



Market health check:  
Latest efficiency  
benchmarking findings

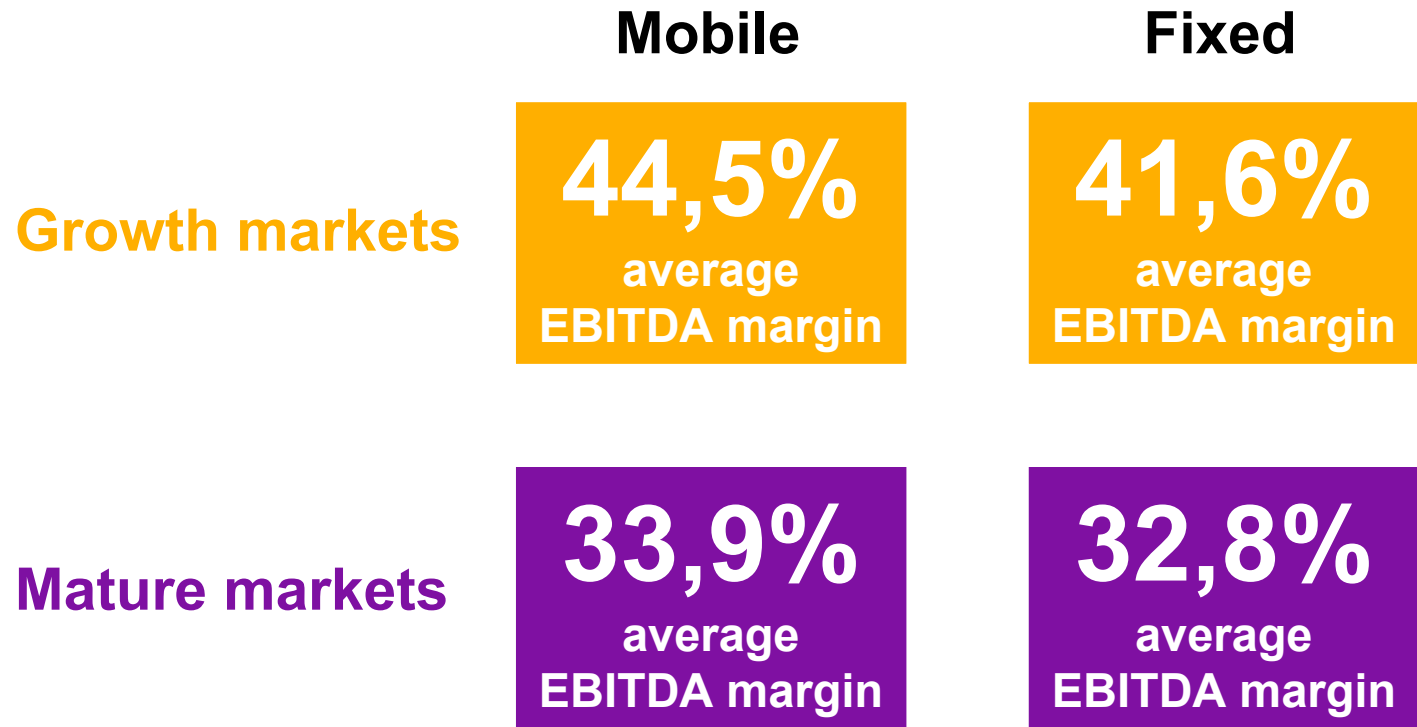
**Fredrik Jungermann**  
Head of Operator Benchmarking,  
Nokia Siemens Networks



Health check:

Has the EBITDA margin  
been hit by the recession?

