

## Innovation

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## Approach

- Option building through innovation
- Disruption
- Swisscom's approach

## Execution

## Outlook

Michael Shipton, CSO

# Innovation as an integral part of option building

Swisscom strives to identify investments opportunities abroad – a key aspect is the identification of *industry disruptions* leading to the creation of *market niches*

*A company committed to strong fundamentals and financial discipline*

Innovative multi-service company in Switzerland

Superior performance in core domestic businesses

Entry into **adjacent** and **complementary** businesses

Disciplined investor in growth options abroad

Investments in **international value opportunities** with a balanced risk/reward profile

Build a number of **options** in various phases of development

Focus on new *niches* resulting from *industry disruption*

# Disruption changes the game

The communication industry remains extremely dynamic as disruptive developments in technology and business models quickly reshape the landscape

**Technology  
driven  
disruption**

- Silicon developments leading to increased and integrated capabilities
- IP development leading to increasing system openness and convergence
- ...

**Business model  
driven  
disruption**

- No-frills / low-price models
- Self cannibalisation
- Situative behaviour oriented models
- ...



**Changes in  
the industry  
landscape**

# Disruption creates threats *and* opportunities

The changes create a need for incumbent players to react decisively in their own markets, and lead to opportunities for focussed attacks abroad



**Swisscom as incumbent uses WLAN as additional communications technology**

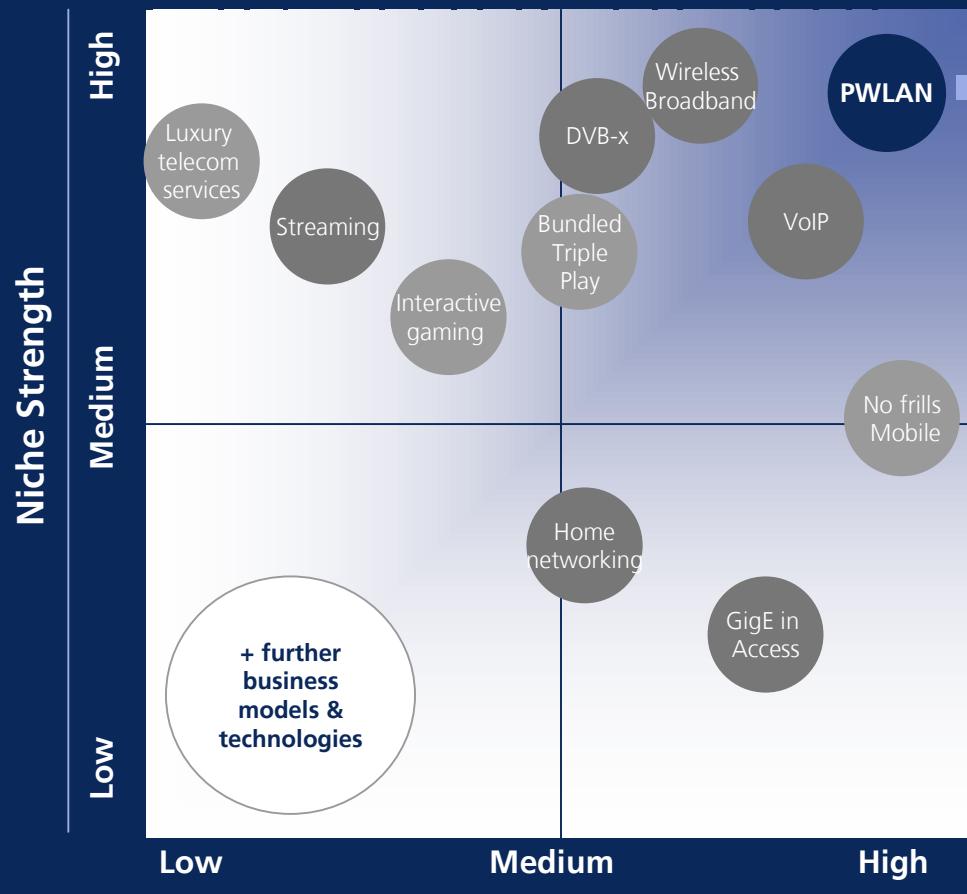
- In fixed-line, WLAN serves as a in-house network to complement the DSL offering
- In mobile, WLAN is used as an additional technology for an optimised ubiquitous mobile data connectivity
- In the business market, WLAN complements existing networking technologies

