THE GALLUP ORGANIZATION

ROMANIA

Quantitative Research Report On Fixed Telephony Market

• Business Sample •

Report prepared for:

ANRC

AUTORITATEA NATIONALA DE REGLEMENTARE IN COMUNICATII

Decembre 2006 – January 2007

CONTENTS

BACKGROUND INFORMATION AND OBJECTIVES

❑ Between October 2006 and January 2007, The Gallup Organization Romania carried out a market research on behalf of ANRC to analyse the trends in consumer behaviour for fixed telephony services in order to identify changes in specific retail market structure and behaviour as monitored by ANRC.

❑ The objectives of the market research were as follows:

- consumption pattern for fixed telephony services in companies
- which fixed telephony suppliers were used and barriers against switching between suppliers
- fixed telephony services and bundled services used and average monthly costs of such services
- brand recognition of fixed telephony services and their tariffs
- fixed telephony services selection criteria
- level of consumer satisfaction with used fixed telephony services
- fixed telephony consumer behavior to increase of tariffs

RESEARCH METHODOLOGY

- **Research target:** active companies in Romania (which submitted 2005 balance sheet and annual revenues > RON 0) and public institutions.

- **Total community**: 394.581 companies and institutions (376.611 companies and 17.970 public institutions).

- **Research interview target:** the person in charge with making decisions regarding suppliers of fixed telephony services.

- **Research sample:** 1099 companies and institutions which use fixed telephony services.

- **Sample type:** stratified probabilistic sample

- **Sampling:** representative sample selected according to two stratification criteria: number of employees and revenue in 2005. The sample was selected according to statistics supplied by Romanian Chamber of Commerce and Industry. The stratification process generated 25 cells. A number of companies / institutions were selected per each cell which was big enough to reach the research sample. The selection of companies was done in two phases. Two filters were used for Ministry of Finance database that includes companies in Romania as the first phase; the filters were built based on sampling criteria. The second phase included the selection of three times more companies than the established sample for each cell. Public institutions were selected at random, without a previous stratification of the database. All selected companies and institutions had a fixed phone line.

- **Field research:** November 8 – December 15, 2006.

RESEARCH METHODOLOGY

- The interviews were conducted by phone, with trained interviewers who used standard questionnaire. The interview last 14 minutes on average.

- The response rate for eligible companies (which meet the selection criteria):

Contacted companies	**5.974**
out of which: - no number / private household	**339**
- refusal to participate in the research	**1.549**
- non-eligible companies (above quota)	**1.325**
Eligible companies	**2.761**
- person in charge could not be reached	**102**
- refusal to participate in the research	**1.560**
Valid main questionnaires	**1.099**
Response rate for main questionnaire	**40%**

- The present report presents graphically the main results of this research.

SOCIO-DEMOGRAPHIC PROFILE OF THE SAMPLE

(N=1099)

Number of employees	N	%
1-2 employees	*509*	46.3
3-9 employees	*336*	30.6
10-49 employees	*185*	16.8
50-249 employees	*51*	4.6
250+ employees	*18*	1.6

Turnover in 2005	N	%
Institution	*65*	5.9
under 50.000 Euro	*657*	59.8
50.000 - 100.000 Euro	*95*	8.6
100.001 - 500.000 Euro	*177*	16.1
500.001 - 1 mil. Euro	*40*	3.6
over 1 mil. Euro	*65*	5.9

* reference: average exchange rate in 2005: 1 Euro = 3,62 RON

Field of activity (CAEN)	N	%
Institution	*65*	5.9
Agriculture, forestry	*16*	1.5
Industry	*167*	15.2
Construction	*92*	8.4
Trade	*303*	27.6
Services	*422*	38.4
Not mentioned	*34*	3.1

Regions of development	N	%
NORTH-EST	*151*	13.7
SOUTH-EST	*126*	11.5
SOUTH	*83*	7.6
SOUTH-WEST	*72*	6.6
WEST	*134*	12.2
NORTH-WEST	*194*	17.7
CENTRE	*140*	12.7
BUCUREŞTI	*199*	18.1

RESEARCH REPORT

I. Brand Recognition of Fixed Telephony Companies

Brand Recognition of Fixed Telephony Suppliers and Services

- Almost 60% of companies / institutions in Romania have heard about RDS/RCS as a fixed telephony supplier, while Astral/UPC registers half of the spontaneous recognition of RDS/RCS.

- Per area, brand recognition of the two fixed telephony suppliers is complementary. RDS/RCS has most recognition in South-West and West (78% and 72% respectively), and least recognition (under 50%) in North-East, South-East and South. Astral/UPC is mostly known in South-East and North-West areas (37%), while it is least known in South-West and Central areas.

- Zapp's brand recognition registered a 3% as a fixed telephony supplier, similar to Eufonika.

