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Vodafone

Out of Many,One

Case study
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This case was written by Johannes Banzhaf,under the direction of Associate Professor Ashok Som,ESSEC Business School.It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.The case was made possible by the co-operation of Mr Arun Sarin,CEO and Mr Alan Harper,Group Strategy and Business Integration Director.

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Vodafone: Out of Many One[1]

Abstract

In 2006, Vodafone Group PLC was the world's largest cell phone provider by revenue. Between 1999 and 2006, Vodafone invested $270 billion (€225bn) mostly in stock, building an empire spanning 26 countries. It controlled cell phone operations in 16 countries and had minority stakes in companies in 10 others. This case traces the history of Vodafone's growth and its capability to transform and adapt itself to the dramatically changing market environment in the dynamic telecommunication sector. The case analyzes Vodafone's growth through acquisitions and the subsequent integration of acquired units with a key focus on how it coordinates its businesses on a global scale.

Keywords: Managing a global corporation, globalization, growth strategy, acquisition, integration, core competency, competitive strategy, restructuring, synergies, global coordination, leadership, Arun Sarin, value-added service, mobile phone market, mobile phone operator, average revenue per user (ARPU), telecommunication industry.

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[1] "Out of many, One" comes from Latin "*E Pluribus Unum*" signifying the harnessing of global scale and scope synergies of OneVodafone

Arun Sarin reclined in his seat in a first-class compartment en route to London. The CEO of Vodafone, the world's largest mobile telephone operator, began reflecting on the events of the past few days, in particular Vodafone's decision to exit the Japanese market by selling Vodafone's stake in Japan Telecom to Tokyo-based Softbank in a deal valued at $15.4 billion. After the sale, the company would return $10.5 billion to its shareholders. Vodafone had trailed behind NTT DoCoMo and KDDI since its entry into Japan in 2001, thanks to fickle consumers, the lack of a low-end tier in the segment, and the challenge of coordinating terminals and technologies across borders. The time had come to make a hard decision, and Sarin had made it.

It was not the first time he had been faced with such a decision. Two years earlier Vodafone had made headlines in the financial press with its failed attempt to take over the US mobile operator, AT&T Wireless. After a long takeover battle, Vodafone's American rival Cingular Wireless had offered $41 billion in cash for AT&T Wireless[i]. At the time, Sarin had not been sure whether to regret the failed takeover. He could have easily financed a larger sum for the bid, but major shareholders had been very explicit that anything beyond an offer of $38 billion would be detrimental to their interests[ii]. Vodafone's offer had forced Cingular to increase its bid from $30 billion to $41 billion, meaning it could take Cingular many years to digest the merger (refer to **Exhibit 1** for share prices of Vodafone since 1989). There might yet come more promising and cheaper ways for Vodafone to enhance its presence in the world's largest economy with huge growth potential.

Sarin knew he could not afford to alienate Vodafone's shareholders by pursuing growth at all costs. However, Vodafone's current hold in the American market (the non-controlling stake in Verizon Wireless; the only one in the US) was not comforting either. The relationship with the other main shareholder Verizon, was quite strained, management had refused to adopt the single Vodafone brand, and had insisted on using the outdated American CDMA network standard instead of the group-wide GSM/UMTS standard[iii].

Being the CEO was definitely not an easy job, with so many things to consider and the shadow of his larger-than-life predecessor Sir Chris Gent looming over him. But this was exactly the reason why he was being paid £1.2m a year as base salary.[iv]

Company Overview: Vodafone Group Plc

In 2005, Vodafone was the leading mobile phone operator in the world. It had more than 150 million customers in 26 different countries.[v] Vodafone employed approximately 67,000 people around the world and had its headquarters in Newbury, England. Being listed on the stock exchanges of New York (ticker: VOD), London and Frankfurt, it boasted a market capitalization of $ 165.7 billion[vi] – making it the 11th most valuable company in the world. In fiscal year 2003, it suffered a loss of $15.5 billion (on revenue of approximately $ 48 billion) – a figure that was the result of large write-downs on the goodwill of acquired companies and huge amortization charges related to the acquisition of other mobile operators like Mannesmann D2. These charges amounted to $18.8 billion.[vii] In fact, if one excluded these extraordinary non-cash charges, Vodafone was very profitable, as indicated by its gross margins and capacity to generate huge positive cash flows: The cash flow from operating activities (before capital expenditure and other outflows) amounted to £12.3bn (approximately $22.7 billion) in fiscal year 2004, while free cash flow exceeded an unbelievable £8 billion ($ 15.7 billion – refer to **Exhibit 2** for an overview of Vodafone Group's financials).[viii] Vodafone had been consistently paying dividends and had recently announced a £3 billion share repurchase program.[ix]

History of Vodafone[x]

The company was formed as "Racal Telecom Limited" in 1984 as a subsidiary of Racal Electronics Plc., a British electronics manufacturing company. It successfully bid for a private sector UK cellular license in 1982 and hosted the first ever mobile phone call in the UK in 1985. The customer base stood at 19,000 on December 31, 1985.

In October 1988, Racal Telecom Ltd. went public by offering approximately 20% of the company's stock. Three years later, it was fully de-merged from Racal Electronics and became an independent company with a different name, Vodafone Group Plc, and was listed on the London and New York Stock Exchanges. Corporate legend states that the "founders had the foresight to realize that people would do more than talk over their phones and so created a future-proof name that would embrace both VOice and DAta mobile communication: Vodafone."[xi] Due to its early start, it managed the largest mobile network in the world by 1987.

In 1992, Vodafone pioneered again when it signed the world's first international "roaming" agreement with Telecom Finland, allowing Vodafone's customers to use their phone on a different network while still being billed in their home country. Four years later, Vodafone became the first operator in the UK to offer so-called "pre-paid" packages that do not require the customers to sign a long-term contract.

Christopher Gent succeeded Sir Gerald Whent at the helm of the company on January 1, 1997. Gent was responsible for shifting Vodafone's growth strategy from organic to aggressive external, orchestrating its move toward globalization. In the same year, Vodafone's 100th roaming agreement was signed.

In early 1999, Vodafone signed up its 10 millionth customer, half of them in the UK. Vodafone's growth reached the next level when it successfully merged with AirTouch Communications Inc. of the U.S. – a $61 billion deal. Vodafone renamed itself briefly Vodafone AirTouch and more than doubled its customer base to more than 31 million customers worldwide (September 1999) in 24 countries across five continents.[xii] In the late 1990s and early in new millennium, stock markets were steering toward a bubble, with "mobile" being the latest hype and insane sums being paid for mobile operators and the licenses to operate mobile networks. At the end of November 1999, the company had a market capitalization of approximately £90 billion. Vodafone's North American branch was integrated into a new entity branded Verizon Wireless together with Bell Atlantic's mobile business, with Vodafone retaining a 45% stake in the new venture. Verizon Wireless was the largest mobile phone operator in 2003 in a very fragmented North American market (36 million customers and 24% market share as of September 30, 2003).[xiii]

In a move that sent shockwaves through corporate Germany in 1999, Vodafone launched a €100bn takeover bid for Mannesmann in order to get hold of its "D2" mobile phone business, the private market leader in Germany. A bitter struggle for Mannesmann's independence ensued, but finally the board of Mannesmann gave in and the deal was closed in 2000: €190bn paid in stocks - Germany's largest takeover ever.[xiv] Vodafone's customer base once again doubled and the company found itself among the 10 largest companies in the world in terms of market capitalization. The mobile telephony boom reached its peak and former national providers (such as Deutsche Telekom, France Télécom, Telefonica) embarked on a buying binge that brought them on the verge of bankruptcy when the bubble finally burst (Deutsche Telekom shares fell from more than 100€ to15€).

The year 2001 saw a consolidation and restructuring within Vodafone, which reported 82.9 million customers for the financial year ending March 31, 2001. It grew at a somewhat slower pace than in previous years, about half of it generated by internal growth and the other half by acquisitions (e.g.

acquiring of Ireland's Eircell and increasing its stake in Spanish AirTel Movil to 91.7%). However, "slower growth" still meant that Vodafone had added approximately 20 million customers by the end of 2002. At that time, the company board announced that the Indian-born American Arun Sarin would take over as CEO on July 30, 2003.

There were no large scale acquisitions in 2002 and 2003, but instead a host of smaller deals and partnership agreements. In February 2004, Vodafone's bid for AT&T Wireless in the U.S. failed against a higher offer by Cingular, yet clearly indicating that Vodafone had all but renounced its growth ambitions.

