

# Czech Market Overview

Prepared by Intelligence & Insights



# Key Czech telco market indicators:

Population: 10,425mil

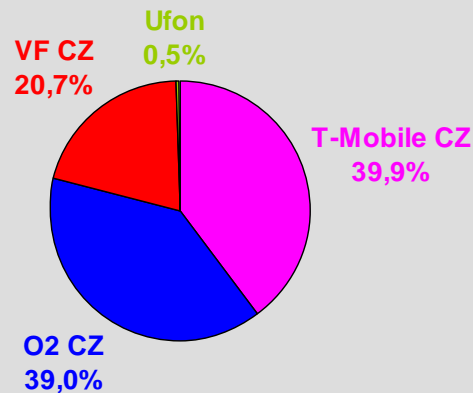
Telco spends represent 4,7% of consumer spends

SIM Penetration: 127,7%

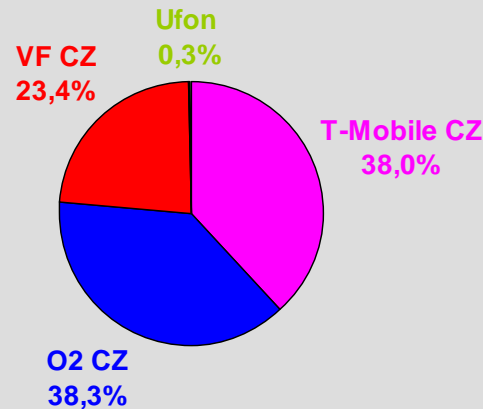
No. of SIM: 13,31mil

Postpaid SIM share: 46,8%

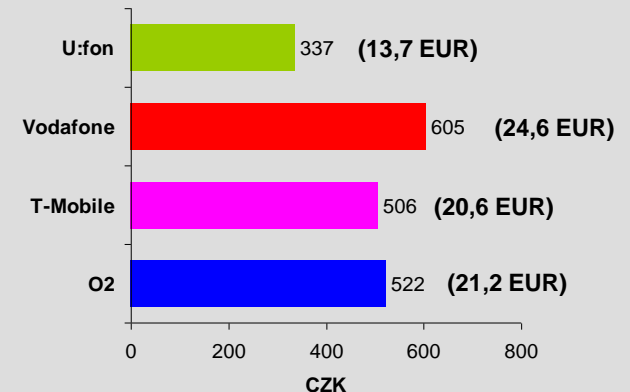
MTO Subscriber Shares



MTO Service Revenue Shares



Avg MTO ARPU



Avg market ARPU: 532 CZK (21,6 EUR)

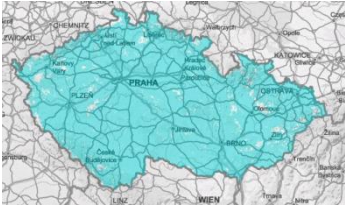
Indicators as at end June 2008, EUR=24,6CZK

***O2 is no. 1 in terms of revenues, T-mobile is no. 1 in terms of subscribers, VF leads in ARPU.***

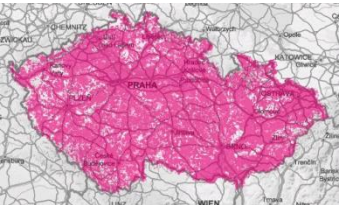
# Czech Republic Coverage

## GPRS

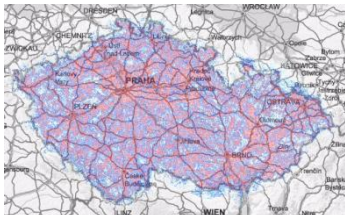
- Telefonica O2
  - Population: >98%



- T-Mobile
  - Population: >98%



- VFCZ
  - Population: >98%

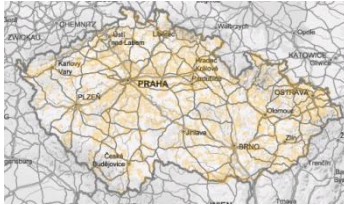


## EDGE

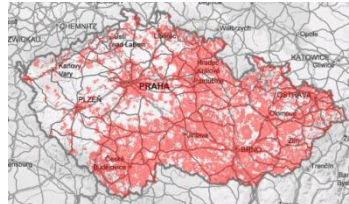
- Telefonica O2
  - Population: <10%,  
– plans to deploy in 2009