**Abroad, Swisscom enters a new market niche emerging as a result of WLAN**

- To offer mobile broadband connectivity at hot spots across Europe to professionals on the move

# A systematic approach to execution is essential

Swisscom analyses the attractiveness of opportunities by assessing the combination of the disruptive potential and the strength of the niche character



1 European PWLAN identified

Execution

swisscom eurospot

2 Occupy niche

3 Learning and adapting

4 Expand niche

# Approach

## Execution

- Occupy
- Adapt
- Expand
- Specific learnings

## Outlook

Frédéric Gastaldo, CEO Eurospot

# swisscom eurospot - *Occupy: speed of land grab was key ...*

**Eurospot started with acquisitions followed by a fast organic development of the initial footprint**

The European PWLAN market is a **multi-domestic market**

- Seek a leading position in each market entered
- Focus on Germany, UK and Benelux as entry territories
- Targeted acquisition of industry leading start-ups in each country

**Integration** of acquisitions in an **entrepreneurial outfit**

- Headquarters in Geneva
- Mix of "Swisscom-insiders" with experienced "attackers"
- Specific set of governance rules

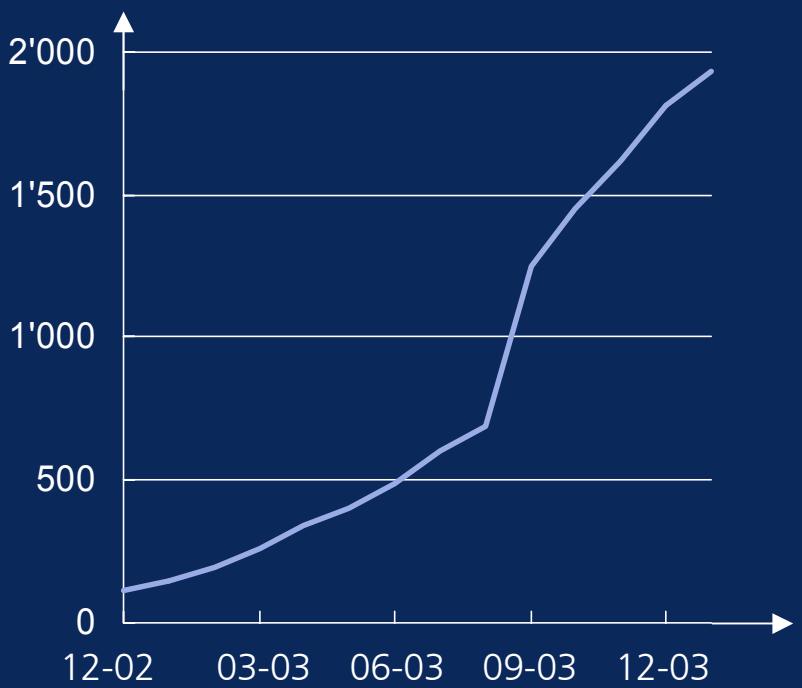
**Land grab**, i.e. broad approach to locations & exclusive contracts:

- Hotels (e.g. Hilton, Intercontinental, Kempinski, NH Hotels etc)
- Airports (e.g. London City)
- Train stations (e.g. Paddington, Waterloo)

# swisscom eurospot ... resulting in successful site acquisition

Swisscom Eurospot has quickly secured a leading position in Europe and is recognised as such by the hospitality industry and service providers

Number of contracted hotspots



- In northern Europe (Germany, UK, Benelux), successful location acquisition has brought Swisscom Eurospot to a leading position ahead of the incumbents
- In southern Europe (Spain, Italy and Portugal), Swisscom Eurospot ties with the incumbents (the jury is still out)
- 2'000 hotspots representing approximately 200'000 hotel rooms mainly in four and five stars properties