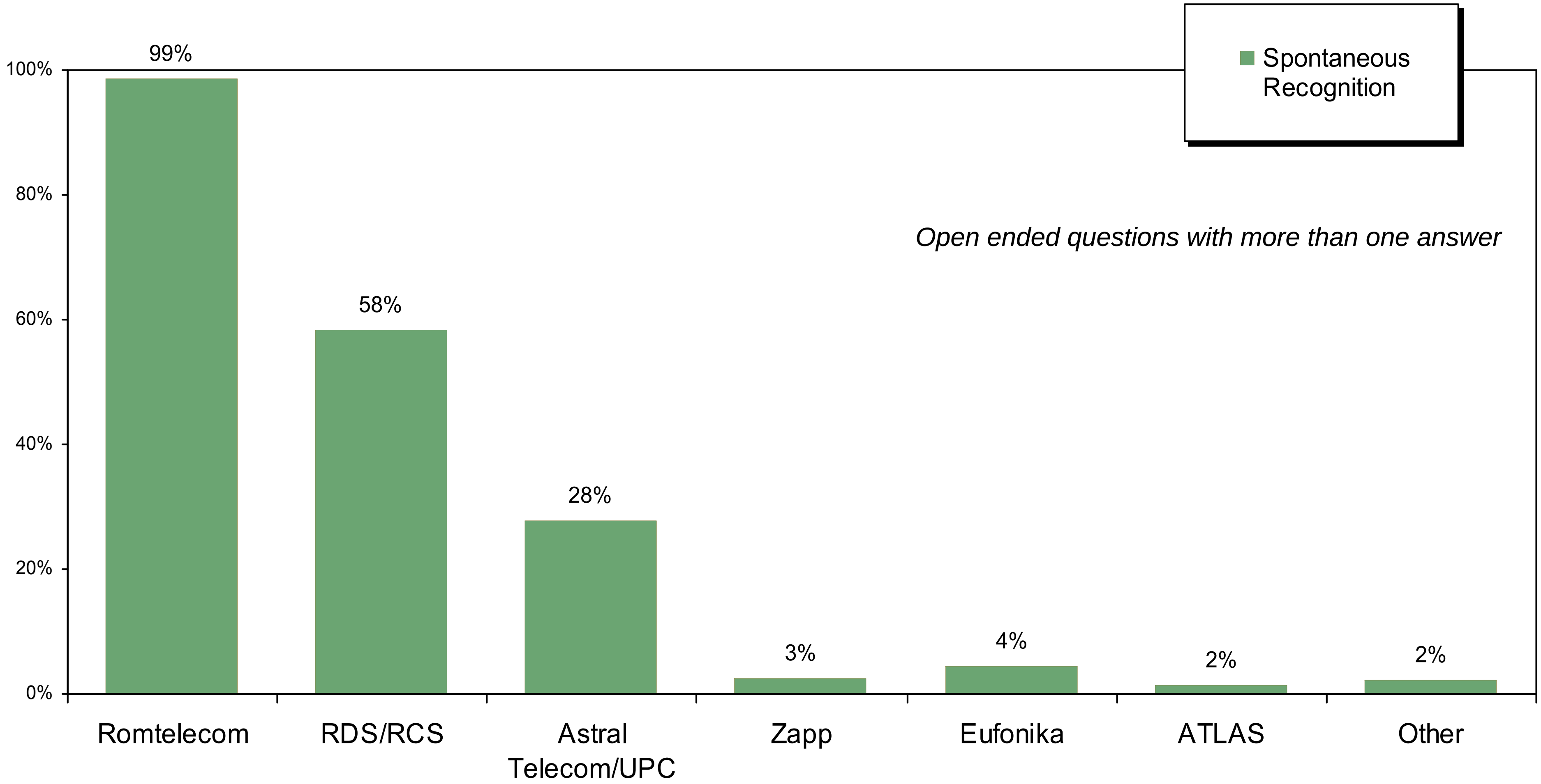
- 26% of companies and institutions know an alternative fixed telephony service via selection code and 40% know the alternative service via pre-paid cards. The Western and Central areas registered least recognition of either of the alternative services.

- 37% of companies and institutions state a good and very good level of awareness about alternative service offers for fixed telephony suppliers, while 20% indicate no awareness about these offers.

Spontaneous Brand Recognition of Classic Fixed Telephony Suppliers

Which companies that offer classic fixed telephony services in Romania do you know?

