Team 1

Team members:

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  - MSc Economics, University of Copenhagen

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  - MSc Economics, University of Copenhagen

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  - BSc International Business, CBS

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  - MSc Finance and Accounting, CBS
Repremiumization - The strategic way back to top-line growth for TDC

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CBS Case Competition OPEN, March 2016
By re-shaping the YouSee entertainment platform into “YouSee Universe” and altering customer perception, TDC can target digitally high-growth customers.

1. Situation
Fierce price competition and low overall market growth has put severe pressure on revenue.

2. Solutions based on promoting the integrated digital lifestyle targeted YouSee consumers...

   Potential rev. increase from integrated digital solutions per customer type (€ per month)

   - New spend = Current spend
   - Basic: 22
   - Price-constr.: 32
   - Digitally powered: 72
   - Service seeker: 39

3. ...translating into two key must-win battles driving revenue growth

   #1
   - An integrated platform solution enabling a premium digital lifestyle

   #2
   - Change perception of solutions through efficient communication strategy

Goal
Through commercial viability and increased targeting of growth segments, revenue will be increased for TDC Group by 2018.

Complication
Significant gaps between consumer needs and existing brand perception and offerings are identified as main challenges to overcome.

Summary | Analysis | Recommendation | Impact
--- | --- | --- | ---

11 | 10 | 11 | 11 | 12
-21.0% | 10.1% | 0.0% | 10.5%

Revenue (DKK Bn)

CAGR (15-18)

TV, Broadband, Mobile, Fixed line

FullRate

Telmore
New trends allow telcos to “repremiumize” the perception of network value, creating higher ARPU and lower churn among Digitally Powered customers.

1. Fierce competition has led to price wars in the past…
   - For at least a decade, telecom operators have competed on price due to new operators and MVNOs, making price the main criteria for choice of operator instead of factors like quality, brand or services.
   - This focus on price has depressed revenues over the past years, making it harder for them to invest in new technologies.

2. …but new digital lifestyle trends move the focus towards quality, network tech., and more offerings…
   
   | Trend 1: The increasing dependence on a digital lifestyle empowered by networks |
   | Trend 2: New network tech. and the demand for Omnichannels help Telcos deliver better value |

3. …allowing “repremiumization” by changing perception of network quality and enable an integrated, premium digital lifestyle.

   Potential rev. increase from integrated digital solutions per customer type (€ per month)

   - New spend: 72
   - Current spend: 39
   - Basic user: 22
   - Price-constr.: 32
   - Digitally powered: 72
   - Service seeker: 39

4. Digitally Powered customers are also less likely to churn, as an integrated digital lifestyle requires multi-play.

   Risk of household churn, in pct
   - Single play: 75%
   - Dual play: 20%
   - Tripple play: 10%
   - Quad play: 0%

Source: Bain & Company; Case Materials

Summary | Analysis | Recommendation | Impact
By utilizing the full spectre of YouSee’s offerings, TDC can target the potential Digitally Powered customers with tendencies of high ARPU and low churn.

1. Identified segments are Digitally Powered...

2. ... and currently, only Yousee offers the components catering to their wish of a complete omni-channel experience...

3. ... while the digital users within YouSee also constitute TDCs largest customer group allowing for maximum impact.

*Roughly estimated proportions

Source: Case Material
However, a significant gap has been identified when comparing customer needs and current YouSee solutions.

Customer needs have been identified within four key areas...

<table>
<thead>
<tr>
<th>Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Costumer service and guidance</td>
</tr>
<tr>
<td>- Help with installations and improvements</td>
</tr>
<tr>
<td>- Community-driven help and guidance</td>
</tr>
</tbody>
</table>

...with YouSee trailing behind within all four areas

<table>
<thead>
<tr>
<th>Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Easy navigation and help in product catalogues</td>
</tr>
<tr>
<td>- Bill and subscription transparency</td>
</tr>
<tr>
<td>- Recommendations based on consumption</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A central platform connecting devices</td>
</tr>
<tr>
<td>- Consistency and uniformity across units</td>
</tr>
<tr>
<td>- Full integration between all units</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Exhaustive and interesting product offerings</td>
</tr>
<tr>
<td>- Appropriate targeting based on available data</td>
</tr>
<tr>
<td>- Agility in technology adaptation and offerings</td>
</tr>
</tbody>
</table>

This leads to two must-win strategic battles for YouSee...

1. An integrated platform solution enabling a premium digital lifestyle for the Digitally Powered
2. Change perception of solutions through efficient communication strategy

Note: We perceive TDC and YouSee as one brand as explained in the case
Source: Trustpilot; Case material; Boston Consulting Group
First strategic must-win battle includes improving current entertainment platform by closing the gap between the needs identified and the current solutions.

