Can SA telcos win the financial services race?

By Diana Miguel

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"In a toxic relationship with _______," declared a frustrated Twitter user, tagging one of South Africa's major network operators and garnering over 450 retweets. And they're not alone, according to BrandsEye's 2020 Telecoms Sentiment Index, which analysed over two million social media posts directed at the country's major telcos, revealing significantly high levels of customer dissatisfaction - even when compared to local banks, insurers and retailers.

Diana Miguel, a lead telecoms analyst at BrandsEye | image supplied

This comes at an interesting time when South African telcos – faced with mounting regulatory pricing pressure and signs of market saturation – are increasingly exploring cross-industry adoption.

Already, we're seeing network operators tap into the millions of unbanked and uninsured South Africans by offering loans and other financial services to their existing mobile customers.

In theory, this is a move that telcos are well-positioned for. Not only do they already own the backbone of the structures that make mobile payments possible, but telcos also have masses of customer data at their disposal. This would allow them to tailor their offering and ensure products are relevant to customers, as well as expedite the application process by bypassing steps like credit checks.

However, the high levels of unhappiness among their current customers could throw a major spanner in the works of telcos' foray into financial services. Even worse, it could put their current grip on mobile customers in jeopardy.

As the entrance of new bank and retailer-owned mobile virtual network operators (MVNOs), like FNB Connect and PnP Mobile, threatens to lure mobile customers away, customer service stands out as an area that could potentially hinder telcos' ability to compete with the growing pool of cross-industry players.

A dire need for improved service responsiveness

When it came to drivers of service complaints about the industry, the Telecoms Index revealed poor turnaround, lack of response from network operators, and reports of having to contact telcos multiple times when looking for assistance. All of these point to a dire need for improved service responsiveness in the industry.

So, why would someone choose to be insured by the same telco that won't reply to their messages on social media? Or take out a loan with the network they have unsuccessfully tried to correct a billing issue with for months? Especially considering that, when it comes to financial services, the stakes of poor customer service are often higher than, say, bad reception or disappearing data.

Coincidentally, some of the same factors pushing telcos towards financial services, also stand to threaten their success in the space. As operators face increasing pressure on margins from pricing regulation, customer service budgets suffer as well.

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However, telcos still have one redeeming tool at their disposal: digital service channels. Digital channels are not only more cost-effective to run than traditional service channels like branches or call centres, but also more convenient for customers, particularly in Covid times.

And with more than half of all customer queries directed at telcos on Twitter going unanswered in 2020, perhaps social media would be a good place to start in delivering better service. The numbers of customers reaching out to their telcos on social media clearly show there's already an expectation for it to be more than a medium through which operators promote their products.

If telcos are able to harness digital channels to improve customer service delivery, not only will they have a better chance in the race against banks, insurers, and retailers for a piece of the financial services pie, but also the other way around.

ABOUT THE AUTHOR

Diana is a lead telecoms analyst at BrandsEye.