Global Telecom Center
2007

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Quality In Everything We Do

Appendix: in depth KPN analysis

The Bundle Jungle

Navigating the European multi-play market

The Hague, November 2007

Client specific data analysis

- **The purpose of this appendix is to analyze the KPN specific results from the bundle jungle study;**
- **We compared KPN to her Dutch competitors as well as to the West European operators;**
- **The Dutch survey consisted of around 650 respondents per question to a web questionnaire and five interviews with senior management of leading Dutch Telecom operators;**
- **This specific analysis is meant to be for discussion purposes only.**

Structure of research

1. Analysis of bundle take-up drivers
2. Analysis of bundle switching drivers
3. Analysis of customer preferences in relation to mobile
4. Expected speed preferences
5. Perceived monthly spend on service package
6. Satisfaction in relation to bundling
7. Demographic profiles
8. Industry Response

1. Bundle take-up drivers

Findings

General

- Price and convenience are the leading reasons for bundle take-up for KPN, NL total and WE (Western Europe) total.
- Content is not a significant driver of bundle take-up for KPN, NL total en WE total

KPN specific

- “Like the brand” is a strong bundle take-up driver for KPN compared to the Dutch competitors;
- *Cheaper* broadband access is a more significant driver of bundle take-up than *faster* broadband access for KPN; compared to the Dutch competition faster broadband ranks significantly lower than KPN’s competitors;
- “I chose the TV provider and it made sense to get the other services from them” scores significantly higher for the cable companies compared to KPN;

Interpretations

- Price en convenience are the most important bundle take-up drivers, though less important for KPN than for its competitors due to the strong KPN brand.
- KPN clients like the KPN brand and perceive this as an important item
- KPN clients perceive price as (significantly) more important than bandwith and cable clients perceive bandwith as (more) important (as) than price.
- The TV provider has an advantage compared to KPN in offering bundled propositions.

1. Bundle take-up drivers – percentages of stated reasons

NL	KPN	Cable	Internet	Bundle take-up drivers
41	**34**	41	56	Cheaper than getting services individually
37	**30**	39	39	Convenience of receiving one bill for whole service package
26	**24**	29	28	Convenience of one point of contact for customer services
8	**16**	5	6	Like the brand
15	**14**	15	17	The package offer/monthly price was easy to understand
14	**13**	11	11	Cheaper broadband access
24	**13**	34	8	I chose the TV provider and it made sense to get other services from them
10	**12**	10	11	Flat rate call plans
13	**7**	12	12	Faster broadband access
13	**11**	13	13	Previously experienced good service from chosen provider with single service
15	**11**	16	18	I chose the internet provider and it made sense to get other services from them
12	**10**	14	6	I chose the fixed line provider and it made sense to get other services from them
10	**7**	11	9	Quality of introductory offer
5	**12**	5	7	Cheap call packages
4	**6**	2	9	Free phone calls options of service package
5	**5**	6	5	Previously experienced good customer service from chosen provider with single service
3	**5**	3	5	Package was recommended by friend/familiy/colleague
2	**2**	1	2	Like the advertising
0	**2**	1	3	I chose the mobile phone provider and it made sense to get other services from them
1	**2**	1	1	International calling rates of service provider
1	**1**	1	1	Availability of premium content (sport,music,TV/video on demand etc)

Chart 1: percentages of stated reasons of take-up drivers

Q. which was the main reason for you taking more than one service from the same supplier ?

2 Switching drivers

Findings

General

- Price, poor customer services and faster broadband access are the leading reasons for bundle switching for KPN, NL total and WE total.

KPN specific

- Faster broadband for the same price is a more likely reason to switch for clients of KPN than its competitors;
- Recommendation by friends and family scores relatively high for clients of KPN;
- About 1/3 of the clients will change from bundle supplier when mobile services are included;
- KPN clients are even less content minded than the clients of its competitors.

Interpretations

- No significant differences in the ranking of the main bundle switching drivers between KPN, NL total and WE
- Fixed-Mobile bundling seems to be of interest to a substantial part of the Dutch consumers.

2 Switching drivers – ranking

EU	NL	KPN	Cable	Internet	Switching drivers
1	1	**1**	1	1	Similar package but slightly cheaper per month
2	2	**2**	2	2	Similar package with faster broadband speed for same price
3	3	**3**	3	3	Poor customer services experience with current supplier
5	4	**4**	4	4	Similar package but including the availability of mobile phone services.
4	5	**5**	5	5	Good introductory offer from other supplier
9	6	**6**	6	7	Similar package with much faster broadband speed for slightly more per month
7	7	**7**	9	6	Recommendation of other package form friend/relative
6	10	**8**	10	9	Similar package but including air miles style loyalty scheme
10	9	**9**	8	9	Similar package with better call plans for slightly more per month.
8	8	**10**	7	8	Exclusive premium content offered by another supplier