# swisscom eurospot - *Occupy: strong national positions*

By reaching leading national positions, Swisscom has become a strongly recognised service provider in each of the markets

## Contracted hotspots

### Germany

**#1 SC Eurospot (580)**  
#2 T-Mobile (400)

### France

#1 Orange (1'200)  
**#2 SC Eurospot (198)**

### UK

#1 BT Openzone (956)  
**#2 SC Eurospot (801)**

### Spain

**#1 SC Eurospot (234)**  
#2 Telefónica (162)

### Benelux

**#1 SC Eurospot (206)**  
#2 KPN (140)

### Italy

#1 Telecom Italia (150)  
**#4 SC Eurospot (20)**

## Active access points

### Germany

**#1 SC Eurospot (3'720)**  
#2 Ganag (1'300)

### France

#1 Orange (5'000)  
**#2 SC Eurospot (820)**

### UK

**#1 SC Eurospot (494)**  
#2 BT Openzone (350)

### Spain

**#1 SC Eurospot (2'636)**  
#2 Kubi Wireless (805)

### Benelux

**#1 SC Eurospot (2'020)**  
#2 Telenet (300)

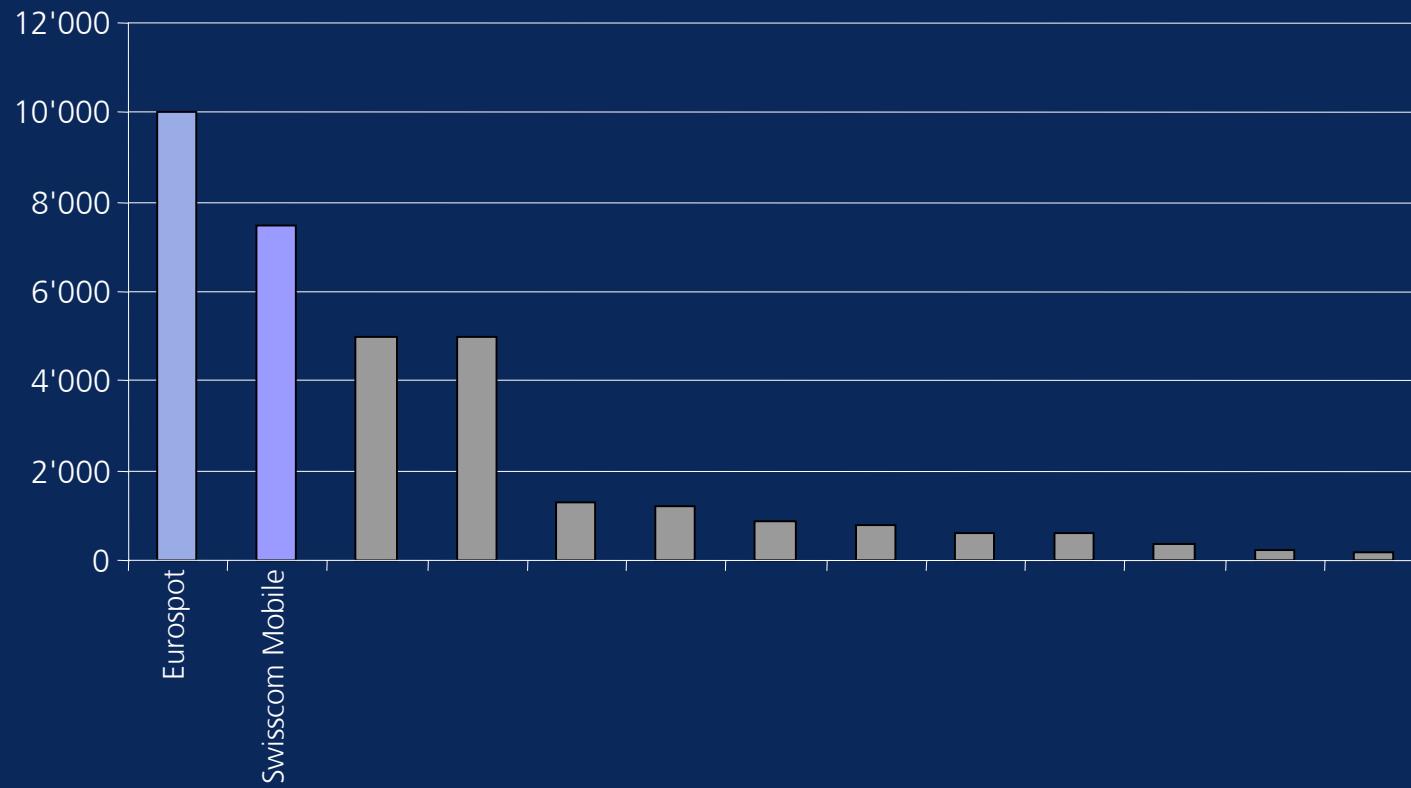
### Italy

#1 Telecom Italia (600)  
**#4 SC Eurospot (65)**

# swisscom eurospot - *Occupy*: today Europe's leader in terms of active access points

Swisscom Eurospot did not only stop at contracting hot spots but also activated a very large number of access points at these locations

Active access points



# swisscom eurospot - *Adapt: from hotspot operator to service provider*

Immediately after initial market-entry, Swisscom Eurospot focused on learning from customers and partners and has adapted and refined its business model. This lead to increased usage month after month : 2000 sessions per day in February.

**Usage and revenue patterns** indicated a sustainable niche in the hospitality industry: situative behaviour segmentation leading to the identification of "international travellers staying in 4 star hotel" as core segment

Maximisation of return on investment driven by **targeted new services**:

- fixed access adapter and PC Corner
- enabling conferences (broadband access, on-site support, etc.)

Strategic **partnership** to support professionals on the move:

- Roaming agreements
- Microsoft as partner in Europe

Defendable **pricing strategy** in niche market as opposed to the mass market:

- Relationship with venue owner supporting business model
- Quality of service and security valued by end user

# swisscom eurospot - *Expand: a work in progress*

Revenues per active access point is constantly increasing and represents our main performance indicator. In parallel, Eurospot expands along three directions

Situative behaviour niches such as "business travellers in vacation"; sales force personnel in 3- star hotels, etc.

Enter new markets and develop existing e.g. Italy and Portugal

Web-casting, collaborative tools, file-sharing for conferences, etc



# swisscom eurospot - replicable for the future

## 1 Speed and adaptation capability:

- Managerial experience
- Balance between strategic focus and flexibility
- Highly professional implementation

## 2 Governance:

- Specific governance principles adapted to ventures
- Top-management exposure enables quick decisions

## 3 Commitment:

- A venture is a marathon and not a sprint
- Shared strategic beliefs giving a long term perspective



**Specific learning to serve as a basis for potential further ventures**

# Approach

# Execution

## Outlook

- A business focused view
- Skills and approaches
- Technology trends
- A long-term example

Walter Steinlin, CTO

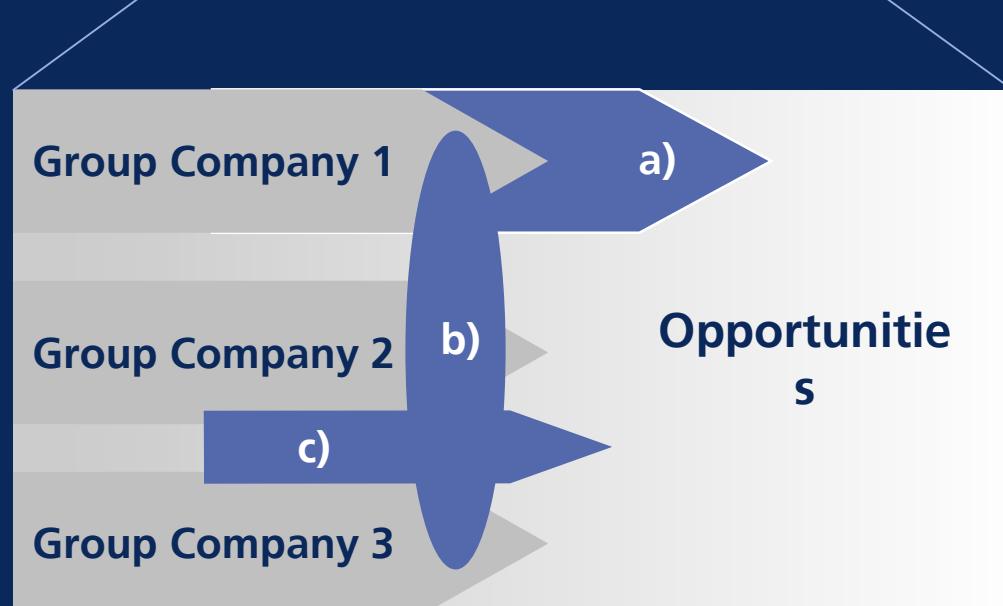
# Swisscom innovations facilitates ...