- T-Mobile
  - Population: >75%



- VFCZ
  - Population: 88% (west 77%, east 95%)  
– plans to improve in western part

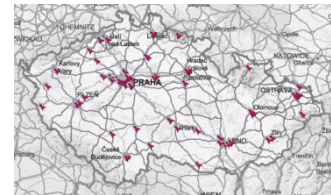


## WiFi Hot Spots

- Telefonica O2
  - Targeted to tourist and busy locations  
– no signs of further deployment



- T-Mobile
  - Targeted to tourist and busy locations  
– no signs of further deployment

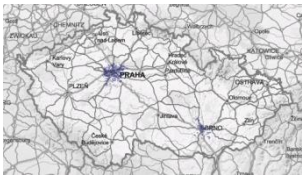


- VFCZ
  - Piloting WIFI (with focus on business segment)

# Czech Republic Coverage

## WCDMA FDD (UMTS/HSDPA) (3G)

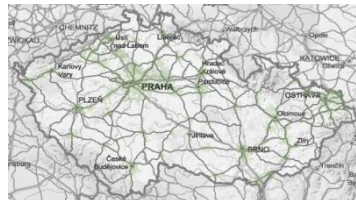
- Telefonica O2
  - Population: 10 – 20%
  - Plan for significant improvement to cover over 70 % population in next 2-3 years (2010-11), Ostrava and Plzeň to be covered in Q1 2009, next 20-30 cities according size to follow



- T-Mobile
  - Population: none
- VFCZ
  - Population: none
  - no activity to build

## UMTS TDD 4G Internet

- Telefonica O2
  - Population: none
  - no activity to build
- T-Mobile
  - Population: 25%
  - Used only for data



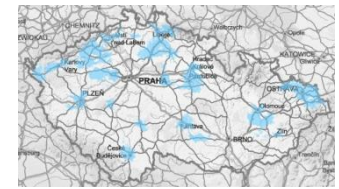
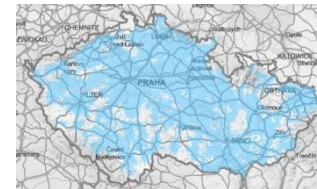
- VFCZ
  - Population: none
  - no activity to build

## CDMA EV-DO 3G

- Telefonica O2
  - CDMA Rev. 0 continuously upgraded to Rev. A
  - Population Rev. 0 : 85%
  - Population Rev. A: 25 %

CDMA Rev. 0

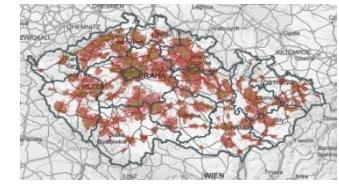
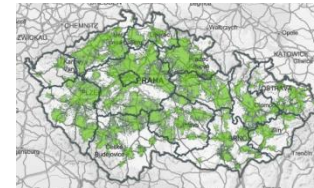
CDMA Rev. A



- U:fon
  - CDMA 2000 Rev. A
  - Voice population coverage: 75 % (green map)
  - Data population coverage: 65% (brown map)
  - Plan to increase to 85 % till end of 2008

