

Our strategy (continued)

Unified Communications

Our roots are in mobile services, and these still represent the majority of our revenues. However, more and more businesses and individual consumers are seeking unified communications, or converged fixed and mobile services, and we are changing the shape of our Company to meet this demand.

What is unified communications?

As customer demand for ubiquitous data and content grows rapidly over the coming years, the most successful communications providers will be the ones who can provide seamless high speed connectivity at home, at work, at play and anywhere in between. This will require the integration of multiple technologies – 3G, 4G, WiFi, cable and fibre – into a single meshed network offering the best, uninterrupted experience – what we call “unified communications”.

Unified communications for enterprise

Combined fixed and mobile services have been a feature of the enterprise market, particularly for small- and medium-sized companies, for several years. We have been a market leader with products such as Vodafone One Net, which provides integrated fixed and mobile services which create significant business efficiencies for customers. This year we have evolved One Net as an application that can also serve the needs of larger national corporates as well.

With the acquisition of Cable & Wireless Worldwide in 2012, we have made a step change in our ability to offer unified communications services to customers in the UK and gained an extensive international footprint. After successfully integrating sales forces this year, we are now beginning to build a strong pipeline of new business.

Unified communications for consumers

Over the last few years, we have seen a significant move towards bundling of fixed and mobile products for residential customers, often including television in the package as well. Of our markets, Spain and Portugal are the most advanced in this regard, but we expect it to become prevalent in all our major European markets. This presents us with a clear opportunity, as our share of fixed services in our European markets is under 10%, whereas our share of the mobile market is well over 25%. In addition, mobile customer churn is typically three times higher than that of customers taking combined fixed and mobile services.

However, unified communications is also a threat, particularly in the residential market, as historically we have not owned or had access to next-generation fixed line infrastructure such as fibre or cable. This could allow cable operators with MVNO platforms, or integrated fixed and mobile incumbents, to take share in the market with aggressively discounted offers.

Progressing our strategy

Our goal is to secure access to next-generation fixed line infrastructure in all our major European markets. Our approach is market-by-market, based on the cost of building our own fibre, the openness of the incumbent provider to reasonable wholesale terms, the speed of market development, and the availability of good quality businesses to acquire. The table below shows the progress we have made this year. We have made significant strides in most of our major markets, through three routes to market – wholesaling (or renting), our own fibre deployment, or acquisitions. In particular, the acquisition of Kabel Deutschland and the proposed purchase of Ono will significantly strengthen our position in Germany and Spain respectively. At the year end, we had nine million fixed broadband customers, and the proposed acquisition of Ono will increase this to 11 million.

Outside Europe, we acquired TelstraClear in New Zealand, the second largest fixed operator, in 2012 to strengthen our portfolio of fixed products and services and create a leading total communications company. We also intend to expand selectively high speed fibre services to urban areas in emerging markets to enable converged services in key business areas. And our subsidiary, Vodacom, proposes to acquire Neotel, the second largest provider of fixed telecommunications services in South Africa, for a total cash consideration of ZAR 7.0 billion (£0.4 billion) to accelerate its growth in unified communications products and services.

Making good progress on unified communications strategy

Our strategic approach to next-generation fixed access

Wholesale	Fibre deployment	Acquisitions
Italy (2013)	Italy (planned for 2014)	Spain Ono (proposed 2014)
Germany (2013)	Spain (2014)	Germany Kabel Deutschland (2013)
Netherlands (2013)	Portugal (2010)	UK Cable & Wireless Worldwide (2012)
		New Zealand TelstraClear (2012)

Our recent acquisitions

Data to March 2014	Kabel Deutschland	Ono (proposed)
Market position	Largest cable operator in Germany	Largest cable operator in Spain
Purchase price	€10.7bn	€7.2bn
Annual revenue	€1.9bn	€1.6bn
Homes passed	15.2m	7.2m
Total customers	8.3m	1.9m
Fixed broadband customers	2.3m	1.6m

Unified Communications

Our market-leading unified communications solution in Portugal

In Portugal we have developed a market-leading unified communications solution by combining our fibre-based fixed broadband, advanced internet TV (with full cloud catch-up TV and multi-screen option – tablet, PC, smartphone) and our mobile offers. As a result we are the operator with the highest mobile net promoter score.

As part of our Project Spring programme we are accelerating the deployment of high speed fibre, which offers up to 300Mbps, to reach 1.5 million homes by mid-2015.

