africa now has four cellular operators.

The country now also knows who was behind the high profile Heita campaign that has so intrigued the nation these past weeks. We will be entering the mobile market with a sense of boldness and conviction that we can and will change the mobile landscape in South Africa. One of the corporate values of our Mobile business unit is indeed that of "disruption", and we certainly aim to be disruptive in this market.

In the days and weeks to come the country will also discover that 8ta is well positioned to compete with the entrenched mobile providers.

Before I expand on this statement I want to briefly explain what compelled us to enter the mobile arena.

Across the globe, incumbent fixed-line operators have discovered that their traditional fixed-line voice revenues are declining.

Why?

Regulators all over the world are opening up markets to allow more competitors in. In South Africa other telecommunications operators are already moving into what was traditionally the sole domain of Telkom. At the same time, fixed-to-mobile substitution has grown rapidly and will continue to do so.

So, like our peers in other countries, we have come to the conclusion that a successful operation requires an integrated mobile business.

And here we are. The 8ta brand has been introduced into the market, and we will be selling and delivering mobile services from Monday (18th October).

An early reaction we've had since last night is the straightforward question: "what can you bring to the party that will differentiate your offering"?

For us, "differentiate" is an important concept. In a market characterised by dominant brands, we simply have to differentiate 8ta from its competitors.

We have therefore built 8ta on five core differentiating pillars.

The first of these is **value**.

8ta is the brand that will get people to talk more; to communicate more. Three examples of what is to come:

- 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. This feature comes in the form of 1 free second of airtime for every 3 seconds of call received. This benefit is available all day, every day.
- Calls from 8ta to fixed-line will cost 60% less than typical market rates for similar calls. There will also be a flat rate of R2.50 per minute to over 100 international destinations.
- Customers who send 5 SMSs in a day will receive 50 bonus SMSs at no extra cost to use on the same day.

The second pillar is **simplicity**.

This means offering products that are easy to understand, buy and use. Currently, the incumbent operators have a myriad of combinations in their pricing plans. 8ta

has a much less complicated approach, and will have two prepaid voice offers, four postpaid options and three data offers.

Innovation is the third pillar.

Innovation refers to our ability to deploy new mobile technologies and to transition from, for example, 3G to 4G; to bring innovative products to the market, quickly; to innovate packaging and bundling and pricing of services.

The fourth pillar is **quality**.

Poor network quality has become a fact of life for many South Africans. As I've said previously, 8ta's next generation network architecture guards against congestion and keeps calls flowing smoothly at peak times, as well as providing better handover while on the move. Other benefits of this IP and Ethernet-based network are better base station uptime and greater network capacity. This includes the ability to scale the network to match customer demand.

But quality is not only related the technical aspects of our network and services. Quality also refers to the customer experience on offer, and to ensure top notch customer service and quality of experience, we have implemented a new call centre and new IT systems.

To put our products and services within easy reach of all South Africans, we have created a countrywide sales network that includes the major consumer retailers and mobile wholesalers, as well as our 132 *Telkomdirect* outlets across South Africa.

The last pillar is **authenticity** which refers to a home-grown brand, one that is South African and for South Africa.

We believe these five pillars – Value, Simplicity, innovation, quality, and authenticity, will truly differentiate our mobile product in a very competitive marketplace.

Another sometimes contentious issue which has been raised is that of coverage.

In terms of the 8ta network, let me say the following:

We have constructed 800 base stations across the country, and plan to construct a further 3 200 base stations over time to improve coverage and connectivity. I again want to mention that we are building our services on an end-to-end all-IP 2G and 3G network, which is easily upgradable to 4G.

To supplement our own 8ta network, we are also roaming on MTN's network and have full national coverage. This national roaming agreement augments the 8ta network to provide services such as voice, 2G and 3G data, SMS and MMS on a national basis.

8ta will also offer a full international roaming service through another established and experienced international service provider.

So far so good: we believe we can articulate our differentiation, and we have the coverage.

But another interesting reaction to the launch is that people say to us, "the Vodacoms of this world have been at it for 15 years. You are a late entrant. This is a serious drawback". Or they argue "the 4th entrant often struggles to succeed".

Again, we view it a little differently and are of the opinion that being a late entrant is actually to our advantage, for at least four reasons.

Firstly, one of the biggest advantages is that 8ta **has no legacy technology** or systems at all: 8ta has been able to leapfrog earlier technologies, and is thus capable of doing things faster and more efficiently. Everything in the 8ta network is based on next generation network technology, meaning it is an Internet Protocol network from base station at the edge to core applications at the centre.

What does this mean in real life, for the end user of the service?

Two things – an ability to guard against network congestion and a better quality of customer experience.

A second strength we bring in to play is our **existing customer base and strength in fixed line services**, which we believe gives us a competitive advantage. This also links to the fact that a significant component of a mobile service consists of fixed-line, and that it is much easier to add mobile to fixed line than the other way round.

I'm certain I need not remind you that we are rather good at fixed-line. What we have to do now is link our acumen to our customer base to provide not only pure play mobility, but mobile services as part of a package; part of a bundle. This will be a significant step on the journey to provide fully converged services.

A third advantage of entering the mobile market at this point is that 8ta has the **benefit of hindsight**. We know what problems other networks have had to deal with. This gives us a competitive edge in developing products that, in the first place, really meet consumers' needs, and secondly differentiate us in the marketplace.

Lastly I want to mention that 8ta place us in a stronger position to extend the reach of **fixed-line look alike** service in areas where we are experiencing operational challenges such as copper theft. We will, in other words, be in a better position to become even more responsive to customer needs.

The ball is now in our court to make 8ta work.

The market opportunity is there. This is true for mobile voice and especially mobile data. In fact, when it comes to mobile data, projections indicate double digit growth rates. And the time is also ripe for growth in convergence.

I began by saying we live in interesting times in the positive sense of the word. As from last night, things got a whole lot more interesting. This trend will continue as the 8ta brand picks up momentum and products and services come on line.

The face of the local communications landscape has changed irrevocably. It is good for Telkom. It is good for the industry. Above all it is beneficial to customers. Competition drives innovation, efficiencies and customer service. 8ta brings all this to an industry that will continue to grow and spawn new classes of services.

As we saw with the FIFA World Cup, amazing things can happen in South Africa. Indeed, amazing things are happening in our ICT industry; amazing things are happening in Telkom. And, as we now say with pride, amazing things happen with 8.ta.

I thank you for your kind attention.

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