



# SELECTED INSIGHTS FROM OUR LATEST TELCO SURVEY

MWC 2022

# CONFIDENTIALITY

Our clients' industries are extremely competitive, and the maintenance of confidentiality with respect to our clients' plans and data is critical. Oliver Wyman rigorously applies internal confidentiality practices to protect the confidentiality of all client information.

Similarly, our industry is very competitive. We view our approaches and insights as proprietary and therefore look to our clients to protect our interests in our proposals, presentations, methodologies, and analytical techniques. Under no circumstances should this material be shared with any third party without the prior written consent of Oliver Wyman.

© Oliver Wyman

# MEETING YOU TODAY



**PILAR DE ARRIBA**  
Partner, Madrid office



**AUGUSTO BAENA**  
Partner, Madrid office

**Duration:** 45 mins (40 mins presentation + 5 mins Q&A)





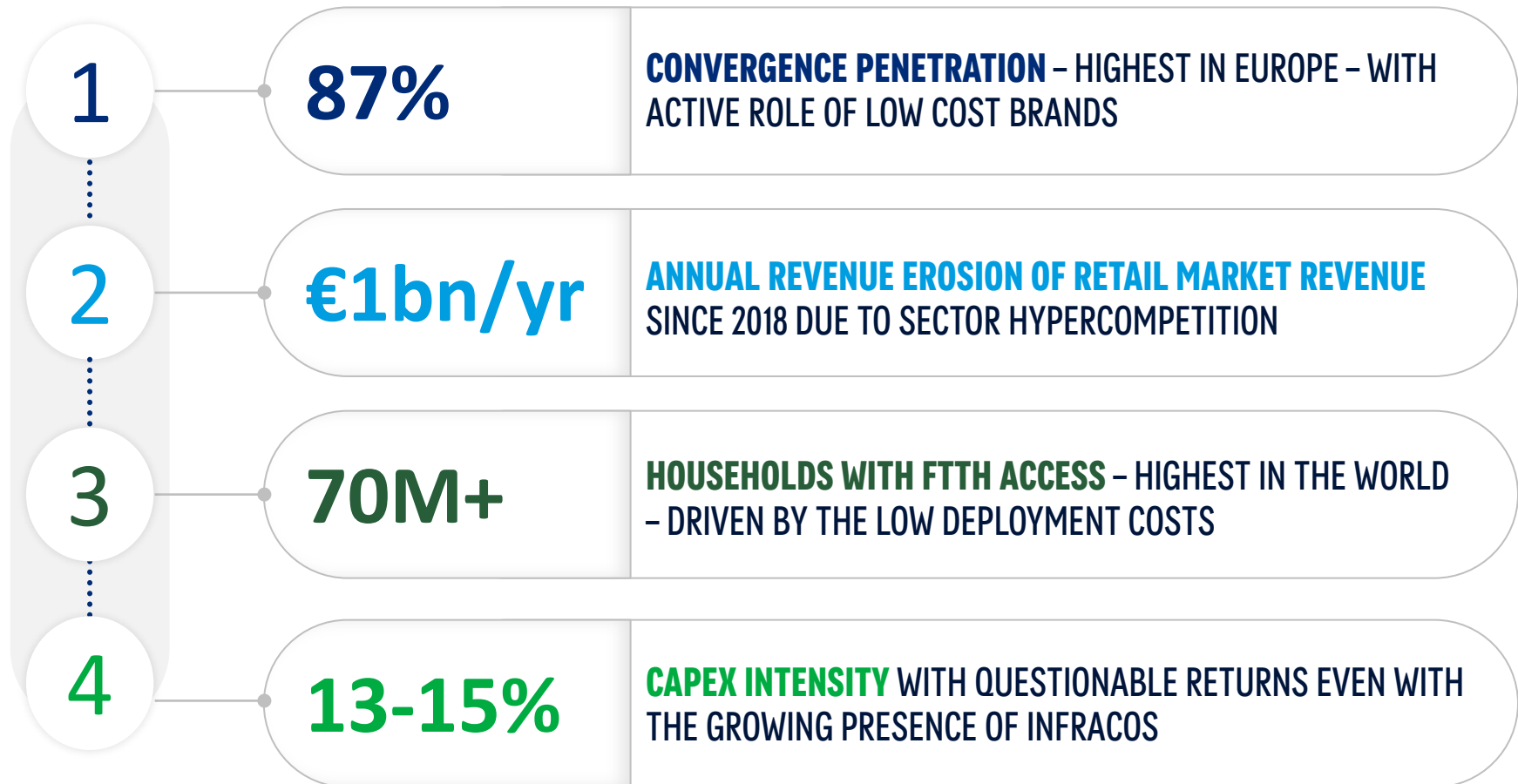
**01**

**A panoramic view of telco market dynamics – zoom on the Spanish market**

**02**

**Selected insights on Consumer preferences and how they have evolved during the pandemic**

# FOUR FACTORS ARE SHAPING THE SPANISH MARKET DYNAMICS



**MARKET CONSOLIDATION, UNDER REASONABLE RULES, SHOULD LEAD TO A BETTER INVESTMENT CLIMATE TO COVER SPANISH ECONOMY FUTURE INVESTMENT MINIMIZING THE NEED FOR GOVERNMENT FUNDING**