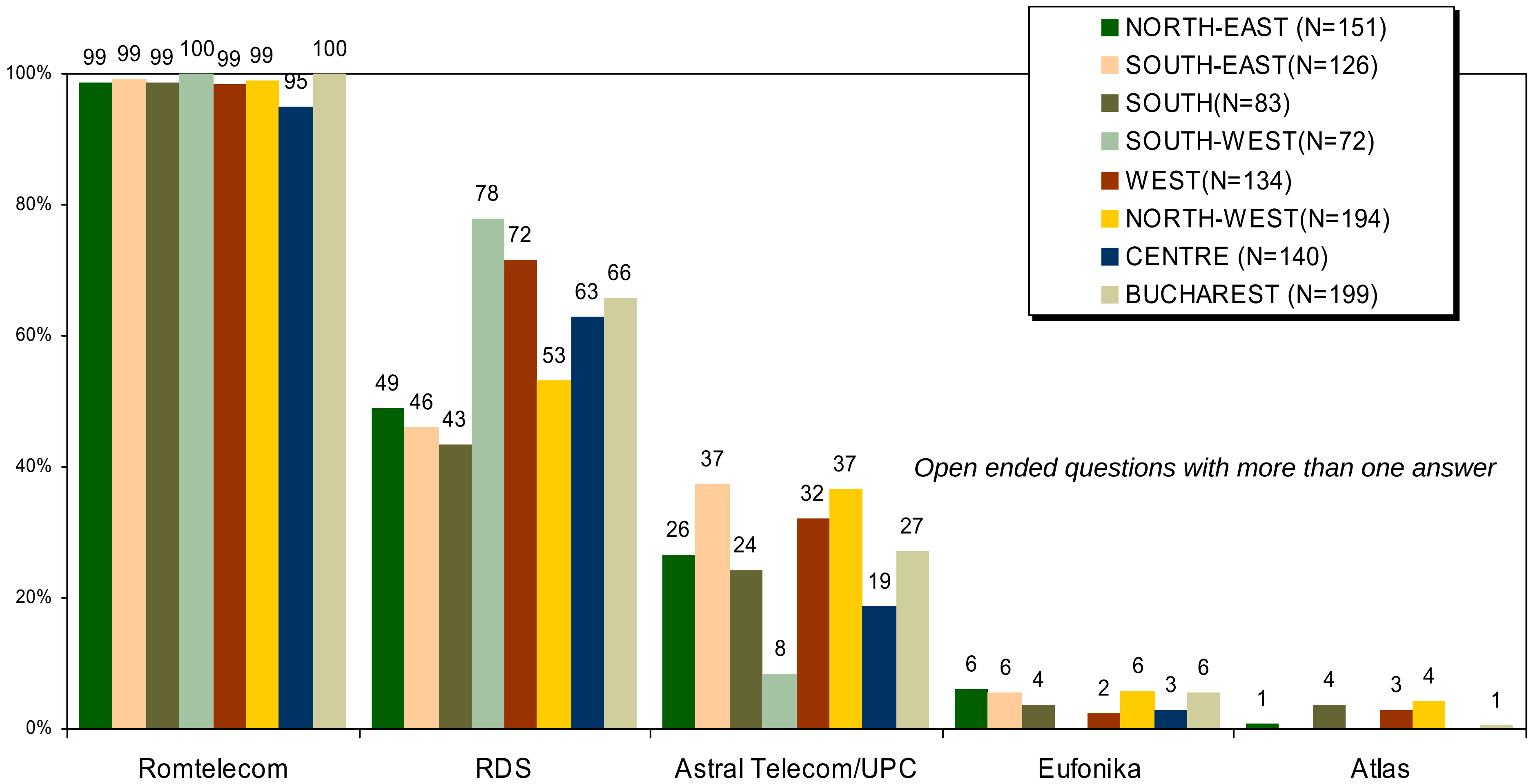
Reference: sample of companies and institutions, N = 1099



Spontaneous Brand Recognition of Classic Fixed Telephony Suppliers per Area

Which companies that offer classic fixed telephony services in Romania do you know?

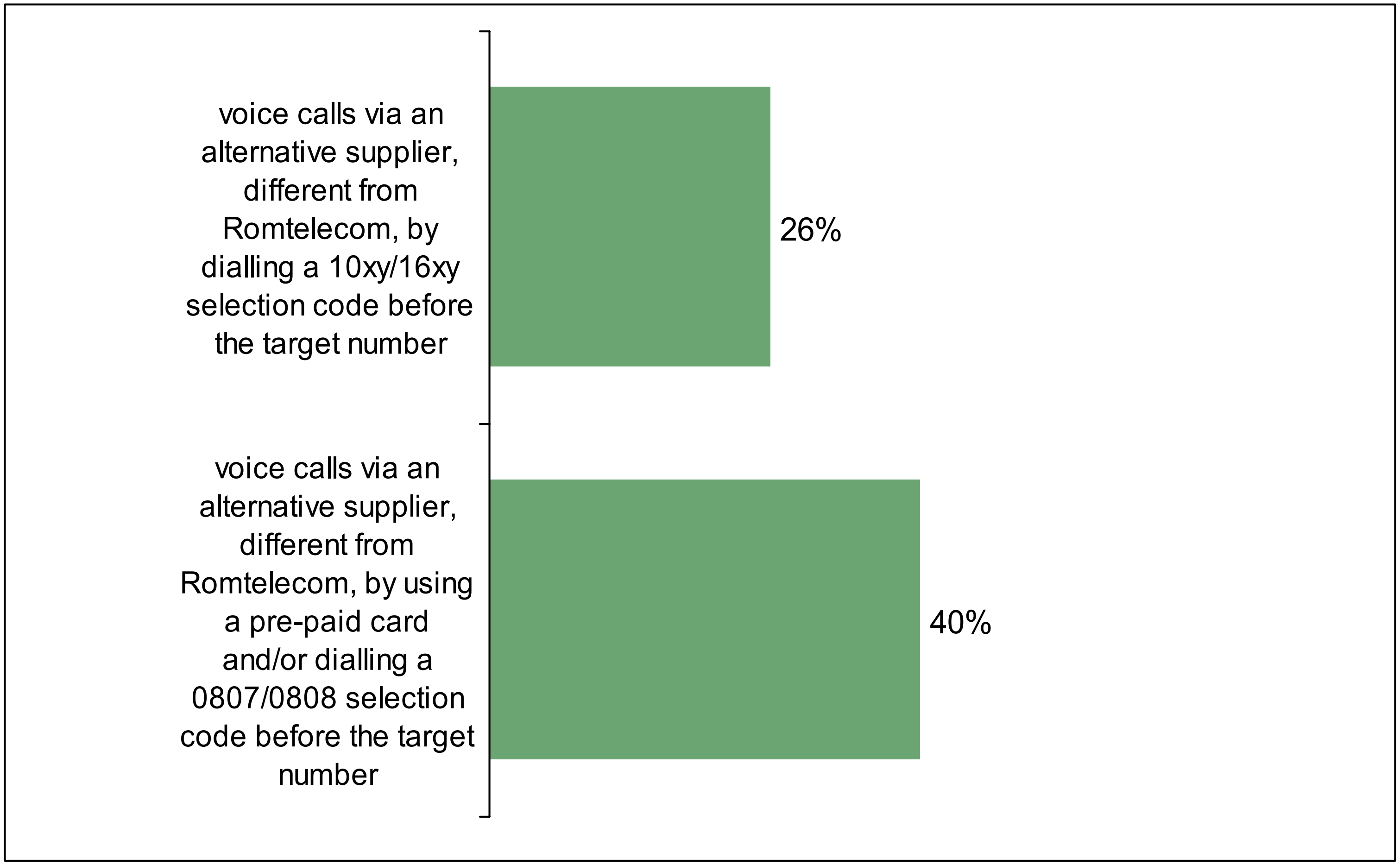
Reference: companies and institutions in the respective areas