Based on the current entertainment platform, new initiatives are identified that would close the gap between needs and offerings…

…however, only 9 are assessed as being suitable in regards to feasibility and impact on revenue and churn…

### POTENTIAL INITIATIVES

**Unique offerings**
- Cloud solution
- Calendar
- Magazines
- E- and sound books

**Seamless integr.**
- One-time login
- One-stop solution

**Transparency**
- Integrate mobile payment solutions
- Leverage data for overview and product recommendation

**Customer exp.**
- Installation services
- Online customer service
- Social community

### Summary Analysis

<table>
<thead>
<tr>
<th>POTENTIAL INITIATIVES</th>
<th>FEASIBILITY</th>
<th>IMPACT</th>
<th>LOW</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique offerings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cloud solution</td>
<td>Low</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Calendar</td>
<td>Low</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Magazines</td>
<td>Low</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- E- and sound books</td>
<td>Low</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Seamless integr.      |             |        |     |      |
| - One-time login      | Low         | High   |     |      |
| - One-stop solution   | Low         | High   |     |      |

| Transparency          |             |        |     |       |
| - Integrate mobile payment solutions | Low | High |     |      |
| - Leverage data for overview and product recommendation | Low | Low |     |      |

| Customer exp.         |             |        |     |       |
| - Installation services | Low    | High  |     |      |
| - Online customer service | Low | High  |     |      |
| - Social community    | Low         | Low    |     |      |

### Unique offerings
- Cloud solution
- Calendar
- Magazines
- E- and sound books

### Seamless integr.
- One-time login
- One-stop solution

### Transparency
- Integrate mobile payment solutions
- Leverage data for overview and product recommendation

### Customer exp.
- Installation services
- Online customer service
- Social community
This strategic solution is expected to strengthen our YouSee Universe by introducing value-adding initiatives within all four strategically important areas…

By introducing these 9 initiatives through our integrated platform, YouSee is able to meet the needs and capture the growth segment of the Digitally Powered

<table>
<thead>
<tr>
<th>Increase <strong>customer experience</strong> by introducing...</th>
<th>Increase <strong>transparency</strong> by introducing...</th>
<th>Increase <strong>seamless integration</strong> by introducing...</th>
<th>Deliver <strong>unique customer offerings</strong> by introducing...</th>
</tr>
</thead>
<tbody>
<tr>
<td>INSTALLATION SERVICES</td>
<td>LEVERAGE OF DATA</td>
<td>ONE-STOP SOLUTION</td>
<td>CLOUD SOLUTIONS</td>
</tr>
<tr>
<td>SOCIAL COMMUNITY</td>
<td>MOBILE PAYMENT</td>
<td>ONE-TIME LOG-IN</td>
<td>E- AND SOUND BOOKS</td>
</tr>
<tr>
<td>Being better at ensuring the best connection throughout homes could prove a future differentiation point</td>
<td>Leverage of data by offering in-depth overview of usage, billing and recommendations of changes in subscription</td>
<td>Assuring full integration across all different products provided, meaning one point of entry to offerings and one-stop place to navigate and apply them all</td>
<td>A cloud solution for the family to store and share memories</td>
</tr>
<tr>
<td>Build a social community driven by users that e.g. rate movies and recommend books and music to friends</td>
<td>Receive and pay bills through mobile payment platforms</td>
<td>Assuring full integration across the different solutions, meaning that log-in is not on each individual offering but in one point of entry</td>
<td>E- and audio books through e.g. Mofibo, which is now offered in Telmore Play</td>
</tr>
</tbody>
</table>

Summary  Analysis  Rec. #1  Rec. #2  Impact
Resetting customer perception is not easy, but TDC must take this path to deliver top-line growth through our platform and ensure long-term economic viability.

1. YouSee needs to change customer perception so they become “enablers of digital lives and experiences”

What is the customer perception?

Old

New

Customer satisfaction survey

- “Individual offerings”
- “Limited integration”
- “Entertainment not relevant for me”
- “Low price transparency”
- “Low broadband speed”

Perception goals

- Reposition as an enabler of consumers’ digital lives
- Communicate benefits based on experience rather than on price, ultimately enabling premium pricing

2. This foundation for repremiumization is created through marketing on the most-used channels by our digitally empowered segment

TV-spot

Online

In-store selling

Source: Case Material
Utilizing new initiatives in YouSee Universe, TDC can move customers toward sweet zone by encouraging up-sell and cross-sell to achieve increased Universe content.