1

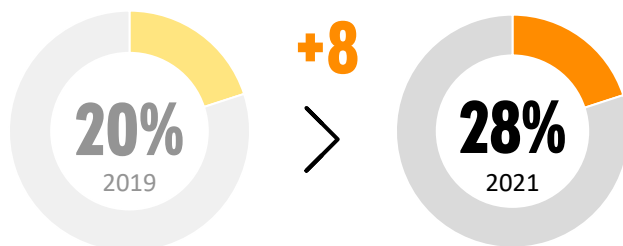
# SPAIN IS THE EUROPEAN COUNTRY WITH HIGHER PENETRATION OF CONVERGED OFFERS



% FMC OVER FBB (active + passive)



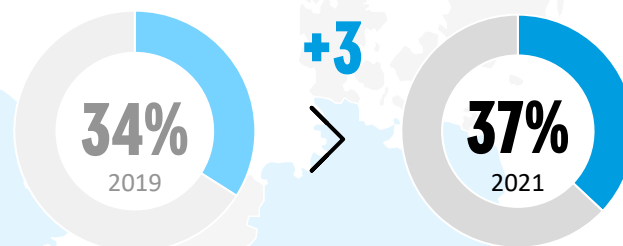
UK



- **Fragmented market** across traditionally **fixed-only** and **mobile-only** where **only the leader could push for convergence** using its own infrastructure
- **Recent partnership Virgin/O2** fosters **consolidation of fixed + mobile** households



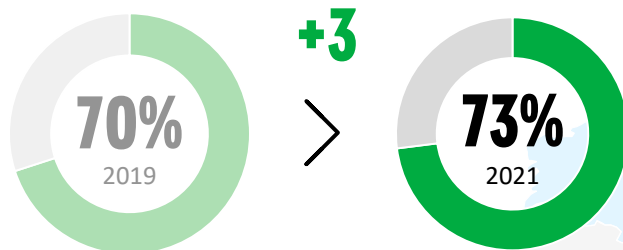
DE



- **FMC consolidation progressing YoY (VF/O2 +3pp)** mainly from passive (active FMC moderate evolution of +1pp DT/VF)
- **FMC is primarily a main brand game** in Germany, with second brands acting as standalone MVNOs



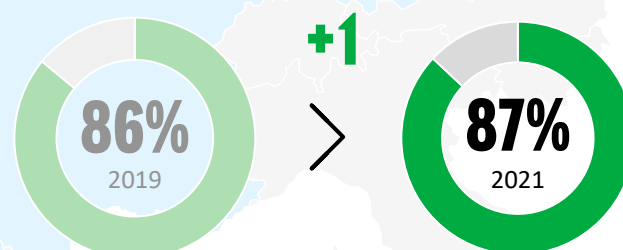
FR



- **Mature FMC market with similar FMC rates** across main MNOs (Orange, Free, SFR, Bouygues), stagnating evolution observed in active FMC (ORA 54%, -1pp YoY)
- **2<sup>nd</sup> brands following closely** (e.g. Sosh, 70% FMC rate), supporting main brands convergence strategy either as FMC attackers or lower cost mobile cross-sells



ES



- **Most mature FMC market**, with most operators at +80% FMC penetration
- **2<sup>nd</sup> brands actively supporting convergence** as FMC attackers, although generally with low market shares

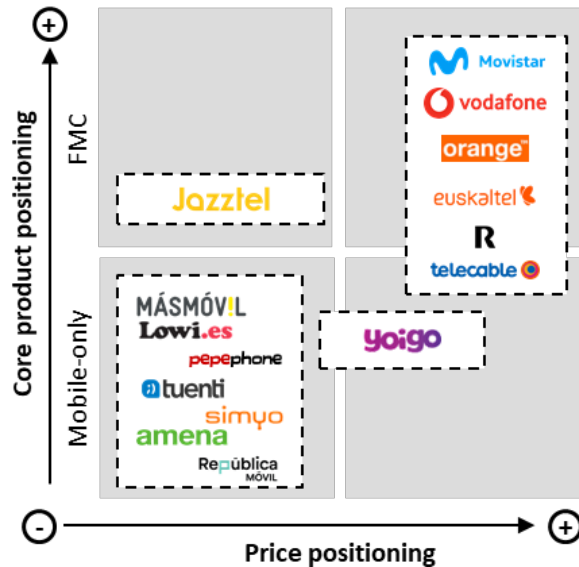
Note: FMC penetration rates as % of active + passive over FBB unless stated otherwise  
Source: Oliver Wyman Telco Customer Survey 2019, 2021, operators' investor relations