# What a crisis...

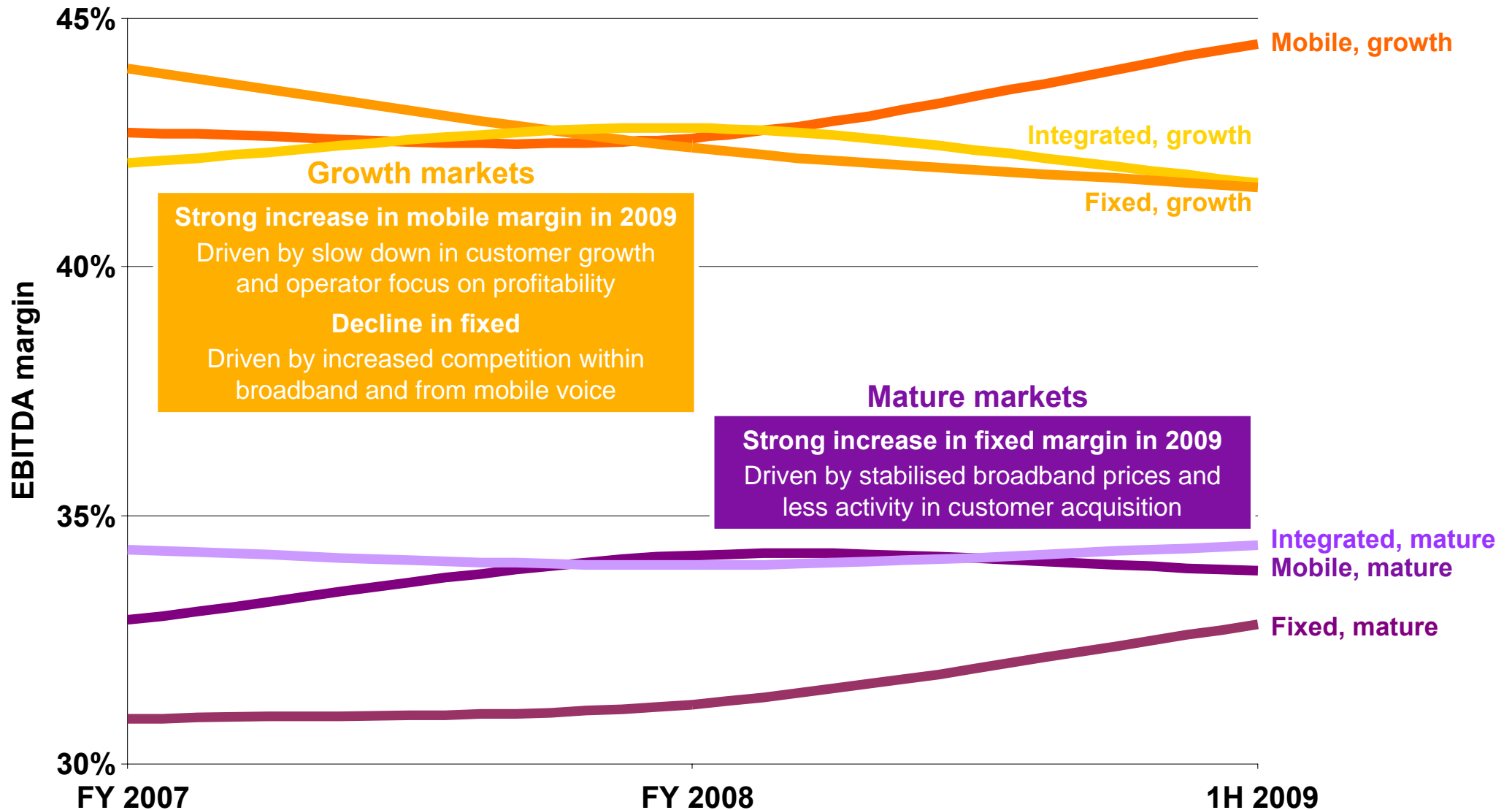


1H 2009

Source: NSN Level 1: 1H09 reports for 300+ operators with fiscal year ending December; 3m reports for operators with fiscal year ending March

# The recession has had no visible impact on margin

Led to increased urgency in operators' efficiency improvements



**Strong increase in mobile margin in 2009**  
Driven by slow down in customer growth and operator focus on profitability

**Decline in fixed**  
Driven by increased competition within broadband and from mobile voice

**Strong increase in fixed margin in 2009**  
Driven by stabilised broadband prices and less activity in customer acquisition