1. The improved YouSee Universe platform offers three different product packages that contain existing and new content...

   - **Gold**
     - Movies & Series: Free access to all movies and series
     - Music: Full/limited access (dependent on product mix)
     - Cloud: As much storage as you need
     - Social community: Full access
     - E- and sound books: Full access
     - Magazines: Full access

   - **Silver**
     - Movies & Series: Full/limited access (dependent on product mix)
     - Music: Full/limited access (dependent on product mix)
     - Cloud: 5 GB space
     - Social community: Full access
     - E- and sound books: Full/limited access (dependent on product mix)
     - Magazines: Full access

   - **Bronze**
     - Movies & Series: Partly or no access
     - Music: Partly or no access
     - Cloud: 1 GB space
     - Social community: Full/limited access (dependent on product mix)
     - E- and sound books: Full/limited access (dependent on product mix)
     - Magazines: Full access

2. ... and by differentiating package-access based on numbers of subscribed products and price level of products...

   - **Number of subscribed products**
     - One
       - Low: Bronze
       - Medium: Bronze
       - High: Silver
   - Two
     - Low: Silver
     - Medium: Silver
     - High: Gold
   - Three
     - Low: Gold
     - Medium: Gold
     - High: Gold

3. ...YouSee can move more customers toward the sweet zone

- **Churn**
  - Bronze
  - Silver
  - Gold

Summary Analysis Recommendation Impact
Solutions aimed at reversing declines in RGU and ARPU in Mobile, Broadband and TV thereby putting TDC Group back on a growth trajectory

1. To achieve sustainable top-line growth by 2018 we have identified three criteria to fulfill, which is done through two must-win strategies:

- The ability to charge higher prices for existing and new products
- Lower churn through better customer experience
- ...and subscription to additional products

2. ... which will impact certain business units through platform appeal, dependent on the trends in the industry:

- Limited penetration and recent price rebounds
- Relatively high penetration but high upsell potential stemming from digitally powered consumers
- Little potential due to maximum penetration and OTT competition
- No potential and segment should be fully harvested

3. ... meaning that certain products improve their RGU and ARPU:

4. ... and put TDC Group back on a satisfactory growth trajectory

### Projected annualized growth rates, '15 – '18

<table>
<thead>
<tr>
<th></th>
<th>Mobile</th>
<th>Broadband</th>
<th>TV</th>
<th>Mobile + TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGU</td>
<td>4.7%</td>
<td>1%</td>
<td>0%</td>
<td>-21%</td>
</tr>
<tr>
<td>ARPU</td>
<td>6%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Summary

- **Analysis**
  - Limited penetration and recent price rebounds
  - Relatively high penetration but high upsell potential stemming from digitally powered consumers
  - Little potential due to maximum penetration and OTT competition
  - No potential and segment should be fully harvested

- **Recommendation**

- **Impact**

### Revenue (DKK Bn)

- **2014**: Mobile 10.6, Broadband 10.4, TV 10.7, Mobile + TV 31.7
- **2015**: Mobile 10.4, Broadband 10.7, TV 10.7, Mobile + TV 31.8
- **2016**: Mobile 10.7, Broadband 10.7, TV 10.7, Mobile + TV 31.1
- **2017**: Mobile 11.1, Broadband 10.7, TV 10.7, Mobile + TV 32.5
- **2018**: Mobile 11.6, Broadband 10.1, TV 10.5, Mobile + TV 32.2

**CAGR ('15-'18)**

- **Mobile**: -21.0%
- **Broadband**: 10.1%
- **TV**: 0.0%
- **Mobile + TV**: 10.5%

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Source: Case Material
Team 2

Team members:

- Andreas Orebo Hansen
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- Frederik Sandager Rasmussen
  - MSc Economics, University of Copenhagen

- Emil Ignatzi Reinholdt
  - BSc International Business, CBS

- Victor Waldemar Jakobsen
  - MSc Finance and Accounting, CBS
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  - MSc Finance and Accounting, CBS
Please be back @ 10.50
5 minutes left
1 minute left
Team 4

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• **Frederik Sandager Rasmussen**
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  • BSc International Business, CBS

• **Victor Waldemar Jakobsen**
  • MSc Finance and Accounting, CBS
Redefining the Game
CBS Case Competition Open, March 2016

Alexander Schou-Jørgensen, Cand.oecon – Aarhus University
Anne-Cathrine Brink Terp, Cand.oecon – Aarhus University
Morten Kirk Brødbæk, Cand.oecon – Aarhus University
Rune Eg Hvedemose, Cand.merc.FIB – Aarhus University
The TDC Group needs to change segmentation from socioeconomic status and age to customer needs and lifestyle to differentiate and grow revenue sustainably…

Key Question

How can TDC increase revenue in the Danish consumer division by 2018, balancing customer satisfaction with commercial viability?

