

# SA telecoms - the race is on

By [Warren Bonheim](#)

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The South African telecommunications industry is due for some serious disruption in 2017 and beyond. Telco providers will be forced to reevaluate their business strategies in order to keep up with a rapidly changing landscape.



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As margins continue to erode, consolidation increases, the fibre “landgrab” progresses, and customer loyalty diminishes, the telecommunications industry will need to evolve from purely selling products.

## “Free” voice

In a bid to secure customer contracts, the industry is widening their suite of products and offering multi-vendor IT services; bundling in-voice, internet or PABX for free. This means smaller companies who are purely selling voice, internet or PABX’s – where the margins have been significantly eroded – and who lack the cash flow, infrastructure or teams to transform, will either be bought out or die.

Industry consolidation has already begun; the question is, who will emerge as a leader and what will happen to smaller companies?

## Who will rise to the top?

Vodacom tried to buy Neotel, and failed. This hampered Neotel’s ability to grow and stay relevant. But, with Liquid Capital’s cash-backed bid firmly in the ring, Neotel, when paired with Liquid Capital’s established channel, will re-emerge as a major player.

Concurrently, Vox Telecom bought Frogfoot Networks to widen their network offering, while Blue Label Telecoms announced it was buying a 45% stake in Cell C. In the fibre market, Vumatel acquired Fibrehoods and EOH continued its acquisition run.

Bankrolling is also on the agenda, and will see former top equities analyst and senior banker, Duarte da Silva, and former MTN South Africa CEO, Zunaid Bulbulia, invest more than R125m in significant minority positions in the listed telecommunications company, Huge.

In addition, Wireless Business Services (WBS) also announced it will aggressively roll out an LTE network that will provide fast and affordable broadband access.

We saw Vodacom, Telkom and MTN all become more interested in the broadband space at the mid-market level. Cell C has not been active in the business space yet, and, if they were to put their hat in the ring, would need to play catch-up.

## **Let's talk fibre**

Telkom is the biggest in term of growth and new infrastructure, but Dark Fibre Africa (DFA) is the fastest growing fibre infrastructure company in the country.

Voomatel, powered by money, has been trenching fibre-to-the-home and has emerged as a front runner. However, 80 to 90% of land “owned” in the fibre “landgrab” race actually belongs to DFA.

With regard to the 4G and 5G space, WBS's fixed mobile data-only network is set to become the biggest mobile data company within the next year.

## **Diminishing customer loyalty**

While we are a long way behind international telecommunications markets, the European market demonstrates that fibre is not exclusive and doesn't lock in the customer.

As an open access network, different players can compete; connectivity is sold on a month-to-month basis with few long-term contracts, while services are up one day and can easily be moved to another ISP the next. In this climate, customers choose connectivity based on price and experience. There is no long sales process – people simply call and switch.

In South Africa, the fibre “landgrab” strategy is based on the premise that whoever wins the grab, wins the customer. South Africa will eventually follow global markets, and connectivity providers, especially the smaller ones, need to start thinking about how they will stay afloat.

## **How to survive**

What is next for ISPs and other smaller players? If existing telecom brands are not constantly reinventing themselves while carving out their positioning in the industry, they will perish. Evolving product offerings, world-class service, and eyes fixed firmly on the future will help secure a spot in the market. It's an adapt or die situation and those unwilling to innovate will be left behind.

Warren Bonheim is the founder and COO of Zinia, a highly profitable multi-million rand Internet Service Provider (ISP) and wholesaler. He started Zinia with his business partner Frank Mullen and from the outset ran the company like a big business with tight controls, a strong management team, statistics to inform decision-making and a process methodology that revolves around simplicity and innovation.

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