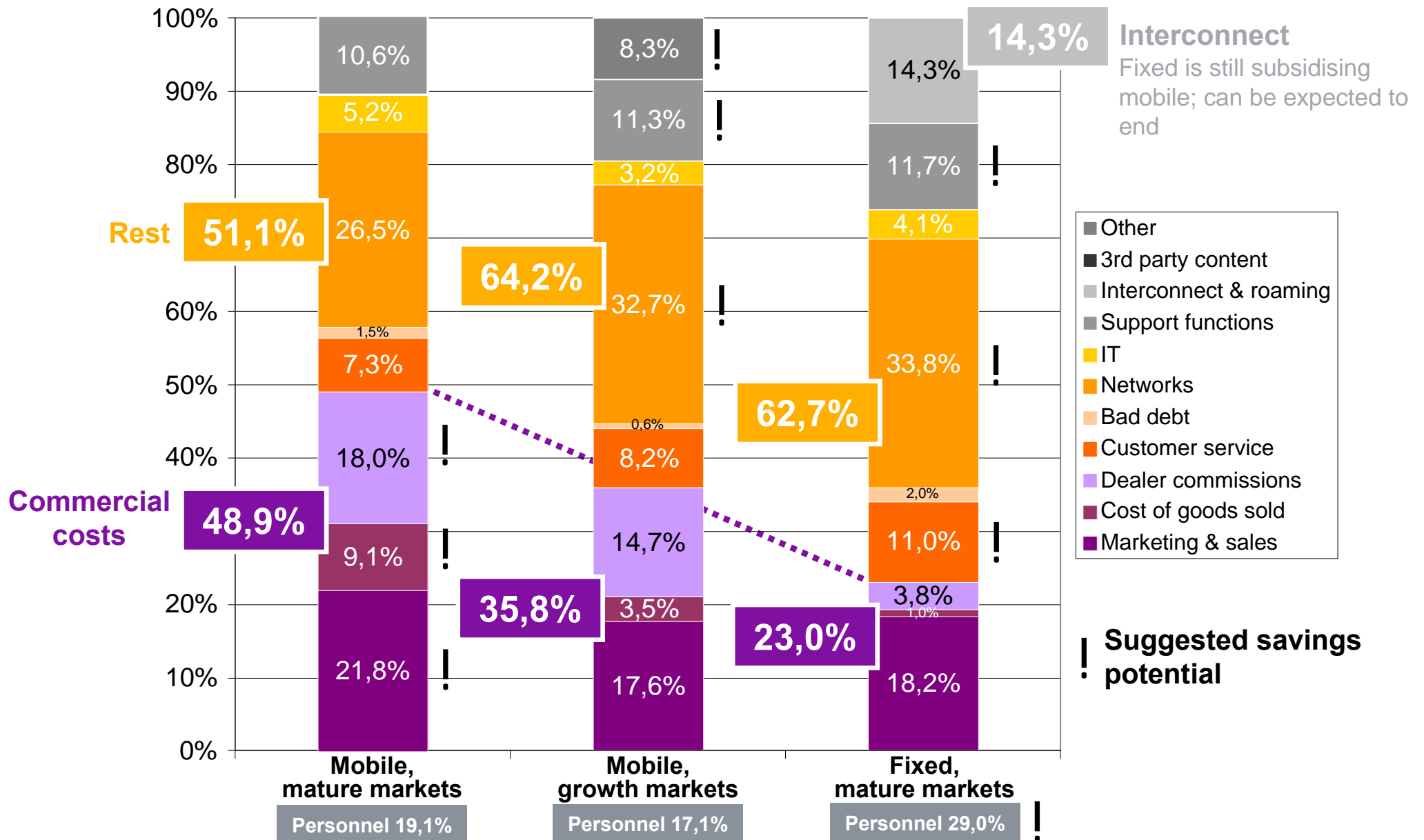
# OPEX distribution

## Test of hypotheses

### how to increase EBITDA margin

# Average net OPEX distribution

FY2008



Source: NSN Level 2: Benchmarking peer groups, 2009; not based on published reports

# Hypotheses how to increase EBITDA margin

## Mobile, mature

- 1 Increase customer loyalty

## Mobile, growth

- 2 Lower energy costs

## Fixed, mature

- 3 Improve employee productivity
- 4 Do more broadband, less PSTN voice
- 5 Bundle TV & voice on top of broadband