Growth at Vodafone

Traditionally growth at Vodafone was by acquisitions rather than organic. It had a track record in takeovers and their subsequent successful integration, For example, Germany's Mannesmann being the most prominent example. Today branded as "Vodafone Germany", Mannesmann was the group's most profitable venture (in terms of EBIT, which surpassed £2bn in 2003) and its largest subsidiary. On the mobile telephony acquisition strategy, Alan Harper, Group Strategy and Business Integration Director, commented,

> *"In the past 10 years there had been a sea change in the evolution of the telecommunication industry. The rule in this industry has been 'Hunt or Be Hunted'. The strategy of the global players had been mobile-centric, multi-market strategies. Most of the companies like Hutchison, Mannesmann, Airtouch started much smaller, like a start-up, did not have any history as an operator and the parent company was usually a trading company. Vodafone acquired Mannesmann, Airtouch and the rest of the small players. FT acquired Orange. Docomo was restructured back into NTT."*

Unlike many of its competitors, Vodafone used shares for its acquisitions. This might be one of the reasons Vodafone emerged from the telecom crisis relatively early and could concentrate on growth again, while virtually all of its competitors were still occupied in trying to reduce their debt burden (Deutsche Telekom, France Télécom, MMO2, KPN etc.).[xv] However, as Vodafone's shares had shown only lackluster performance in prior months, Vodafone increasingly had to use hard cash to increase its holdings in subsidiaries or for new acquisitions. As Vodafone did not want to compromise its very good credit ratings (by industry standards) under any circumstances, it had slowed down on acquisitions and had been focusing on internal growth for the past two years (refer to **Exhibit 3** for Vodafone's strategic intent).

Vodafone had acquired other businesses along with the mobile phone business as in the case of Japan Telecom and Mannesmann, where it got ownership of fixed line operations, Vodafone had always been explicit in its concentration on its core business of mobile telecommunications. Usually it started looking for potential buyers for the other business. In the words of Alan Harper, Group Strategy and Business Integration Director,

> *"We had been always mobile focused. In 1995, when I joined Vodafone, it was mobile focused. It has a turnover of 8 bn £, it was the 3rd largest mobile operator in UK and had 80% business in the UK. Today, in 2005, we are still mobile focused, with a turnover of 100 bn £, biggest in the world and only 10% in UK."*

Vodafone balanced its investment options by taking its time to ensure a good investment and disinvestment option. For example, it sold Japan Telecom's fixed line operations in 2003 for ¥261.3 billion (£1.4 billion)[xvi] while it reinforced its long term commitment to Japan in 2005 by making a further investment of up to £2.6 billion. Arun Sarin, pointed out,

> *"Our transactions in Japan will simplify the structure, confirm our commitment to the Japanese marketplace and enable us to deliver on the changes needed to improve our position."*

Arcor was not divested and was still part of Vodafone Germany as of 2005. Arcor might even serve as a strategic weapon to cannibalize on incumbent Deutsche Telekom's profitable fixed line business.[xvii]

Since mid-2001, Vodafone had entered into arrangements with other network operators in countries where it did not hold any equity stake. Under the terms of so-called "Partner Network Agreements," Vodafone cooperated with its counterparts in the development and marketing of global services under dual brand logos. By 2003, Vodafone had extended its reach into 11 other countries, thus establishing a first foothold in these markets.[xviii] Such an agreement was a classical win-win situation: Vodafone not only gained new market insight with little risk but at the same time was able to assess the quality of the partner in order to identify possible takeover targets, while the partner benefited from Vodafone's unique marketing and technological capabilities.

Vodafone's acquisition strategy always followed a similar pattern: First, the number one or two player within a national market was identified, while it carefully avoided acquiring the incumbent mobile operator that was linked to the state-owned telecom monopoly (like T-Mobile, which was the mobile division of Deutsche Telekom, or Orange, a business unit of France Télécom). It seems that Vodafone feared a bureaucratic inertia of these organizations and would rather focus on more flexible, entrepreneurially-minded challengers (with Mannesmann's D2 once again being a good example, or France's SFR) that would challenge the incumbents in different local markets. Referring to this strategy Alan Harper explained,

"Our vision has been to leverage scale and scope benefits, reduce response time in market, and ensure effective delivery to customers. This we have achieved by collecting or acquiring national (operational) companies and gave them a mission of a 'challenger company' in each of the national markets. For e.g., Vodafone with SFR is a challenger to France Telecom in France, Vodafone UK is a challenger to British Telecom in UK, and Vodafone Germany a challenger to Deutsch Telecom in Germany. Together with this challenger mindset, we nurture and instil an entrepreneurial spirit inside Vodafone Group companies, and in this respect we do not behave as a traditional telephone company. Since we differ from being a traditional company, the cultural alignment of people working for Vodafone is a key issue in sustaining this challenger and entrepreneurial mindset. To focus on this cultural alignment, we give autonomy to the local entity and reiterate that the local entity did not join a global company like IBM or HP. The local entity has to work in a matrix structure and keep alive the 'challenger mindset' on fixed line telephony and other incumbents, challenge the status quo every day and evolve by being local entrepreneurs."

Branding, Identity and Pricing

After a successful bid for a takeover target, Vodafone followed a diverse strategy in terms of branding, creating its identity and its own pricing models. Alan Harper explained,

"We play different models of creating Vodafone's identity in the market. Which way we adapt depends on a number of factors and considerations, such as the strength of the local brand, the prevalent company culture and the general fit between Vodafone's processes and the acquired business' processes. But frankly, at the end of the day, it comes down to a question of management judgment. For example, in New Zealand we when we acquired Bellsouth, we changed Bellsouth almost overnight to Vodafone New Zealand. Similarly in Portugal, we undertook an overnight integration of Telecel to Vodafone Portugal. Telecel transformed into Vodafone Portugal and became challenger to the traditional PTT. Whereas in Italy, when we acquired Omnitel, it took us 2.5 years to change Omnitel to Omnitel Vodafone. Onmitel colours were Green and White and we could not change it to Vodafone Red immediately. It was because Omnitel had a strong brand image, very well known and we had to be very cautious during the

transition. The market would never have accepted it. The same was the case with DT in Germany."

The management judgment of fast or slow re-branding harped on the customer and organizational response of the acquired market and acquired company. Usually the national brand was kept alive for sometime until the dust of the takeover battle had settled. Vodafone then carefully launched its phased re-branding campaign to bring the new subsidiary under the "Vodafone" umbrella. Usually, they added "Vodafone" to the original corporate brand. To better coordinate these branding efforts, Vodafone appointed David Haines, a former Coca-Cola manager, as global brand director.[xix] Davin Haines explained,

"For example "D2" became "D2 Vodafone". Within a year, Vodafone modified the logo to its typical red color and changed the order of company name, for example "D2 Vodafone" to "Vodafone D2". During the last phase, the original "national" name was eliminated completely and only the global brand and logo remained. This process could take more than two years and usually passed almost unnoticed by the customers, who got accustomed to the new logo due to the extensive branding campaigns, often in conjunction with the launch of a new global product (like Vodafone's Mobile Connect Card, enabling e-mailing and internet access via a laptop and the mobile network) or service (e.g. Vodafone live! mobile internet portal). Following this pattern, Vodafone Omnitel in Italy and J-Phone Vodafone in Japan became a single brand in May 2003 and October 2003, respectively.[xx]"

Vodafone launched its first truly global communications campaign at the beginning of August 2001 to reinforce its brand awareness and a global brand identity. Arun Sarin reiterated,

"Throughout the past few years, Vodafone has done a terrific job of building brand awareness as we have moved towards a single global brand. Beyond brand awareness, we want people to understand that the Vodafone name represents great service, great value and great innovation. When our name becomes synonymous with these attributes we will achieve brand preference and expect to see our market share climb as a result."