<table>
<thead>
<tr>
<th>Situation</th>
<th>Goal</th>
<th>Challenge</th>
</tr>
</thead>
</table>
| › Deregulation opened up the industry for competitors  
› New entrants have led to overcapacity and price war driving down prices | › Achieve revenue growth by 2018 in the Danish consumer division  
› Enhance TDC strategy of a customer-centric approach | › Heavy investments in infrastructure leaves no room for new major investments |

New segments based on needs hold the most promising potential for growth...

… which TDC can achieve through integration- and cross-selling of products...

… reducing risk of churn and ARPU, creating sustainable growth towards 2018 and onwards

TDC should improve customer experience by matching their offerings with the exact needs of each individual customer. This will be achieved by adopting a new internal and external segmentation based on the needs instead of demographics of customers.
… with lack of available funds and need for sustainable growth in revenue improving the existing business is the only feasible way to go…

Of the 3 ways to increase the revenue, growing through TDC Group’s existing business is most feasible due to the need for sustainable growth and lack of funds

1. **Horizontal integration**
   - ✔ Quick revenue growth
   - ✔ Gain market shares
   - ✔ Synergies with existing business areas
   - ✗ Short term growth in revenue
   - ✗ High investment costs
   - ✗ Potential for violation of the Danish competition act

2. **Vertical integration**
   - ✔ New income stream
   - ✔ Differentiate by having content and application only accessible to TDC group customers through ownership up/downstream
   - ✗ High investment costs
   - ✗ Risk of not generating revenue growth

3. **Existing business**
   - ✔ Potential for exploiting core competences to a higher extent
   - ✔ Low investment costs
   - ✔ Improve current business
   - ✗ Needs a radical change as low hanging fruits are already exploited
   - ✗ Market size on a few existing business areas are declining

“ʼWeʼre very eager to find ways to become more relevant for the young, digital natives, whether it means changing platforms, content, or perhaps payment model.”
Christian Philip Morgan, VP, Content

“Our focus on customer experience is not just to be nice. The foundation for any healthy business is satisfied customers. It brings lower churn, and more profitability.”
Pernille Erenbjerg, Group CEO and President

Moving away from the current product-centric offerings towards a pure customer-centric approach. Thus supporting TDC Group’s guideline principle “Always Simple and Better” while increasing customer satisfaction, lowering churn probabilities and increasing revenue

Source: Case handout and TDC Group
… we recommend segmenting based on lifestyle, hobbies, and social interaction to better tailor offering to customers’ needs and simplify the purchase process…

Need-based segments satisfy the customers…

- Explorer: High need for being in touch across boarders
- Game Enthusiast: Fiber broadband and gaming central
- Sports Hooked: Extensive access to sport events and news
- Culture Orientated: Love e-books and cultural TV channels
- YouSee Chill: Home entertainment on all platforms
- Social Connection: Use tele products to satisfy high social need
- Kids: Products suited for parents wanting to relax
- Less Is More: Late adopter. Satisfied with basic solutions.
- All Inclusive: Want it all in highest possible quality

… which will increase revenue

Hold on and gain new customers
- The segments will significantly simplify the buying-process for new customers.
- Furthermore, this will improve customer satisfaction due to increased fit between product and need.
- Impact from this will be clearly reflected in an increased ARPU.

Utilize bundling edge
- The segments will leverage TDC Group’s core competitive advance; strong negotiation in the entertainment industry. This is achieved through improved bundling solutions with high customer demand.
- The more specific and more customer-centric segmentation will simplify and secure market demand for product adjustment and new product development.

Source: Team analysis
... with customized segments the customers are only offered what they need without paying for unnecessary services or products...

**Gaming enthusiast**

- **500/60 Mbit** to ensure best possible gaming experience
- To ensure stable gaming experience without lags
- The medium package: 35 TV channels.
- Online streaming of the newest TV series and films.
- 8 hours + 10 GB data to fulfill basic communication needs.

**Explorer**

- Mobile broadband
- Mobile
- Unlimited hours and SMS for global reach 24/7
- 20 GB data when travelling abroad
- Unlimited access to e-books on mobile and tablet.

