

NEW STRATEGY



Today, all players in the telecommunications industry are changing product strategies, going beyond traditional communication services to new markets, and the reason for this is a change in the consumer paradigm. Telecommunications operators have provided universal high-speed internet access, opening up unprecedented opportunities for creating new services, products and entire businesses, such as multifunctional messengers, mobile versions of social networks, online stores and many others. We strive to move in the same direction and have set ourselves the goal of creating a comprehensive system of products and services under a single brand that best meets the daily needs of each person. And to make sure that people do not want to leave our “ecosystem”, because it will not only be complete in terms of its set of services, but also convenient to use and for making calculations.

Aleksey Kornya,
President of MTS

Over the past few years, the MTS business has been built on the basis of its 3D strategy: Data. Digital. Dividends. This strategy, in its different variations, was aimed at a consistent shift in the emphasis of our business model from voice to data, and subsequently to digital services, while constantly increasing operational efficiency. We focused on building a digital landscape in the Company, which became the basis for digital services, as well as a tool for optimizing business processes. As a result, we have maintained a confident lead in the telecommunication market, which is fundamental for us, while ensuring a stable and constantly high level of dividend payments. We have also managed to form significant competencies in basic digital areas, such as Big Data and AI, and enter a number of related business areas: banking, media, entertainment, cloud services, etc.



In 2019, we developed and adopted a new strategy called Customer Lifetime Value 2.0 (CLV 2.0), aimed at building a full-fledged digital business on a sustainable telecommunications base.

The title means the following: At the center of our value proposition is the Customer, to whom we offer a wide range of digital services. We strive to extend the client's “Lifetime” as much as possible (Lifetime is the time, during which the client uses our services), creating and gradually strengthening emotional affection for the brand, and increasing the degree of satisfaction and customer loyalty. We focus on offering greater Value to the client and at the same time, we maximize the value that we will receive from the client in the long run. “2.0” symbolizes our transition from the ideology of operating in one market – telecommunications – (which we call “1.0”) to the idea of a digital service provider operating in diverse markets and offering a variety of products to meet the needs of customers in various areas of their lives in order to maximize

value (both for customers and for the Company) from the entire portfolio of services in the aggregate.

We are confident that going beyond the boundaries of the telecommunications business to new markets, for example, financial services and entertainment, with the functional support of such digital areas as Big Data and AI, will allow us to transform into a multi-service digital company. We will build up a portfolio of digital products based on our own developments, as well as by involving independent developers and service providers as partners. These mutually beneficial partnerships will allow us to bring more value to the lives of our customers, offering them more innovative, diverse and convenient services. In the near future, we plan to increase the number of partnerships, significantly expand the capabilities of our affiliate programs and become the best possible choice on the market for our potential partners, helping ensure that all participants in the process receive the greatest value.

The Russian digital service market is highly unique since local players in most segments who successfully compete with global giants occupy leading positions. This situation is down to a number of fundamental reasons, ranging from consumer preferences and language specifics to regulatory requirements and the structure of the borrowed capital market. This allows large Russian business groups, representatives of areas such as the banking sector, retail, high-tech sphere and telecommunications, to actively develop many business directions in the digital environment, relying on the ecosystem approach in their strategies. In our opinion, the Russian market is now entering a new period of competition for the share in expenses and attention of the client.

We are convinced of our own strong position for operating in this kind of competition. Our strong brand and deep customer knowledge, supported by powerful analytical tools based on Big Data and AI, will allow us to provide users with a seamless, deeply customized and personalized customer experience in a wide range of digital services. Even now, we are witnessing a significant synergistic effect from the joint offer of telecommunication, banking and media products, which allows us using marketing tools more efficiently and allows us to gain more and more knowledge about our clients. At the same time, clients using several types of services bring us more value, demonstrate a greater brand commitment, a higher level of loyalty, and a greater degree of satisfaction. The share

of these clients in our database is still relatively small, but demonstrates high growth rates.

In our opinion, the development of new areas outside of telecommunications over time will make an increasing contribution to the growth of our business and will have a positive impact on user loyalty across the entire spectrum of services. For us, the telecommunications segment is not only the main source of revenue and profits, but also the basis for further digital expansion. We aim to keep this part of our business in great shape, and provide a high level of service quality and operational efficiency. We intend to invest in telecommunications infrastructure at the necessary level to meet the expectations of our customers and ensure that our leading position in the Russian market remains unchanged.

Bringing the operating model to full compliance with the CLV 2.0 concept will take some time. In 2020, we plan to synchronize all the basic components necessary for functioning within the framework of the updated business model. In subsequent years, we intend to radically expand our portfolio of digital products and significantly increase the number of customers who are users of several of these services simultaneously. This will allow us to expand our customer base and increase our share in the customer's wallet, while at the same time increasing emotional brand affection and loyalty. We are confident that we will be able to successfully compete with other major Russian digital players and become one of the leaders of a future digital Russian economy.