Brand Recognition of Alternative Fixed Telephony Services

You may benefit from telephony services (e.g. voice calls) from other alternative suppliers using the existing fixed phone lines. Which of the following have you heard of?

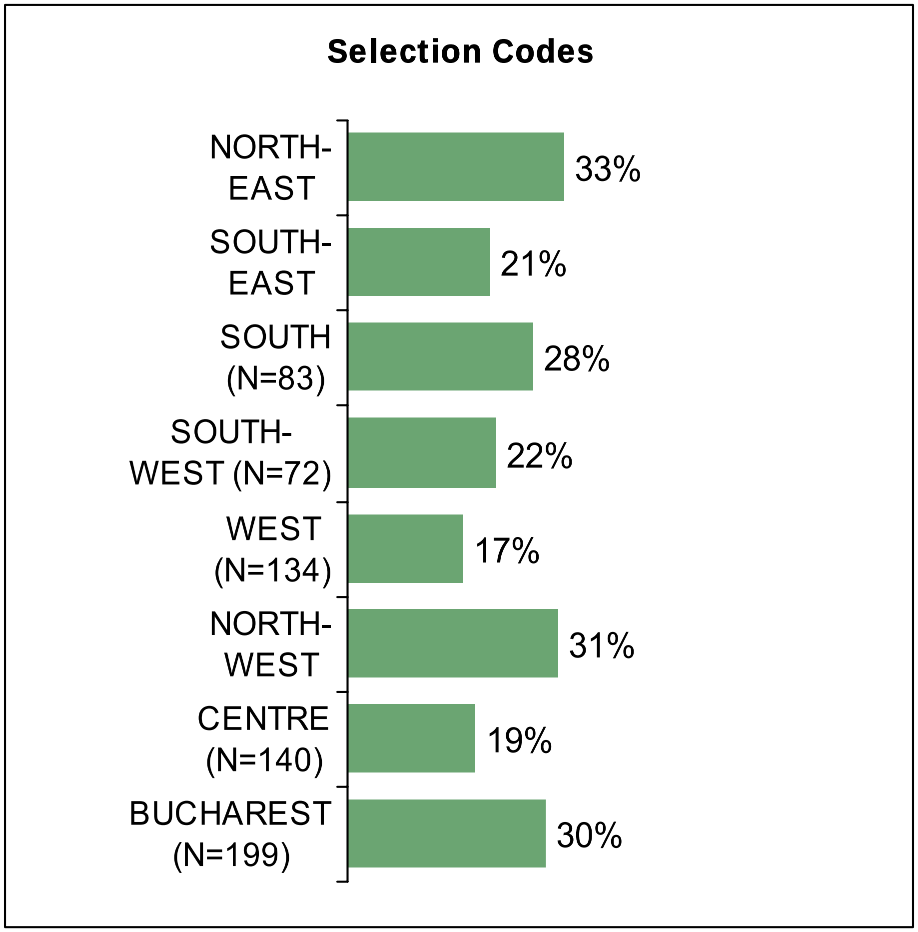
Reference: sample of companies and institutions, N = 1099