1

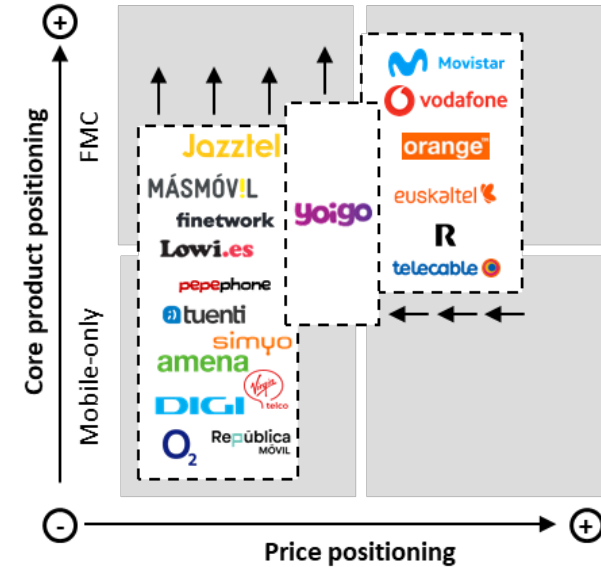
# CONVERGENCE IS THE PREVALENT STRATEGY EVEN FOR LOW-COST BRANDS DUE TO A VERY COMPETITIVE WHOLESALE MARKET

## Residential market convergent positioning evolution

2014 - 2016

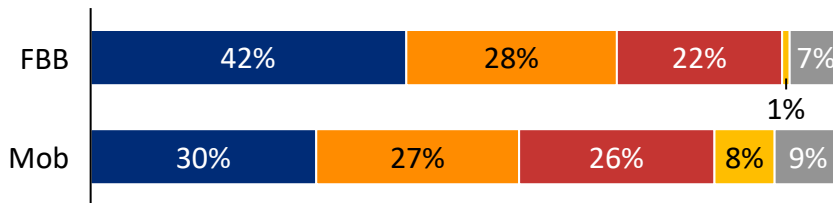


2017 - Current

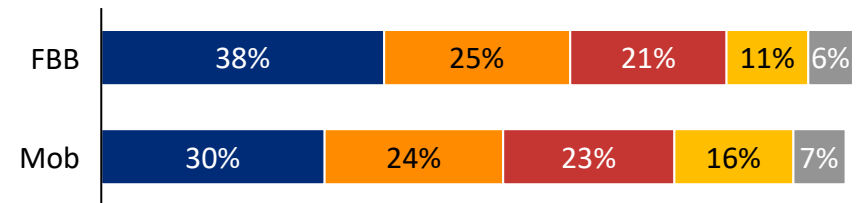


## Subscriber market share

2016<sup>1</sup>



Current



■ Movistar ■ Orange ■ Vodafone ■ MasMovil ■ Other

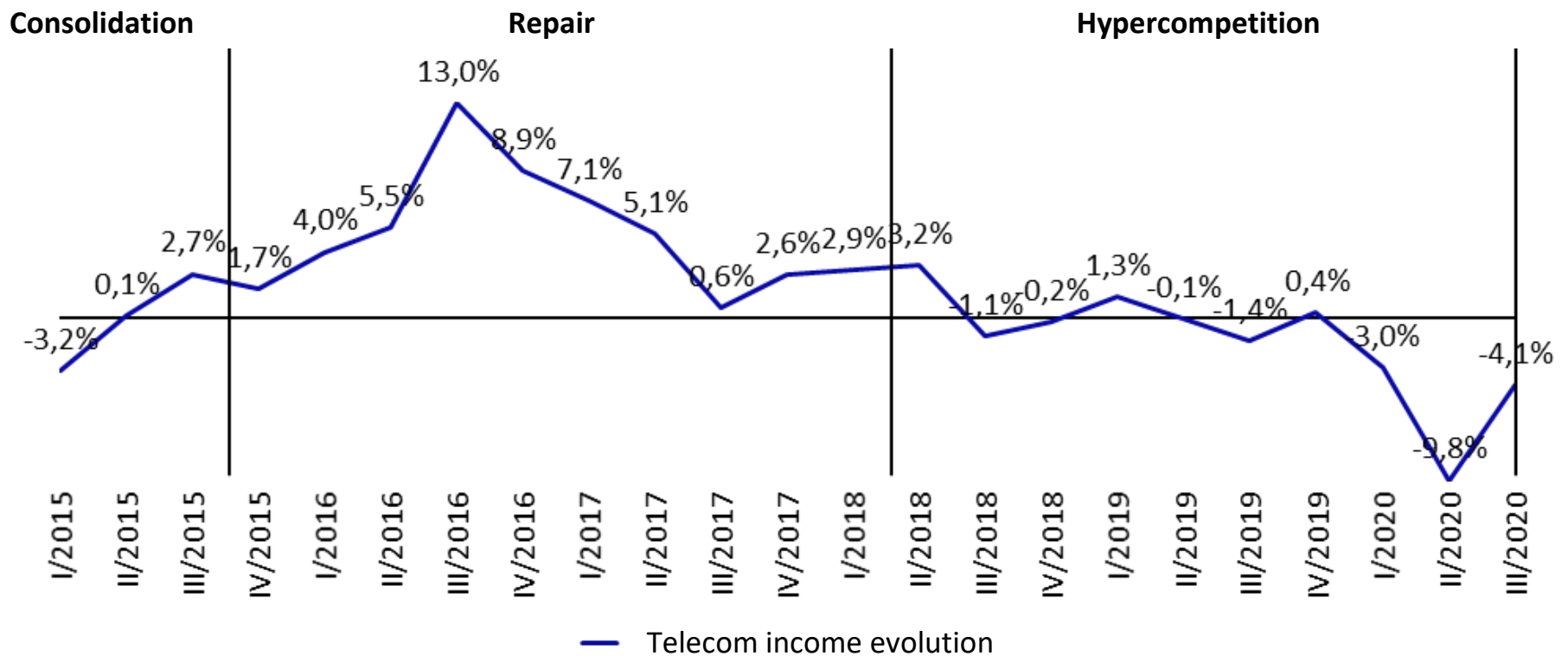
1. Movistar, Vodafone and Orange market shares include their 2nd Brands ; Source: CNMC, Barlovento Communication, Oliver Wyman analysis