Across all media, a homogenous corporate brand and identity was communicated including the slogan "*How are you?*" and introduced the inverted comma as logo. To stay in sync with Vodafone's global aspirations, the group selected two globally recognized brands; it sponsored the Manchester United Football Club and the Ferrari Formula 1 team to improve awareness and perception of the brand. In addition, it supported its brand by individual sponsorship contracts and other marketing communication programs at the local level. According to a Vodafone statement,

"An audit of the first year of sponsorship of Scuderia Ferrari reveals that the sponsorship had outperformed all of the annual targets set internally by Vodafone and helped establish exceptional global brand awareness."[xxi]

Being number one or number two in most markets[xxii] it had entered, Vodafone never used "low prices" to attract new customers. Instead, it focused on creating and marketing new value-added services that enticed customers to sign up with Vodafone, even if it implied customers were not paying the lowest rates available. According to Arun Sarin,

"We have rededicated ourselves to delighting our customers because we believe this is the foundation for our continued success. We recognise that every customer interaction provides another opportunity to win loyalty and that's why we continue to raise standards on the quality of customer care in our call centres and our stores and the quality of our networks. Key to delighting our customers is our ability to deliver superior voice and data services according to differing customer needs."

Vodafone was not immune to the pricing policies of its competitors, which meant that it lowered its tariffs whenever the price differential became too great and the new subscriber market share dropped below a critical level. Given its size and healthy finances, it could usually weather price wars and simply waited until the aggressive player lost its thrust. **Appendix I** explores in some detail the role of fixed costs and their impact on pricing in the mobile telecommunication market.

Integrating to One Vodafone

Vodafone realized that real business integration extends far beyond having a single brand. Critics had pointed out that establishing a global brand and logo is among the easier tasks of managing a multinational corporation. Alan Harper stressed,

> *"The careful re-branding policy not only targeted customers, but also tried to address the needs and concerns of the employees. The employees had to adjust to the fact that though they were 'national challengers with an instilled entrepreneurial spirit' they were also part of the family of the global Vodafone Corporation based in Newbury, England. It was perceived that most employees were proud of having contributed to the success of challenging the incumbent operator were reluctant to be incorporated into a larger corporation that they perceived as 'distant."*

After the heady days of Chris Gent and the acquisitions by the dozen, Arun Sarin had to find innovative ways to integrate *"a disparate group of national operations"* into one company. Arun Sarin recognized that winning over the hearts of the employees and achieving cultural alignment was perhaps the *"biggest challenge of all."* An analyst at Merrill Lynch praised Arun Sarin as "*smart*" and "*strategically as good as it gets.*"[xxiii] Sarin seemed to be a good fit for this extraordinary task ahead, as he was described as "*an operating man rather than a dealmaker*" and "*the archetypal international executive.*"[xxiv] The portrait of Sarin went on like this:

> *"Born and brought up in India, but now an American citizen, Mr Sarin's background was an asset. There might seem to be a certain irony in putting an Indian-American in charge of the world's biggest mobile-phone operator, each of these countries had made a mess of introducing wireless telecoms. But Vodafone was a British company that aspired to be a true multinational. It had large operations in Germany, where it bought Mannesmann in 2000, in Italy and in Japan. To put another Brit into the top job might have bred resentment. […] The son of a well-to-do Indian military officer, he went to a military boarding-school, but his mother encouraged him not to follow his father's career. Instead, he took an engineering degree at the Indian Institute of Technology, the country's equivalent of MIT. From there he went to the University of California at Berkeley on a scholarship, to earn a further degree in engineering and a MBA. He had lived in America ever since. The main remnants of his origins were an Indian wife (whom he met at Berkeley), a touch of an accent and a passion for cricket, which he shares with Sir Chris [Gent, his predecessor]."*[xxv]

Sarin, however, was not the only director on Vodafone's board with a distinct international background. As a result of Vodafone's past acquisitions and their pragmatic integration into the group, many skilled foreign (non-British) managers had been retained and had since joined the board, including two German, one Italian, one South African and one Suede, among others (see **Exhibit 4(a) and (b)**).

At the annual general meeting on July 2003, Sarin emphasized the need to benefit from economies of scale and scope. In June, 2004, Arun Sarin redefined,

> *"At Vodafone, everything we do furthers our desire to create mobile connections for individuals, businesses and communities. Our Vision is to be the world's mobile communications leader and we're delighted by the prospects for the future of our industry. Our commitment to this industry is underlined by our company values, which state that everything we do is driven by our passion for customers, our people, results and the world around us…Operating in 26 markets (together with*

Partner Networks in a further 14 countries (with approximately 151.8 million registered customers, and approximately 398.5 million total venture customers) puts us in an enviable position to leverage our global scale and scope… Another competitive advantage is our leadership position on cost and time to market. From network services to sales, and marketing to customer care and billing, we have many varied systems in use across the business. With strong cooperation between our various operating companies we can achieve further savings."

To coordinate, restructure and integrate its various systems across 26 countries, Vodafone launched its "One Vodafone" initiative that aimed to boost annual pre-tax operating profit by £2.5 bn by FY2008.[xxvi] Alan Harper explained in details:

"We are in a period when we are integrating our company. With acquisitions all over the world, one of our challenges is to integrate seamlessly not only technology (which by the way are more or less similar across the world) but people. And this is a key part of the Branding Evolution that we had witnessed. The challenge of this restructuring program is to balance the need of co-ordination and synergies while encouraging local initiatives.

The One Vodafone *program is a business integration activity and we are in the process of 'gradual integration of our business architecture'. For example, we are running down a real-time billing system to an integrated system for 28mn customers. It is a very difficult task if one tries to understand the billing system of mobile telephones. Under the One Vodafone, there are currently 8 programs, Networks (design and supply procurement, so-ordination and consolidation initiatives), IT (design, back office, billings, ERP/HR, operations – data centre processes), Service platforms, Roaming (mapping footprints), Customer (next practice services), Handset portfolio, MNC accounts, Retailing (one won't believe, we are the 8th largest retailer in the world taking together our stores that are owned or franchised)...We are trying to integrate national operating units across footprints and trying to leverage scale and scope while trying to retain the local autonomy and responsiveness of our challenger national units."*

Alan Harper agreed that implementation of "One Vodafone" was a challenge. He explained,

"To implement One Vodafone, we have undertaken a change in organizational structure of the Group (refer ***Exhibit 5****). We still operate in a matrix format. What One Vodafone tries to achieve is to simplify the integration issues in terms of brand strength and integrating local culture and processes. We centralize all our marketing efforts, branding and product development. Technology is standardized. Network design (switching, radio) are co-ordinated. Best-practices are benchmarked by Advance Services such as service platforms and portals (Vodafone Live!). Knowledge, is shared via the HQ, HR, strategy, and Marketing departments, through lateral processes, including our governance processes. We keep and encourage local initiatives such customer services, sales, network billing, IT systems. We are trying to incorporate the best of all the cultures to the maximum extent possible and in this way we tried to transform Vodafone UK into a new Vodafone."*

One Vodafone was clearly communicated across the company via internet, intranet, different training programs, as well as a monthly employee magazine called *"Vodafone life! The global magazine for all Vodafone people".* The HR department prepared special "initiation" training programs to acquaint new employees to the Vodafone way, labeled the "Vodafone footstep," which included its vision and values (see **Exhibit 6**) and the "Ten Business Principles."[xxvii] On translating the vision and values alongside changes in structure and systems, Vodafone witnessed revamping of people processes within the organization. Commenting on employees, Arun Sarin explained,

"As the business expands and the environment around us evolves, it is crucial for us to develop, recruit and retain the people that will lead us into this new world. We are working hard to make sure our employees have the right skills and knowledge to anticipate our customers' needs. We

are identifying new ways to share the best of what we do on a global basis. We continue to reap the benefits of a motivated team with a strong customer service culture, which will help earn a reputation for Vodafone that is second to none."

The HR Department had set up a fast-track career path (the Global Leadership Programme, GLP) for high potential managers, rotating them across business functions and countries and equipping them with crucial multi-cultural skills.

Despite the integration and standardization efforts, the corporate headquarters had to ensure a certain level of independence for individual country subsidiaries to take into account differing business models and customer expectations. For example, 48% of Vodafone's customers in Germany had a contract, while this kind of long-term commitment to an operator was almost unheard of in Italy (92% were prepaid customers).[xxviii]

To orchestrate the move toward greater coordination, as well as to identify and disseminate best practices, the group had created two new central functions, Group Marketing (to drive revenue growth), and Group Technology and Business Integration (to drive cost and scale benefits).[xxix] Communicating Vodafone's new focus on integrating the bits and pieces resulting from past acquisitions was clearly a top management task. The "Integration and Operations Committee" was instituted, staffed with members of the Executive Board and chaired by Arun Sarin. This committee was responsible for "setting operational plans, budgets and forecasts, product and service development, customer segmentation, managing delivery of multi-market propositions and managing shared resources" across geographies.[xxx] Alan Harper, who had been heading the group strategy department at Vodafone since 2000, saw his job title changed to Group Strategy and Business Integration Director. Simultaneously, Vodafone restructured itself at the corporate level to include the two new functions, which directly reported to the group's COO, Julian Horn-Smith.