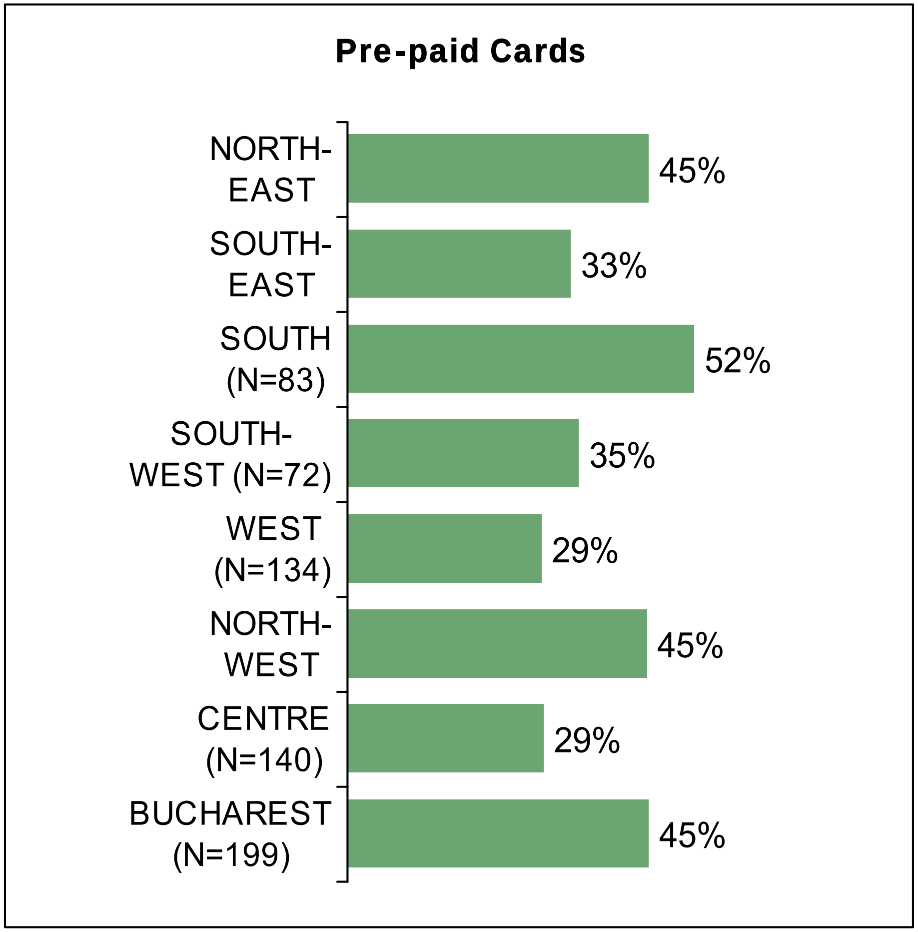


Brand Recognition of Alternative Fixed Telephony Services per Areas

You may benefit from telephony services (e.g. voice calls) from other alternative suppliers using the existing fixed phone lines. Which of the following have you heard of?

Reference: companies and institutions in respective areas

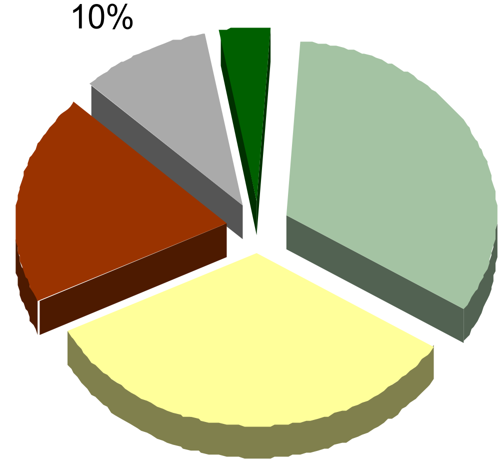




Brand Awareness of Alternative Suppliers' Offers

After liberalization of fixed telephony market other alternative operators have offered these services. Do you know the offers of these operators (e.g. their services and tariffs)? How would you estimate your level of awareness...

Reference: Romtelecom subscribers only, N = 879



II. Fixed Telephony Services Used by Companies and Institutions in Romania

Fixed Telephony Services Used by Companies and Institutions in Romania

- Besides basic subscription for fixed telephony that almost all companies and institutions use in Romania, 2% use VoIP type of telephony. Bigger companies (over 50 employees) use mostly VoIP (6% of them).

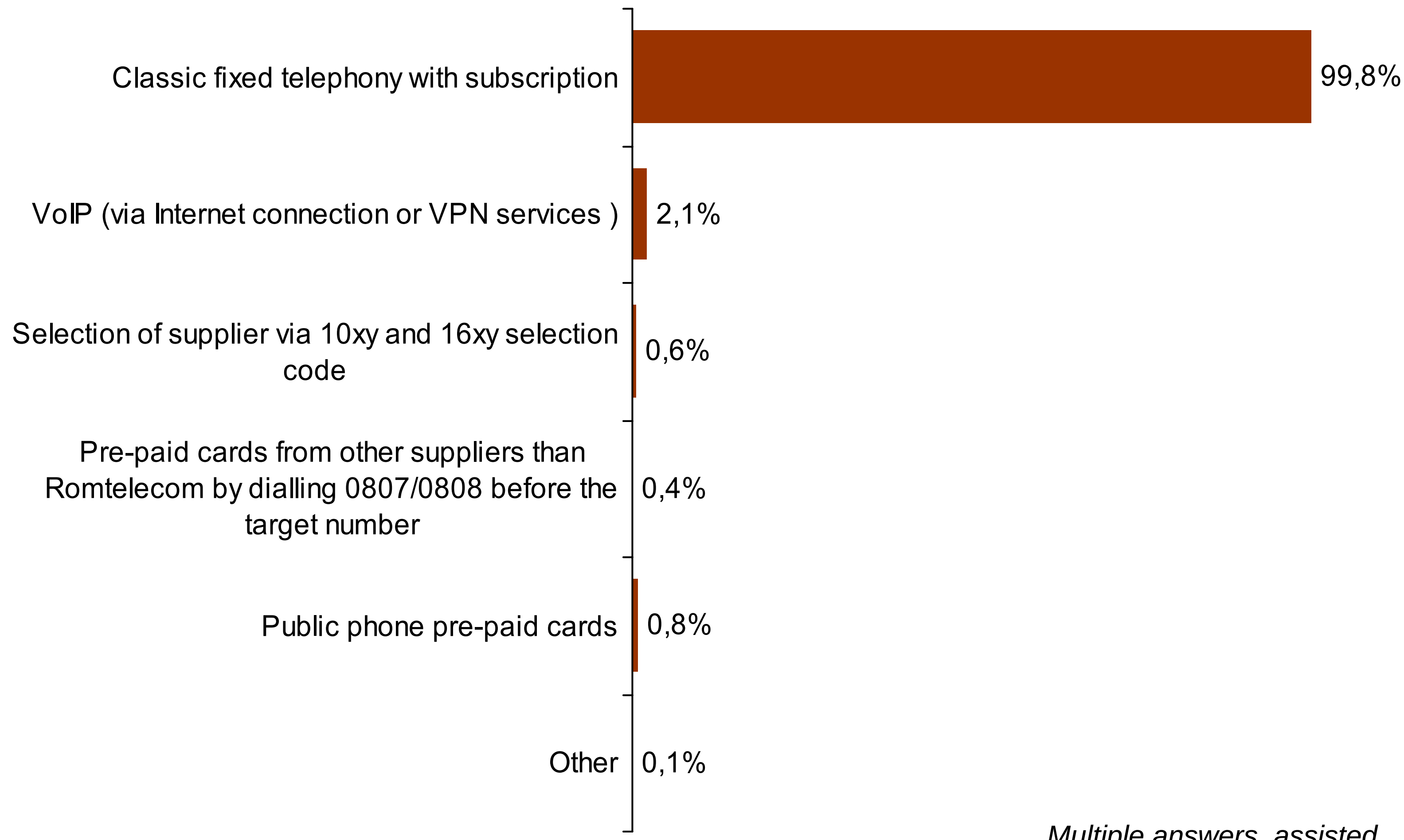
- Half of companies and institutions which use classic fixed telephony have 1 phone line, and almost one quarter of companies and institutions have 2 lines. Only 19% of companies and institutions which use classic fixed telephony have 3 or more lines. Companies and institutions which use VoIP services generally have 1 or maximum 2 lines, but the results of the research need to be interpreted cautiously since the reference number was very small.