2

## SECTOR RETAIL REVENUES DECLINE BY EUR ~1BN PER YEAR FROM 2018 DUE TO HYPERCOMPETITION

### Market Revenue growth in Spain

Q1 2015 to Q3 2020, % change of quarterly income yoy



Source: CNMC, Feb 2021

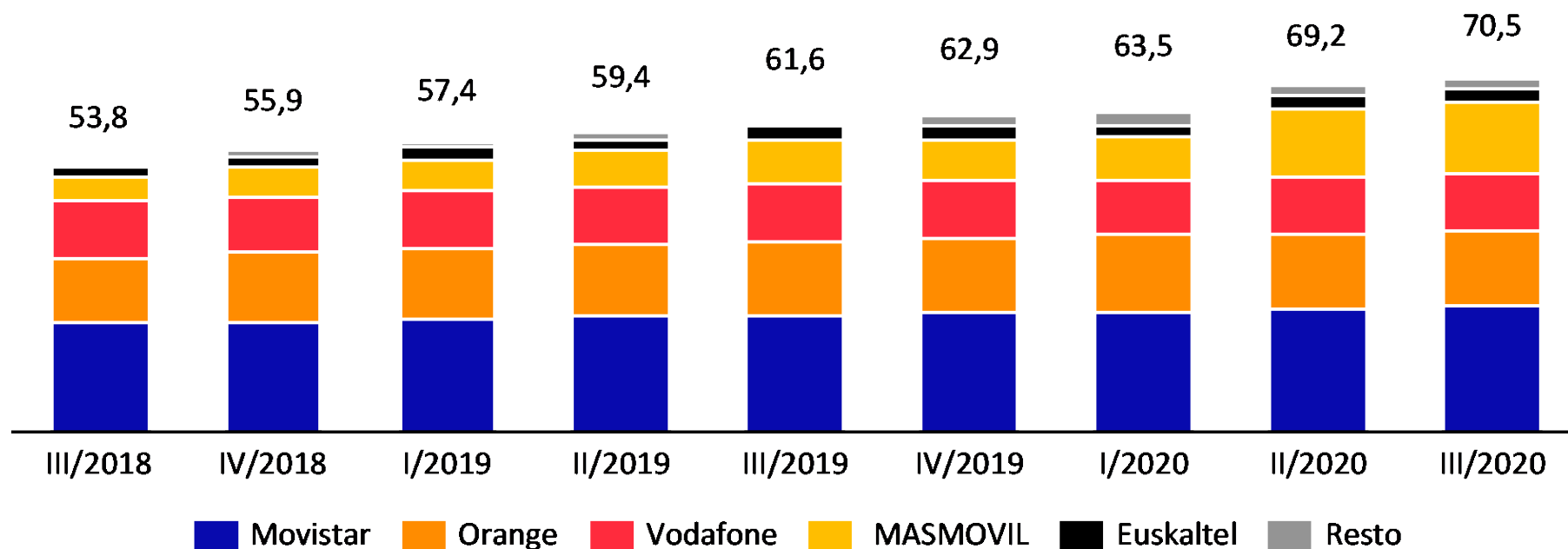


3

## 70M+ HOUSEHOLDS WITH FTTH ACCESS – AMONG HIGHEST IN THE WORLD – DRIVEN BY THE LOW DEPLOYMENT COSTS

### Evolution of Households FTTH coverage

Q3 2018 to Q3 2020 in M households



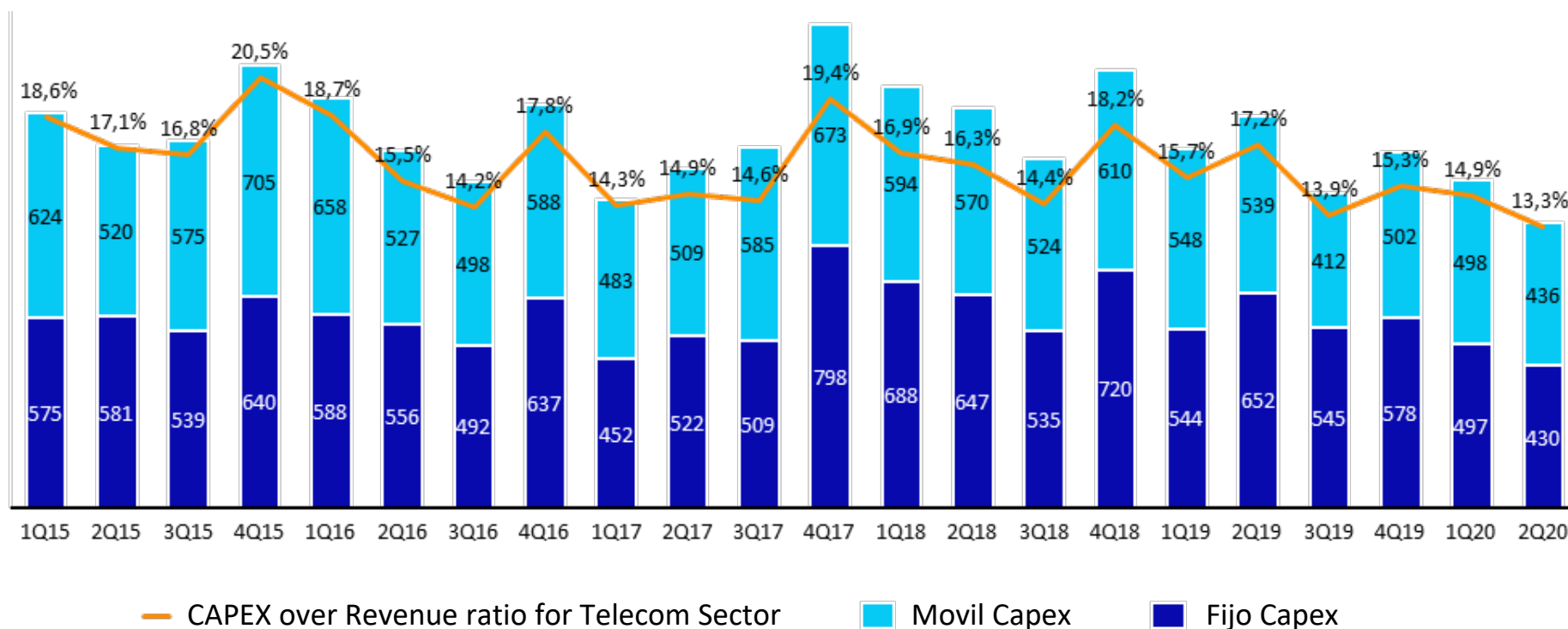
Source: CNMC, Feb 2021

4

## 13% TO 15% CAPEX INTENSITY WITH QUESTIONABLE RETURNS EVEN WITH THE GROWING PRESENCE OF INFRACOS THAT INCREASE CAPITAL EFFICIENCY