## All

- 6 Become an integrated operator

# Hypothesis **1**

## Increase customer loyalty

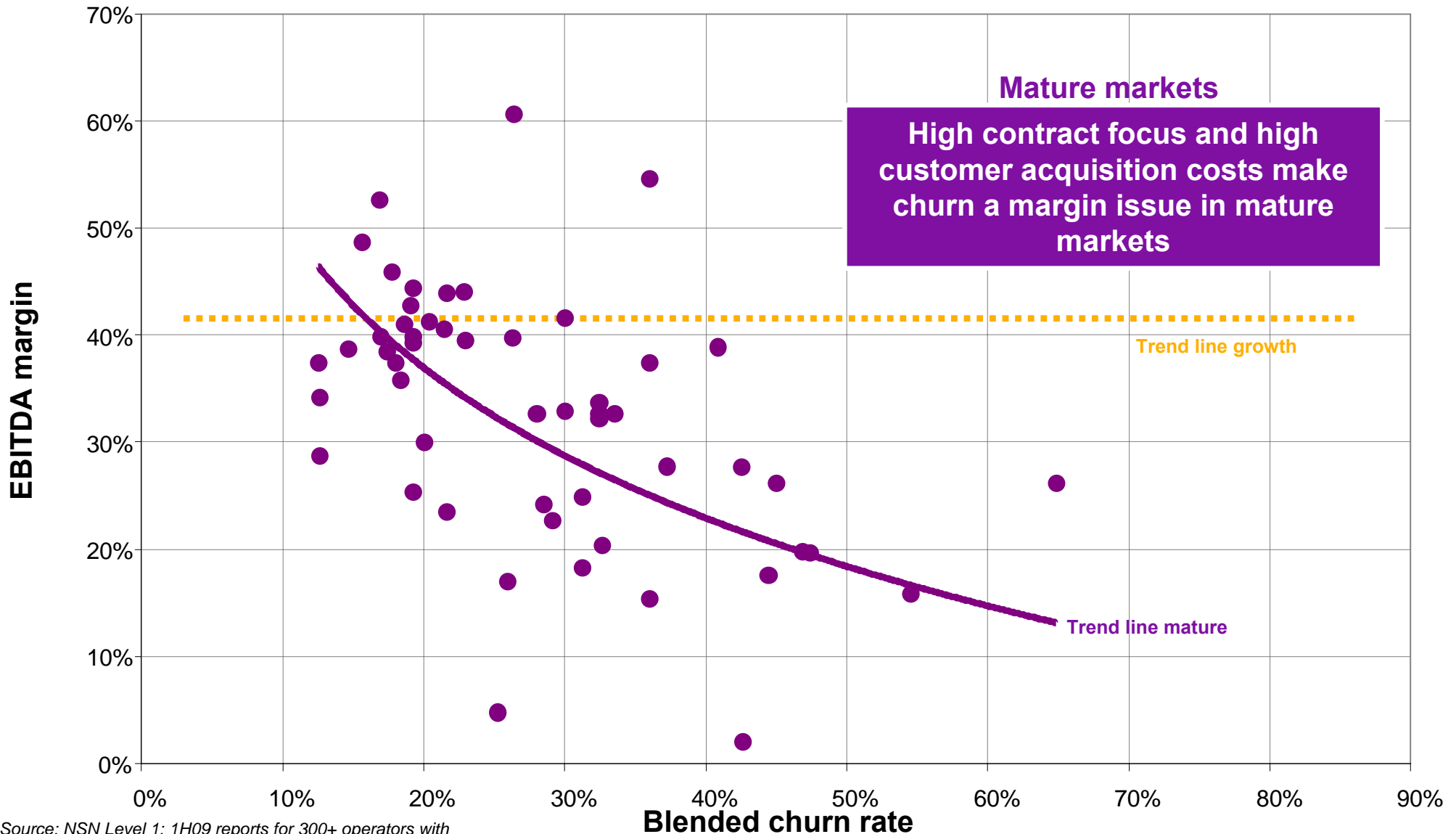
Mobile, mature

# Customer loyalty = margin booster?

1H 2009

Mobile

**True** for mature markets – large savings potential in [variable] M&S OPEX



Source: NSN Level 1: 1H09 reports for 300+ operators with fiscal year ending December; 3m reports for operators with fiscal year ending March