Thomas Geitner was appointed head of the new unit, Group Technology & Business Integration, as Chief Technology Officer.

"The purpose of Group Technology will be to lead the implementation of a standardized architecture for business processes, information technology and network systems. This will support the next generation of products and services and the critical role of introducing and operating 3G capacity."[xxxi]

A key focus of the Group Technology activities was the management and control of Group-wide projects in relation to the ongoing rollout of "third generation" (3G) networks, the enhancement of Vodafone live! and the development of the Group's business offerings. This work included the continued development of technical specifications, creation and management of global contracts with suppliers as well as testing of terminals.[xxxii]

It was committed to provide underlying terminal and platform technologies on a global basis. Within the mobile phone industry, a shift of power away from handset makers (Nokia, Siemens, Ericsson, etc.) could be observed. Global operators such as Vodafone had increasingly succeeded in forcing the producers to offer specially designed and branded products: the thriving Vodafone live! multimedia service was launched on Sharp GX-10 handsets exclusively manufactured and branded for Vodafone.[xxxiii] If this trend persisted, Vodafone would be the first to benefit from its huge purchasing power and could even force Nokia (which had an almost 40% world market share) to cater more toward Vodafone's needs.[xxxiv] Vodafone could also use its unrivalled clout when negotiating with network equipment suppliers (such as Alcatel, Nokia, Siemens, etc.) to squeeze their margins.

Peter Bamford was appointed Chief Marketing Officer and head of the Group Marketing department, which was in charge of "providing leadership and co-ordination across the full range of marketing and commercial activities including brand, product development, content management, partner networks and global accounts."[xxxv]

For Vodafone, the question was how customers could derive a benefit from Vodafone's increasingly global reach, ultimately driving top-line growth. Alan Harper explains,

> *"We are a technology and sales & distribution group focused on local companies winning market share against incumbents is respective countries. We do not develop technology but we are users of technology. Technology is developed by companies such as Nokia, Ericksson, Nortel. We buy their technology – and technology evolution in our sector is more or less standard, it evolves, grows without major differentiations and after a period of time it is standardized. Now the challenge is how best we can leverage using and integrating the technology across our companies…With the evolution and growth of our company we are today more of a company that prides itself in the differentiation of services that we bring to our customers. We are still 100% sales driven but we are much more customer centric and customer service oriented and take pride in understanding customer needs as we graduate to offering our customers the next best service and focusing on customer delight (e.g., Amazon). We now execute much better and it is because of the reason of the shift in our competencies."*

Vodafone started creating service offerings and product packages directly leveraging Vodafone's network and delivering tangible value to customers. For example, it created a tariff option that enabled customers to seamlessly roam the globe, on a special per minute rate, on the same network, without having to worry about high interconnection fees or differing technical standards. A new unit within Group Marketing was created to develop and market services specifically tailored to the needs of global coordination, such as seamless wireless access to corporate IT systems and special rates for international calls on the network. Such a global service offering could clearly serve as a differentiating factor to competitors that could not match Vodafone's global footprint.

Woes in the U.S. and France

There were still two nagging issues for Arun Sarin: Vodafone's 45% stake in Verizon Wireless and the unresolved issues about control in France's SFR, for which Vodafone had been at loggerheads with Vivendi for several years now. Vodafone was far from happy about these minority stakes, because they did not fit with its single-brand, "One Vodafone" strategy.

In the U.S., Vodafone customers still could not use their cell phones on the Verizon Wireless network, because it operated under a different standard. It was indicated that this situation was likely to continue well into the era of 3G, because Verizon planned to adopt an incompatible standard.[xxxvi] Without a single technological platform and a uniform brand, Vodafone could extract little value from its American venture (except the cash dividend of $1 billion a year it received).[xxxvii] After the failed bid for AT&T Wireless, Vodafone had several options at its disposal, all of them with their own pros and cons.

Probably the most obvious option would be to take over Verizon (the parent company of Verizon Wireless) completely, including its fixed line business, in order to force them to adopt Vodafone standards. It was deemed likely that such a bid could escalate to a $150 billion hostile takeover battle, a figure that might be too large even for juggernaut Vodafone.[xxxviii] Verizon's management clearly was not willing to cede the wireless operations to Vodafone, but dreamt of becoming the single owner of Verizon Wireless itself.

Alternatively, Vodafone could buy another operator outright. But regulatory constraints would require it to sell its stake in Verizon Wireless first, because it was prohibited to own more than a 20% stake in two competing operators at once. Under the current agreement with Verizon, Vodafone held a put option, which allowed it to sell some of the holdings each year at a fixed price to Verizon. If Vodafone decided to exercise this option, it had to do so by July 2006 in order to realize a maximum value of $20 billion. Verizon could choose to pay Vodafone either in cash or stock, although Vodafone had the right for a minimum cash sum of $7.5 billion.[xxxix]

Some observers questioned the idea of selling Verizon and buying another operator, as Verizon Wireless was the most successful and profitable one – why swap "*a minority stake in a very good operator for a controlling stake in a less good one*"?[xl]

In France, Vodafone was in an equally uncomfortable position. It shared ownership of Cegetel, the parent company of France's #2 mobile phone business SFR (35% market share with 13.3 million customers), with Vivendi having the majority stake in the venture. On March 31, 2003, Vodafone's ownership interest in SFR was approximately 43.9%, comprising a direct holding of 20% in SFR and an indirect holding through its stake in Cegetel.[xli] Commenting on Vodafone's struggle with Vivendi about SFR, an analyst at Global Equities SA joked,

> *"We have a saying: small minority shareholdings for little idiots; big minority shareholdings for big idiots."*[xlii]

While Vodafone managers had a certain say about the operations and strategy of SFR (SFR launched the co-branded multimedia services of Vodafone live!), Vivendi continued to refuse to sell SFR to Vodafone. Several talks between Sarin and Fourtou, the CEO of Vivendi, did not yield any results, and Vivendi's true strategic intentions with SFR remained unclear.[xliii] The remaining 56% stake in SFR was valued at roughly £8 billion ($13 billion).[xliv] After Vivendi declined Vodafone's offer for SFR in 2002, Vodafone issued a statement claiming that it was "*a long-term investor in Cegetel and SFR*" and that it "*looks forward to continuing its successful partnership with Vivendi*".[xlv]

> "*France is a very simple market for us*", noted Alan Harper in April 2005. "*We know the market, we know the business model and we know the management of SFR, which takes part in routine Vodafone management meetings.*" Pugnaciously, he added: *"The natural home of SFR is Vodafone. We are a very patient company.*"

It remains to be seen whether Vivendi wants to keep its cash cow or if it was simply trying to push the price in this cat-and-mouse game.

Challenges ahead

Arun Sarin knew that his job would not become uninteresting anytime soon as many challenges lay ahead. Certainly, Vodafone was the largest player in the industry, but being active in 26 countries out of 200 left a lot of room to grow. As he closed his eyes and thought of Vodafone's global footprint, instantly he was reminded that Vodafone was not present in Latin America and in many African countries. Then there was the Middle-East. Vast untapped markets lay ahead with today's mobile penetration of about 1.7 billion potential customers, of which Vodafone had about 3.5 million; in 5 years it would be 2.5 billion, half of world's population. And there was his native country, India, where he invested $1.5 billion to buy a 10% stake in Bharti Tele-Ventures, the largest mobile operator in the country. Countries in Eastern Europe, many of which had recently entered the E.U., should definitely be added to Vodafone's turf: Vodafone had just announced that it would be willing to invest up to $18 billion on acquisitions in Russia and other Eastern European countries.[xlvi] The 2005 acquisition of the mobile operators MobiFon (Romania) and Oskar (Czech Republic) was certainly just the first step in enlarging Vodafone's footprint.[xlvii] Not to mention China. The sheer size of the market was awe inspiring. Vodafone's strategic partner, China Mobile, alone had more than 150 million customers, but Vodafone only had a minuscule 3.27% stake in the company.[xlviii] For Vodafone, according to Alan Harper, this stake served as a:

> *"strategic foothold in a very important market with a relatively small scale investment. China Mobile is the fasted growing mobile company in the world today, connecting about 2-3 mn customers a month. It has 70% of the Chinese market share. Vodafone clearly understands that China Mobile can never become Vodafone China. That is a reality due to investment options and quasi-political situation of Chinese mobile telephony market. Knowing all this we still invested in China mobile because we feel that with this we have a We learn everyday from China Mobile and our intention is to have regular knowledge flow between Vodafone and China Mobile. This is because our strategy is to make the technology standardized so that the learning between us is much faster…Our investment in China mobile is through China Mobile HK. We have a clear exit strategy with liquid assets, if our investment does not do well in the future. If it does well, we might think of increasing our foothold but not to a sizeable extent. We are happy to have a foothold in one of the largest and fastest growing markets of the world, with our investment we have an insider position, we have a position of influence with the operator, with the Chinese government, we have seat on the board, we have regular dialogue and our interest is to make China use the same technology as ours so that we can benefit from the scale and scope."*

At the same, significant business risks lurked in all markets and Arun Sarin was well aware of them. In 2006, the merger of AT&T with Bellsouth Corp. had put pressure on Verizone Wireless to buy off Vodafone and force it to exit the US market. The introduction of 3G, which had a very promising start in Germany with good sales of mobile connect cards, might shift the focus of the whole industry away from networks to content. Revenue from voice traffic was flat or even declining due to competing technologies like Internet calling which was fundamentally changing the telecom industry. Sarin knew that most of the growth would have to come from new data services. Competitors had also begun to get their feet on the ground again, with rumors about a merger between MMO2's German operations (O2 Germany) and KPN's E-Plus.

Nokia had just presented its first WiFi-powered phone that did not need the traditional mobile network but a wireless LAN hotspot. If this technology should become popular, it would undermine Vodafone's current business model and could turn billions of fixed assets into worthless electronic scrap.[xlix]

At the beginning of 2006, Arun Sarin made some tough decisions. He faced up to slowing growth in his core market by unveiling an impairment charge of £23bn to £28bn ($40 billion to $49 billion) and exited the Japanese market by selling its stake to Tokyo-based Softbank in a deal valued at $15.4 billion and confirmed that after the sale it would return $10.5 billion to its shareholders. Vodafone had trailed behind NTT DoCoMo and KDDI since its 2001 entry into Japan, due to fickle consumers, the lack of a low-end tier in the segment, and the challenge of coordinating terminals and technologies across borders. He managed to tighten his grip on the company and put down a boardroom revolt that had questioned his leadership. He not only won a public expression of support from Lord Ian MacLaurin, the company's chairman, but he also forced out Sir Christopher Gent, the honorary life president and former chief executive.

Arun Sarin thought Vodafone could have the best of two worlds. Now it was the time to combine Vodafone's superior skills in acquiring companies with best-of-breed business integration and operational capabilities. He could ensure Vodafone's exceptional profitability for many years to come by keeping Vodafone a wireless company to the core and also use innovations such as broadband wireless technology known as WiMAX, to offer new services. It was now up to him to shape Vodafone's future.

Appendix I

The Economics of the Mobile Phone Market: The Role of Fixed Costs

The mobile phone market was characterized by extremely high fixed costs. The setting up of a nation-wide network could require significant investments running into billions of euros.[l] Usually, an operator did not have the choice to offer network coverage limited to metropolitan areas (which would dramatically reduce the scale of initial investment required), either because of regulation prohibiting such a selective offer, or simply because national coverage was a key success factor for literally "mobile" customers.

In some countries, the licenses to operate using a certain bandwidth cost as much as €8 billion (the record price each operator in Germany paid for its UMTS license to the government), adding huge financing charges to the already existing fixed costs.[li] However, once capacity was installed, the cost of an additional customer using the network was virtually zero, while every euro of revenue adds to the companies' bottom line. An installed and running network was a foundation for reaching very high operating margins. Vodafone, for example, estimates that once the initial investments had been made, less than ten percent of revenues were needed to maintain the network.[lii] Even the marketing campaigns also benefited from the economies of scale: the larger an operator's customer base, the lower its per-user cost of such advertising efforts.

Much of the costs described here were not only fixed, but also sunk, further aggravating the problem of price pressure. The investment into network could hardly be sold to anybody else (because of differing technological standards) and hence the initial cost was "sunk". Companies realize that they cannot undo their decision to invest, because the infrastructure is already there – it is rational for companies to act as if their initial investment was zero.

The existence of high fixed costs explained the periodic price wars that had driven prices down ever since mobile telecommunications started. Some operators had begun offering free calls or flat rates during the weekend (when capacity utilization was at the lowest). Usually, it was the smaller operators and the new market entrants who offered lower prices to reach as quickly as possible a critical mass. In Germany, which had one of the largest markets for mobile telephony with more than 60 million customers and a high population density, the threshold for an acceptable return on investment was estimated to be around 20% of the total market share, which had neither been attained by O2 (a subsidiary of MMO2) nor by E-Plus (KPN).

The economics of the market necessitated that there were no more than three or four operators in a country (refer **Exhibit 7**). In Germany, Mobilcom and Quam never reached the critical size and had to exit the market in 2003 and 2002, respectively, writing off their individual investments of €8bn each in 3G licenses.[liii]

Growth for a mobile phone company had so far mainly come from increased penetration, which stood around 80% (e.g., Germany: 74%) in most mature markets. With new customers becoming increasingly rare (refer to **Exhibit 8** for customers by country of Vodafone), operators were constantly searching for new sources of revenues and had introduced text messaging and other basic value-added services, such as downloadable ringtones and logos.[liv] The standard measure in the industry to measure the quality of the customer base was the Average Revenue Per User (ARPU).[lv]

As the new 3G networks (third generation, enabling high-speed data transmission) go online, available capacity will take another quantum leap with unpredictable consequences for pricing. There seem to be promising opportunities to concentrate on the huge market for fixed line telephony. Not surprisingly, there was a clear relation between per minute price of a call and the average amount of cell phone usage. Conversely, there was no relation between the ARPU and the average price per minute charged, which indicated that customers substituted their fixed line minutes with cell phone minutes whenever a price drop occurs. In other words, the increased quantity usually compensated the operator for the lower revenue per minute (refer to **Exhibit 9**).

Another key performance indicator that had attracted management attention in recent years was the so-called "churn rate", a percentage of the customer base being lost to competitors each year. In competitive markets with high handset subsidies, churn rates of operators could be anywhere between 19% (Germany) and 30% (UK).[lvi] In other words, on average after three to five years, an operator had churned its entire customer base! These churn rates carried high costs for the operators, because they had to spend heavily mainly on marketing and handset subsidies to attract new customers and to retain the old ones. Customer acquisition costs easily exceeded 100€ per new customer or make up to 12.4% of service revenue (figure for Vodafone Germany).[lvii] If an operator added low value customers (i.e. those with a low monthly ARPU), it could take many months until the operator could break even on a customer.

Exhibits

Exhibit 1: Vodafone share price since 2001, in pence.