### Spanish operators CAPEX and CAPEX over Revenue ratio

Q1 2015 to Q2 2020, in EUR BN and %



Source: CNMC; Oliver Wyman analysis, Omedia



**01**

**A panoramic view of telco market dynamics – zoom on the Spanish market**

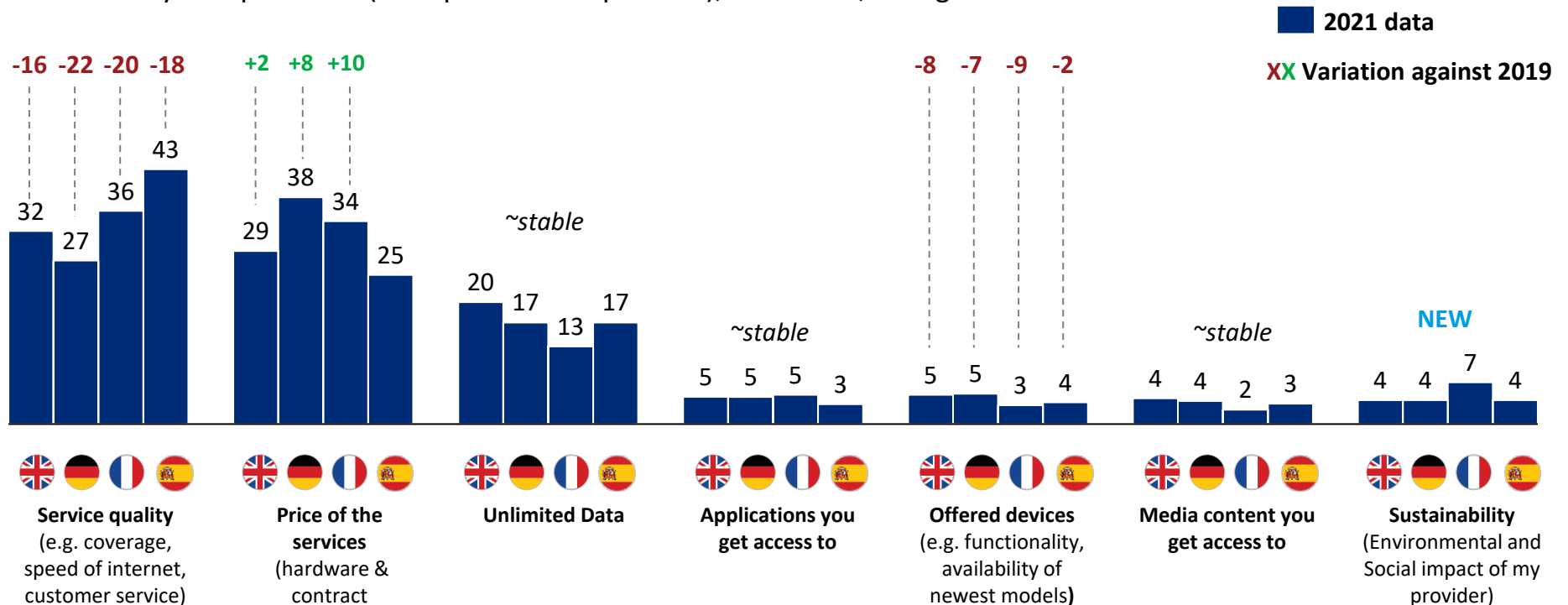
**02**

**Selected insights on Consumer preferences and how they have evolved during the pandemic**

# WHAT MATTERS MOST IN TELCOS VALUE PROPOSITION ?

**Q: What is most important to you in a telecommunications service provider offering?