

Vodafone

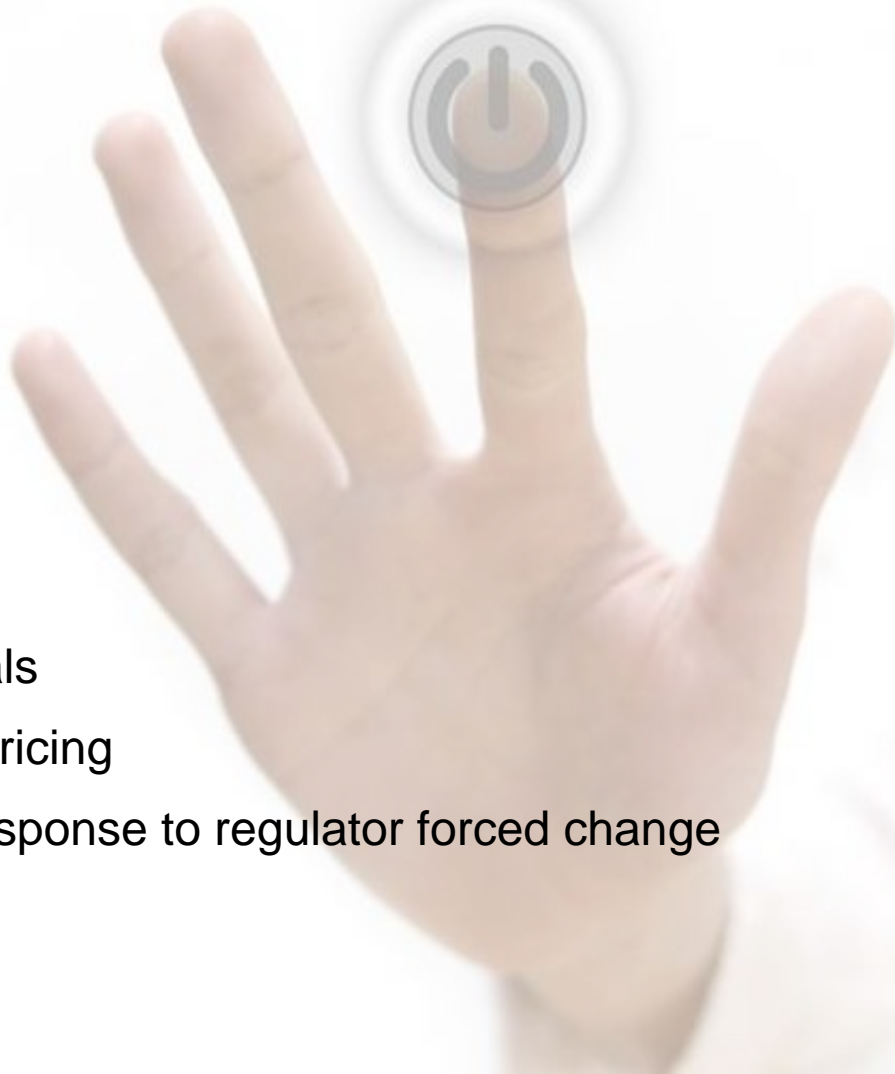
14th August 2008

Mobile Phone Usage



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 - Attitudes towards pricing
 - Potential market response to regulator forced change
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Objectives



Objectives

- The aim of this research is to understand mobile phone usage across a number of key European markets
- Key objectives are:
 - Market fundamentals:
 - Determine levels of mobile phone ownership
 - Contract and pre-pay splits
 - Attitudes towards pricing
 - The amount subscribers are willing to pay for a mobile handset
 - Attitudes to potential pricing structures of pre-pay offerings
 - And how attitudes differ between pre-pay customer sub-groups – mainly in terms of average monthly spend
 - And potential market response to regulator forced change
 - The impact of regulator enforced changes to pre-pay pricing
 - How many pre-pay customers would potentially opt-out of using their pre-pay phone if certain changes were made to their pricing structure
 - The key drivers of choice on pre-pay bundle elements if changes were required

Methodology



Methodology

■ 1st wave

- Omnibus in 10 countries:
 - USA, Portugal, Spain, Italy, Netherlands, Greece, Hungary, Romania, Ireland and Germany
- Nationally representative
- 23rd May 2008 to 9th June 2008
- Approx. 1000 respondents interviewed per market

■ 2nd wave

- Online fieldwork in 5 markets:
 - UK, Germany, Italy, Spain and Romania
- Nationally representative of pre-pay mobile customers
- 24th July 2008 to 4th August 2008
- 500 online interviews per market

Summary



Summary of key market findings - Omnibus

Market picture

- Mobile phone ownership is above 75% in all markets except Romania, with the Irish market highest at 91%
- In most markets, roughly 9/10 are either personally responsible for paying their mobile phone bill or a family member is. However, in Italy (76%) and Netherlands (82%), the levels are lower, suggesting perhaps a higher level of company provided phones in these markets.
- Most markets have a clear pre-pay / contract bias except in the Netherlands, Greece and Germany when usage of the two different payment types is relatively evenly split
 - Pre-pay dominates in Italy, Portugal, Ireland and Hungary

Existing subscribers

- Approx 4 in 5 subscribers across all markets show interest in buying a new handset if current was lost/damaged
- Expectation of price to pay for a replacement handset varies hugely by market
 - In Italy, Ireland and Greece, almost two thirds of pre-pay customers would be willing to pay £70 or more
- Amongst all subscribers, Hungary, Germany, Spain, and Romania all have a strong negative response to paying more than £70 for a replacement handset

Summary of key pre-pay pricing issues – 2nd wave

- When pre-pay customers are forced to trade off potential scenarios (incoming call charges, top-up expiry period, and minimum top-up), reaction is consistent across all 5 markets
 - Incoming call charges have by far the biggest negative impact
 - Imposing reasonable minimum top-up amounts has least negative impact
- Enforcing minimum top-up amounts has a big impact when combined with a 1 month expiry period (a forced minimum monthly spend). This approach would have a very big negative impact in all markets – especially Germany
- Across all markets tested, introduction of incoming charges and/or an expiry period would almost certainly lead to a significant number of current customers choosing to no longer use their handsets