Source: http://finance.yahoo.com

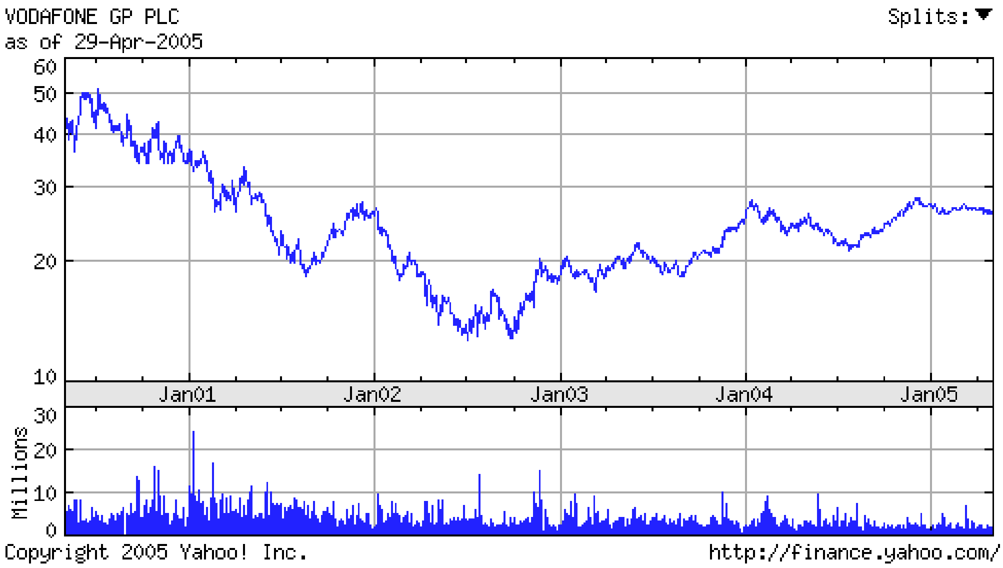


Exhibit 2: Vodafone Key Financials 1995-2004

Source: Company Annual Reports

For the financial year ended 31 March	Turnover (in £m)	Profit (loss) for the financial year (after taxation, in £m)	Net cash inflow from operating activities (in £m)	Dividends per share (pence)	Registered proportionate customers (in thousands)
1995	1,153	238	386	3.34p	2,073
1996	1,402	311	615	4.01p	3,035
1997	1,749	364	644	4.81p	4,016
1998	2,408	419	886	5.53p	5,844
1999	3,36	637	1,045	3.77p	10,445
2000	7,873	487	2,510	1.34p	39,139
2001	15,004	(9,763)	4,587	1.40p	82,997
2002	22,845	(16,155)	8,102	1.47p	101,136
2003	30,375	(9,819)	11,142	1.70p	119,709
2004	33,559	(9,015)	12,317	2.03p	133,421

Group turnover for the year ended 31 March 2003, in £m, by geographic region

Source: Adapted from Company Annual Report 2003

	2003	**2002**
Mobile telecommunications:		
Northern Europe	6,057	
Central Europe	4,775	
Southern Europe	8,051	
Americas	5	
Asia Pacific	8,364	
Middle East and Africa	290	
= Total mobile operations	**27,542**	**20,742**
Other operations:*		
Europe	854	
Asia Pacific	1,979	
= Total group turnover	**30,375**	22,845

* "Other operations" mainly include the results of the group's interests in fixed line telecommunications businesses in Germany (Arcor), France (Cegetel) and Japan (Japan Telecom). The turnover figure for the Americas does not include the 45% stake in Verizon Wireless (U.S.).

Exhibit 3: Strategic Intent of Vodafone

(Source: Company website)

The Company had maintained a strategy of focusing on global mobile telecommunications and providing network coverage to allow its customers to communicate using mobile products and services. The Company's strategy was increasingly focused on revenue growth and margin improvement from providing enhanced services to its customer base. This growth strategy had three principal components:

- to grow voice and data revenues through an increased marketing focus on our established high quality customer base;
- to extend our operational leadership of the industry through maximizing the benefits of scale and scope, through the use of partner network agreements, by increasing equity interests in businesses where the Group had existing shareholdings and by promoting the Vodafone brand; and
- to extend service differentiation, investing in delivering Vodafone branded, easy to use, customer propositions for mobile voice and data.

Where appropriate, and if circumstances allow, the Company may also make further acquisitions or disposals of businesses.[lviii]

Exhibit 4(a): Vodafone's executive and non-executive directors

(Source: Company website)

As of July 30, 2005, Vodafone had six executive directors and eight non-executive directors, including the Chairman, Lord MacLaurin.

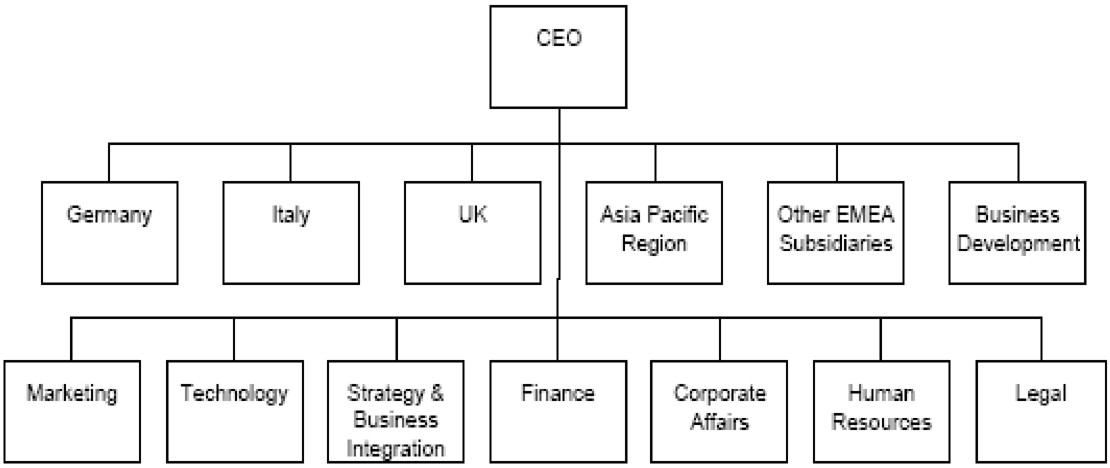
- **Lord MacLaurin of Knebworth,** *Chairman*:
- **Paul Hazen,** *Deputy Chairman and Senior Independent Director*
- **Arun Sarin**, *Chief Executive*: (***Indian-born*** and raised, graduated from the Indian Institute of Technology), but now American citizen. Former Chief Executive Officer for the United States and Asia Pacific region until April 15, 2000, when he became a non-executive director. Former director of AirTouch from July 1995 and President and Chief Operating Officer from February 1997 to June 1999. Appointed Chief Executive on 30 July 2003.
- **Peter R. Bamford**, *Chief Marketing Officer*
- **Thomas Geitner,** *Chief Technology Officer*
- **Julian M. Horn-Smith,** *Group Chief Operating Officer*
- **Kenneth J. Hydon**, *Financial Director*
- **Sir John Bond**
- **Dr. Michael J. Boskin**
- **Professor Sir Alec Broers**
- **Dr. John Buchanan**
- **Penelope L. Hughes**
- **Sir David Scholey, CBE**
- **Professor Jürgen Schrempp**
- **Luc Vandevelde**

Exhibit 4(b): Vodafone's executive and non-executive directors

- **Arun Sarin**, Chief Executive
- **Sir Julian Horn-Smith**, Deputy Chief Executive
- **Ken Hydon**, Financial Director
- **Peter Bamford**, Chief Marketing Officer
- **Thomas Geitner**, Chief Technology Officer
- **Jürgen von Kuczkowski**, Chief Executive Germany
- **Pietro Guindani**, Chief Executive Italy
- **Bill Morrow**, Chief Executive United Kingdom
- **Paul Donovan**, Regional Chief Executive
- **Brian Clark**, Chief Executive Asia Pacific and Group Human Resources Director Designate
- **Shiro Tsuda**, Chief Executive Japan
- **Alan Harper**, Group Strategy and Business Integration Director
- **Phil Williams**, Group Human Resources Director*
- **Stephen Scott**, Group General Counsel and Company Secretary
- **Simon Lewis**, Group Corporate Affairs Director

Exhibit 5: Board Changes and New Organizational Structure as of January 2005

(Source: Company website)



Vodafone Group Plc ("Vodafone") announces Board changes and a new organisational structure which will enable continued improvement in the delivery of the Group's strategic goals. This structure will become effective as from 1 January 2005.
The new organization is designed to:

- Focus more attention on customers in Vodafone's local markets;
- Enhance Vodafone's ability to deliver seamless services to corporations;
- Facilitate co-ordinated delivery of 3G across all markets;
- Function as an integrated company, delivering on One Vodafone; and
- Simplify decision-making, accountabilities and governance structures to speed up execution

Vodafone will simplify its existing regional structure with major countries and business areas reporting into the Chief Executive. All first line management functions in the Operating Companies will have a dual reporting line to the respective functions at Group level.
Arun Sarin, Chief Executive said: "We are creating an organization that is better positioned to respond to the high expectations of our customers. Faster execution will enable us to extend our lead within the mobile industry and deliver the benefits to our customers, our employees and our shareholders."

Main Board Appointments
Sir Julian Horn-Smith will be appointed Deputy Chief Executive with effect from 1 January 2005. Vodafone separately announces that Andy Halford has been appointed Financial Director Designate. Andy will succeed Ken Hydon when he retires on 26 July 2005.

Operating Company Structure
Vodafone's operating company structure will be streamlined to ensure effective and fast decision-making, enabling improved time to market across a number of business initiatives.

