

FNB takes on telecoms operators

A pledge to at least halve the cost of phone calls and internet access has been announced by First National Bank (FNB) in a surprise move that pits it against traditional telecoms operators.

By [Lesley Stones](#) 8 May 2009



The FNB's ambush of the telecoms market is designed to save its customers money, but unexpectedly sees it enter a new sector rather than dent its own profits by cutting notoriously high banking fees.

CEO Michael Jordaan said offering cheaper calls and internet access — with some discounts reaching 90% — would save its customers far more cash than by cutting banking fees.

“If a customer can save R500 on a monthly phone bill of R1000 that's a far larger benefit than they'd get from free banking, and it doesn't hurt us either.”

The bank is the first in SA to be granted a telecoms licence, and its debut as a telecoms supplier poses a threat to the traditional voice or data carriers. It also highlights the massive profits they make.

But Telkom and the mobile operators are likely to ignore the audacious move and leave their fees intact as FNB's offerings target a narrow niche market.

[FNB Connect](#) comes in two varieties, Surf packages offering internet access and Talk products for cut-price calls and SMSes from cellphones, or from a land line if it is plugged into a computer.

The goal is to attract new customers and boost customer loyalty, but the service may appeal only to reasonably tech-savvy people.

“My mum won't be using it, but my daughter will be,” said FNB's chief information officer, Luis Simoes. He hopes 50,000 people will be on board by early next year.

The voice service converts a call into a chunk of data that is diverted off the voice networks and on to far cheaper data networks.

Customers still need a contract with a cellular operator, but will be billed for transmitting data rather than for call's length. International calls will cost as little as 31c. The big hindrance is that the new software works on only some handsets, starting with Nokia phones.

To use the internet service, customers need a high-speed ADSL line from Telkom or a data service from cellular networks. They can then connect a laptop, PC or smartphone to the FNB for discounted access.

Jordaan said that the bank had 6,5-million customers, and opened 100,000 new accounts a month, so the

target market was potentially large. “We haven't tried to start a price war, we have just tried to be pro-customer. Customers have long been asking for telecom fees to be smaller, but I don't think they thought bank would do it.”

Steven Ambrose, the MD of research house WorldWideWorx Strategy, said FNB's entry into the highly competitive telecoms market was brave and innovative.

The phone service was competitively priced, but might have limited success as using the technology could prove more of a hassle than the savings justified.

The data offering was competitive without breaking new pricing ground. “Where the offering shines is in its simplicity,” Ambrose said.

Source: Business Day

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