- Over 60% of companies and institutions which use more fixed telephony services prefer to use Romtelecom services for local calls; however, they alternate preference for other calls (i.e. between counties and internationally) in that a higher percentage use alternative providers others than Romtelecom. 49% of companies and institutions use Romtelecom for regional (between counties) calls and 34% use alternative providers. Romtelecom is used by 32% of companies and institutions for international calls and 27% use alternative suppliers for this purpose.

Fixed Telephony Services Used by Companies and Institutions in Romania

What type of fixed telephony does your company use?

Reference: sample of companies and institutions, N = 1099



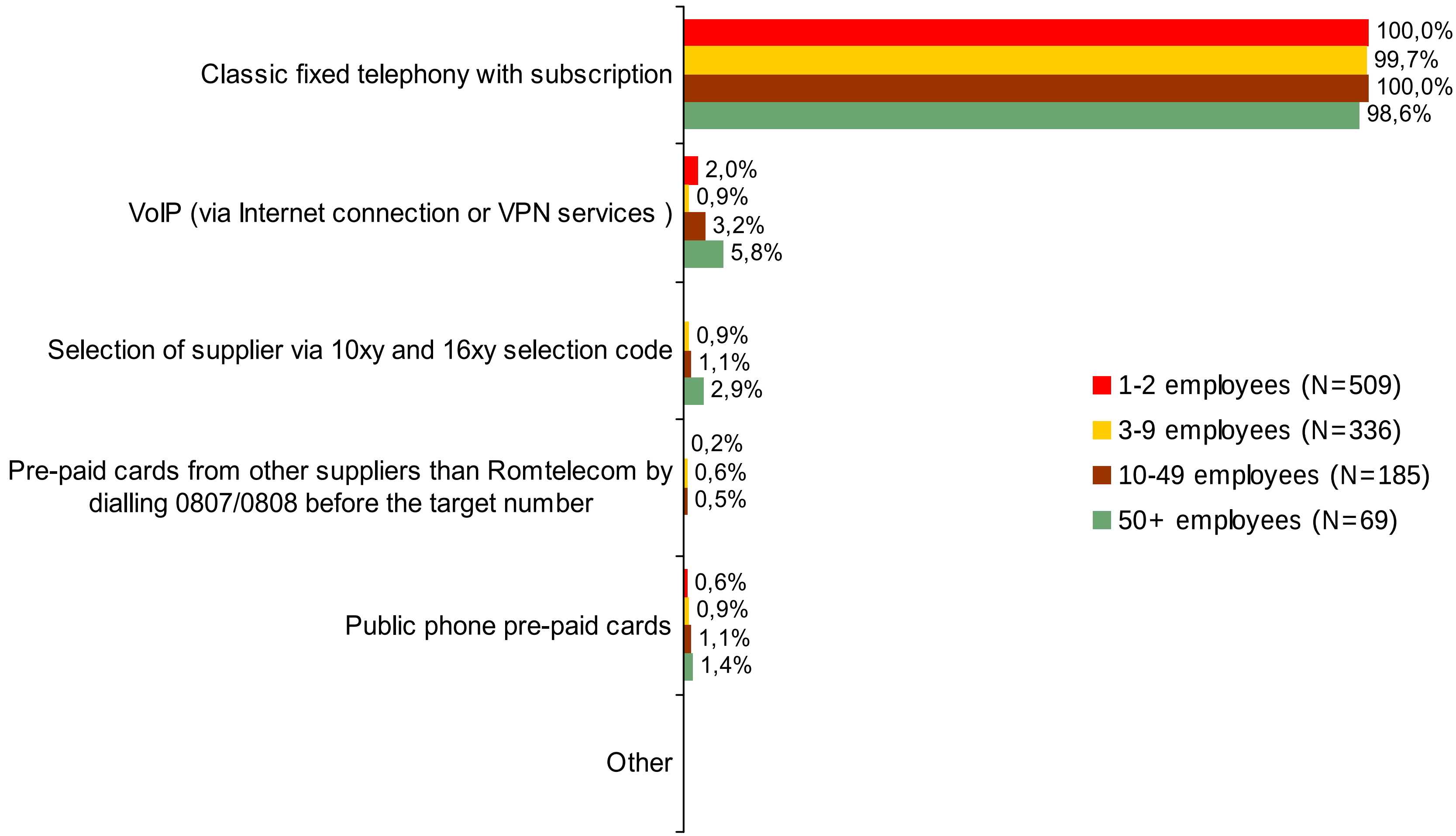
Multiple answers, assisted

Fixed Telephony Services Used by Companies and Institutions

per size of company

What type of fixed telephony does your company use?

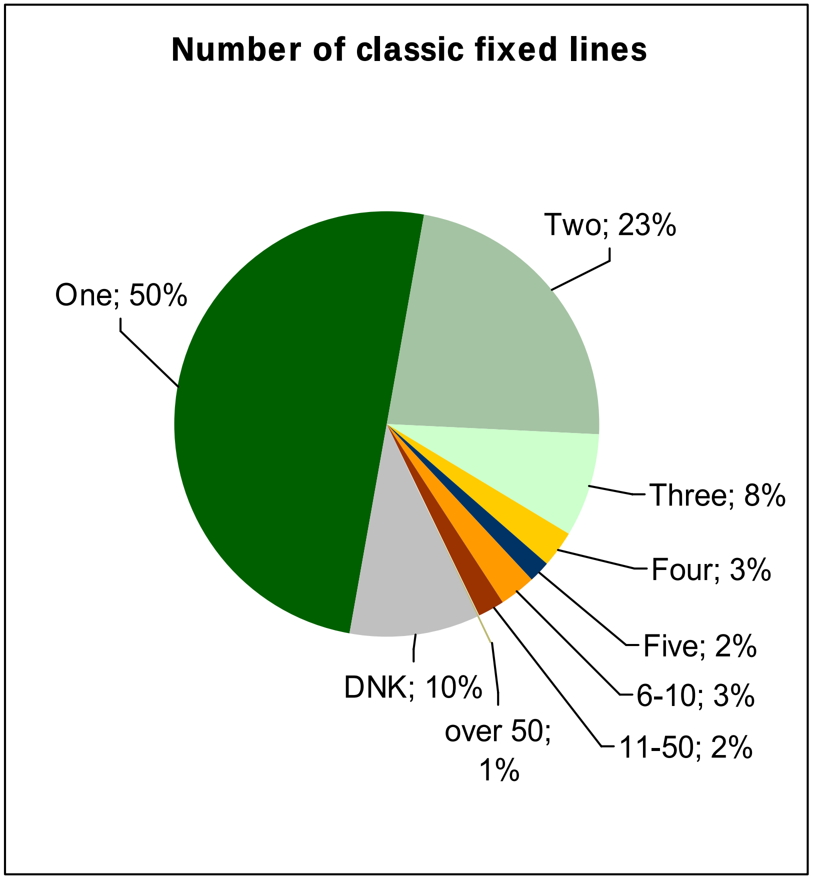
Reference: sample of companies and institutions, N = 1099



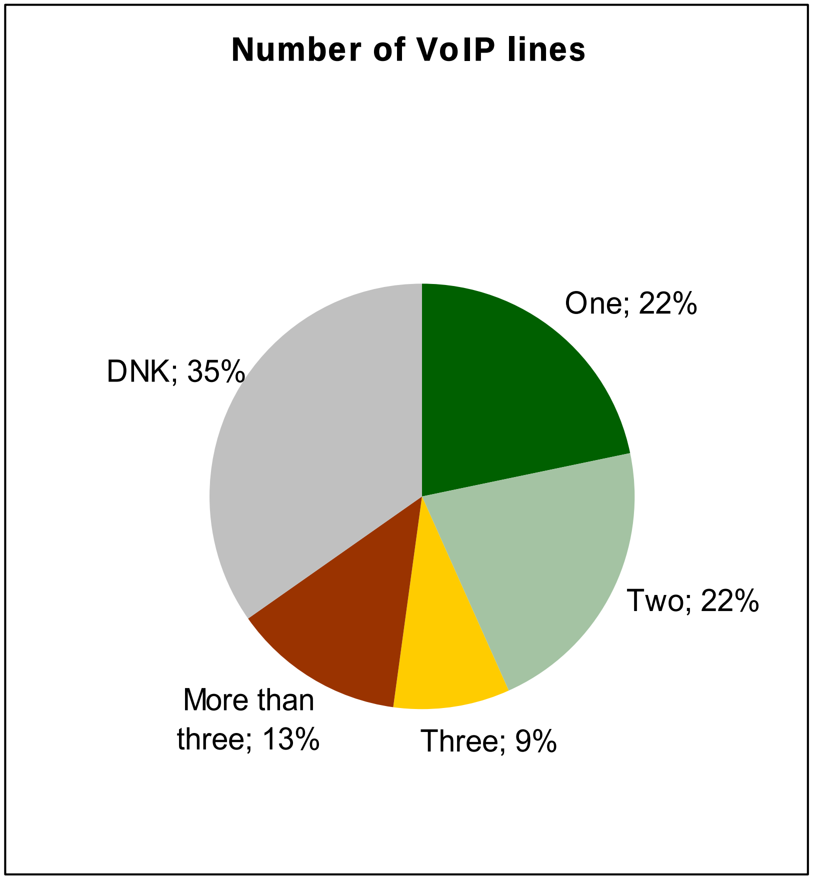
More than one answer

Number of Classic & VoIP Lines

Overall, how many classic fixed lines does your company have?
How many Voice over IP lines does your company have?