**Two examples of segmentation bundling**

- Fastest broadband
- High-tech router
- TV
- HBO Nordic
- Mobile

**Mobile**

- Mobile broadband
- Mofibo
- TDC Play
- TV

- Unlimited access to e-books on mobile and tablet.
- Free access to millions of music tracks on mobile and tablet.
- The basic package: 25 TV channels.

Customized segmentation allows tailored bundling which satisfy the customers needs without unnecessary services included. Thus improving the customer experience and by time driving up the customer satisfaction, revenue and hence company profit.
All Telco players currently use demographic segmentation. Additionally, it is generally difficult and complex for customers to gather mobile, broadband and TV in one bundle within one brand. TDC Group can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.

### Telco players

<table>
<thead>
<tr>
<th>Mobile</th>
<th>Broadband</th>
<th>TV</th>
<th>3rd party products</th>
<th>Segmentation</th>
<th>Differentiating through new segmentation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>youSee</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Demographic</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
<tr>
<td>TELMORE</td>
<td>✓</td>
<td>x</td>
<td>✓</td>
<td>Demographic</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
<tr>
<td>FULLRATE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Demographic</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
<tr>
<td>Telia</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>dlg</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>telenor</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Demographic</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
<tr>
<td>3</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>None</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
<tr>
<td>Stofa:</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>None</td>
<td>YouSee can be first mover by segmenting on customer needs and offering tailored solutions making the purchase process less complex. Further, 3rd party products are already a significant part of the market and are therefore easy to include in new solutions.</td>
</tr>
</tbody>
</table>
... the current segmentation focus on demographics which does not reflect the current customer needs and fail to create homogeneous segments...

Conventional ways of segmentation...

- **First Stop**
  - Age: <30 years

- **Career Focused**
  - Age: 20-40 years

- **30+ Singles**
  - Age: 30-59 years

- **Couples**
  - Age: 35-59 years

- **Families**
  - Age: 35-59 years

- **High income families**
  - Age: 35-59 years

- **Seniors**
  - Age: 60+ years

- **Wealthy Seniors**
  - Age: 60+ years

TDC Group’s current segmentation focus on demographics such as socioeconomic status and age.

Customers’ buying behaviors change far more often than their demographics, psychographics or attitudes.
- Christensen et al., 2007

### Change in user of stream music 2014 to 2015

<table>
<thead>
<tr>
<th>Age Group</th>
<th>16-19 y.</th>
<th>20-39 y.</th>
<th>40-59 y.</th>
<th>60-74 y.</th>
<th>75-89 y.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>13%</td>
<td>29%</td>
<td>50%</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

### Need Importance Matrix

<table>
<thead>
<tr>
<th>Need</th>
<th>(1)</th>
<th>Importance (10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile data</td>
<td>★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>High speed internet</td>
<td>★★★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>Reliable internet connection</td>
<td>★★★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>Film/TV streaming</td>
<td>★★★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>Music streaming</td>
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<td>★★★</td>
</tr>
<tr>
<td>E-books</td>
<td>★★★</td>
<td>★★★</td>
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<tr>
<td>Domestic calling</td>
<td>★★★</td>
<td>★★★</td>
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<tr>
<td>Cloud</td>
<td>★★★</td>
<td>★★★</td>
</tr>
<tr>
<td>Photo services</td>
<td>★★★</td>
<td>★★★</td>
</tr>
<tr>
<td>Cross national calling and data</td>
<td>★★★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>Travel &amp; Explore</td>
<td>★★★</td>
<td>★★★★★</td>
</tr>
<tr>
<td>Gaming</td>
<td>★★★</td>
<td>★★★</td>
</tr>
</tbody>
</table>

Offerings depend on the customers' lifestyle, hobbies, and social interaction in order to fulfill their needs.
... customers are shifting towards multiple products within the same brand but perceive operators’ entertainment services are not tailored to their needs...

Households are looking to bundle products within the same brand...

Households holding more than one product

... But current bundles are perceived inadequate....

The operator’s entertainment services are relevant for me

What is your collective evaluation of value for money by the operator

... Integration and cross-selling matching customer needs will drive growth and improve customer satisfaction

Revenue growth should come through:
- Increased customer base through offerings matching the new segments exact needs without irrelevant offerings
- Reduced risk of churn and increased average revenue per user from integration- and cross selling of products
... improved customer experience drives sustainable revenue towards 2018 targets by increased ARPU, new customers and decreased churn probability...

New segmentation improves ARPU, customer base and risk of churn...

... which drive up revenue towards 2018 with potential for even greater growth rates than a yearly rate of just above 1,1%...