**

% of country's respondents (multiple answers possible); 2021 data, change vs 2019



**QUALITY REMAINS THE MOST RELEVANT ELEMENT IN TELCOS' VALUE PROPOSITION BUT OUR SURVEY REFLECTS A STRONG REBALANCE TOWARDS PRICE**

**SPAIN REMAINS THE MOST QUALITY-ORIENTED WHEREAS GERMANY IS THE MOST PRICE SENSITIVE COUNTRY**

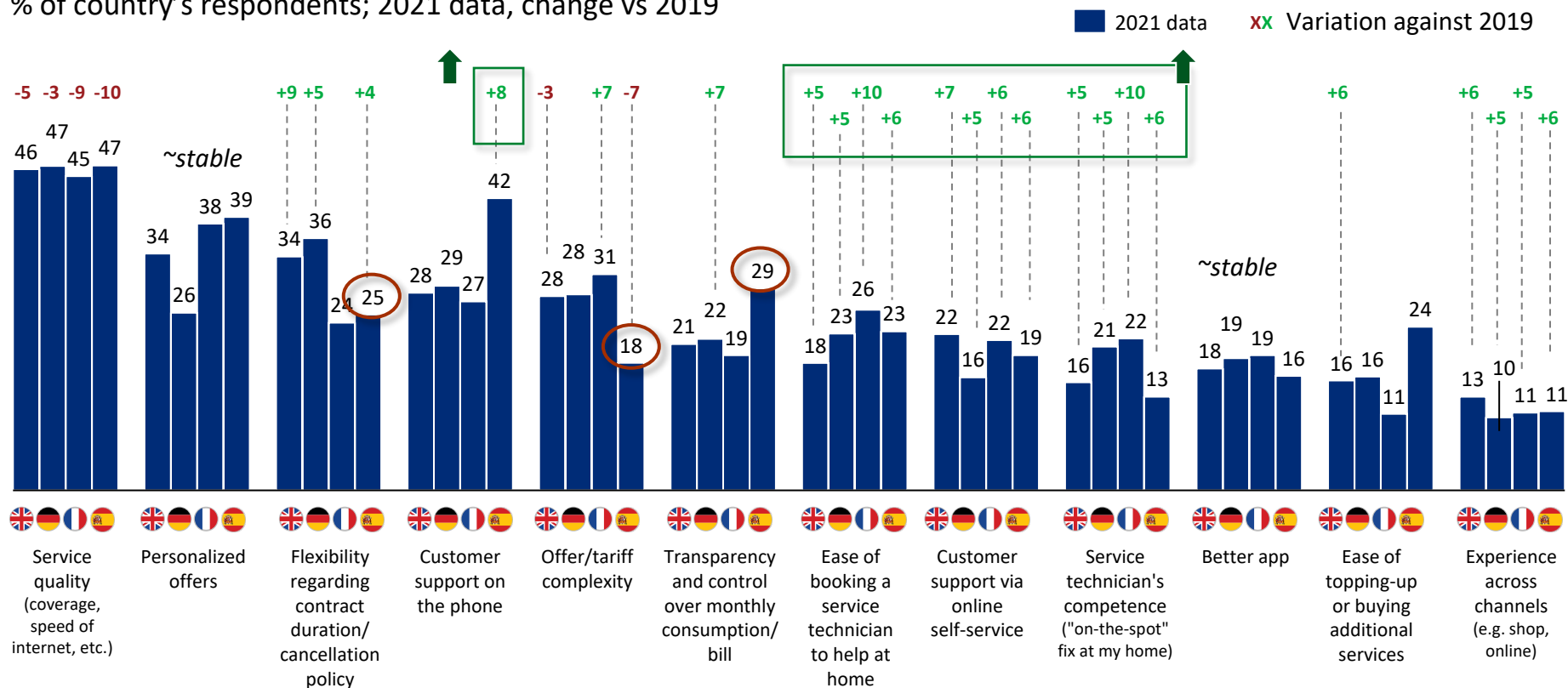
Trend for *Unlimited Data* and *Sustainability* not available