Key Findings

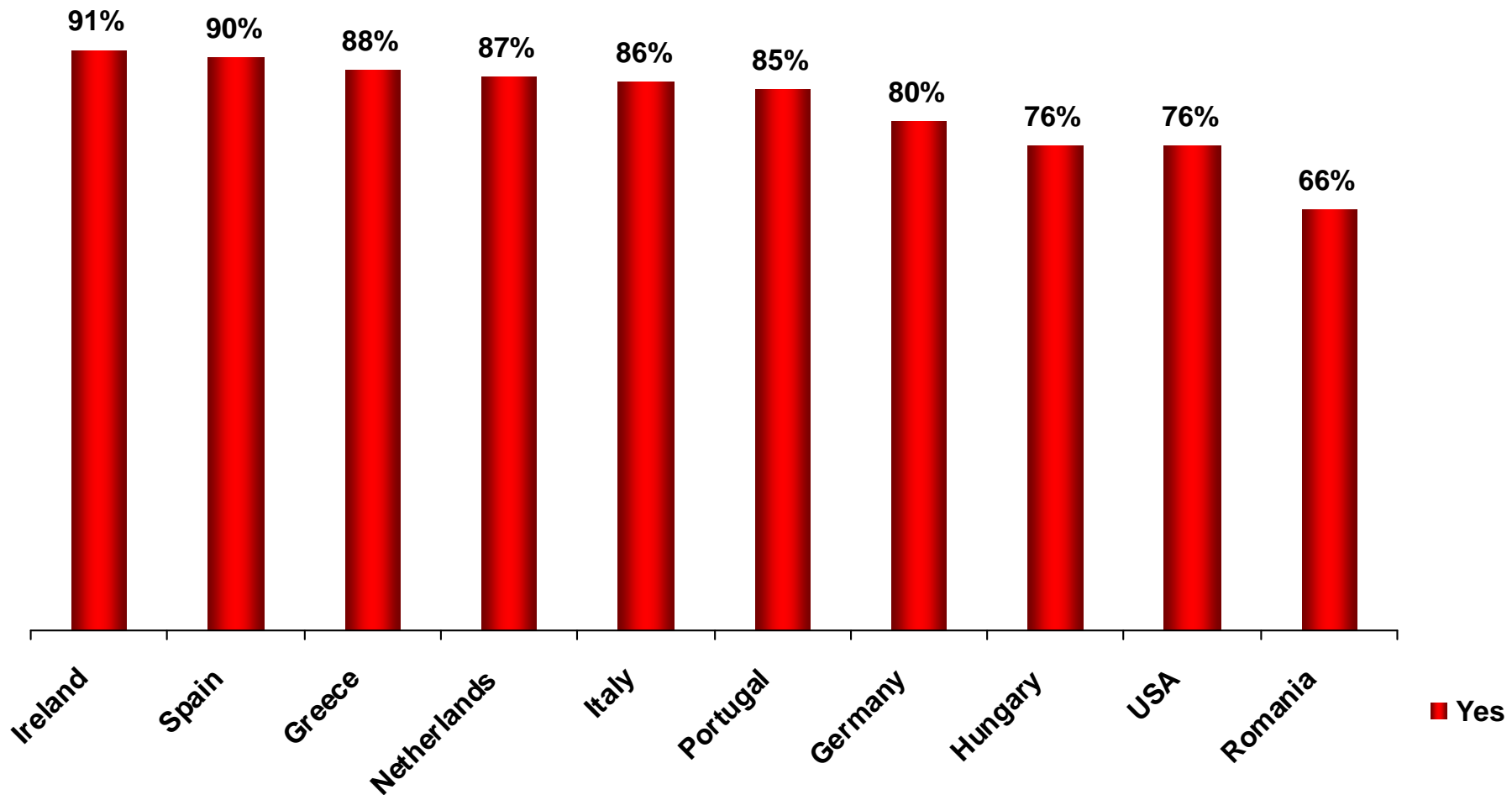


Key Findings

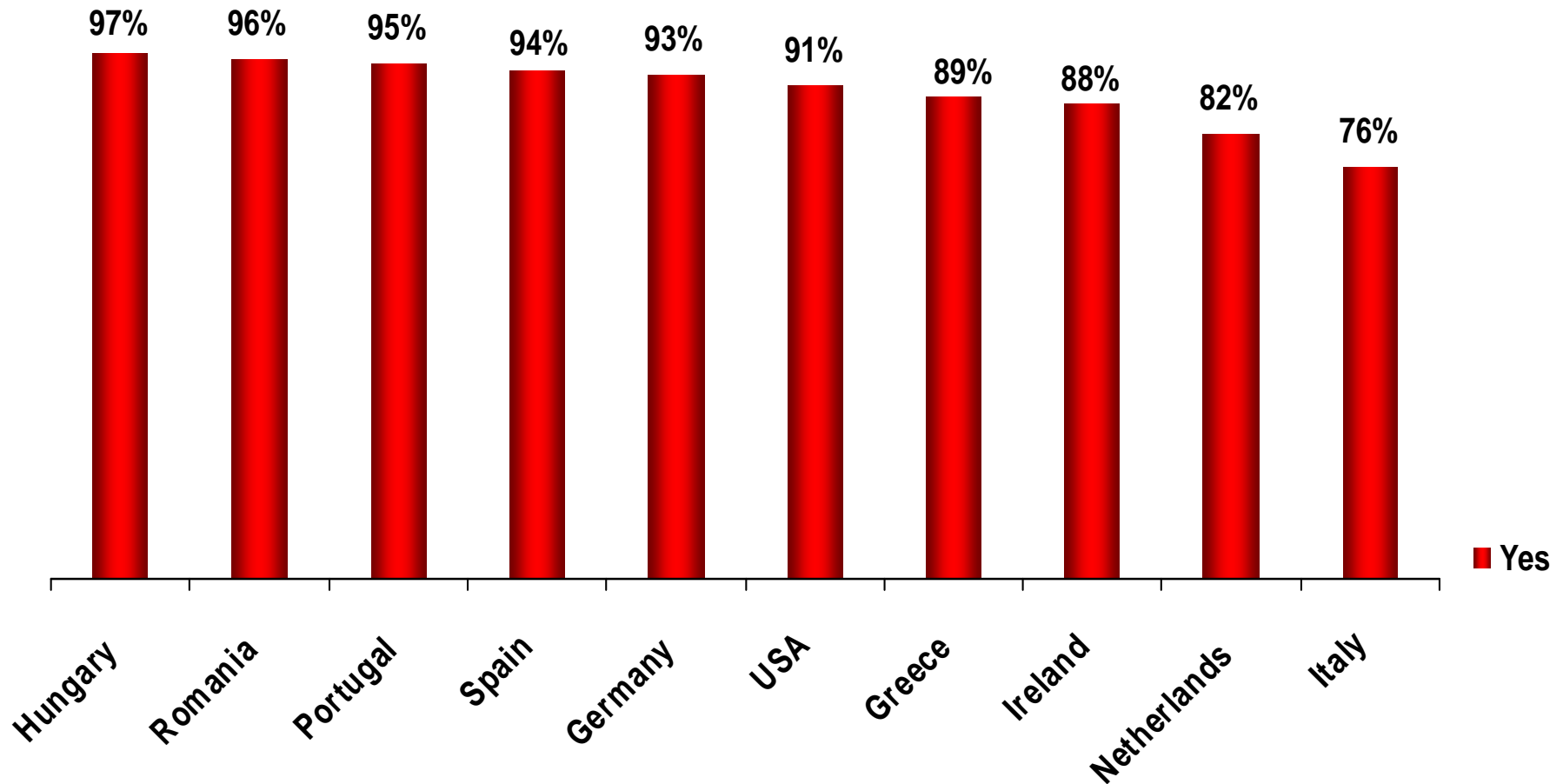
Market fundamentals



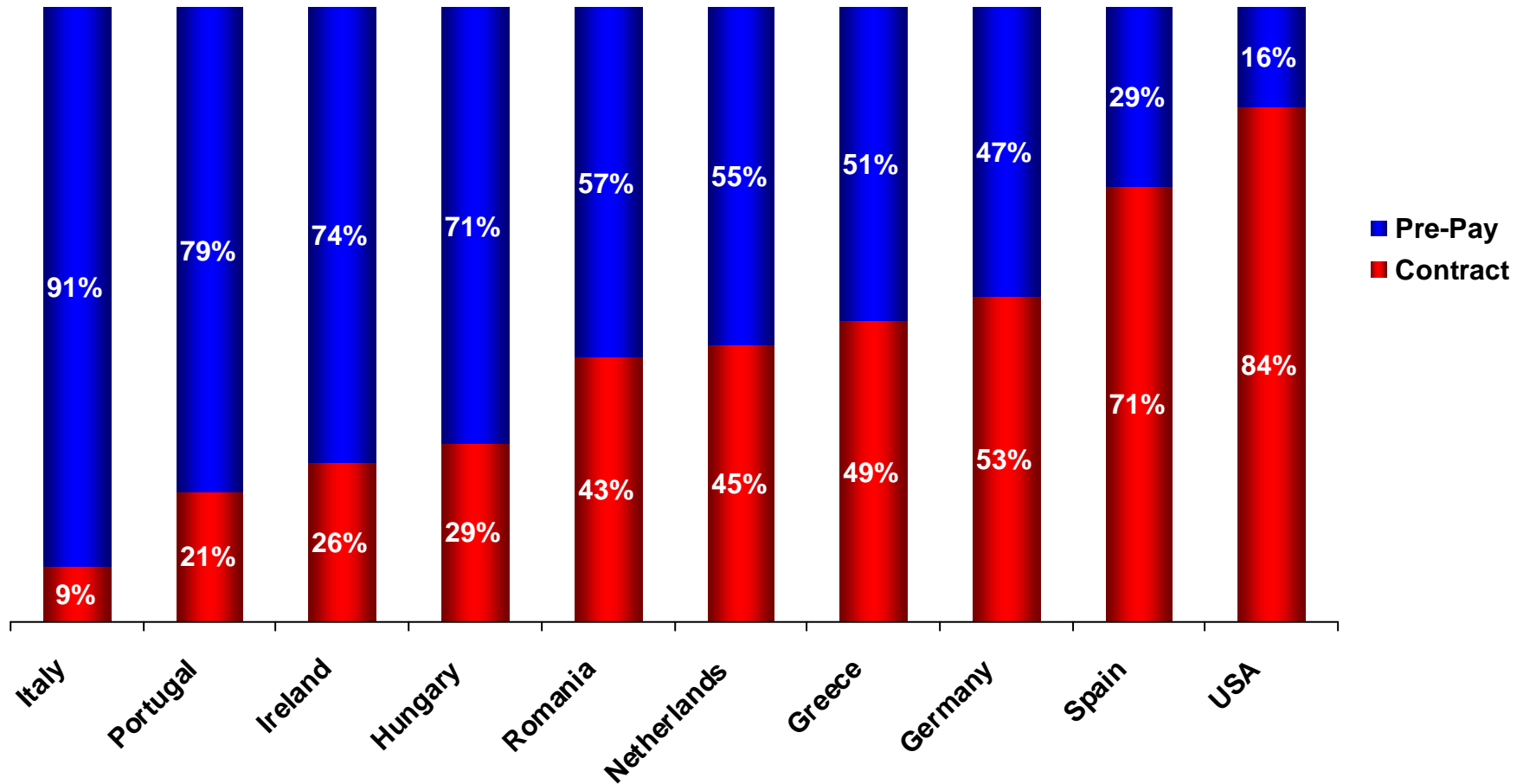
Mobile phone ownership per country



Payment among Subscribers per country



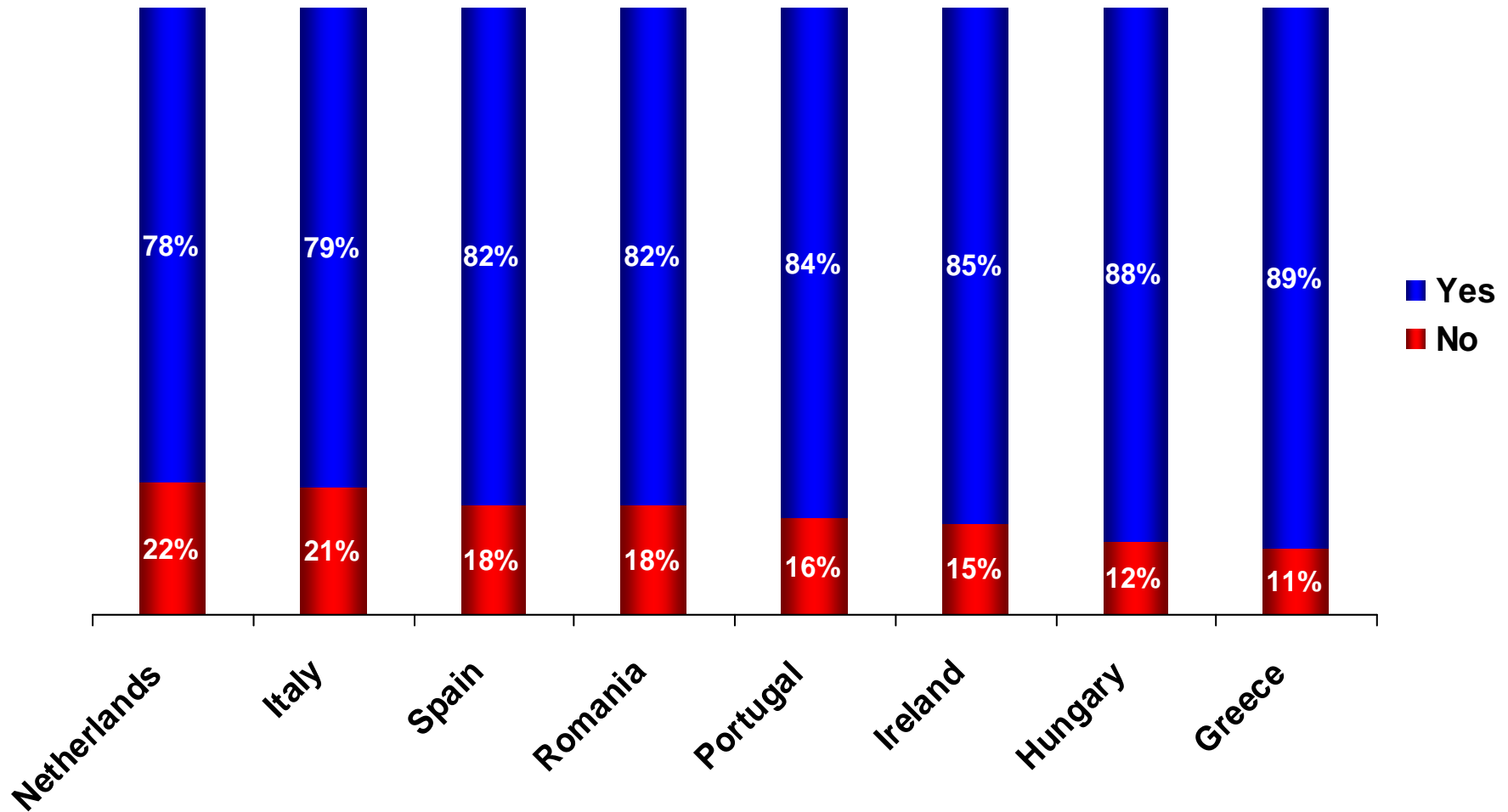
Contract and Pre-Pay splits per country



Q5: Do you have a pay-as-you-go pre-pay mobile that you top-up, or a mobile phone contract where you receive a bill every month?

Base: All respondents who personally use a mobile phone and pay the bill (rebased to exclude DK)

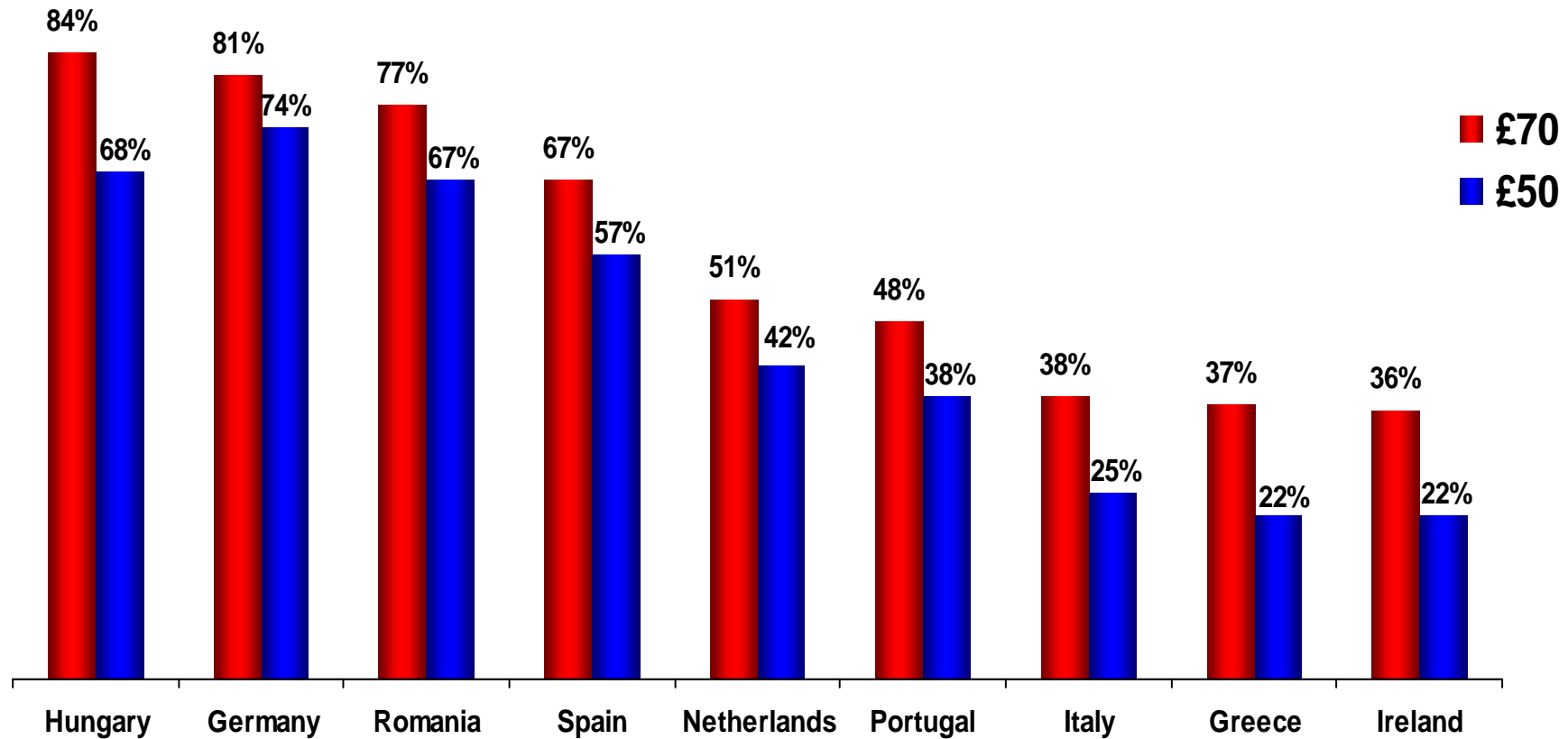
Interest in buying new handset if lost/damaged