.... this secures TDC Group reach their targets

“If moving a customer from having only one product to adopts an additional, his churn probability decreases by more than 25 percent. If you add a music subscription on top, the churn rate decreases by another 25 percent.”

Michael Moyell Juul, SEVP, Online Brands.

Assumptions
› 2% increase in customer base in 2016 followed by 3% yearly
› 10% increase in ARPU in 2017
› Linear projection of decline in existing markets (Landline, TV etc.)
› Implementation costs of 60 mDKK and 20 mDKK allocated in 2016 and 2017 respectively
› Conservative decrease in churn

Source: Case handout and Team analysis
… in order to reach the 2018 targets and successfully implement the new segmentation it is important to mitigate major risk factors

**Minor risks**
1. Lower revenue than expected
2. Risk of not being first mover
3. Competitors imitate the segmentation

**Major risks**
4. Difficulties in transferring customers from one system to the new one
5. Lack of effect on branding perception

**How to mitigate?**
- Slow fading out of the old system
- Invest in employees to ensure they are able to help customers
- Continuously measure the increase in customers and their perception of TDC
- Extensive marketing of new offerings

**Mitigation factors**
- Customer Service
- Information
- Collecting and analysing data
- Marketing through different channels

Source: Case handout and Team analysis
Team 5

Casper S. Helledi
Reconnecting with Customers through Simplicity, Flexibility & Transparency

CBS Case Competition Open 2016
TDC Group
By providing a simple, flexible and transparent platform, TDC can grow revenue in its Danish consumer division by 2018

By decomposing the key issue...

- "How should TDC Group sustainably improve revenues in its Danish consumer divisions by the end of 2018, while continuously balancing customer satisfaction with commercial viability”

...into three major revenue levers...

```
Revenue growth
```

\[\text{New customers} + \text{Share of wallet} - \text{Customer churn}\]

...three challenges and two objectives are identified...

**Three challenges**
- High customer churn rates
- Low customer satisfaction
- Shift in competitive landscape

**Two strategic objectives**
- Increase number of main products per household
- Improve customer satisfaction

...solved by simple, flexible and transparent solution

- TDC needs to provide a simple platform that enables service flexibility and enhances price and billing transparency

Solution will result in...

- Simple platform
- Flexible service offerings
- Transparent prices

...an increasing number of services per household...

...and improving customer satisfaction...

...improving all revenue levers, resulting in strong growth by 2018

![Graph showing revenue growth from 2013 to 2020 with three scenarios: Best case, Medium case, and Worst case.](image)
Changing competitive landscape and unsatisfied customers put TDC under pressure across all product categories

**Situation**

- Decreasing infrastructure rents provide MVNOs with a competitive opportunity and fuels price competition in the industry
- Structural shift in the competitive landscape implies increased competition with OTTs challenging the established industry players

**Recommendation**

- Satisfied customers implies higher ARPU and lower risk of churn making customer satisfaction a key strategic parameter
- TDC has a lower brand performance than peer group, which constitutes a strategic challenge

**Implementation**

**Impact**

- Competition has intensified across all categories and disruptive innovation increases the importance of responsiveness

---

**Wholesale price on TDC’s mobile network**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wholesale price on TDC’s mobile network (DKK/minute)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1.00</td>
</tr>
<tr>
<td>2008</td>
<td>0.75</td>
</tr>
<tr>
<td>2010</td>
<td>0.50</td>
</tr>
<tr>
<td>2012</td>
<td>0.25</td>
</tr>
<tr>
<td>2014</td>
<td>0.10</td>
</tr>
<tr>
<td>2016</td>
<td>0.05</td>
</tr>
</tbody>
</table>

**Customer satisfaction is a primary driver for increasing revenue**

- Satisfied customers implies higher ARPU and lower risk of churn making customer satisfaction a key strategic parameter

**TDC is loosing ground in established categories in face of new conditions**

- Market share RGU development by category, 2013-2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>-20%</td>
</tr>
<tr>
<td>Utilities</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>50%</td>
</tr>
<tr>
<td>Other</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Selected OTT competitors within telco industries**

- Skype
- Facebook
- Viber
- WhatsApp
- Spotify
- TIDAL
- YouTube
- Netflix
- HBO
- TDC Group
- Telia
- Telenor
- BOXER
- Stofa
To successfully compete TDC needs to provide a simple platform that enables service flexibility and enhances transparency

Simplicity is a central strategic lever for enhancing the customer journey

- TDC’s current route-to-customer for core services and add-ons is complex, rigid and limits the overview of available options

