

## Our strategy (continued)

# Operations

We are using the benefits of our global reach and scale to standardise and simplify the way we do business across the Group. This will both improve cost efficiency and reduce the time to launch new services and products to our customers.

### Context

- The challenging economic, regulatory and competitive environment we face in Europe has led to declining revenues in our European businesses.
- Inflationary pressure in emerging markets is putting upward pressure on our cost base.
- The trend towards greater data usage significantly increases the traffic on our network.
- Against this background, to protect our level of profitability, we must continue to find ways to improve operating efficiency and simplify and standardise processes for customers.

### Where we are going

We aim to improve operational efficiency, and to speed up and co-ordinate our time to market for new propositions and services, by:

- using our centralised functions more;
- driving standardisation and simplification of our business to maximise the benefits of our scale;
- offshoring more business functions to shared service centres;
- applying new technology to improve efficiency; and
- reducing non-customer facing cost.

### Using our centralised functions more

The Vodafone Procurement Company ('VPC') in Luxembourg centrally manages the strategic procurement of the majority of our overall spend. This allows us to leverage scale and achieve better prices and terms and conditions. During the year the spend managed through the VPC increased to €10.2 billion which represents around 50% of our spend, up from €6.9 billion in the prior year.

By utilising the VPC we also learn how to apply best practice across different spend categories. For example, by applying techniques from how we manage the software licences for our data centres under a single contract to how we buy software for our network operations, we have achieved a 30% reduction in prices compared to what our markets were achieving in isolation.

### Standardisation and simplification

In the UK, we completed the first phase of a programme to simplify our organisation and improve all of our IT systems for billing, customer relationship management, and online and retail services. All prepaid customers services have migrated from legacy IT systems to one new integrated platform. This has resulted in simplification of our tariffs and improved end-to-end order processing times. We have also upgraded all our retail points of sale to make the sales and logistics processes simpler for our staff. All of this means a better experience for customers. We have reduced the number of ways of returning a handset to eight, and through our rationalisation programme we are reducing our consumer price plans from nearly 5,000 to under 500.

### Offshoring functions to shared service centres of expertise

Our business depends on having simple and effective operations that leverage the benefits of shared service centres to support our operations across the globe.

Over the past three years we have expanded the scope of shared service centres in Egypt, India and Europe to provide financial, administrative, IT, customer operations and human resource services for all of our markets. In 2012, we had just 9,500<sup>1</sup> shared centre employees and this has now risen to over 13,300, and has expanded to cover commercial activities for our Enterprise business and customers. Our shared services are delivering cash cost savings at an annualised run-rate of about £180 million. We expect to have around 16,000 employees in shared services by 2016.

### Applying new technology to improve efficiency

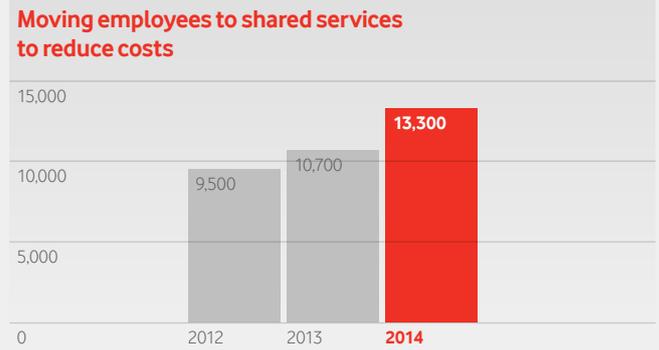
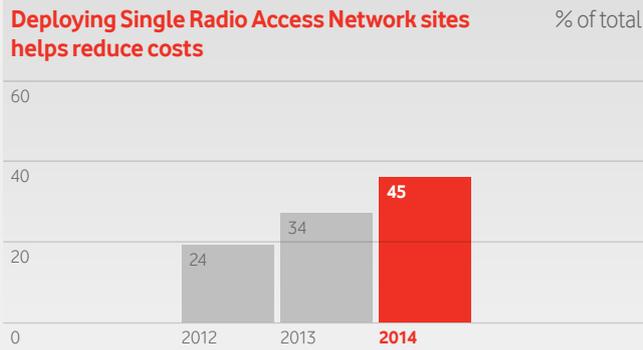
We have been at the forefront of Single RAN (Radio Access Network) technology that enables the combination of 2G, 3G and 4G technologies into the same radio equipment. This has a number of cost benefits including reduced floor space requirements on-site which reduces our site rentals, and efficient power technology provides savings our energy bill. Single RAN units are now present in 45% of our sites and we plan to expand this to 69% by 2016.

### Reducing non-customer facing costs

While we continue to expand our employee base in customer facing positions, we have been able to make savings across administrative support positions in Europe. On balance this has led to a decrease in the number of employees in Europe (excluding our acquisitions of Kabel Deutschland and the minority stake in Vodafone Italy) and an increase in the number of employees in AMAP.

Note:

<sup>1</sup> Restated from 6,000, as stated in last year's report, to include shared services employees supporting India customer operations.



# £0.3bn

£0.3 billion reduction in organic European and common functions operating expenses

## Sharing network sites to reduce costs

Nearly three quarters of the new radio sites deployed across the Group during the year were shared with other mobile operators, which reduces the cost of renting or building new sites by about 20% compared to non-shared units. During the year we entered into new sharing arrangements in three markets – Greece, Romania and Italy.



## Virtualising our network

We are increasingly looking at ways to virtualise our network through cloud computing. This requires us to move our existing network capabilities from dedicated hardware onto virtualised applications running over the cloud. As a result we are able to simplify our network architecture and reduce costs. Virtualised networks are more scalable and resilient, and enable the faster deployment of new services. With this capability, we have started rolling out new features such as a messaging platform for our M2M products, and many more are planned.



## Helping our customers cut costs

We estimated that our products and services in smart metering and logistics, fleet management, call conferencing, and cloud and hosting services, could save our customers 2.29 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) – almost equal to our total emissions last year.