

Rival focuses on poaching Telecom's landline users

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By [John Drinnan](#)

Vodafone is pulling out the stops in introducing new products and services this year.

Its Red Network marks a full-scale assault on Telecom's core business providing fixed line phone services, with deals that are bundled with other services such as broadband.



Other telcos, including TelstraClear and state-owned Orcon, are also making a push. But Vodafone – the world's biggest phone company – is the most aggressive.

Today the global giant launches Local Zone in New Zealand, which is like a half way house between fixed line and mobile service. It's designed to draw Telecom customers who have a second phone line into their homes.

It will be aimed largely at tradespeople and people working from home, halving the \$44.20 cost of a second line.

The flurry of new Vodafone products and services is about more than technological development.

With Telecom in the midst of a big upheaval it is a key strategic moment to challenge its dominance.

Vodafone has started marketing initiatives such as advertising on mobiles, marketing of the Apple iPhone, and GPS-based positioning devices attached to phones.

Vodafone is preparing for Telecom to catch up on mobile phone network technology with the move to 3G technology on its new WCDMA network at the end of this year, allowing phones to have more uses.

Telecom has made radical changes over the past two years – some forced and some voluntary. But this year it will become clear how much past leadership ignored the potential for regulation.

Its weak strategy has allowed Vodafone to refine its push into Telecom's core business – fixed lines.

But both Telecom and Vodafone face a new mobile service from New Zealand Communications at the end of the year, a move that on overseas experience will mean a 20 per cent cut in charges.

THE BIG SWITCH

* Vodafone is leading a charge to challenge Telecom's core business of fixed line phones.

* The forced split of Telecom into three divisions has left it scrambling to overturn decades of complacent monopoly management.

* Telecom's bad choice of technology for its mobile phone network has left the company playing catch up with Vodafone.

* Now Vodafone has set its sights on the fixed line business with its Red Network.

* Today it introduces a new technology, Local Zone, that claims the benefits of both.