Establishing a mobile subscription at TDC.dk

A rigid selection available of pre-defined bundles of service composition

Possibility of choosing pre-defined benefits instead of enabling cross selling of add-ons by self-selection

For each subscription there is a listed monthly price, registration fee, minimum price, 5-step household cost and family discount

Flexibility will enable TDC to provide customers what they want

- Winning the millennials and generation Y requires that TDC understand what these segments want – customization

- A sustainable value proposition to win the families is by offering a tailored and holistic service offering to fit specific needs

Transparency is a fundamental driver for customer satisfaction

- TDC performs significantly below peer group on perceived price transparency

Customer satisfaction by operator

<table>
<thead>
<tr>
<th>Percentage of satisfied customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing is easy to understand</td>
</tr>
<tr>
<td>Easy to use</td>
</tr>
<tr>
<td>Value for money</td>
</tr>
<tr>
<td>Transparent prices</td>
</tr>
<tr>
<td>Average</td>
</tr>
<tr>
<td>TDC Group</td>
</tr>
<tr>
<td>66</td>
</tr>
<tr>
<td>64</td>
</tr>
<tr>
<td>65</td>
</tr>
<tr>
<td>55</td>
</tr>
<tr>
<td>63</td>
</tr>
</tbody>
</table>

Simplifying the customer journey, giving consumers the flexibility to choose and provide them with price transparency is key to succeed
Simplicity defined grocery retail after the 1950s, and TDC must leverage the same fundamental simplicity platform in their value proposition

<table>
<thead>
<tr>
<th>Situation</th>
<th>Recommendation</th>
<th>Implementation</th>
<th>Impact</th>
</tr>
</thead>
</table>
| Before the grocery retail industry became simplified it consisted of small specialty shops | Create an integrated platform by introducing simplicity and thereby enable a competitive advantage | The customer chooses its own level of hours and GB data suitable for his needs | All service offerings are combined in one interface called MY YouSee

The price is transparent and tailored to the individual customer

Customer service is instantly available and has the same virtual screen as the customer

The interface of MY YouSee is similar across all channels facilitating the customer experience

Current telco customer journey | The customer can add favorite entertainment channels for a certain fee per channel

The traditional grocery retail journey | All service offerings are combined in one interface called MY YouSee

Mobile | TV | Broadcast | Fixed line

Choose mobile services

- Free SMS and MMS
- Travel with YouSee
- Storage in the cloud

Hours GB data

Add entertainment

- More
- Spotify
- YouTube
- iFit

Your price 129 kr.

These provide the best specialty products but large supermarkets took over due to increased convenience for customers

Similarly the Telco industry today is unsimplified and unconcentrated with an unexplored potential of providing more value and convenience to customers

Current telco customer journey

The price is transparent and tailored to the individual customer

Customer service is instantly available and has the same virtual screen as the customer

The interface of MY YouSee is similar across all channels facilitating the customer experience

The customer can add favorite entertainment channels for a certain fee per channel
**Flexibility to tailor individual services will enable TDC to provide customers exactly what they want, thereby decreasing churn rates**

**The My YouSee interface will facilitate flexibility for the customers…**

1. … in which customers can select or deselect individual services according to their individual needs with a tailored price
2. … creating a seamless integrated platform
3. … while developing a customized experience with increased customer satisfaction and increase in additional sales of services

**Customers are becoming more demanding as their preferences are changing**

"Connectivity is freedom and flexibility, and value is when they [...] high income families, red.] do not have to worry about coverage, speed, content, and accessibility."

"Changing consumer preferences challenge our agility, as we need to stay relevant for a much more complex set of user preferences."

"We’re very eager to find ways to become more relevant for the young, digital natives, whether it means changing platforms, content, or perhaps payment model."

**Enable flexibility for customers to increase additional sales and customer satisfaction while decreasing churn rate**

**By offering flexibility, TDC can enhance the customer journey and increase additional sales, which will decrease the risk of churn**

**Source:** Ericsson 2014; Case Material 2016
Transparency in pricing solves a central challenge for TDC and facilitates an improving customer satisfaction

**Price transparency will satisfy a fundamental customer need**

- Full price transparency is provided real-time when the customer combines services
  - Enables customer to assess marginal cost per service
  - Ensures that the customer understands what he/she pays for
  - Enhances perception of value for money

**In the Telco industry, 60% of customer inquires concerns billing issues**

- % of customer complaints:
  - Billing issues: 60%
  - Connection problems: 19%
  - Installation problems: 13%
  - Other: 8%
  - Total inquires: 100%

**Customers in the telco industry face severe difficulty in understanding their bills**
- Why are some calls free when others are not?
- Why am I charged extra for this particular service?