Consequently, the following operating companies and business areas will report directly into the Chief Executive:

- European Affiliates (Belgium, France, Poland, Romania and Switzerland) and Non-European Affiliates (China, Fiji, Kenya, South Africa and United States), led by Sir Julian Horn-Smith;
- Germany, led by Jürgen von Kuczkowski;
- Italy, led by Pietro Guindani;
- United Kingdom, led by Bill Morrow;
- Other EMEA Subsidiaries (Albania, Egypt, Greece, Hungary, Ireland, Malta, Netherlands, Portugal, Spain and Sweden), led by Paul Donovan;
- Asia Pacific (Australia, Japan and New Zealand), led by Brian Clark who will also be appointed Group Human Resources Director Designate

Vodafone's Group functions will be strengthened to support the delivery of seamless global propositions and Vodafone's continued integration. The following functions will also report directly into the Chief Executive:

- Marketing, led by Peter Bamford, the Chief Marketing Officer. This function will be reinforced by a newly created Multi National Corporates unit which will assume full accountability for serving Vodafone's global corporate customers. Group Marketing will also manage the global handset portfolio and procurement;
- Technology, led by Thomas Geitner, the Chief Technology Officer. In addition to standardized network design and global supply chain management, this function will introduce the concept of shared service operation for IT and service delivery;
- Business Development, a new function led by Sir Julian Horn-Smith. Sir Julian will be responsible for driving Vodafone's product and services portfolio into Vodafone's affiliates and the Partner Networks. In addition, this function will assume responsibility for expanding and consolidating Vodafone's footprint through the Partner Network programme and any Corporate Finance activities

New Governance Structure

Vodafone also announces changes to its governance process. The Group will have two management committees which will oversee the execution of the Main Board's strategy and policy.

- The Executive Committee

  Chaired by Arun Sarin, this committee will focus on the Group's strategy, financial structure and planning, succession planning, organizational development and Group-wide policies.
- The Integration and Operations Committee

  Chaired by Arun Sarin, this committee will be responsible for setting operational plans, budgets and forecasts, product and service development, customer segmentation, managing delivery of multi-market propositions and managing shared resources.

Exhibit 6: Vodafone's Vision & Values

(Source: Company website)

We have one vision and a set of values that underpins everything we do. Both our vision and our values were shared throughout the global organization.

Our vision

To be the world's mobile communications leader – enriching customers' lives, helping individuals, businesses and communities be more connected in a mobile world.

- Our customers use mobile communications to make their lives richer, more fulfilled, more connected. They will prefer Vodafone because the experience of using Vodafone will be the best they can find.
- We will lead in making the mobile the primary means of personal communications for every individual around the world.
- Through our leadership, our scale, our scope and our partnerships, we will bring online mobile services to the world.

Our values

Passion for customers

Our customers have chosen to trust us. In return, we must strive to anticipate and understand their needs and delight them with our service.

- We value our customers above everything else and aspire to make their lives richer, more fulfilled and more connected.
- We must always listen and respond to each of our customers.
- We will strive to delight our customers, anticipating their needs and delivering greater quality and more value, faster than anyone else.

Passion for our people

Outstanding people working together make Vodafone exceptionally successful.

- We seek to attract, develop, reward and retain outstanding individuals.
- We believe in empowerment and personal accountability.
- We enjoy what we do.
- We believe in the power of our teams.

Passion for results

We were action-oriented and driven by a desire to be the best.

- We were committed to be the best in all we do.
- We all play our part in delivering results.
- We seek speed, flexibility and efficiency in all we do.

Passion for the world around us

We will help people of the world to have fuller lives – both through the services we provide and through the impact we have on the world around us.

- We recognize the responsibilities that accompany the growth we have achieved.
- We will be a force for good in the world.
- A spirit of partnership and mutual respect was critical in all our activities.

Exhibit 7: Vodafone's subsidiaries, partners and investments around the globe

Source: Adapted from corporate website (www.vodafone.com), accessed on March 10, 2004

Country	Service name:	Ownership (%):	Subsidiary (S), Associate (A) or Partner (P):	Proportionate customers (1000s):	No. of competitors:
		Europe			
Albania	Vodafone Albania	83.0	S	472 (31 Dec 2003)	1
Austria	A1	n/a	P	n/a	n/a
Belgium	Proximus	25.0	A	1,067 (31 Mar 2003)	2
Croatia	VIP	n/a	P	n/a	n/a
Cyprus	Cytamobile	n/a	P	n/a	n/a
Denmark	TDC Mobil	n/a	P	n/a	n/a
Estonia	Radiolinja	n/a	P	n/a	n/a
Finland	Radiolinja	n/a	P	n/a	n/a
France	SFR	43.9	A	5,931 (30 Jun 2003)	2
Germany	Vodafone Germany	100.0	S	24,668 (31 Dec 2003)	3
Greece	Vodafone Greece	98.2	S	2,373 (30 Jun 2003)	2
Hungary	Vodafone Hungary	87.9	S	1,170 (31 Dec 2003)	2
Iceland	Og Vodafone	n/a	P	n/a	n/a
Ireland	Vodafone Ireland	100	S	1,871 (31 Dec 2003)	2
Italy	Vodafone Italy	76.8	S	15,852 (31 Dec 2003)	3
Lithuania	Bitė GSM	n/a	P	n/a	n/a
Luxembourg	LUXGSM	n/a	P	n/a	n/a
Malta	Vodafone Malta	100.0	S	162 (31 Dec 2003)	1
Netherlands	Vodafone Netherlands	99.8	S	3,400 (31 Dec 2003)	4
Poland	Plus GSM	19. Jun	A	949 (31 Mar 2003)	2
Portugal	Vodafone Portugal	100.0	S	3,332 (31 Dec 2003)	2
Romania	Connex	20. Jan	A	537 (31 Mar 2003)	3
Slovenia	Si.mobil	n/a	P	n/a	n/a
Spain	Vodafone Spain	100.0	S	9,685 (31 Dec 2003)	2
Sweden	Vodafone Sweden	99.1	S	1,409 (31 Dec 2003)	3
Switzerland	Swisscom Mobile	25.0	A	3,635 (31 Mar 2003)	3
United Kingdom	Vodafone Group	n/a	n/a	n/a	n/a
United Kingdom	Vodafone UK	100.0	S	13,947 (31 Dec 2003)	4
		Americas			
United States	Verizon Wireless	44.3	A	16,638 (31 Dec 2003)	Various
		Africa and Middle East			
Bahrain	MTC-Vodafone Bahrain	n/a	P	n/a	n/a
Egypt	Vodafone Egypt	67.0	S	1,838 (31 Dec 2003)	1
Kenya	Safaricom	35.0	A	303 (31 Mar 2003)	1
Kuwait	MTC-Vodafone	n/a	P	n/a	n/a
South Africa	Vodacom	35.0	A	2,756 (31 Mar 2003)	2
		Asia Pacific			
Australia	Vodafone Australia	100.0	S	2,676 (31 Dec 2003)	4
China	China Mobile (Hong Kong) Ltd	3.3	Investment	4,048 (31 Mar 2003)	2
Fiji	Vodafone Fiji	49.0	A	44 (31 Mar 2003)	None
Japan	Vodafone K.K. (Japan)	69.7	S	10,268 (31 Dec 2003)	3
New Zealand	Vodafone New Zealand	100.0	S	1,527 (31 Dec 2003)	1
Singapore	M1	n/a	P	n/a	n/a

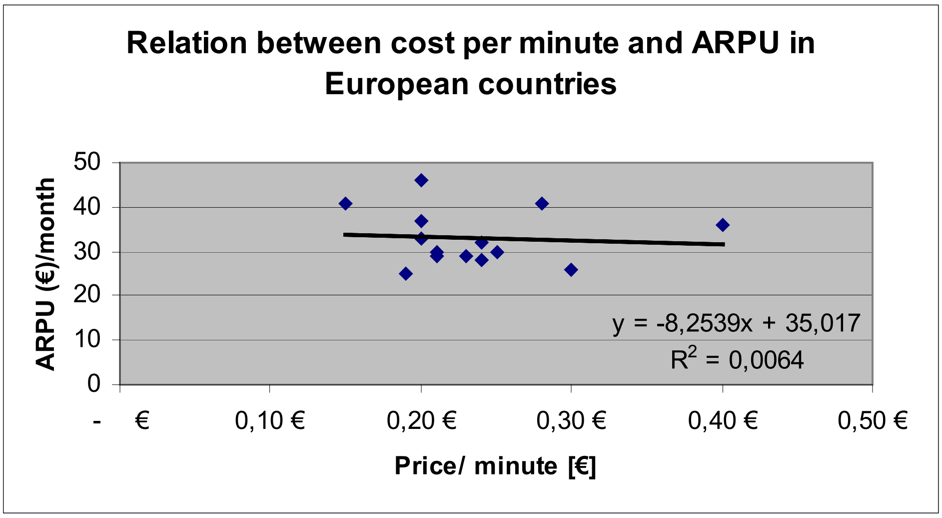
Exhibit 8: Customers by country (in '000s), as of June 30, 2003