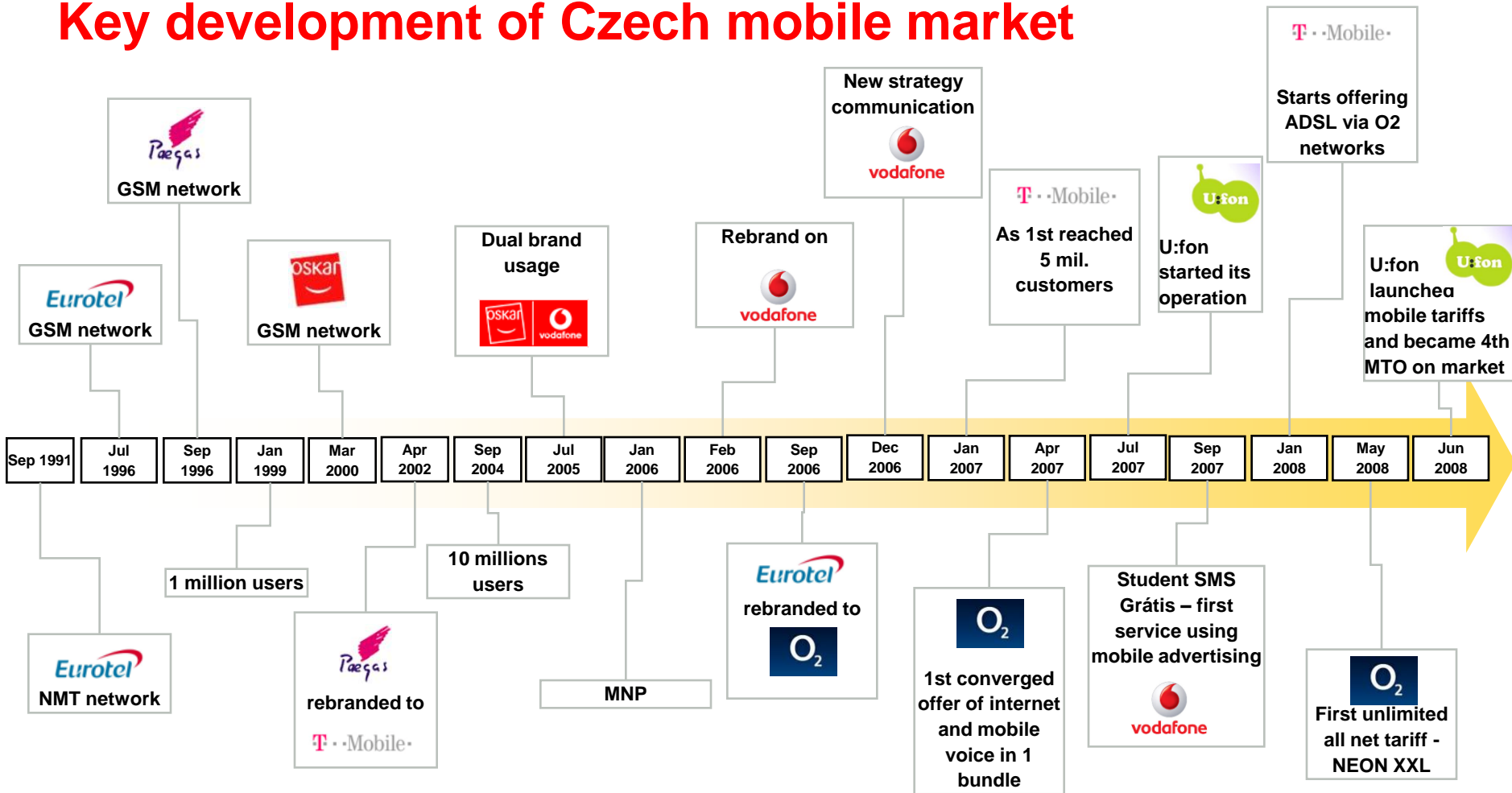
U:fon Voice

U:fon Data



- VFCZ and T-mobile
  - Population: none
  - no activity to build

# Key development of Czech mobile market



*Czech market belongs to the most competitive in the world.*

# O2 SWOT Analysis



<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Long term and solid image of market leader and quality provider</li> <li>• Convergent offers</li> <li>• Unlimited calling</li> <li>• Consistent tonality in communication</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Image of authoritative and cold ruler</li> <li>• Low emotional link with customers</li> <li>• High price perception (big barrier especially on choosers market)</li> <li>• Weak in customer care</li> <li>• Too many messages on market – low understandability and delivery</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• ADSL via fixed lines</li> <li>• Further focus on convergent services</li> <li>• Further acceleration of DSL uptake via fixed lines</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Decreasing interest in fixed lines</li> <li>• Lack of emotional appeal</li> </ul>



**O2, the category leader with strong position on the market, perceived as quality provider but with huge gaps in emotional connection with customers.**

# T-Mobile SWOT Analysis



## Strengths

- Recent notable improvement in brand image – shift from Regular Guy
- Consistent communication
- Good value for money
- ADSL and fast data
- Community offers
- Focus on loyalty