Q6: If you lost or damaged your phone so you could no longer use it, would you be interested in buying a new handset

Base: All respondents who personally use a mobile phone and pay the bill

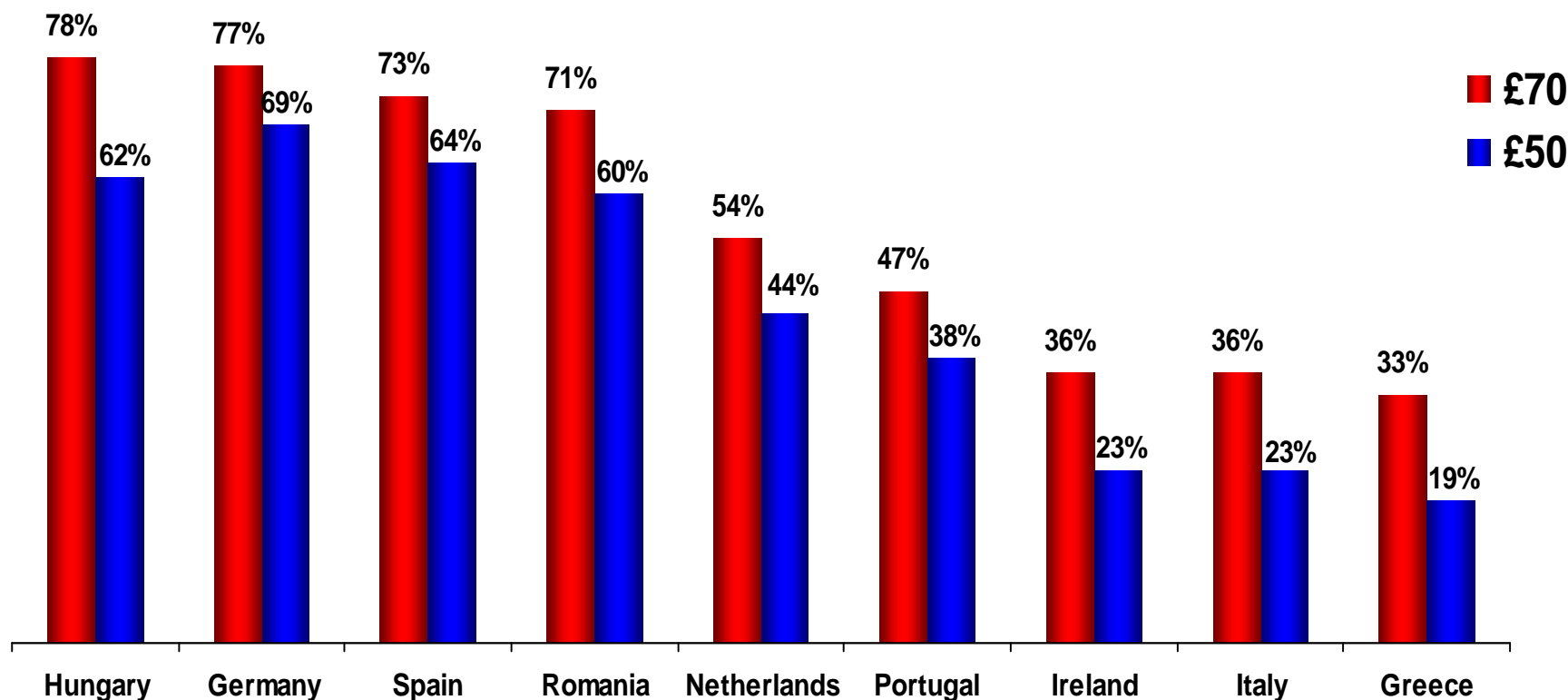
Percentage of pre-pay subscribers **not** willing to pay £50/£70 or more for replacement handset



Q8: If you were to lose or damage your mobile phone so that you could no longer use it, and were not entitled to a free replacement, how much would you be prepared to pay for a new handset, not including any call credit or airtime (assuming it was not possible to get a cheaper handset elsewhere)?

Base: All respondents who personally use a mobile phone and pay the bill (excluding those not prepared to pay and those who cannot estimate a price)

Percentage of total subscribers **not** willing to pay £50/£70 or more for replacement handset



Q8: If you were to lose or damage your mobile phone so that you could no longer use it, and were not entitled to a free replacement, how much would you be prepared to pay for a new handset, not including any call credit or airtime (assuming it was not possible to get a cheaper handset elsewhere)?

Base: All respondents who personally use a mobile phone and pay the bill (excluding those not prepared to pay and those who cannot estimate a price)

Key Findings

Conjoint Analysis:
An introduction
Results per country



Introduction to Conjoint

- Vodafone need to understand consumer attitudes to changing pricing structures of pre-pay offerings in different markets
- Key elements of the pricing structure tested in our Conjoint section were:
 - Minimum top-up levels (i.e. €10, €20 etc.)
 - How quickly the top-up level expires (i.e. 30 days, 60 days etc.)
 - Call cost per minute of each outgoing call
 - Call cost per minute of each incoming call
- Respondents were required to 'trade-off' these elements against each other in realistic choice scenarios
- Each respondent went through numerous trade-offs based on experimental bundles, allowing us to understand what truly drives choice in relation to pre-pay pricing

Introduction to Conjoint – UK example

- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0p

Cost of outgoing calls:
30p

Minimum cost of top-up:
£3

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:
12p

Cost of outgoing calls:
24p

Minimum cost of top-up:
£3

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:
0p

Cost of outgoing calls:
30p

Minimum cost of top-up:
£6

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:
0p

Cost of outgoing calls:
30p

Minimum cost of top-up:
£3

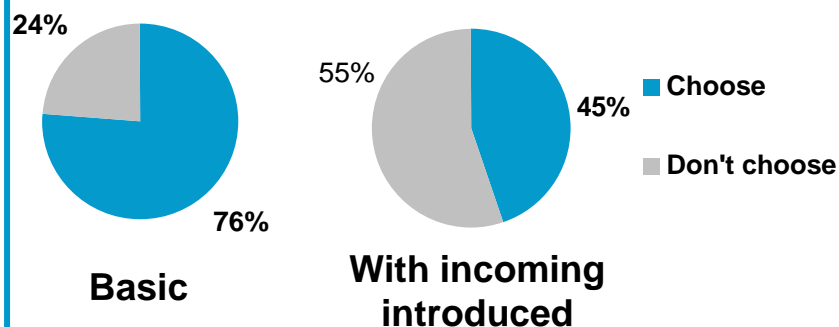
Expiry date of top-up amount:
5 months

Prices tested relevant to each market – see appendix for details

UK conjoint analysis – basic bundle v next level



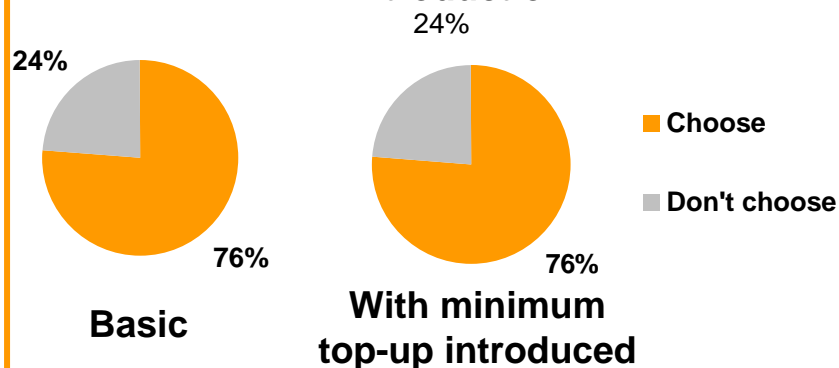
Basic bundle v incoming introduction



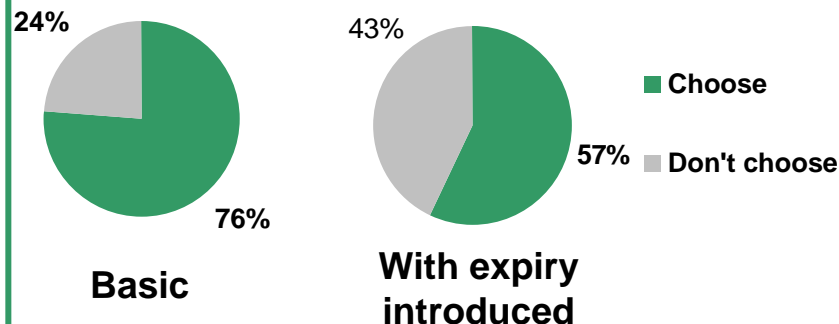
- If the basic bundle was the only option available to pre-pay customers, 76% would choose it

- Introducing incoming call charges would have the biggest negative effect. Only 45% would still choose this option – 31% would opt out
- Introducing expiry periods would also have a big effect – 19% opt out

Basic bundle v minimum top-up introduction



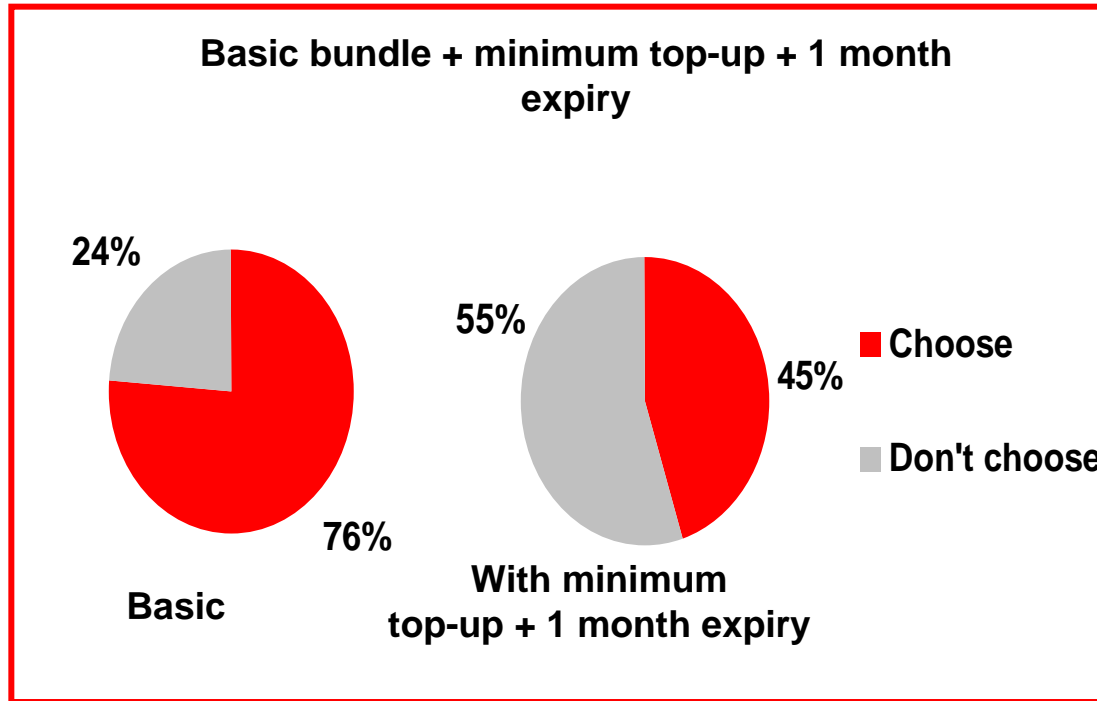
Basic bundle v expiry introduction



Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users



UK conjoint analysis – basic bundle compared to £6 minimum top-up + 1 month expiry