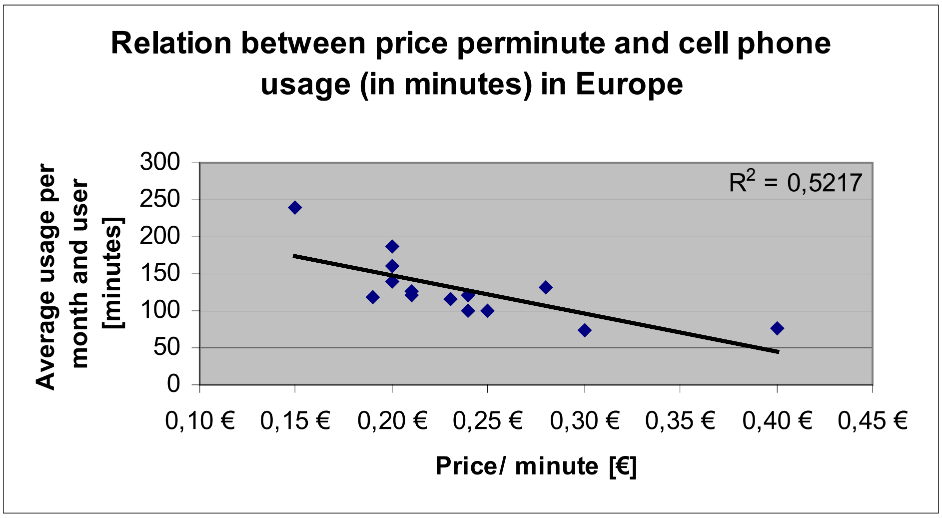
(adapted from Interim Report November 2003)

Country	Customers
UK	13,313
Ireland	1,765
Germany	23,261
Hungary	952
Netherlands	3,312
Sweden	1,331
Italy	15,044
Albania	364
Greece	2,373
Malta	126
Portugal	3,129
Spain	9,184
United States	15,332
Japan	10,035
Australia	2,593
New Zealand	1,349
Egypt	1,609
Others	17,614
Group Total	122,686

Exhibit 9: The relationships between per minute prices and ARPU in European countries

(Source: Own analysis based on data by Merrill Lynch, Diamond Cluster; published in the Frankfurter Allgemeine Zeitung, October 27, 2003, p. 21)





Countries included in this sample: Belgium, Germany, Netherlands, Spain, Greece, Austria, Sweden, Italy, Denmark, France, Ireland, UK, Portugal and Finland.

[i] The scenario described herein was fictional. However, all data relating to the AT&T Wireless deal was factual: Financial Times Deutschland, February 17, 2004, www.ftd.de
[ii] Financial Times Deutschland, February 12, 2004, www.ftd.de
[iii] Financial Times Deutschland, February 17, 2004, www.ftd.de
[iv] Equal to Christopher Gent's compensation as reported in the Company Annual Report 2003. This figure does not include stock options and performance-based pay.
[v] Source: Corporate website http://www.vodafone.com/, data current as of December 31, 2003
[vi] Source: Yahoo! Finance, http://finance.yahoo.com, March 13, 2004
[vii] Annual Report 2003, available at www.vodafone.com
[viii] Interim Results for the Six Months to 30 September 2003, published November 18, 2003; available at www.vodafone.com
[ix] Company Annual Report 2004.
[x] Source: This historic overview follows information provided at http://www.vodafone.com/, accessed on March 5, 2004.
[xi] www.vodafone.com
[xii] Reportedly, Sir Gent closed the deal with AirTouch via his cell phone from Australia, where he was watching a game of cricket: The Independent (London), January 17, 1999: "Vodafone's boss realises long-held ambition with the acquisition of AirTouch".
[xiii] Financial Times Deutschland, February 17, 2004, www.ftd.de
[xiv] A chronology of the takeover battle was provided at http://www.manager-magazin.de/unternehmen/artikel/0,2828,242161-2,00.html.
[xv] "A New Voice at Vodafone", The Economist; August 2, 2003, Vol. 368
[xvi] Interim Results for the Six Months to 30 September 2003, published November 18, 2003; available at www.vodafone.com
[xvii] "Vodafone Starts Wireline Attack, First In Germany", Dow Jones International News; March 10, 2005.
[xviii] Ibid.
[xix] "Keeping pole position", Total Telecom Magazine, August 2003
[xx] Ibid.
[xxi] www.vodafone.com
[xxii] With Australia and Japan being notable exceptions.
[xxiii] Quoted in "Vodafone dominance tipped to keep rolling"; Utility Week, January 31, 2003
[xxiv] "A new Voice at Vodafone", The Economist; August 2, 2003, Vol. 368
[xxv] "A new Voice at Vodafone", The Economist; August 2, 2003, Vol. 368
[xxvi] Presentation to analysts and investors on September 27, 2004, available at www.vodafone.com
[xxvii] www.vodafone.de and www.vodafone.com
[xxviii] Ibid, p.8
[xxix] Press release on June 23, 2003, available at www.vodafone.com
[xxx] www.vodafone.com
[xxxi] Ibid.
[xxxii] Interim Results for the Six Months to 30 September 2003, p. 16
[xxxiii] According to the "Key Performance Indicators" for the quarter ended December 31,2003; released on January 28, 2004; available at www.vodafone.com, Vodafone live! had over 4.5 million customers in 15 countries as of November 13, 2003.
[xxxiv] "Keeping pole position", Total Telecom Magazine, August 2003
[xxxv] Ibid.
[xxxvi] "A new Voice at Vodafone", The Economist; August 2, 2003, Vol. 368
[xxxvii] "Where Does Vodafone Turn Now?" Business Week Online; February 18, 2004. "Keeping pole position", Total Telecom Magazine, August 2003, quotes £564 million as cash dividend in financial year 2002/2003, equivalent to 11% of Vodafone's free cash flow. This arrangement expires in April 2005.
[xxxviii] "Where Does Vodafone Turn Now?" Business Week Online; February 18,2004
[xxxix] "Keeping pole position", Total Telecom Magazine, August 2003
[xl] Bob House of Adventis, a consultancy, quoted in: "Vodafone's dilemma", The Economist, Feb 12, 2004
[xli] Annual Report 2003
[xlii] Laurent Balcon quoted in: "Keeping pole position", Total Telecom Magazine, August 2003

[xliii] "Clear as mud: Vodafone versus Vivendi" The Economist; December 7, 2002
[xliv] Euromoney, Nov 2003, Vol. 34 Issue 415
[xlv] "Clear as mud: Vodafone versus Vivendi" The Economist; December 7, 2002
[xlvi] www.Vwd.de Vereinigte Wirtschaftsdienste GmbH, February 26, 2004
[xlvii] According to a Vodafone press release on March 15, 2005, the Group paid approximately US$3.5bn in cash for the transaction and thus could add 6.7m customers.
[xlviii] Annual Report 2004, p. 8.
[xlix] "Nokia takes leap into Wi-Fi Phones", Wall Street Journal Europe, February 23, 2004
[l] Vodafone for example had £24.1 bn as gross fixed assets in its balance sheet, 83% of which were accounted for by network infrastructure. Annual Report 2003, p. 90.
[li] "Vodafone prescht im Rennen um UMTS-Einführung vor", Handelsblatt, February 13/14, 2004
[lii] Annual Report 2003, p. 94
[liii] "Vodafone prescht im Rennen um UMTS-Einführung vor", Handelsblatt, February 13/14, 2004
[liv] In some instances, these new services already generate up to 20% of revenues. Ibid.
[lv] For example, Vodafone's ARPU in the UK was £297 and 312€ in Germany for the year, according to the "Interim Results for the Six Months Ended September 30, 2003"; available at www.vodafone.com
[lvi] Data for Vodafone, which can be considered as representative for the industry. Ibid.
[lvii] Ibid.
[lviii] www.vodafone.com