Chart 2: rank of bundle switching drivers

Q. How likely would the following be to make you switch from your current provider for the service package that you currently have? (Very or quite likely)

2 Switching drivers – percentages of stated reasons

NL	KPN	Cable	Internet	Switching drivers
46,8	**49,7**	44,8	49,4	Similar package but slightly cheaper per month
40,6	**43,2**	39,5	39	Similar package with faster broadband speed for same price
35,5	**34,5**	31,7	39.3	Poor customer services experience with current supplier
26,6	**29,4**	23,8	33,1	Similar package but including the availability of mobile phone services.
20,3	**22**	19,7	18,7	Good introductory offer from other supplier
14,8	**15,9**	15,1	10,2	Similar package with much faster broadband speed for slightly more per month
10,6	**14,8**	8,9	8,9	Recommendation of other package from friend/relative
9,2	**10,5**	8,7	8,6	Similar package but including air miles style loyalty scheme
9,6	**9,6**	9,8	8,5	Similar package with better call plans for slightly more per month.
9,3	**7,9**	10	8,8	Exclusive premium content offered by another supplier

Chart 2: percentages of bundle switching drivers

Q. How likely would the following be to make you switch from your current provider for the service package that you currently have? (Very or qUite likely)

3 Drivers to stay with current mobile phone supplier

Findings	KPN	A	B	C	D	E
Fixed line broadband for free / small additional cost per month	5%	4%	4%	4%	1%	1%
Cheaper monthly line rental	38%	41%	38%	48%	42%	47%
Cheaper call rates	26%	26%	25%	20%	21%	22%
More free minutes / texts for the same monthly price	22%	17%	21%	17%	19%	19%
Free upgrade to latest handset	7%	12%	13%	9%	14%	8%
Airmiles style loyalty scheme	2%	1%	0%	2%	3%	4%

Chart 3: Mobile switching data

Q. If you were thinking of switching your personal mobile phone supplier in the next year, which of the following would be most likely to persuade you to stay with your current provider?

Interpretations

- Price is the main reason to stay or switch form the current mobile phone supplier;
- Package offer is not a significant driver for KPN customers to stay with KPN as personal mobile phone supplier.
- Free upgrade to latest handset is a less significant driver for KPN clients than most of its competitors.

3 Bundle ownership by mobile

Findings

- 35% of the KPN mobile consumers also have KPN as their bundle supplier. Including KPN ISP’s, this results in 42%.
- 50 % of the KPN mobile customers have a cable company as their bundle supplier.

Interpretations

- KPN is the leading bundle supplier for KPN mobile consumers, however the combined cable companies are larger than KPN Mobile

	KPN	Het Net en Planet		DSL providers			Cable						Others
		7 %		6 %			50 %						2 %
		A	B	C	D	E	F	G	H	I	J	K	L
KPN mobile (excl. Telfort)	**35%**	6%	1%	2%	3%	1%	11%	4%	2%	9%	23%	1%	2%

Chart 8: Bundle ownership by mobile

4 Expected speed of internet connection within two years.

Findings	<1 meg	1-2 meg	3-8 meg	9-16 meg	Over 16 meg
NL total	2%	12%	26%	28%	33%
Bundler Total (total of consumer bundle owners)	1%	13%	25%	28%	32%
KPN (incl. planet and het net)	1%	17%	22%	25%	35%
Cable	2%	11%	26%	30%	31%
Internet	1%	15%	24%	21%	39%

Chart 4: Expected speed internet connection within 2 years.

Q. What speed internet connection do you think you will need in two years time to meet your household's needs?

Interpretations

- About 1/3 of all clustomers expect to need bandwith of more than 16 mbit/s in two years time.;
- Clients of KPN expect either higher bandwidth than clients of cable companies or lower bandwidth than its cable clients.

5 Perceived monthly spend: service package

Findings	€
Planet Internet Customers	**50,8**
Het Net Customers	**30,2**
KPN customers	**48,80**
Cable group	**40.7**

Chart 5: monthly spend - service package in euro's.

Q. How much does your household spend on the service package in a typical month?

Interpretations

- Planet has a high average (perceived) spend of 50,80 euro compared to the competition;
- Het Net is the budget supplier with an average (perceived) spend of 30,2 euro;

6 Satisfaction with bundle

Findings	Very satisfied	Satisfied	Neither satisfied nor dissatisfied	Quite dissatisfied	Very dissatisfied
NL Total	28%	54%	13%	3%	2%
Bundler Total (total of consumer bundle owners)"	28%	54%	13%	3%	2%
KPN	27%	52%	16%	2%	4%
Cable	28%	55%	12%	4%	1%
Mobile total	28%	53%	14%	3%	2%
Internet	30%	50%	15%	3%	2%

Chart 6: Satisfaction with bundle

Q. How satisfied are you with your service package?

Interpretations

- 79% of the KPN customers is satisfied to very satisfied with the bundle; this is the lowest percentage compared to its competitors.
- KPN has the highest 'very dissatisfied' bundled customers (4%) compared to its competitors.