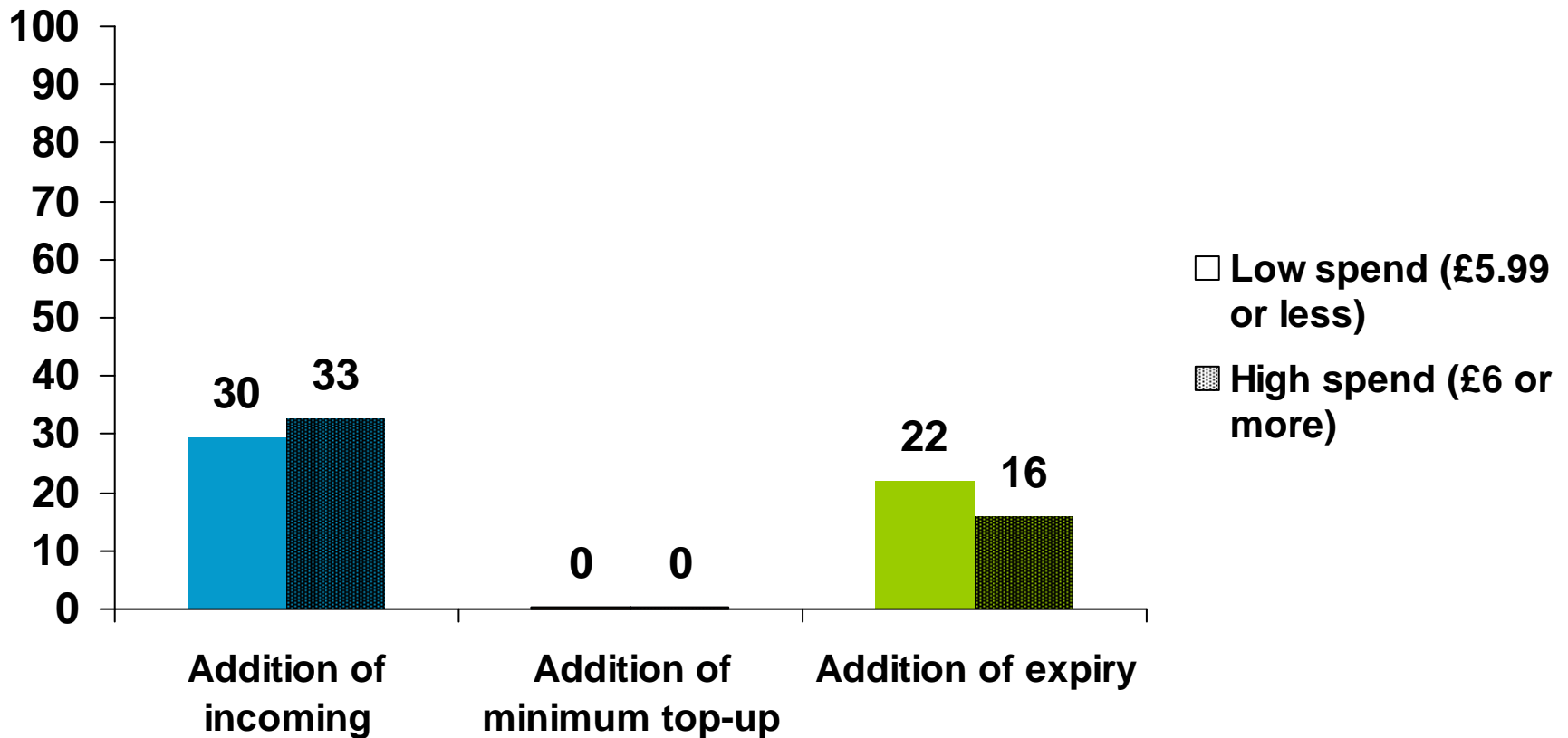


- The reaction to the introduction of minimum monthly spend has also been tested – call costs remain as per the basic package, but we have a minimum £6 top-up, and this expires after 1 month.
- Reaction is also negative to this potential pricing approach – only 45% would accept this package, 31% less than accept the basic package

UK % opting out if additional element added to basic



- Overall, addition of incoming calls has the biggest effect on choice – 30% of low spend pre-pay customers opt-out and 33% of high spend pre-pay customers opt-out
- Addition of incoming has a bigger effect on high spend, but expiry has a bigger effect on low-spend

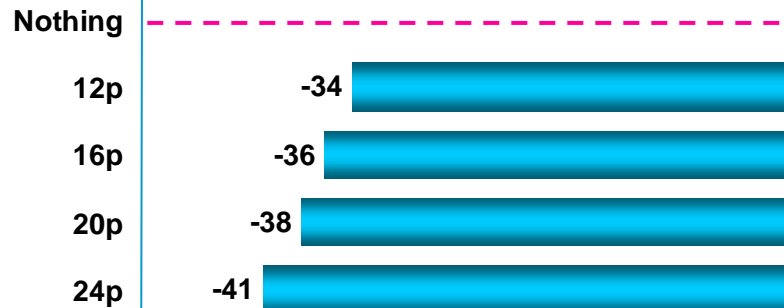


Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

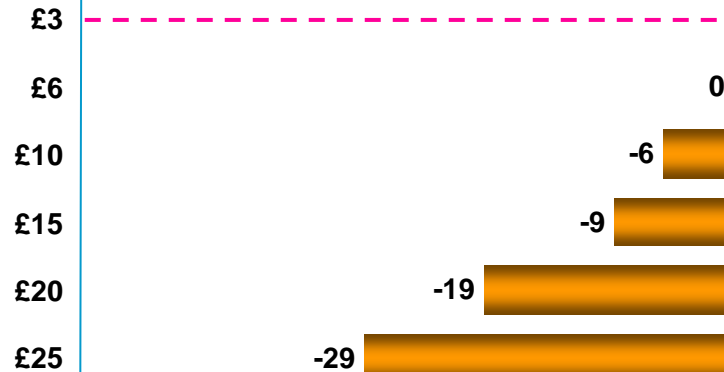
UK Impact on basic bundle choice with changes to elements



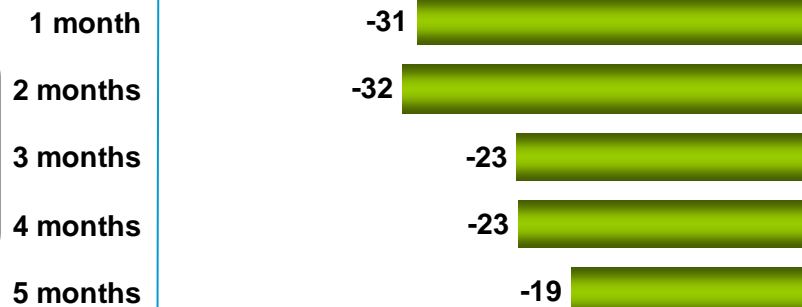
Cost of incoming calls



Minimum cost of top-up



Length of time before top-up expires



Will never expire

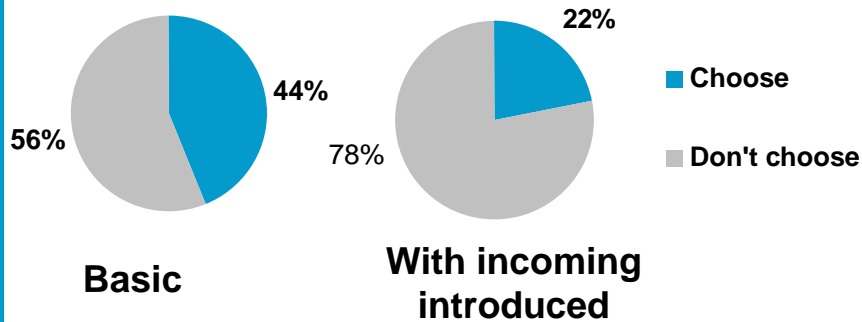
- Based on our basic bundle, achieving 76% share
- This shows the % impact on choice of the basic bundle if any element was changed. For example, introducing an expiry period of 5 months would make 19% opt out
- Clearly, the cost of incoming calls has by far the biggest negative impact. As soon as this is introduced, even at only 12p, 34% opt out

Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Germany conjoint analysis – basic bundle v next level



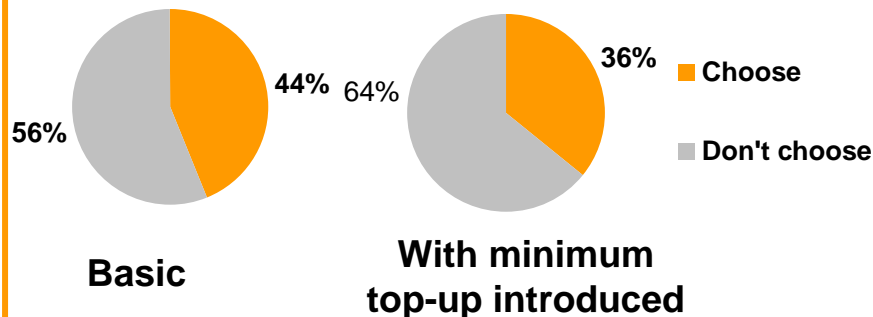
Basic bundle v incoming introduction



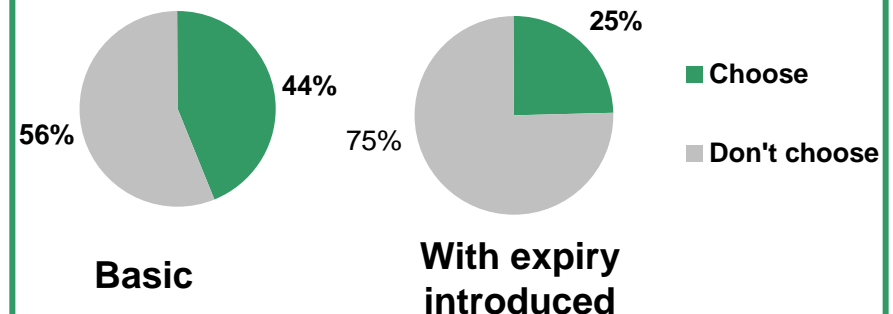
- If the basic bundle was the only option available to pre-pay customers, 44% would choose it

- Introducing incoming call charges would have the biggest negative effect. Only 22% would still choose this option – 22% would opt out
- Introducing expiry periods would also have a big effect – 19% opt out