**This is a central challenge for TDC, but is solved with transparent pricing**

- Recommendation score:
  - TDC: 66
  - Telia: 76
  - Telenor: 75

**Especially for TDC, price transparency is a weak spot**
- Quick wins are realizable even if performance is only increased to peer levels
- The simple digital platform will standardize customer interaction, resulting in consistent and improved experiences.
- Transparency remains an obvious lever for customer satisfaction

**Customer satisfaction can be improved through price and billing transparency**
Employing a risk mitigating implementation strategy will maximize revenue potential while reducing risk

### Risk Mapping

<table>
<thead>
<tr>
<th>Impact on Growth</th>
<th>Likelihood</th>
<th>Effect of mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td>1, 3</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>2</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>4</td>
</tr>
</tbody>
</table>

#### Risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad consumer receptiveness</td>
<td>• Communicate effectively the key features and advantages</td>
</tr>
<tr>
<td></td>
<td>• Provide online tutorials and training for use of the new platform</td>
</tr>
<tr>
<td>Technically demanding to implement</td>
<td>• Activate and integrate all divisions in every stage of the development</td>
</tr>
<tr>
<td></td>
<td>• Outsourcing of selected components</td>
</tr>
<tr>
<td>Service providers is unwilling to cooperate</td>
<td>• Focus on key benefits of TDC’s size</td>
</tr>
<tr>
<td></td>
<td>• Ease the implementation of the providers’ offerings</td>
</tr>
<tr>
<td>Competitors copy business model</td>
<td>• Constant monitoring of competition</td>
</tr>
<tr>
<td></td>
<td>• Head start on implementation is itself mitigating</td>
</tr>
<tr>
<td>Superior competitor product</td>
<td>• Focus on quick feedback from pilot project</td>
</tr>
<tr>
<td></td>
<td>• Insourcing of key components</td>
</tr>
</tbody>
</table>

#### Implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>Development</th>
<th>Testing</th>
<th>Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Plan and coordinate across divisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Development of platform</td>
<td>Pilot testing on selected customers</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>Marketing campaign</td>
<td>Launch of platform</td>
<td></td>
</tr>
</tbody>
</table>
Simplicity, flexibility and transparency decrease churn rates and increase share of wallet and new customer acquisition resulting in top line growth.

**Situation**
- **Source**: Simplicity, flexibility and transparency decrease churn rates and increase share of wallet and new customer acquisition resulting in top line growth.

**Recommendation**
- **Implementation**

**Impact**

### Churn

<table>
<thead>
<tr>
<th></th>
<th>Single Play</th>
<th>Dual Play</th>
<th>Triple Play</th>
<th>Quad Play</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>100</td>
<td>50</td>
<td>25</td>
<td>20</td>
</tr>
</tbody>
</table>

**Share of wallet**

**New customers**

### Danish consumer division revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Best case</th>
<th>Medium case</th>
<th>Worst case</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKK bn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>2014</td>
<td>11</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>2015</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>2016E</td>
<td>13</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>2017E</td>
<td>14</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>2018E</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>2019E</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>2020E</td>
<td>17</td>
<td>18</td>
<td>19</td>
</tr>
</tbody>
</table>

**CAGR, %**

- **Best case**: 4.4
- **Medium case**: 2.0
- **Worst case**: -0.3

**Assumptions**
1. Revenue of 16E-20E is based on OIQ consensus estimates.
2. Best case is expected beat market expectations by 6% each year between 17E-20E.
3. Medium case is expected to beat market expectations by 3% each year until 17E-20E.
4. Worst case is expected to follow analyst consensus estimates.
We recommend to reconnect with customers by building a simple platform that allows service flexibility and price transparency.

**Simplicity**
- Number of products per household
- Customer satisfaction

**Flexibility**
- Increased share of wallet
- Reduced customer churn

**Transparency**
- New customer acquisitions

**Strong revenue growth in the Danish consumer divisions by the end of 2018**

- Simple platform will create integrated and seamless customer experience
- Flexible service selection results in greater sales across product categories
- Transparency will create greater customer satisfaction
- As the number of products sold per household increases, the share of wallet will increase
- The improvements in satisfaction levels leads to better perception and new customer acquisitions
- Combined they result in lower customer churn

- All major revenue levers are activated
- In 2018, revenue growth is positive in all scenarios – indicating a robust business case
- Revenue generation is fueled by multiple levers, resulting in a sustainable and strong growth that is not relying on one single growth driver.