SK Telecom Strategy in a New Competitive Landscape
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I. Telecom Sector Paradigm Shift

LTE market continues to show strong growth. But the focus is shifting to developing the next growth driver

1. **LTE data usage**
   - Mobile data usage by LTE subscribers have increased
     - Unlimited LTE price plans launched in April have increased data usage and ARPU

2. **Maturing LTE market**
   - LTE marketing is starting to mature
     - Market penetration exceeded 60% in 3Q14
     - Early LTE adopters maturing in their contracts

3. **Stable subsidy competition**
   - Increased focus on retention in 2H14
     - Differentiated price plans, membership benefits and other service offerings
     - Strategies leveraging its competitive advantages such as, network and media to bundle subscribers

4. **Expanding scope to adjacent sectors**
   - Exploring new growth business frontiers in adjacent sectors; IPTV, solution and IoT
     - Inline with government policy to grow the ICT ecosystem
I. Telecom Sector Paradigm Shift

Market players to show heightened interest on data intensive new growth businesses and to shift attention to improving mobile operations

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- **Value shift: Operator**
  - Increasing array of mid/low-end handsets
  - Reduced “WOW” impact of smartphones

- **Today: connected devices, Tomorrow: IoT**
  - Connected device - watches, speakers, projectors and cameras
  - Securing that competitive edge in a still embryotic and fragmented IoT market populated by platform, SI, tech and telco companies

- **Continued mobile data growth**
  - Provisioning of ample network capacity through timely and efficient investments

- **Create operational capacity and efficiency to take on new growth businesses**

2015 Outlook

- **Shift from subsidy to service and benefit oriented marketing**
- **Diversifying handsets lineup; mid/low-end and foreign handsets**

- **Expand into media sector – IPTV**
- **Select target businesses – Solution, IoT, healthcare**

- **Expanding mobile-based business applications**
- **Secure competencies in ICT**

- **Provisioning of ample network capacity through timely and efficient investments**

- **Create operational capacity and efficiency to take on new growth businesses**
I. Telecom Sector Paradigm Shift

Back to basic mobile strategy focused on products and services, lends to more stable and cost-efficient competitive landscape

- Subsidy, primary tool focused on acquiring new and MNP subscribers
  - Lower subsidy for upgrading subscribers
- Subsiders selection criteria skewed to subsidy level; extended period of highly tense market conditions

- Subsidy, no longer a key differentiating factor
  - Same subsidy for new and upgrading subscribers
- Mode of competition reverting back to product/services
SK Telecom’s (“SKT”) market advantage to widen as the new mobile landscape magnifies its core competencies

Ⅱ. SK Telecom in 2015

SK Telecom’s (“SKT”) market advantage to widen as the new mobile landscape magnifies its core competencies

Retention Strategy

Solidify customer base with differentiated products

Optimized offerings based on big data analysis

28mn subscribers

Churn rate

SKT’s competitive edge

competitors

1. Average churn rate of competitors
SK Telecom will reset the benchmark for leadership in retention with its compelling bundled services and membership benefits that are cut above the competition.

**Ⅱ. SK Telecom in 2015**

**Retention Strategy**

- **Bundled Plan**
  - "Expand bundled subscribers"
  - **T Family Point** (Nov. ’14)
    - Offered exclusively to bundled subscriber
    - Accumulate point for handset purchases
  - **Family Free (’10), Good Family Discount (’14), etc.**
  - **Bundled subs’ churn rate c. 1% pt. lower vs. non-bundled subs**

- **Membership**
  - "Strengthen loyalty"
  - **Expand membership benefits** (Oct. ’14)
    - 50-70% off on theme parks and dining
    - 11st, Chocolate, Daily Shocking deal (up to 70% disc.)
  - **Practical benefits, including restaurants, entertainment, shopping and leisure**
  - **Customers with memberships show 30% lower churn - 10 mn subscribers** (Nov. ’14)
Retention strategy reinforced by killer platforms and expertise in quality network provisioning

**Service**

“Killer Platform”

**N/W**

“Exemplary network quality & tech”

- **T Map**: Real-time navigation solution
  - Korea’s #1 navigation app.
  - Recognized by ITU in minimizing carbon footprint
    - Reduce carbon emission by 12.6% and fuel consumption by 11.9%
- **T Phone**: Platform adapts to usage patterns and user location to enhance convenience
  - B2B monetization planned, 4 mn users (Nov. ’14)

- **At the leading edge of network leadership**
  - #1 in MSIP* quality tests for 12 consec. yrs
  - GSMA award for Outstanding LTE Contribution (’13~’14)
  - Expect to deploy 3-band (300mbps) LTE-A in yr-end ’14
    - World first commercial LTE-A (150mbps) and wideband LTE-A (225mbps)

* MSIP: Ministry of Science, ICT and Future Planning
ARPU to maintain an upward slope as advances in network speeds and attractive services drive data consumption

**II. SK Telecom in 2015**

*ARPU*

- Growth in ARPU
  - Data demand increasing
  - New services increasing ARPU
    - **Club T** Premium/Standard
      - LTE 80K and/or above
    - **T Outdoor**
      - Multi-devices
      - More than 20,000 subscribers (launched in Nov.)
    - **T Kids**
      - Target Pre-schoolers
      - Long-term ARPU cultivation

**LTE data consumption and billing ARPU**

- Avg. data/LTE sub
  - 2.1 GB (13.1Q) to 3.0 GB (Oct.)
  - 2.2 GB (13.3Q) to 2.9 GB (14.2Q)
  - 2.6 GB (14.2Q)

- Oct.
  - 3.0 GB
Firm leadership in mobile business, and

1. Reinforce retention strategy
   ⇒ Leverage loyal base of 28 mn subscribers

2. Differentiated service centric offerings
   ⇒ Cost-effective services to improve profit outlook

3. Expanding based on high data consuming subscribers
   ⇒ ARPU growth

4. MVNO market expansion
   ⇒ Win-win partnership

growth through new businesses

Appcessory
Healthcare
Safety
Home
## Contact Info.

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