# Hypothesis **2**

## Lower energy costs

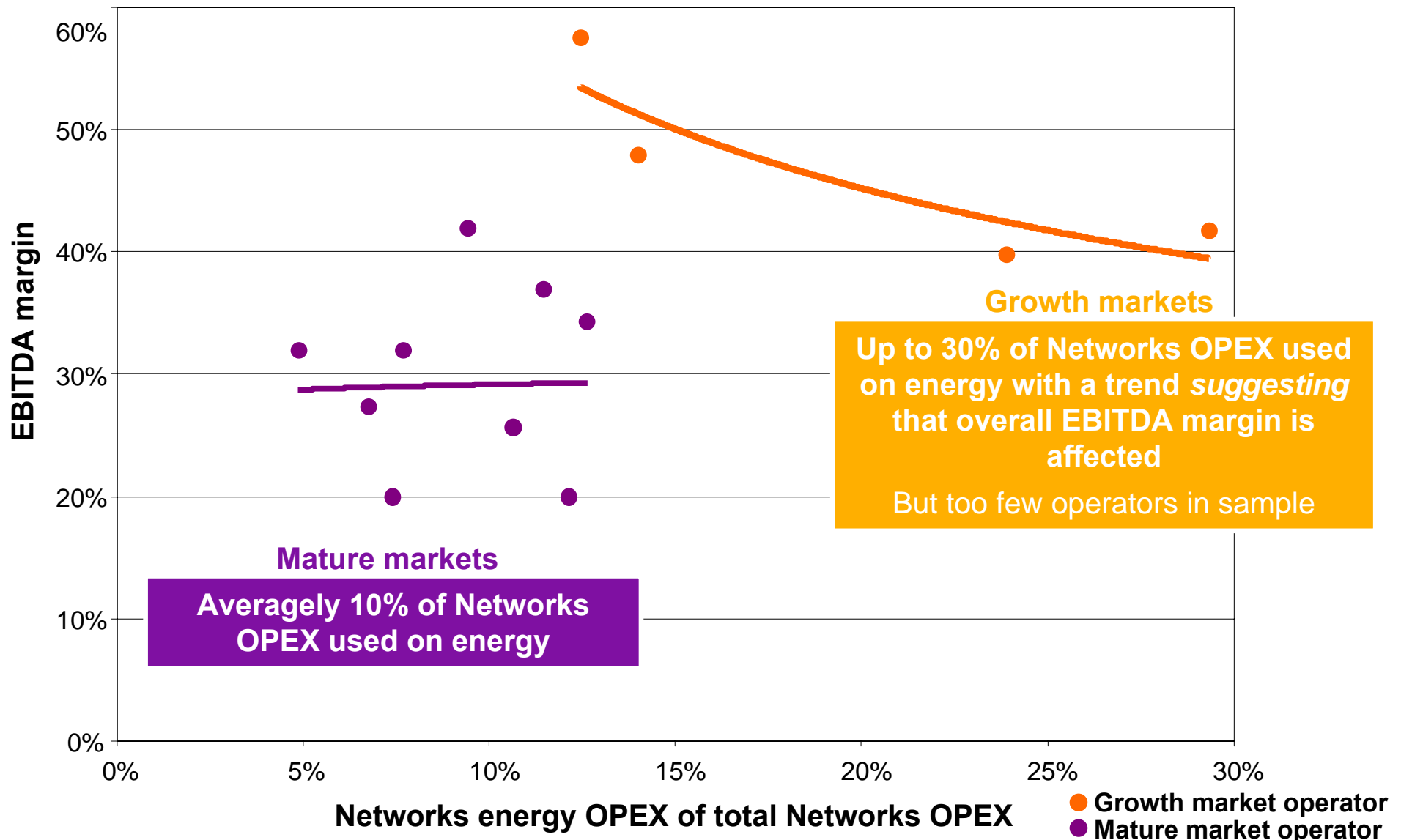
Mobile, growth

# Lower energy costs = margin booster?

FY2008

Mobile

**Likely** – Growth operators spend more of its Networks OPEX on energy



Source: NSN Level 2: Benchmarking peer groups, 2009; not based on published reports