Source: Oliver Wyman Telco 2019 and 2021 Surveys, Oliver Wyman

# WHERE CAN OPERATORS IMPROVE THE MOST ?

**Q: Should you be able to change something with your telco operator (apart from price!), what would you improve?**

% of country's respondents; 2021 data, change vs 2019



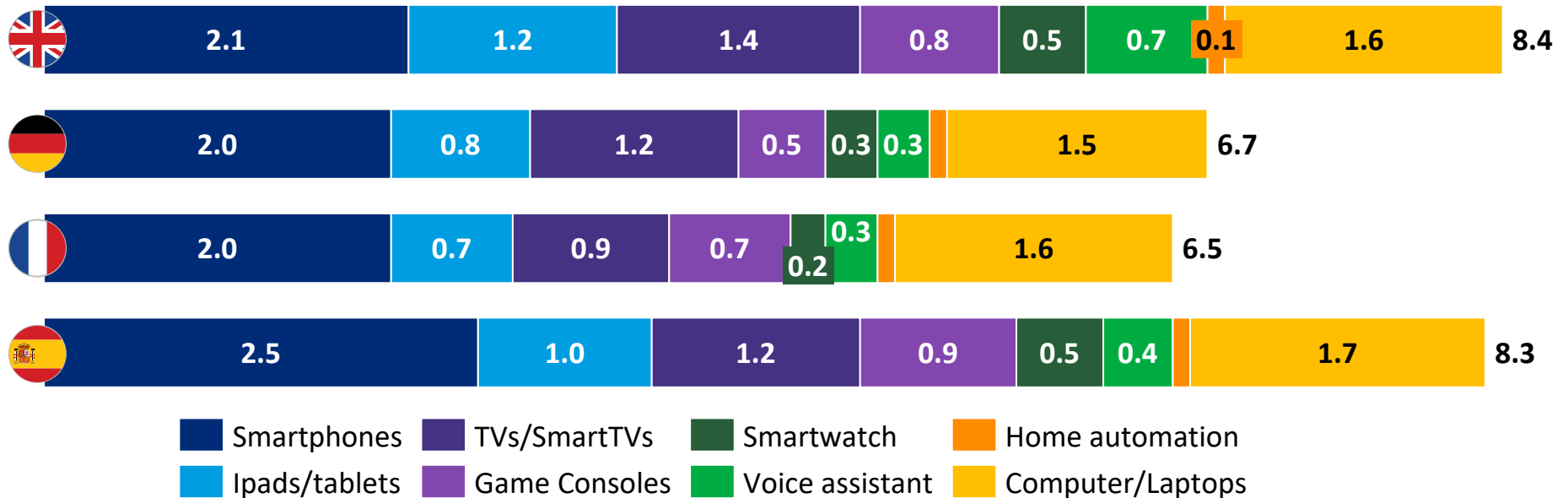
**WE SEE CONCERNS ABOUT CUSTOMER SERVICE SUPPORT AND EASE OF USE RISING MATERIALLY ACROSS GEOS**  
**IN SPAIN PARTICULARLY, THE PREDOMINANCE OF ALL-IN BUNDLES AND ELIMINATION OF MANDATORY PERMANENCE MAKE CONTRACT FLEXIBILITY AND OFFER CLARITY BE BETTER PERCEIVED VS. OTHER EU COUNTRIES ALTHOUGH PRICING FLEXIBILITY IS STATED TO BE AMONG THE TOP 3 CONCERNS**