## Weaknesses

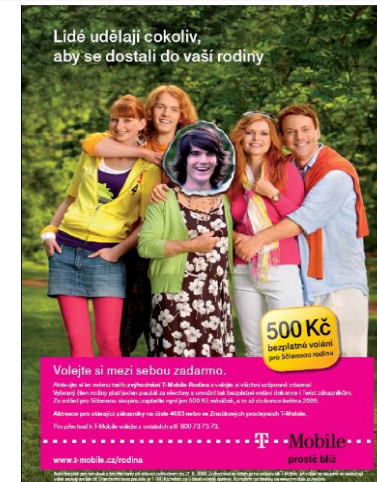
- Still least profiled operator on market but improved recently
- Low quality of sales reps
- Aggressive street dealers

## Opportunities

- Offers of convergent services
- Further profiling of the brand

## Threats

- Convergent services from VF and O2
- No 3G, direct shift to LTE (need for new network, no terminals)



**Successful segmented approach targeting communities and recent improvement in brand profile makes TM more and more strong & healthy brand.**

# Vodafone SWOT Analysis



## Strengths

- The highest satisfaction
- No contract and advantageous prices
- 60+1 charging

## Weaknesses

- Lower quality of data services
- No 3G network
- Less shops than competitors

## Opportunities

- Migration from fixed to mobile
- 3G network
- Convergent solutions

## threats

- O2 converged services
- Possible MVNO entry



**Vodafone customers are the most satisfied comparing competitors.**

# U:fon SWOT Analysis



## **Strong**

- quite successful campaign introducing Ufon
- slowly but constantly growing awareness
- focus on internet
- price offer

## **Opportunities**

- improvement of distribution channels
- improve image & credibility

## **Weak**

- low network coverage owing to different technology, CDMA
- limited range of handsets
- lack of sales points/ shops

## **Threats**

- will not succeed on saturated market with 3 strong players
- non compatible handset with other networks
- lack of credibility



***Ufon as the smallest operator is fighting quite bravely on the saturated market, growing slowly but constantly its awareness but so far no surprising results, acquired only 60thd customers.***

# Competitors strategies



*focus on pre-to-post migration to reach 50 % postpaid base and push DSL with bundled ADSL and IPTV*

## Mobile

- mobile data developing
- migration on new NEON tariffs
- iPhone as data driver
- focus also on success building in Slovakia

## Fixed

- accelerate DSL uptake and slow down line loss via bundles upsell (IPTV, ICT businesses)
- additional converged services launch (HOME ZONE in pilot testing);

Source: O2



*turn from strong acquisition orientation to current base maintenance via active community segmentation work*

- “Mobile Instant Messaging” in key European markets (probably also CZ) giving customers access to Windows Live Messenger, ICQ, AIM and Yahoo! Messenger;
- data roaming prices decrease
- social web services like YouTube and MySpace to be integrated in web’n’walk portal
- social community focus
- iPhone as data driver

Source: T-Mobile CZ, T-Mobile Int I



*focus on new acquisition in mobile voice*

- Voice mobile offer introduced in beginning of June 2008 with launch on June 16th, 2008
- Unlimited onnet calling and SMS
- Bundles focused on LV customers with low pricing
- Data bundle and roaming to come next
- No prepaid or MMS planned
- Combined telephony and internet is the priority
- Would like to reach 250 ths, expected 100ths customers end of year 2008 (+70ths vs. 2007)
- Network coverage and reliability
- Image