Basic bundle v minimum top-up introduction

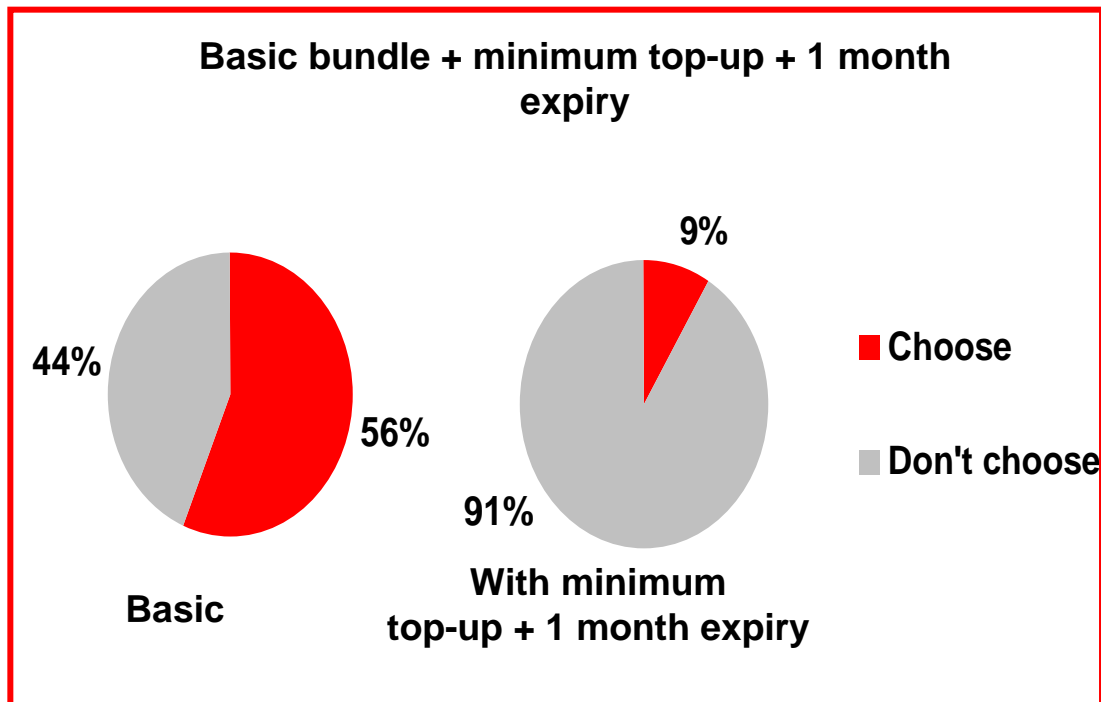


Basic bundle v expiry introduction



Germany conjoint analysis –

basic bundle compared to 8€ minimum top-up + 1 month expiry



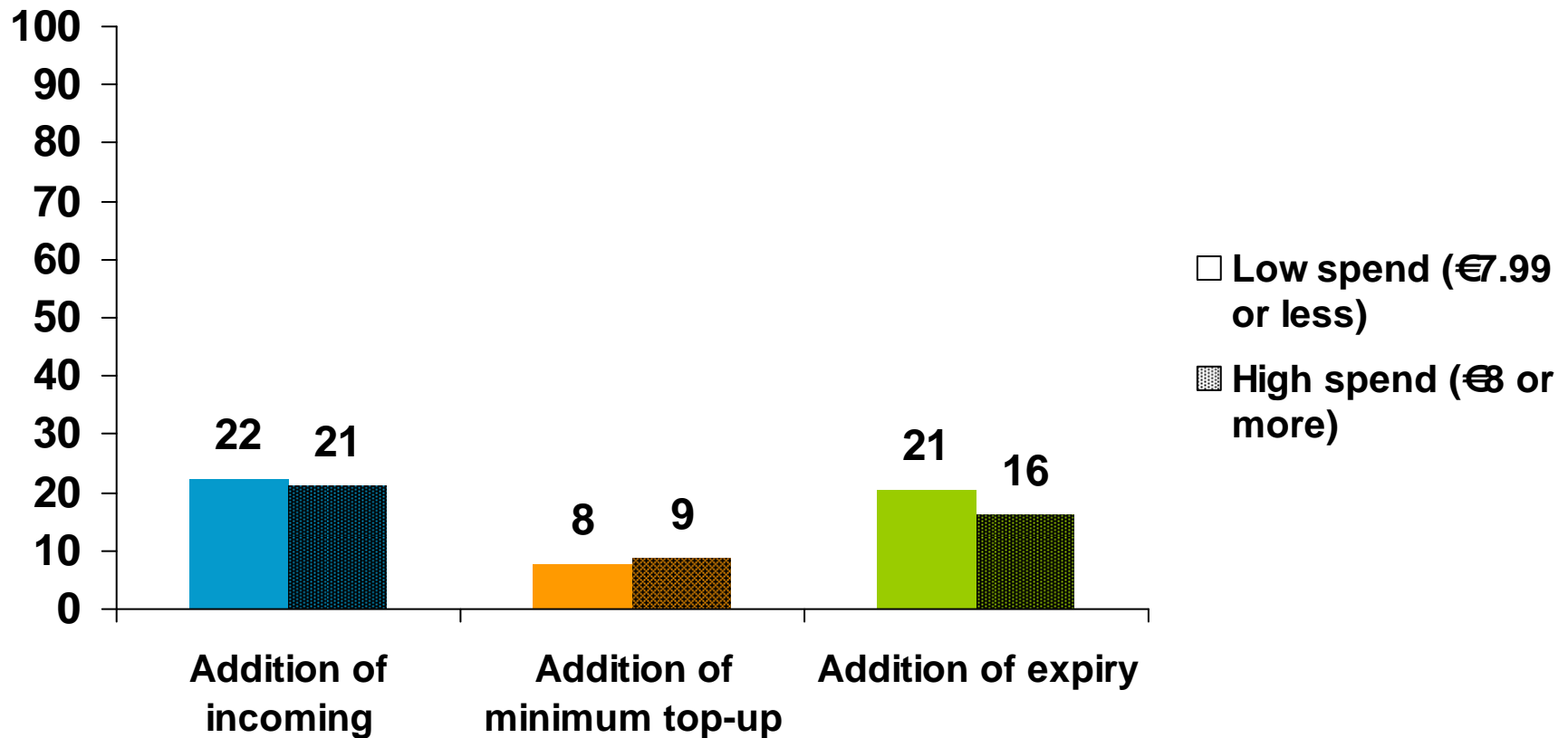
- The reaction to the introduction of minimum monthly spend has also been tested – call costs remain as per the basic package, but we have a minimum €8 top-up, and this expires after 1 month.

- Reaction is also negative to this potential pricing approach – only 9% would accept this package, 47% less than accept the basic package

Germany % opting out if additional element added to basic



- Overall, addition of incoming calls has the biggest effect on choice – 22% of low spend pre-pay customers opt-out and 21% of high spend pre-pay customers opt-out
- For low spend customers, addition of an expiry period has almost the same effect



Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Germany Impact on basic bundle choice with changes to elements



Cost of incoming calls

Nothing

12c

-25

16c

-27

20c

-29

24c

-30

Minimum cost of top-up

4 €

8 €

-8

12 €

-11

16 €

-15

20 €

-15

24 €

-20

Length of time before top-up expires

1 month

-33

2 months

-28

3 months

-26

4 months

-23

5 months

-19

Will never expire

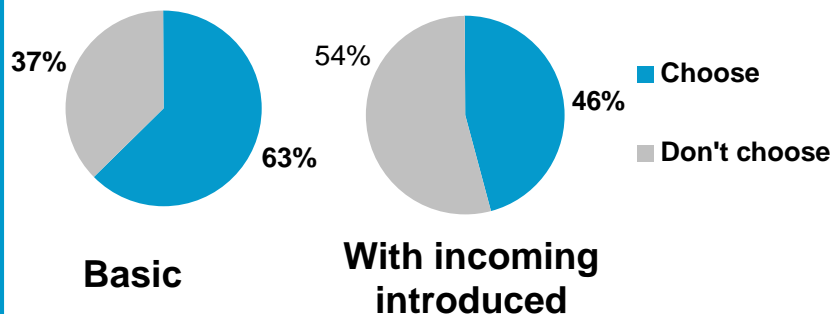
- Based on our basic bundle, achieving 44% share
- This shows the % impact on choice of the basic bundle if any element was changed. For example, introducing an incoming call charge of 12c would make 25% opt out
- Overall, introduction of either incoming call costs or expiry period would have a big negative impact on pre-pay in Germany

Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Italy conjoint analysis – basic bundle v next level



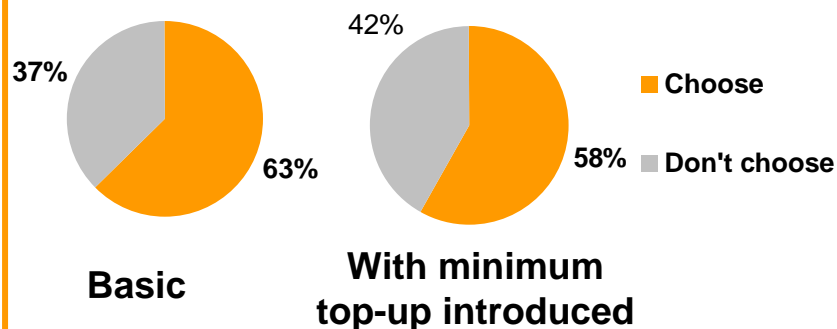
Basic bundle v incoming introduction



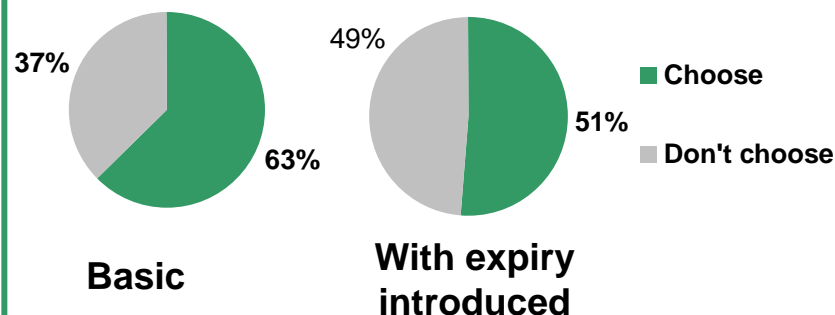
- If the basic bundle was the only option available to pre-pay customers, 63% would choose it

- Introducing incoming call charges would have the biggest negative effect. Only 46% would still choose this option – 17% would opt out
- Introducing expiry periods would have almost as much impact – 12% would opt-out