# HOW MANY CONNECTED DEVICES PER USER ?

**Q: How many devices connected to the internet do you have at home in the following categories**

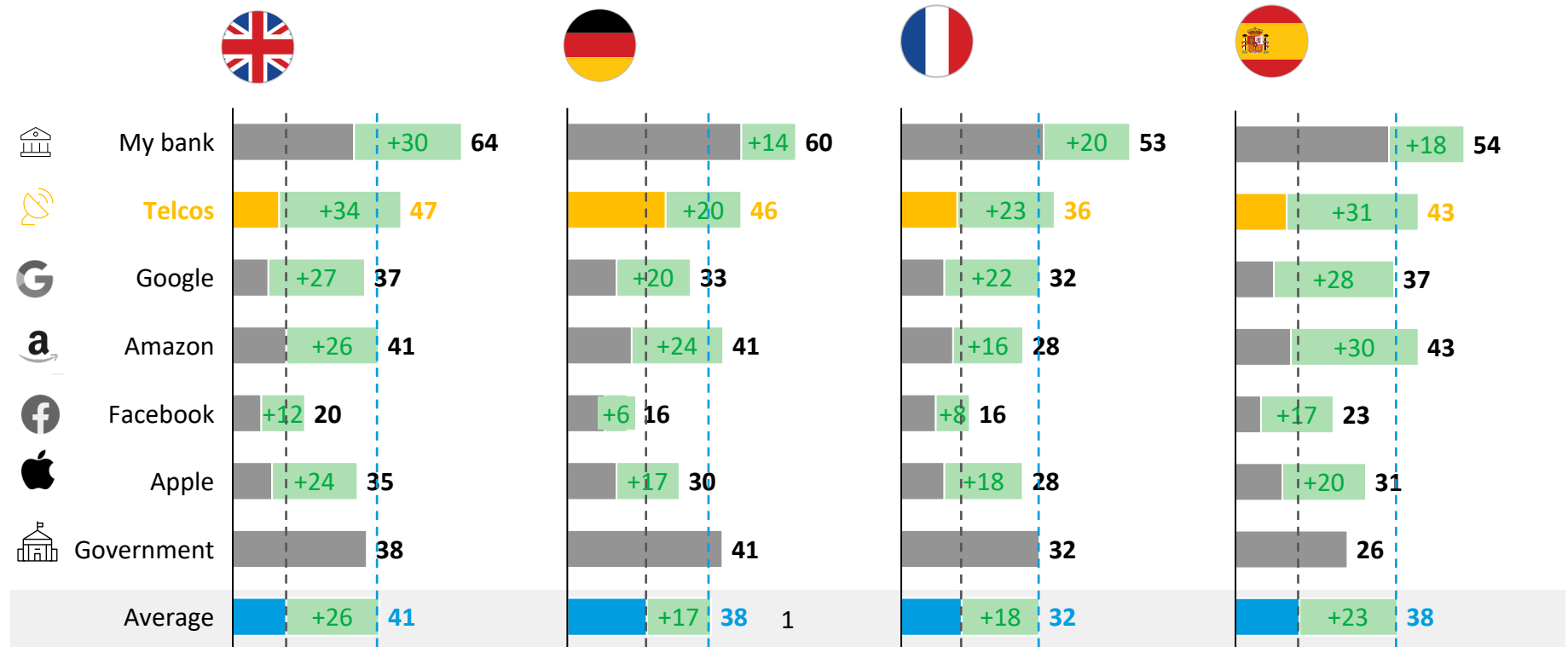
Average number of devices per respondent (respondents could have >1 devices per type, e.g. 2 smartphones); 2021



**NETWORK QUALITY REMAINS A CORE DEMAND AS THE NUMBER OF DEVICES CONNECTED IN EACH HOUSEHOLD CONTINUE TO GROW AND THE NEW TYPES OF USE (GAMING, TV) ARE INCREASINGLY INTENSE IN THE USE OF DATA AND SENSITIVE TO LATENCY**

# WHO DO WE TRUST TO GUARD OUR DATA?

**Q: How much do you trust the following companies with regards to protecting your personal data and privacy?**  
 % of country's respondents; 2021 data, change vs 2019



**TELCOS EXPERIENCE THE MOST REMARKABLE INCREASE IN TRUST AND BECOME 2<sup>ND</sup> AFTER BANKS BUT RANKING SIGNIFICANTLY BETTER THAN LARGE TECHS**

Trend for Government not available

Source: Oliver Wyman Telco 2019 and 2021 Surveys, Oliver Wyman

# KEY TAKEAWAYS

---

- 1** Telecom sector in Spain is currently in hypercompetitive phase that is wiping off almost EUR 1bn per year of retail revenue

---

  - 2** Investment intensity continues being high, and low return in investment could put pressure on future 5G deployments and its expected impact on Spanish digital economy

---

  - 3** When choosing operators, consumers still put quality of service as the most important criterion, but importance of price has grown significantly in the last period

---

  - 4** Telecom operators are the second most trusted entities (after banks, and above big techs and even governments) to guard our private data
-

**Q&A**

## **QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS**

This report is for the exclusive use of the Oliver Wyman client named herein. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted, or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.





A business of Marsh McLennan

# METHODOLOGICAL REMARKS AND CAVEATS

- Scope of the survey is B2C and covers both postpaid and prepaid mobile subscriptions
- FMC penetration rates as % of active + passive over FBB unless stated otherwise (active = bundled with a discount)
- Sample Size per country

Sample size	 <b>905</b>	 <b>906</b>	 <b>2021</b>	 <b>921</b>
-------------	--	--	---	--

- Respondents could select more than 1 FBB provider in the questionnaire
  - *Which of these fixed broadband providers is used in your household?*
- “Main mobile line” is self-reported by survey respondent
  - *Please indicate the primary mobile service provider for your household (also called a carrier or wireless brands).*
- Adjustments have been done to aggregated responses to reflect real market data as reported by operators and regulators – e.g. penetration, market shares