## How to facilitate

- Scan and identify technologies
- Assess relevance for Swisscom
- Acquire knowledge
- Support market introduction

## Where to facilitate

- a) beyond immediate issues:  
**room to look ahead**
- b) across current strategies:  
**synergy**
- c) outside current strategies:  
**new business**



# ... with a business focused view in the „innovation programs“

## Integrated Communication Services



## Software and Security Technologies



## Media and Service Design



## Business Support Systems



## Network Services (wired and wireless)

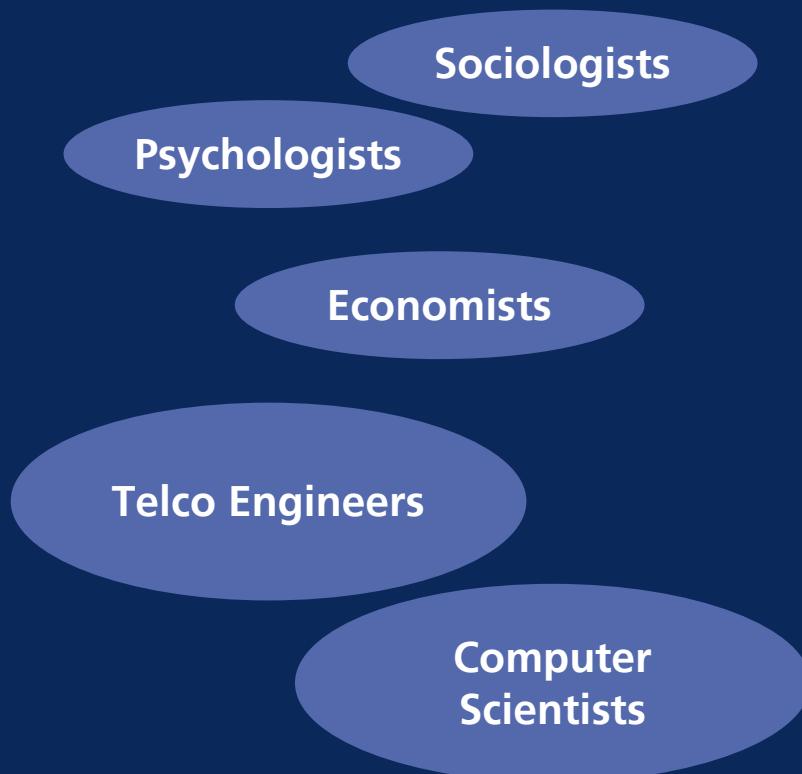