# Hypothesis **3**

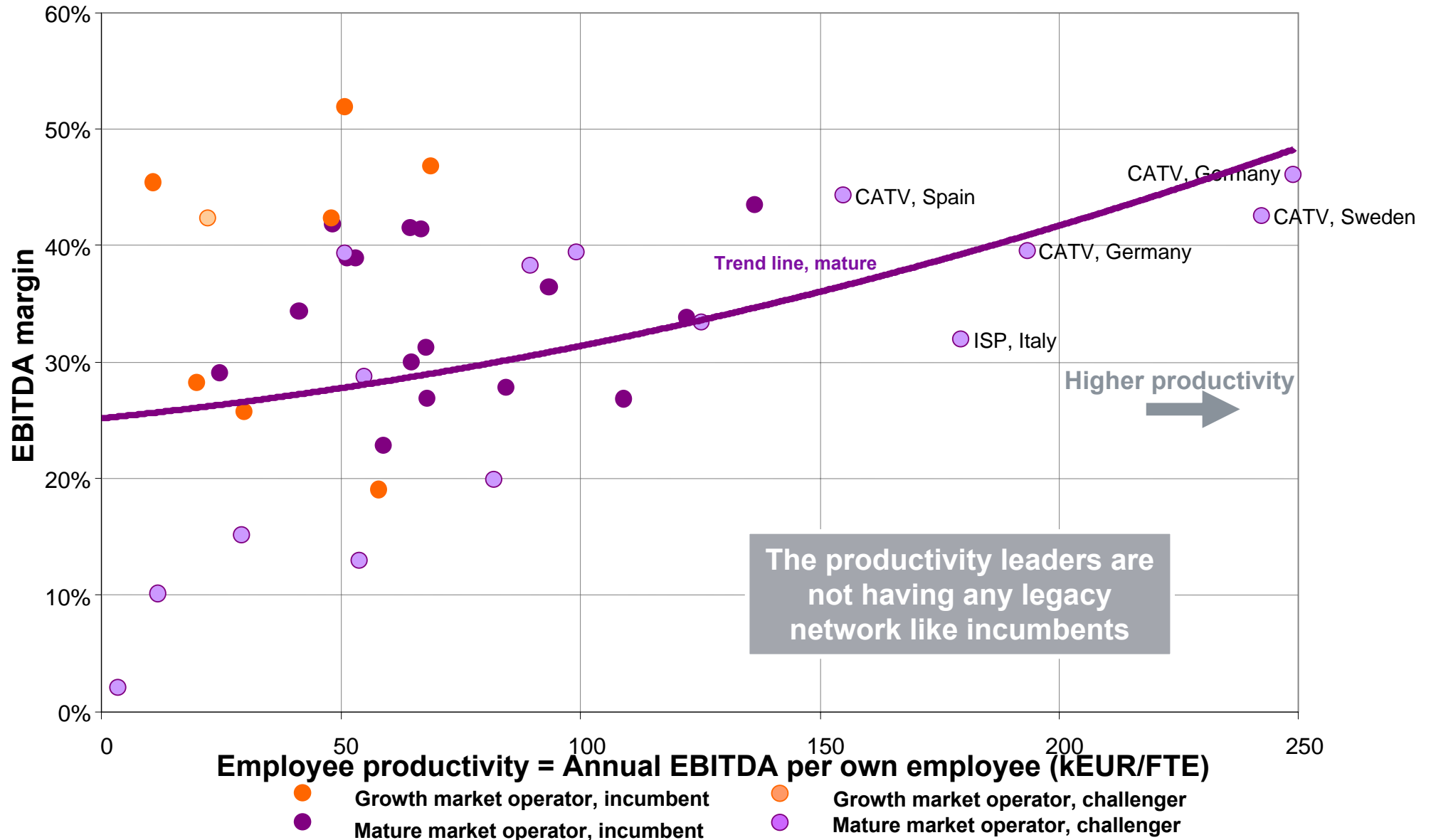
## Improve employee productivity

Fixed, mature

# Employee productivity = margin booster? FY 2008

Fixed

**True** – higher employee productivity tends to deliver higher EBITDA margin



# Hypothesis 4

Do more  
broadband, less  
PSTN voice

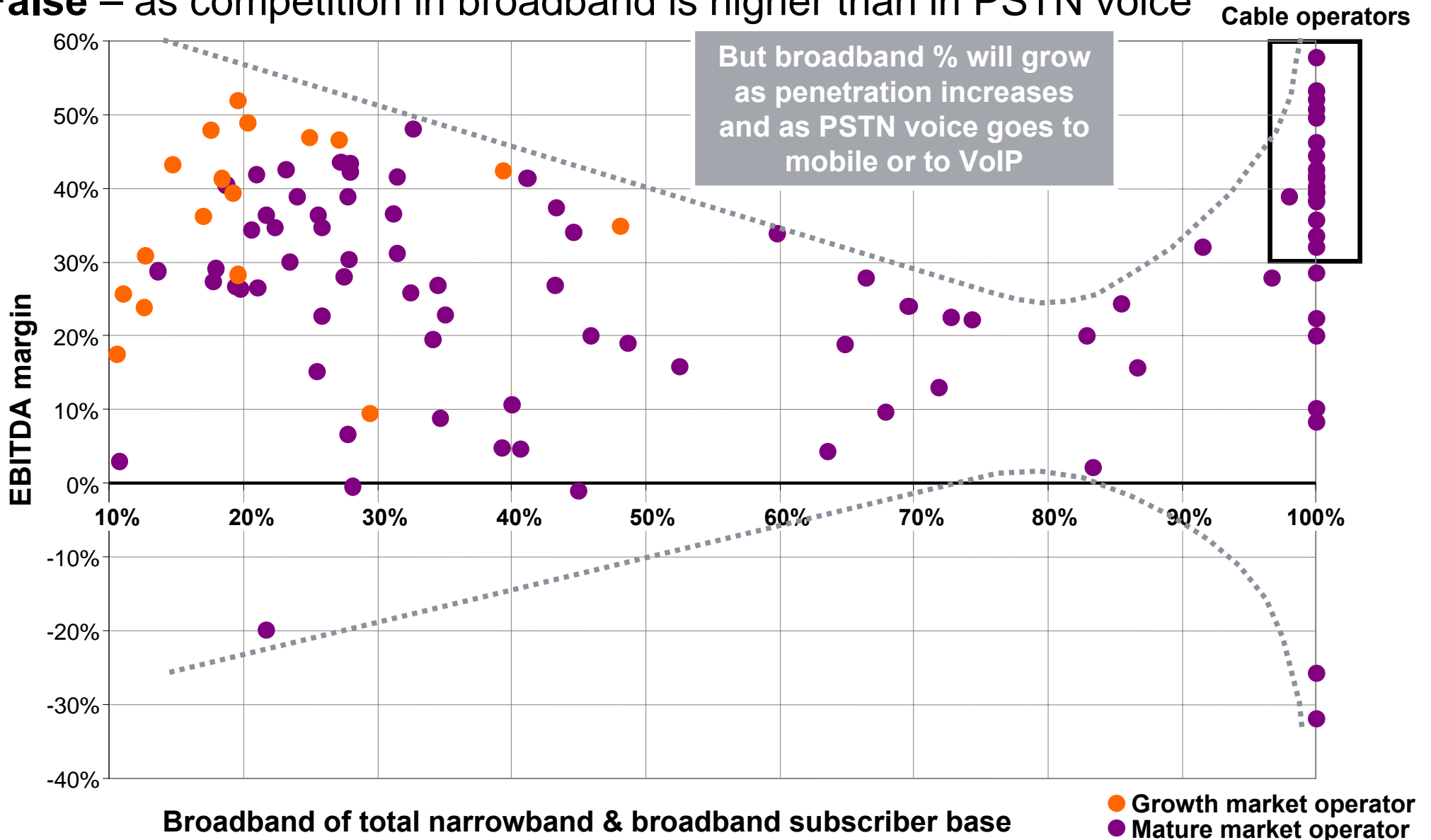
Fixed, mature

# Broadband = margin booster?

FY 2008

Fixed

**False** – as competition in broadband is higher than in PSTN voice



# Hypothesis **5**

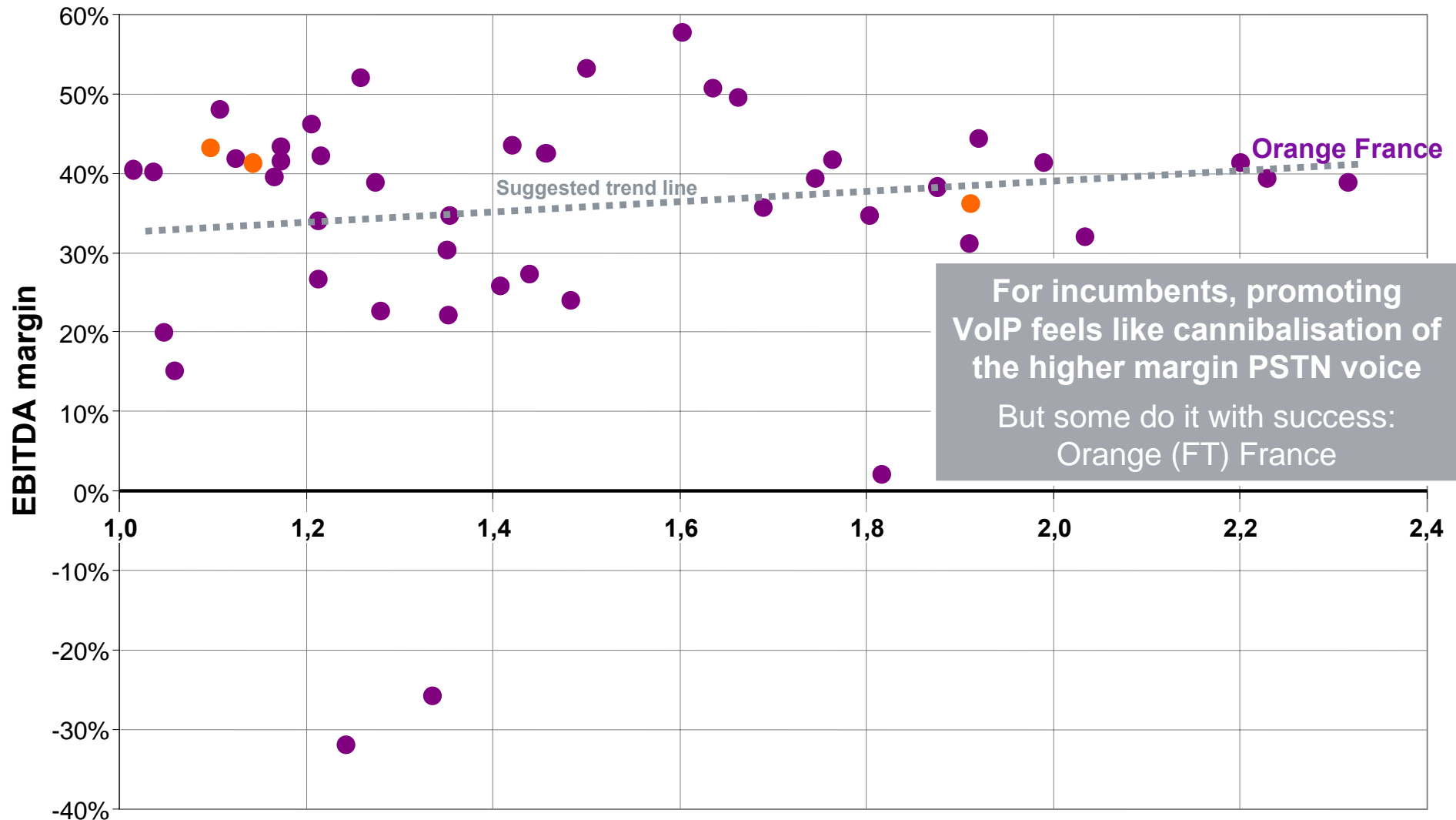
**Bundle TV & voice  
on top of  
broadband**

Fixed, mature

# Services over broadband = margin booster? FY 2008

Fixed

**True(ish)** – the more services, the more revenue + likely higher loyalty



For incumbents, promoting VoIP feels like cannibalisation of the higher margin PSTN voice  
But some do it with success: Orange (FT) France

**Bundled services (Internet, TV, telephony) per broadband subscriber**

● Growth market operator  
● Mature market operator

Source: NSN Level 1: FY08 reports for 300+ operators

# Hypothesis **6**


## Become an integrated operator

Mobile & fixed, growth & mature

# Becoming integrated = margin booster?

Current numbers suggest that it is good for margin **in mature markets**:

**EBITDA margin 1H 2009**

|            | Mature | Growth | Total  |
|------------|--------|--------|---|
| Mobile     | 33,9%  | 44,5%  | 37,3%   |
| Fixed      | 32,8%  | 41,6%  | 33,6%   |
| Integrated | 34,4%  | 41,7%  | 35,6%   |

**Highest**

But is the integration as such that is the driver for the margin?