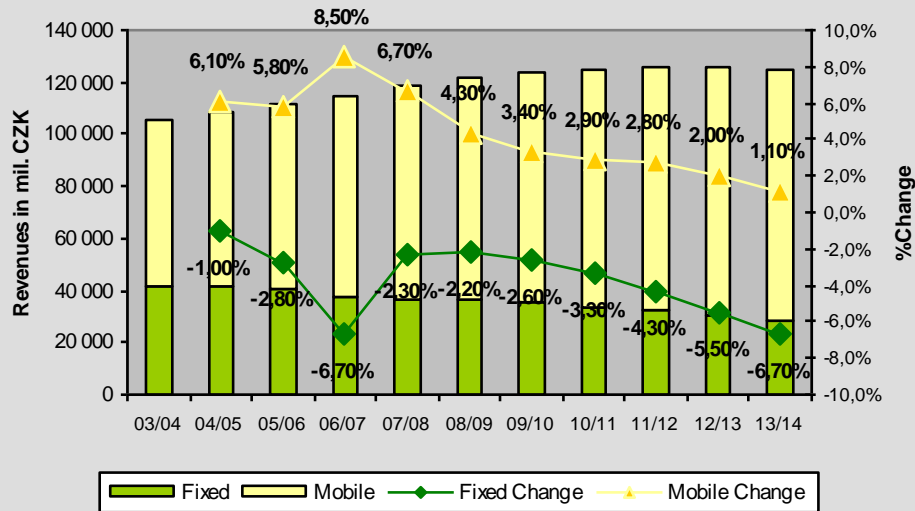
Source: U:fon

- Pre-to-post migration strategy will continue – competitors target to reached 50 % postpaid share (Voice ARPU growth driven by migration to contract)
- GA and NA growth expected to decline as well as mobile revenue growth

***In 2008, Data and internet services will be the key revenues growth driver (non-voice ARPU growth driven by non-SMS data)***

# Total Telco Market Development and key future challenges

**Total Telco Revenues in mil. CZK  
Growth development**



Source: Total telco market odel 5YP fcst

## Fixed Segment

- Includes all non-mobile services
- Fixed voice will continue to decline as a result of fixed mobile and fixed to IP substitution
- Broadband Internet expected to be a key revenue driver on the Czech telecommunication market over the next years
- Large scale consolidation of alternative WiFi ISPs is unlikely over the next 3 years

## Mobile Segment

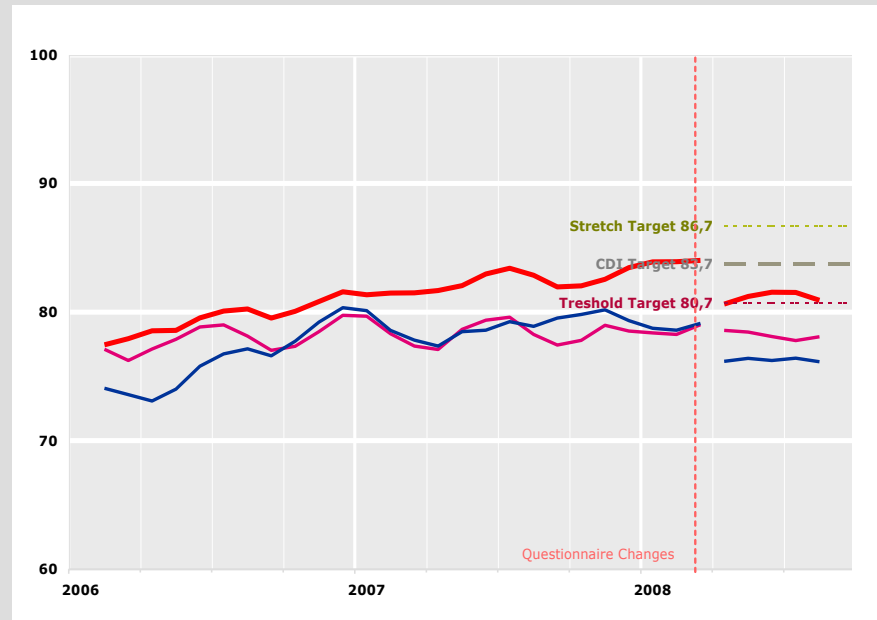
- Mobile voice revenue growth will slow down as a result of slowdown in subscribers growth and also ARPU dilution due to price decrease -> suggesting inelastic demand on the Czech market
- The growth of mobile segment is driven mainly by mobile internet
- After U:fon entered the market and launched mobile tariffs in half 2008, there is a slight chance of MVNO to enter the market also, but no confirming announcement made yet.
- Shift from acquisition strategies to current base up sell will become even more stronger. Both, TM and O2 further strongly push pre to post migration.