Basic bundle v minimum top-up introduction



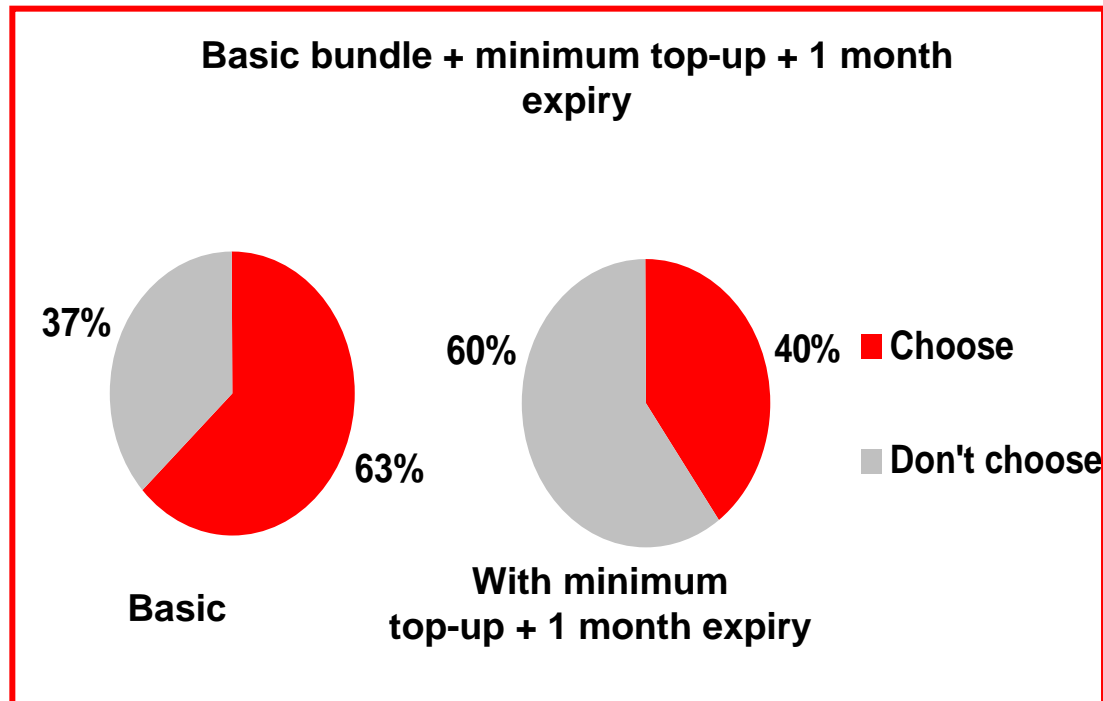
Basic bundle v expiry introduction



Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Italy conjoint analysis –

basic bundle compared to 8€ minimum top-up + 1 month expiry



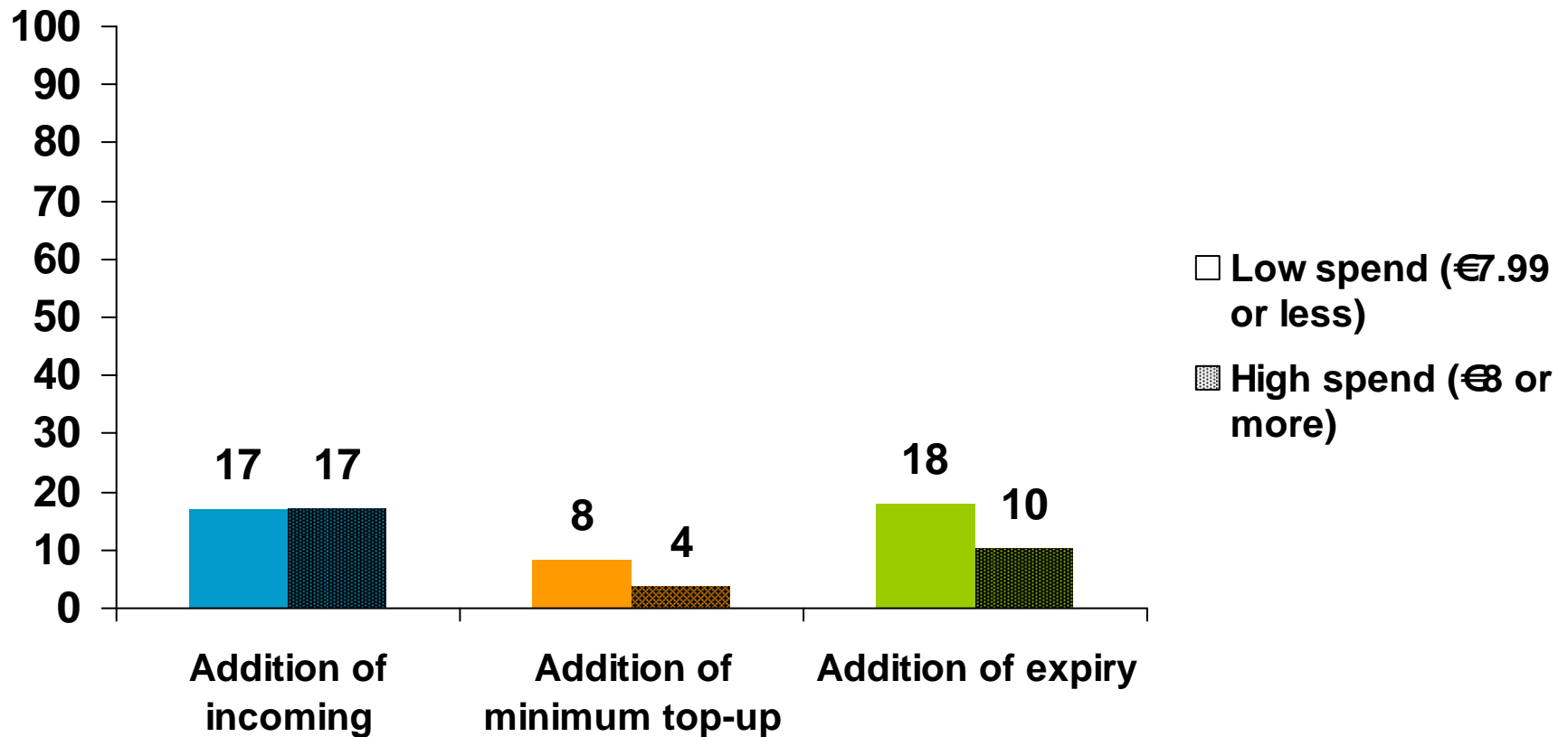
- The reaction to the introduction of minimum monthly spend has also been tested – call costs remain as per the basic package, but we have a minimum €8 top-up, and this expires after 1 month.

- Reaction is also negative to this potential pricing approach – only 40% would accept this package, 23% less than accept the basic package

Italy % opting out if additional element added to basic



- Overall, addition of incoming calls has the biggest effect on choice – 17% of low spend pre-pay customers opt-out and 17% of high spend pre-pay customers opt-out
- For low spend customers, introduction of an expiry period has equally high negative impact

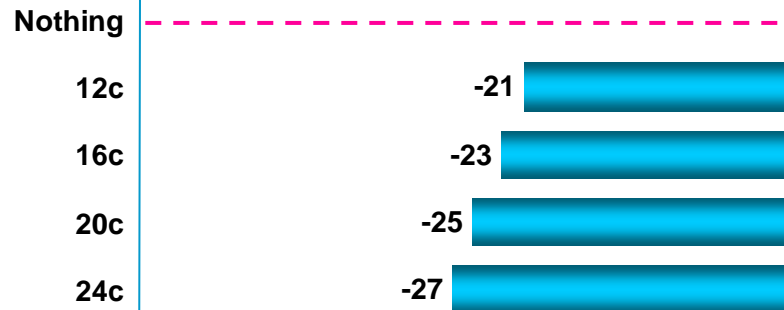


Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Italy Impact on basic bundle choice with changes to elements



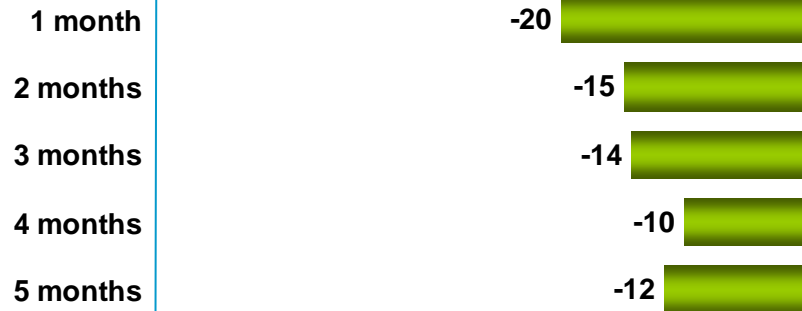
Cost of incoming calls



Minimum cost of top-up



Length of time before top-up expires



Will never expire

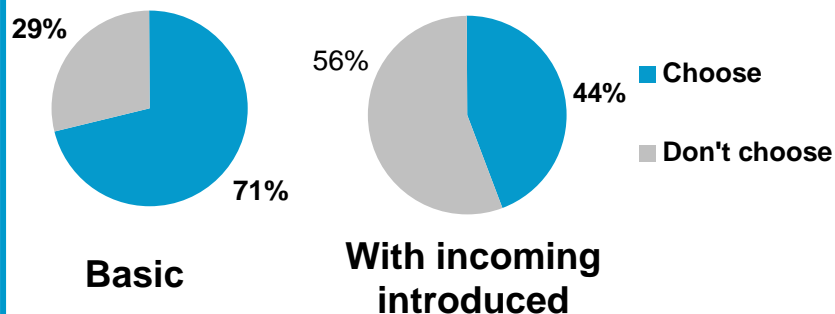
- Based on our basic bundle, achieving 63% share
- This shows the % impact on choice of the basic bundle if any element was changed. For example, introducing an expiry period of 5 months would make 12% opt out
- Clearly, the cost of incoming calls has the biggest negative impact. As soon as this is introduced, even at only 12c, 21% opt out

Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Spain conjoint analysis – basic bundle v next level



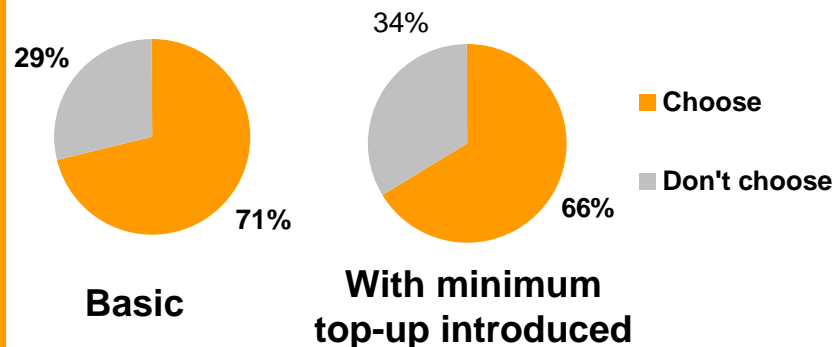
Basic bundle v incoming introduction



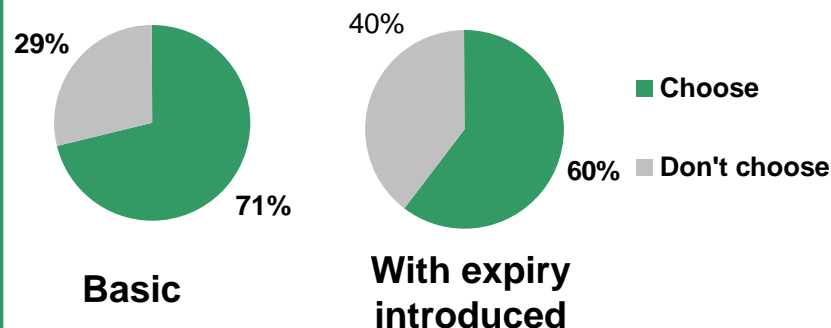
- If the basic bundle was the only option available to pre-pay customers, 71% would choose it

- Introducing incoming call charges would have the biggest negative effect. Only 44% would still choose this option – 27% would opt out
- Introducing expiry periods would also have a big effect – 11% opt out