7 Demografic profile - Household size and age

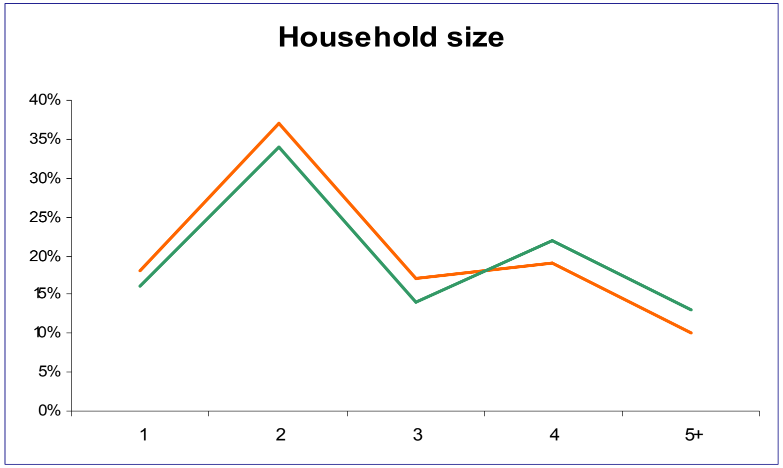

Chart 9: Demographic profile – household size
Q. How many people (including yourself) are there in your household?

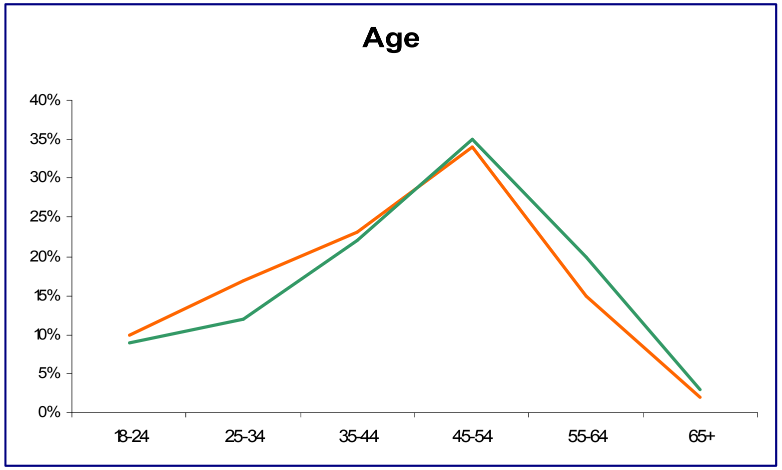

Chart 10: Demographic profile - Age
Q. How old are you?

Interpretations

- Compared to its competitors clients of KPN are more represented by larger households.
- Compared to its competitors clients of KPN are older.

= KPN
= Competition

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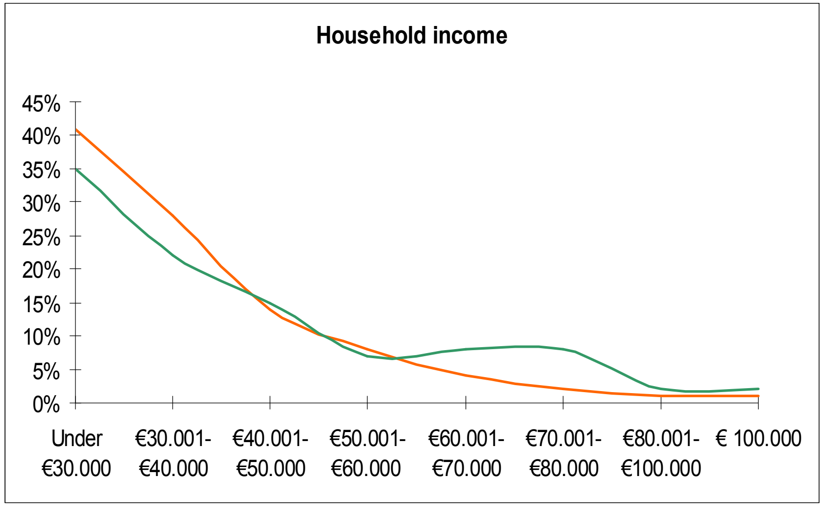
7 Demographic profile – Household income



= KPN
= Competition

Interpretations

- Compared to its competitors clients of KPN have a higher household income.

Industry Response

West European industry

"Brand management is becoming more important even more"

"Price is driving the take-up of bundles in all markets".

"Future bundles will remain highly price senisitive".

"Regulation is key bundle enabler'

KPN and Dutch competition

"The demand for mobile bundles is less important at this moment. It will become more important in 2-3 years time";

"Quad play means nothing to us"

"It's a classic marketing curve. We are now in the early majority phase (IP TV)"

"The growth of IP TV needs time. People first need to know that they don't need the cable anymore"

"Only price is really relevant; people are not interested in one bill".

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