**Total telco revenues market is stagnating. Fixed segment is continually declining. As a result of that O2 is expected to strongly push ADSL and converged bundles in order to compensate the revenue loss.**

# Customer Satisfaction & Brand – CDS

## Consumer segment

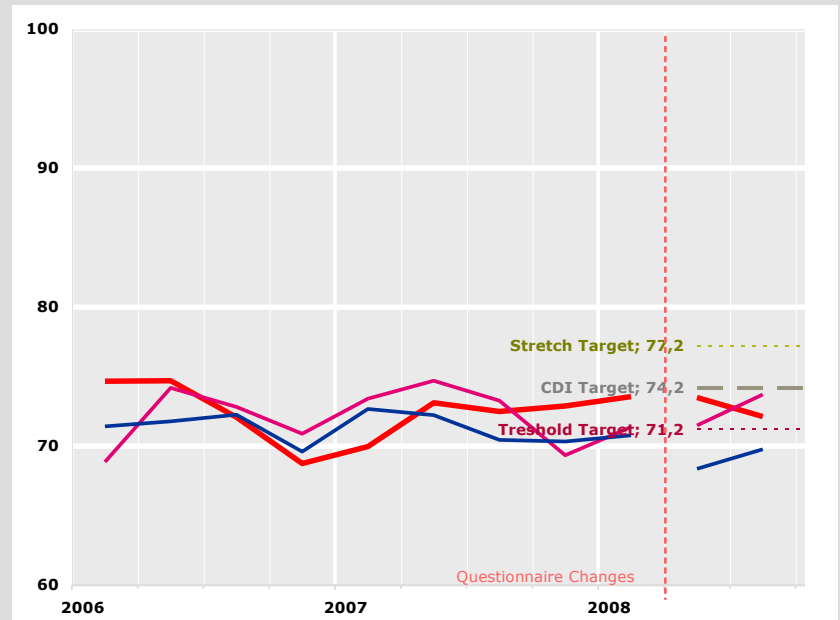
	Ave 07/08 CDI	08/09 Q1 CDI	08/09 Q2 CDI	08/09 Q3 CDI	Rolling Avg	Thresh	Target	Stretch	YTD Gap To Target	Target Rank	Rolling Rank
Czech Rep	82,7	81,5			81,5	80,7	83,7	86,7	-2,2 Red	5	2



Source: CDS Users, update monthly

## Business segment

	Ave 07/08 CDI	Q1 08/09 CDI	Q2 08/09 CDI	Q3 08/09 CDI	Rolling Avg	Thresh	Target	Stretch	YTD Gap To Target	Target Rank	Rolling Rank
Czech Rep	72,8	73,5	72,1		72,8	71,2	74,2	77,2	-1,4 red	6	4



Source: CDS Choosers, update quarterly

**VF should focus on maintaining high satisfaction scores. Both TM and O2 start to focus on customer engagement also, which could mean a great threat for us. Gaining a relevance for biz customers still remains our key focus.**

# Customer Satisfaction & Brand – BHT

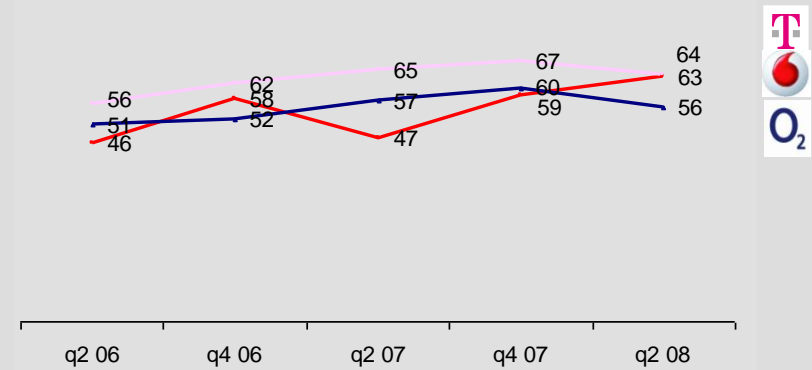
## Consumer segment

Q1 08/09 Preference	2008/09 Target	Q1 08/09 Consideration	2008/09 Target
90 % 😊	88 %	18 % 😞	20 %

## Business segment

Q2 08/09 Recommendation	2008/09 Target	Q2 08/09 Consideration	2008/09 Target
63 😊	61 %	40 😞	49 %

## T2B Recommendation



Base: Current users

Source: BHT Choosers Q2/08

Source: BHT Users Q1/08; Q2 available in October

***There was a positive shift in Users Consideration – in Q1 08/09 it has slightly increased for all MTOs. Preference remains stable with no significant differences among the operators. Choosers doing well in Recommendation.***