## EMC and Environmental Business Impact



# With interdisciplinary skills and a mix of approaches

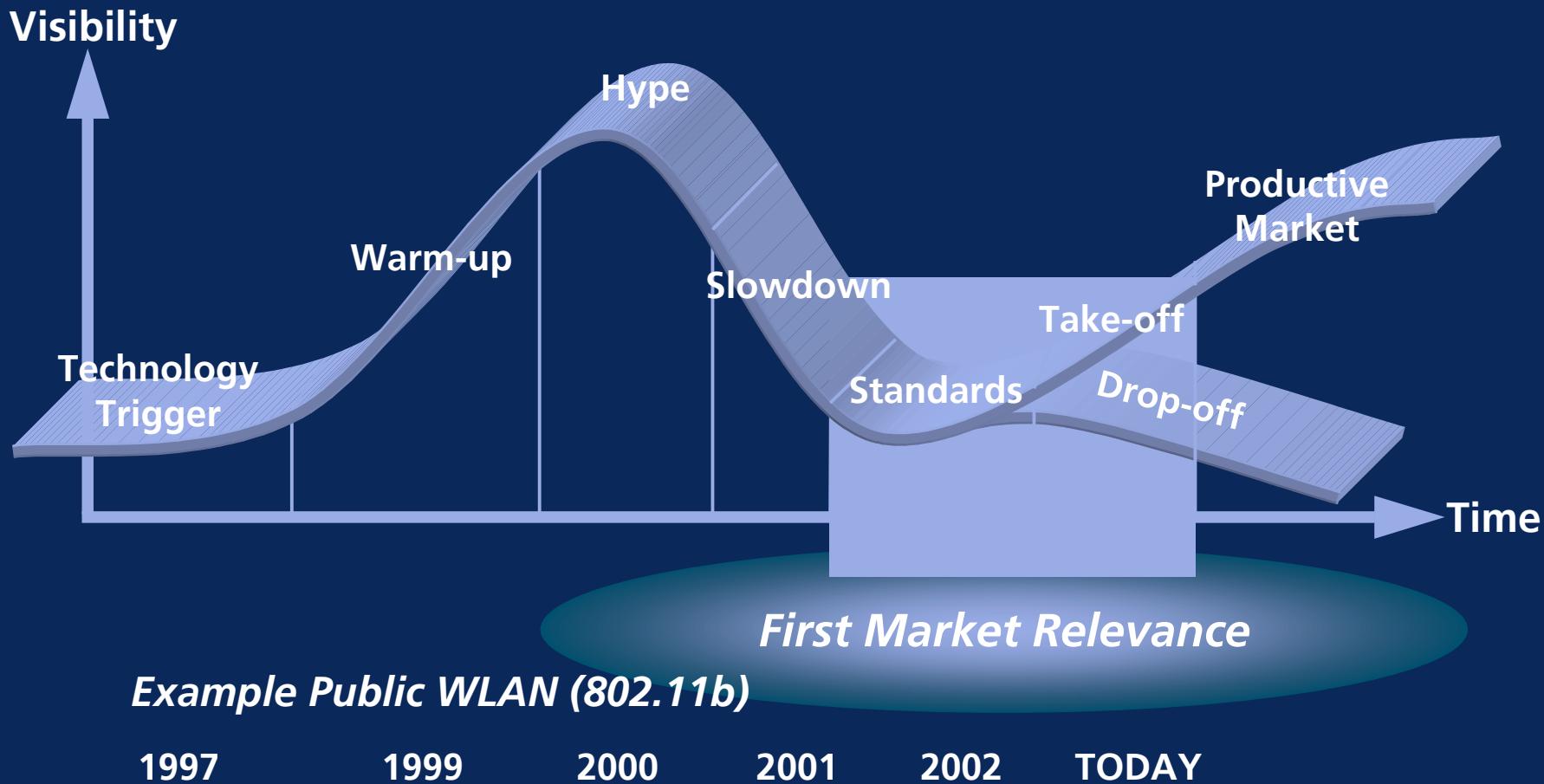
## Interdisciplinary Skills



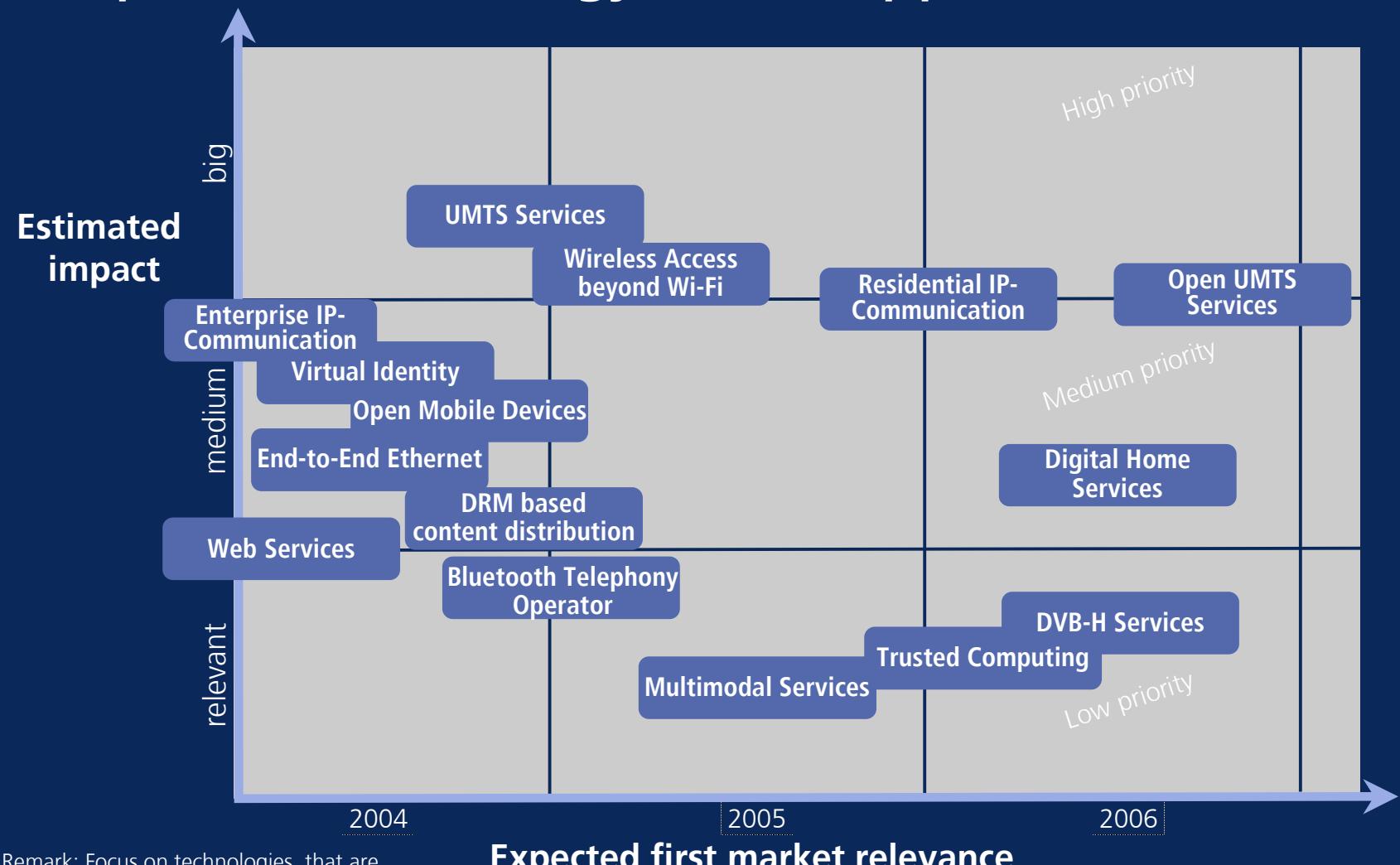
## Various Approaches

- **We do**
  - Desk research
  - Lab tests
  - Field trials
- **We partner**
  - Academia and Industry
  - International R&D (EURESCOM, IST, ...)
- **We leverage**
  - Outpost in Silicon Valley
  - Focus groups

# Technology Trends follow the „Hype-Cycle“- Key is to estimate the „First Market Relevance“



# Our prioritised Technology Map shows the most important technology driven opportunities



# As a long-term example: wearable computing for private use of telecommunications

We need to know

- **the technologies**
- **how people use them**

and

- **how to provide services**



Follow the  
adjacent Demo  
of Wearable  
Computing !

# Cautionary statement regarding forward-looking statements

"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

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