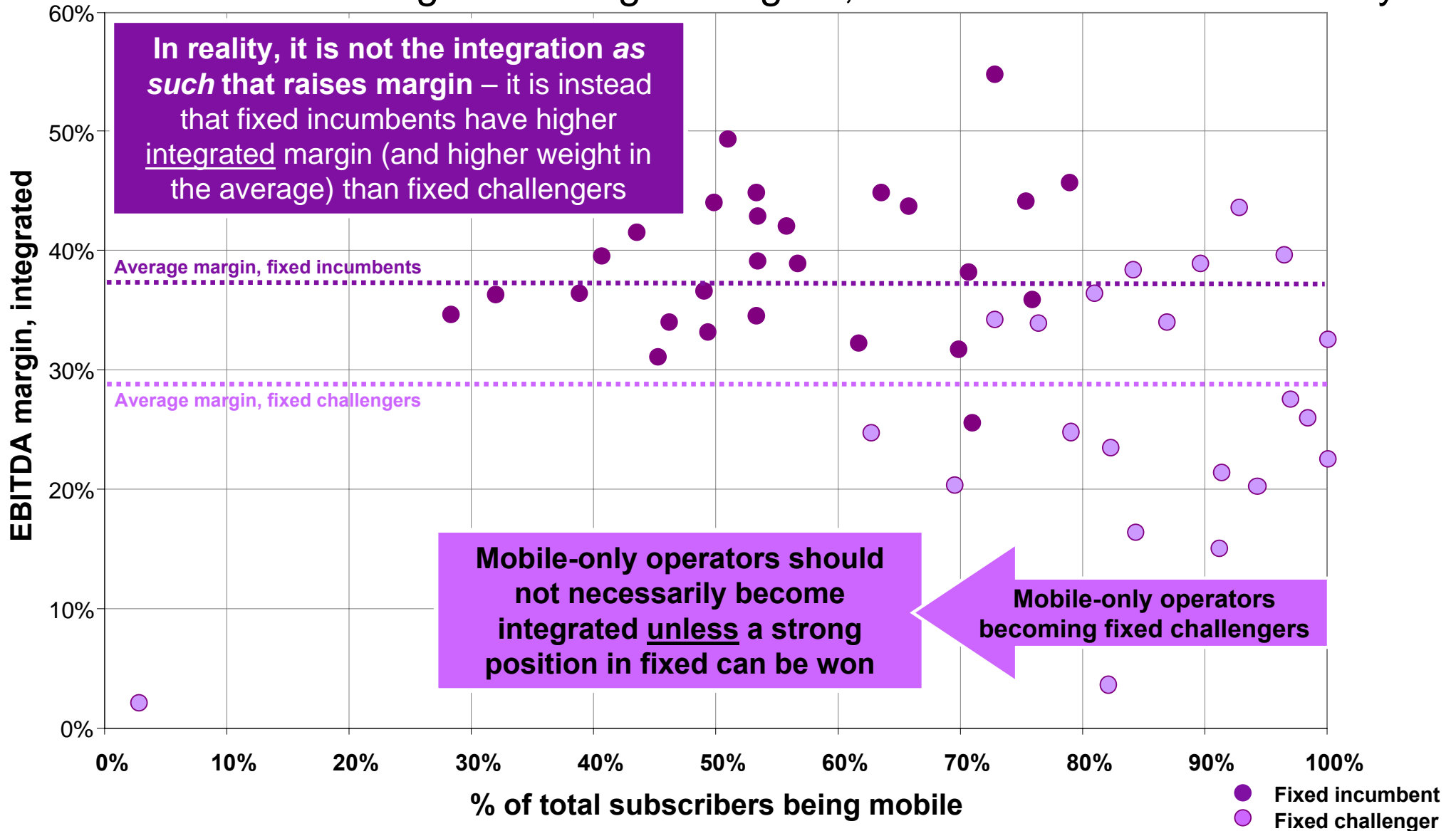
Source: NSN Level 1: 1H09 reports for 300+ operators with fiscal year ending December; 3m reports for operators with fiscal year ending March

# Becoming integrated = margin booster?

FY 2008

Mature markets

**True & false** – the integrated margin is higher, but for fixed incumbents only



# Hypotheses how to increase EBITDA margin

## Mobile, mature

- 1 Increase customer loyalty ..... **True**

## Mobile, growth

- 2 Lower energy costs ..... **Likely**  
but can't be proven

## Fixed, mature

- 3 Improve employee productivity ..... **True**
- 4 Do more broadband, less PSTN voice ..... **False**  
but this is anyhow the trend
- 5 Bundle TV & voice on top of broadband .... **True**

## All

- 6 Become an integrated operator ..... **True & False**  
True with strong presence in fixed & mobile

# Benchmarking in its right context

# Benchmarking: the diagnosis that starts the efficiency improvements

200 operator benchmarks  
done to June 2009

Operational efficiency benchmarking

Nokia Siemens Networks:  
300 mobile, fixed & integrated KPIs (each)  
Company-wide analysis over 30 functions  
Findings correlated with operator strategy  
Minimised workload

Root cause assessment

Solution

- **Roger Keenan** from Telefónica O2 UK will speak about what they have done based on their diagnosis – just after this presentation
- After that, **Nerijus Datkūnas** from Omnitel will touch on what they have done
- **Eddie Chan** from Nokia Siemens Networks will end the day addressing how diagnosed efficiency issues are solved

# You can become efficient in different ways

But it is basically about:

- Find your **competitive differentiation** [whatever it is]
- **Define your strategy** based on it
- **Implement it** [& be persistent]

In other words:



**“You need to decide what you want to be famous for – and then benchmark how you’ll approach it”**

**Ronan Dunne, CEO of Telefónica O2 UK, at Nokia Siemens Networks ThoughtShare Efficiency Forum 1 Dec 2008**

Source: Full video & presentation [http://www.nsn-efficiencyforum.com/pg\\_speakers.html](http://www.nsn-efficiencyforum.com/pg_speakers.html)

**Thank you!**