Basic bundle v minimum top-up introduction



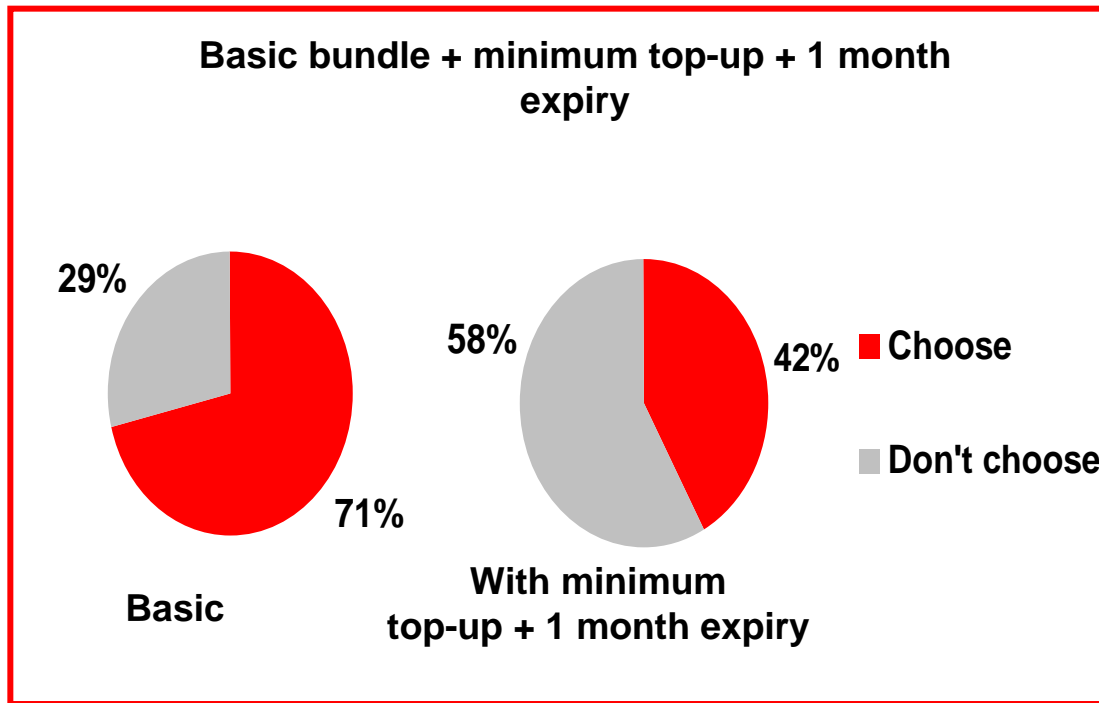
Basic bundle v expiry introduction



Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Spain conjoint analysis –

basic bundle compared to 8€ minimum top-up + 1 month expiry



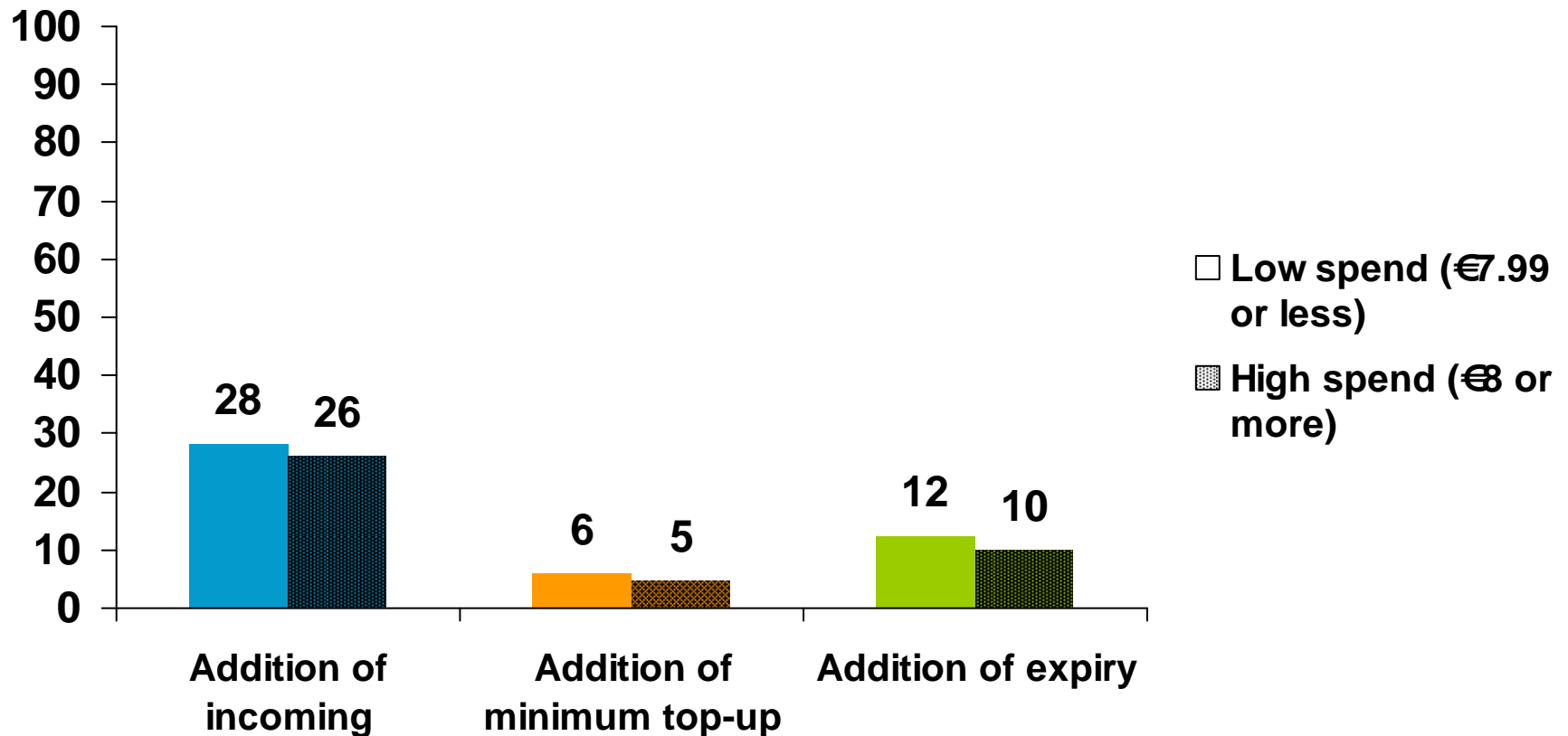
- The reaction to the introduction of minimum monthly spend has also been tested – call costs remain as per the basic package, but we have a minimum 8€ top-up, and this expires after 1 month.

- Reaction is also negative to this potential pricing approach – only 42% would accept this package, 29% less than accept the basic package

Spain % opting out if additional element added to basic



- Overall, addition of incoming calls has the biggest effect on choice – over a quarter of both low and high spend customers would opt-out
- Low spend customers have a slightly more negative response to any of these potential changes

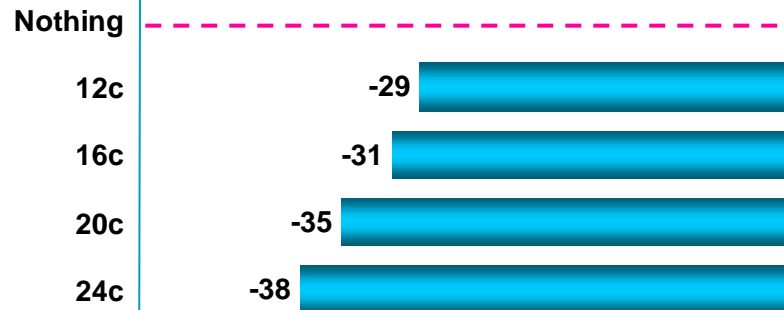


Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

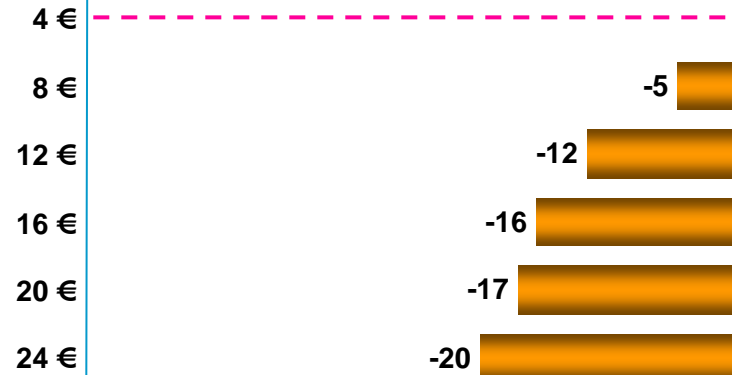
Spain Impact on basic bundle choice with changes to elements



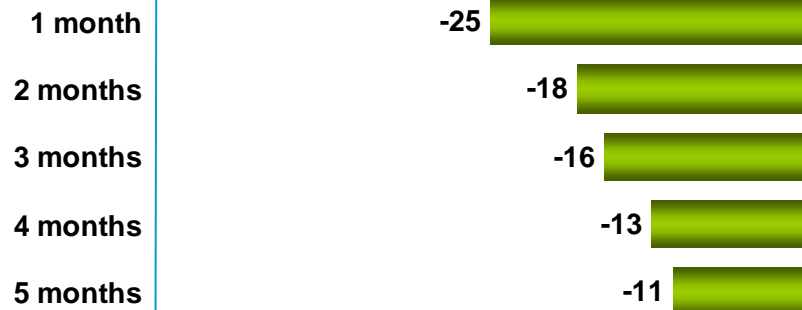
Cost of incoming calls



Minimum cost of top-up



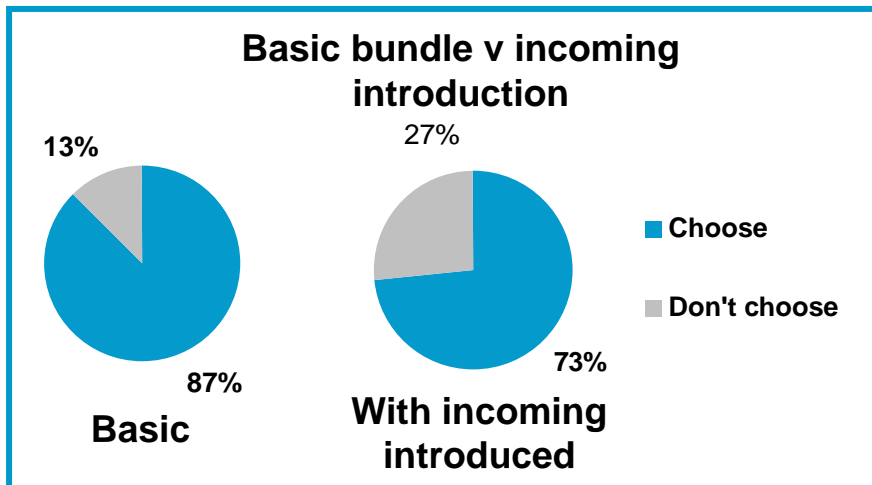
Length of time before top-up expires



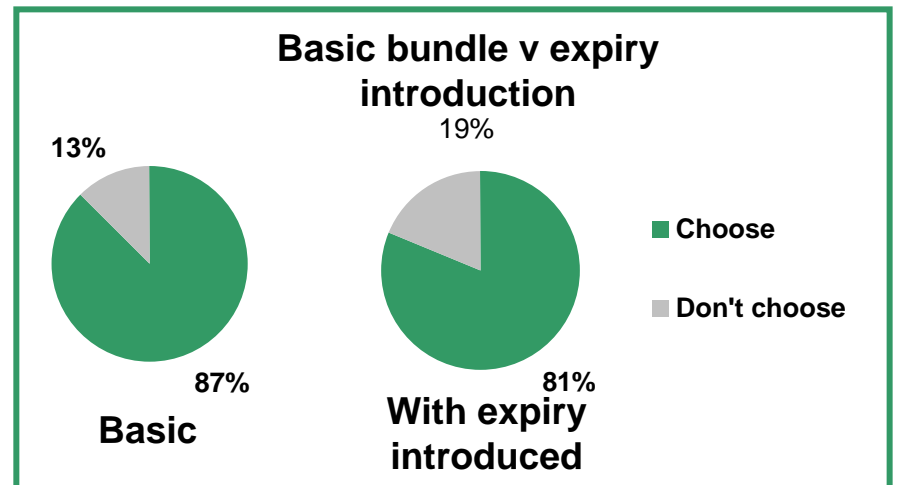
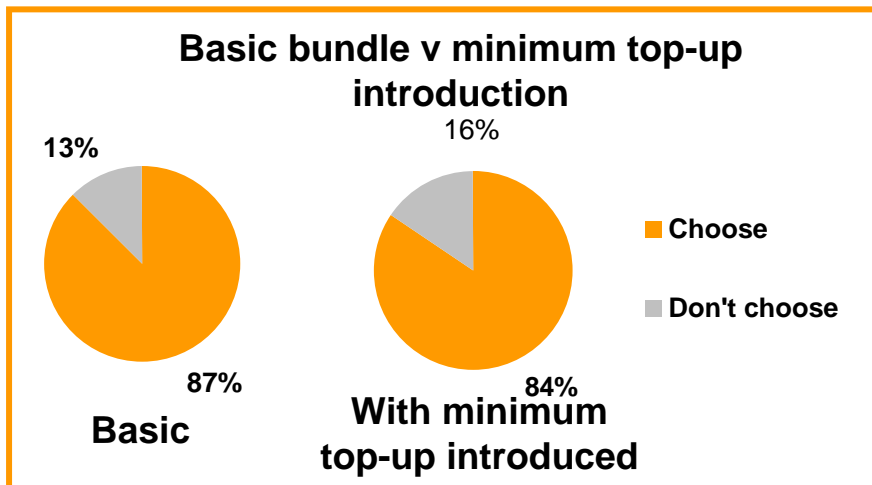
- Based on our basic bundle, achieving 71% share
- This shows the % impact on choice of the basic bundle if any element was changed. For example, introducing an expiry period of 5 months would make 11% opt out
- Clearly, the cost of incoming calls has by far the biggest negative impact. As soon as this is introduced, even at only 12c, 29% opt out

Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Romania conjoint analysis – basic bundle v next level

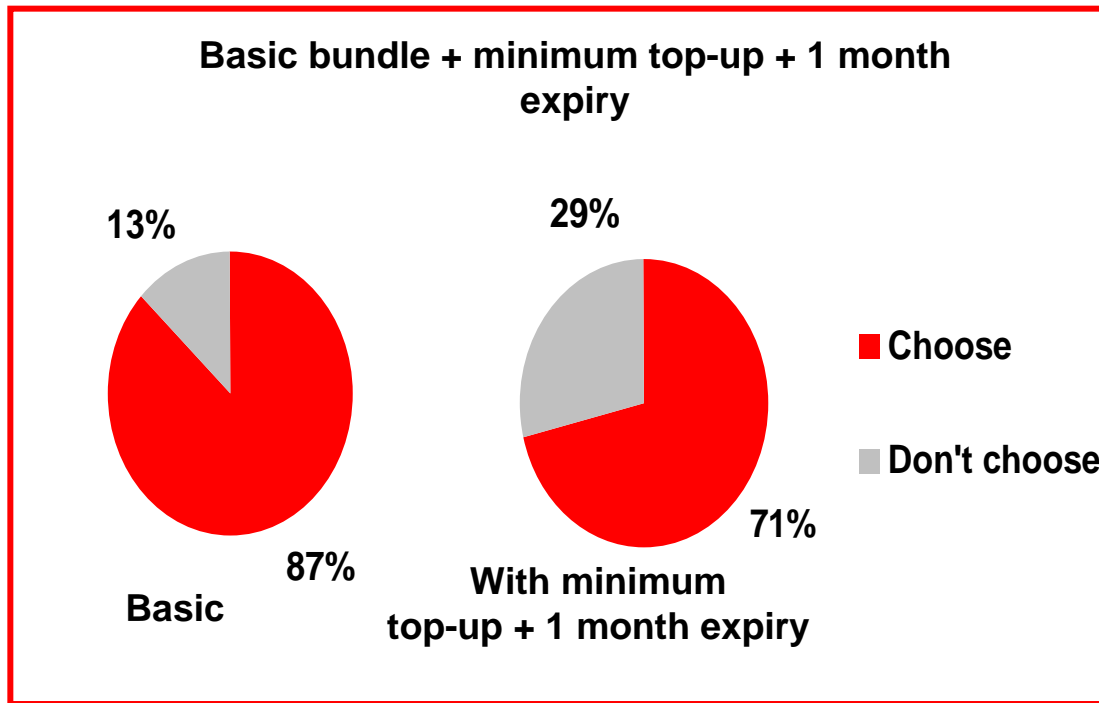


- If the basic bundle was the only option available to pre-pay customers, 87% would choose it
- Introducing incoming call charges would have the biggest negative effect. Only 73% would still choose this option – 14% would opt out
- Introducing expiry periods would also have a definite negative effect – 6% opt out



Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

Romania conjoint analysis – basic bundle compared to 8€ minimum top-up + 1 month expiry



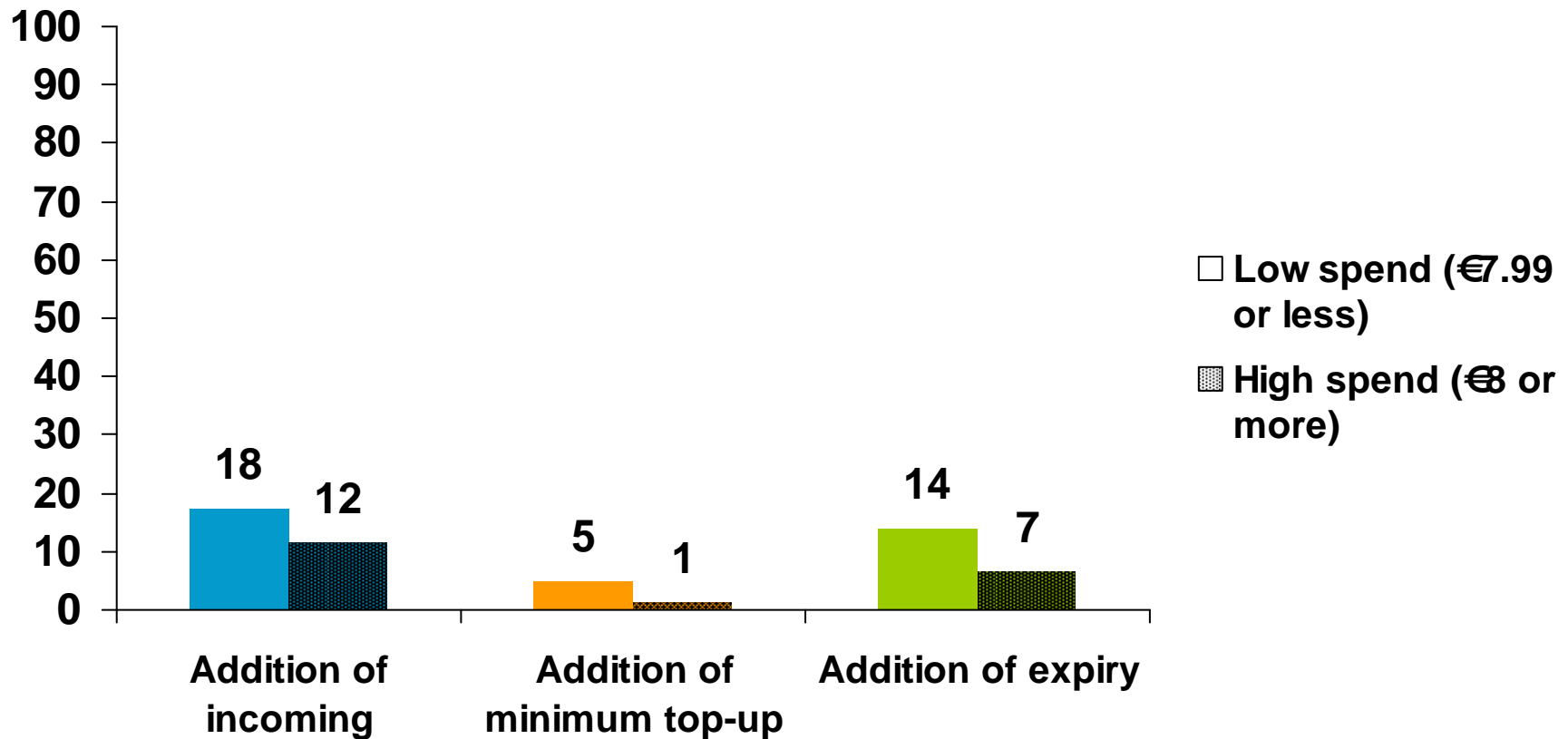
- The reaction to the introduction of minimum monthly spend has also been tested – call costs remain as per the basic package, but we have a minimum €8 top-up, and this expires after 1 month.

- Reaction is also negative to this potential pricing approach – only 71% would accept this package, 16% less than accept the basic package

Romania % opting out if additional element added to basic



- Overall, addition of incoming calls has the biggest effect on choice – 18% of low spend pre-pay customers opt-out and 12% of high spend pre-pay customers opt-out
- Low spend customers are clearly more likely to opt-out if any of these potential changes were introduced

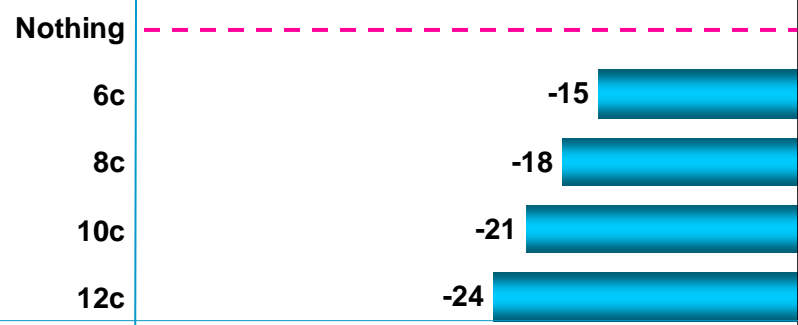


Conjoint analysis: Derived preference share assuming the only options available are the basic bundle and the same bundle with one element increased by one level
Base: All pre-pay users

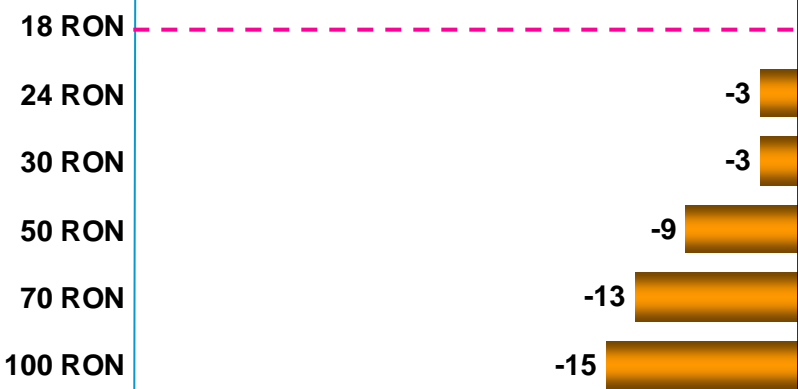
Romania Impact on basic bundle choice with changes to elements



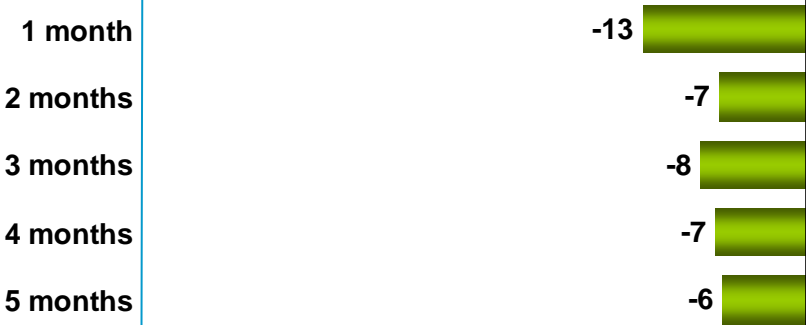
Cost of incoming calls



Minimum cost of top-up



Length of time before top-up expires



Will never expire

- Based on our basic bundle, achieving 87% share
- This shows the % impact on choice of the basic bundle if any element was changed. For example, introducing an expiry period of 5 months would make 6% opt out
- Clearly, the cost of incoming calls has by far the biggest negative impact. As soon as this is introduced, even at only 6c, 15% opt out

Appendix



Methodology

First Wave Methodology

- Eleven questions (excluding US – 10 questions) on omnibus
- All markets used CATI omnibus excluding Hungary which used the Face to face omnibus
- Fieldwork was conducted between 23rd May 2008 to 9th June 2008
- Approx. 1000 respondents were interviewed per market regarding their mobile phone usage and attitudes
- Results are nationally representative, face to face are ensured by applying a fully random sampling methodology (random on area, interviewer route and person in household). CATI also apply a fully random sampling method on the selection of telephone numbers.
- Quality of data is ensured through rigorous checking procedures *

PLEASE NOTE:

- Any data with a base smaller than 50 will not be commented on and show a 'small base' caution

Second Wave Methodology

- Fieldwork in 5 markets
- Fieldwork was conducted between 24th July 2008 to 31st July 2008 for UK, Germany, Italy and Spain; and between 28th July 2008 to 4th August 2008 for Romania
- 500 online interviews per market, nationally representative of pre-pay customers across all networks
- 5 minute questionnaire (4-5 direct questions + Conjoint element)
- Use of online panels to identify pre-pay users and collect data. In most markets, panels are TNS' Online Access Panels – where unavailable, we worked with partners
- Payment option values are set to be relevant to the market

Bundles tested – UK



- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0p

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:
12p

Cost of outgoing calls:
24p

Minimum cost of top-up:
£3

Expiry date of top-up amount:
Never expires

Cost of outgoing calls:
30p

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:
0p

Cost of outgoing calls:
30p

Minimum cost of top-up:
£6

Expiry date of top-up amount:
Never expires

Minimum cost of top-up:
£3

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:
0p

Cost of outgoing calls:
30p

Minimum cost of top-up:
£3

Expiry date of top-up amount:
5 months

Expiry date of top-up amount:
Never expires



Bundles tested – Germany



- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0c

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
12c	24c	€4	Never expires

Cost of outgoing calls:
30c

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
0c	30c	€8	Never expires

Minimum cost of top-up:
€4

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
0c	30c	€4	5 months

Expiry date of top-up amount:
Never expires

Bundles tested – Italy



- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0c

Cost of outgoing calls:
30c

Minimum cost of top-up:
€4

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
16c	24c	€4	<i>Never expires</i>

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
0c	30c	€8	<i>Never expires</i>

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:	Cost of outgoing calls:	Minimum cost of top-up:	Expiry date of top-up amount:
0c	30c	€4	5 months

Bundles tested – Spain



- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0c

Cost of outgoing calls:
30c

Minimum cost of top-up:
€4

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:
16c

Cost of outgoing calls:
24c

Minimum cost of top-up:
€4

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:
0c

Cost of outgoing calls:
30c

Minimum cost of top-up:
€8

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:
0c

Cost of outgoing calls:
30c

Minimum cost of top-up:
€4

Expiry date of top-up amount:
5 months

Bundles tested – Romania



- For the analysis, each of the following pre-pay price plans were tested against the basic bundle
 - Each new pre-pay price plan is the basic bundle with one of the 4 elements increased by one level
 - In all scenarios, respondents had a “none of these” option

Basic Price Plan

Cost of incoming calls:
0c

Cost of outgoing calls:
15c

Minimum cost of top-up:
18 RON

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Incoming Calls

Cost of incoming calls:
8c

Cost of outgoing calls:
12c

Minimum cost of top-up:
18 RON

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Minimum cost of top-up

Cost of incoming calls:
0c

Cost of outgoing calls:
15c

Minimum cost of top-up:
24 RON

Expiry date of top-up amount:
Never expires

VS.

Basic Price Plan + Expiry date of top-up amount

Cost of incoming calls:
0c

Cost of outgoing calls:
15c

Minimum cost of top-up:
18 RON

Expiry date of top-up amount:
5 months

Vodafone

14th August 2008

Mobile Phone Usage