Reference: companies and institutions that use classic fixed telephony, N = 1097



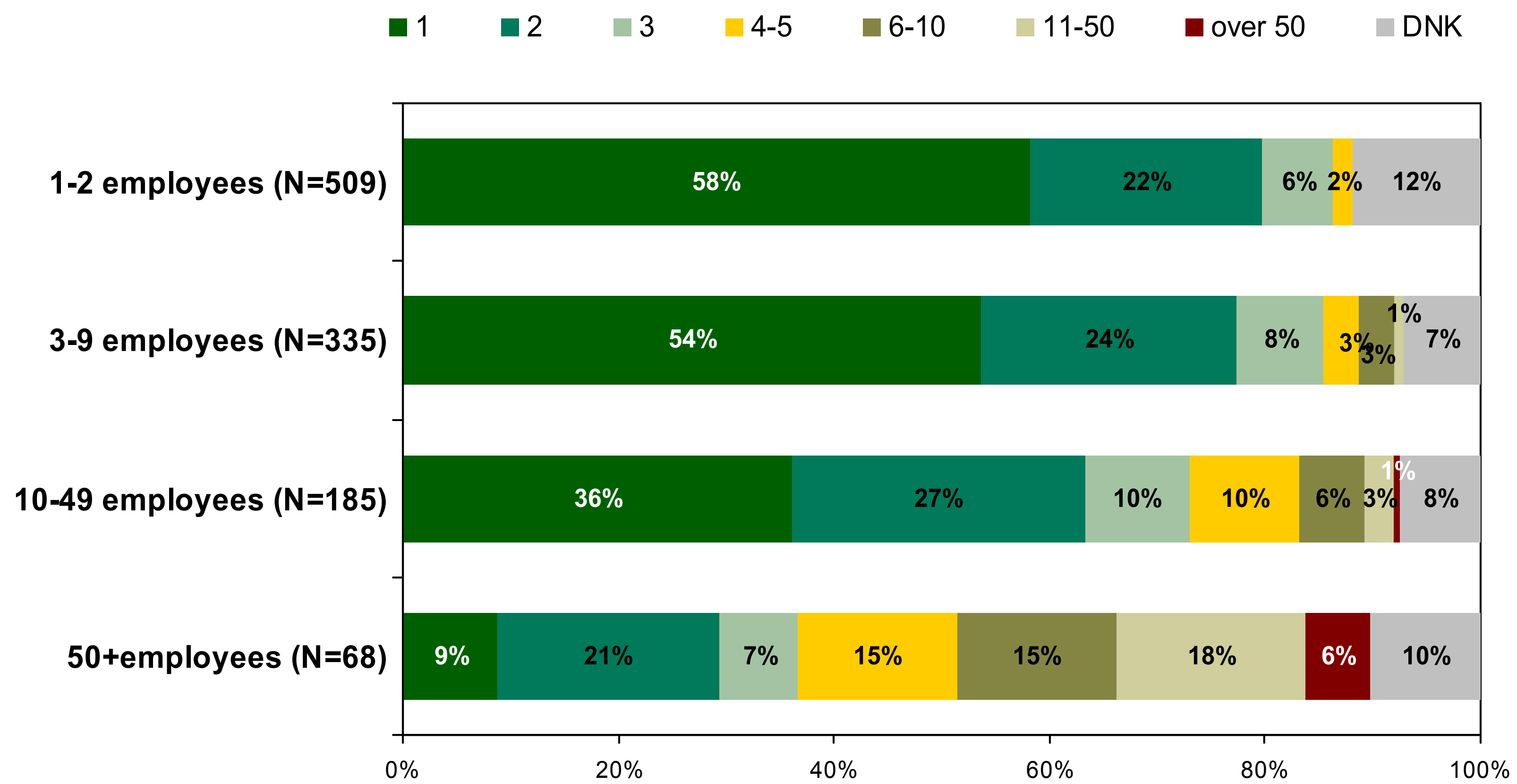
Reference: companies and institutions that use VoIP, N = 23

Number of Classic Phone Lines

- per size of company -

What is the total number of phone lines in your company?

Reference: companies and institutions that use classic fixed lines, per number of employees



Purpose of Using Selection Code and Pre-Paid Fixed Telephony

Do you use the selection code service to select an operator for.....?

Do you use pre-paid cards from operators for...?

Reference: sample of companies and institutions which use fixed telephony services via selection code (N = 7) or pre-paid cards (N = 4)

Selection code fixed telephony

Only for domestic calls	1 answer
Both domestic and international calls	3 answers
Mainly for international calls	2 answers
DNK	1 answer
	[N=7]

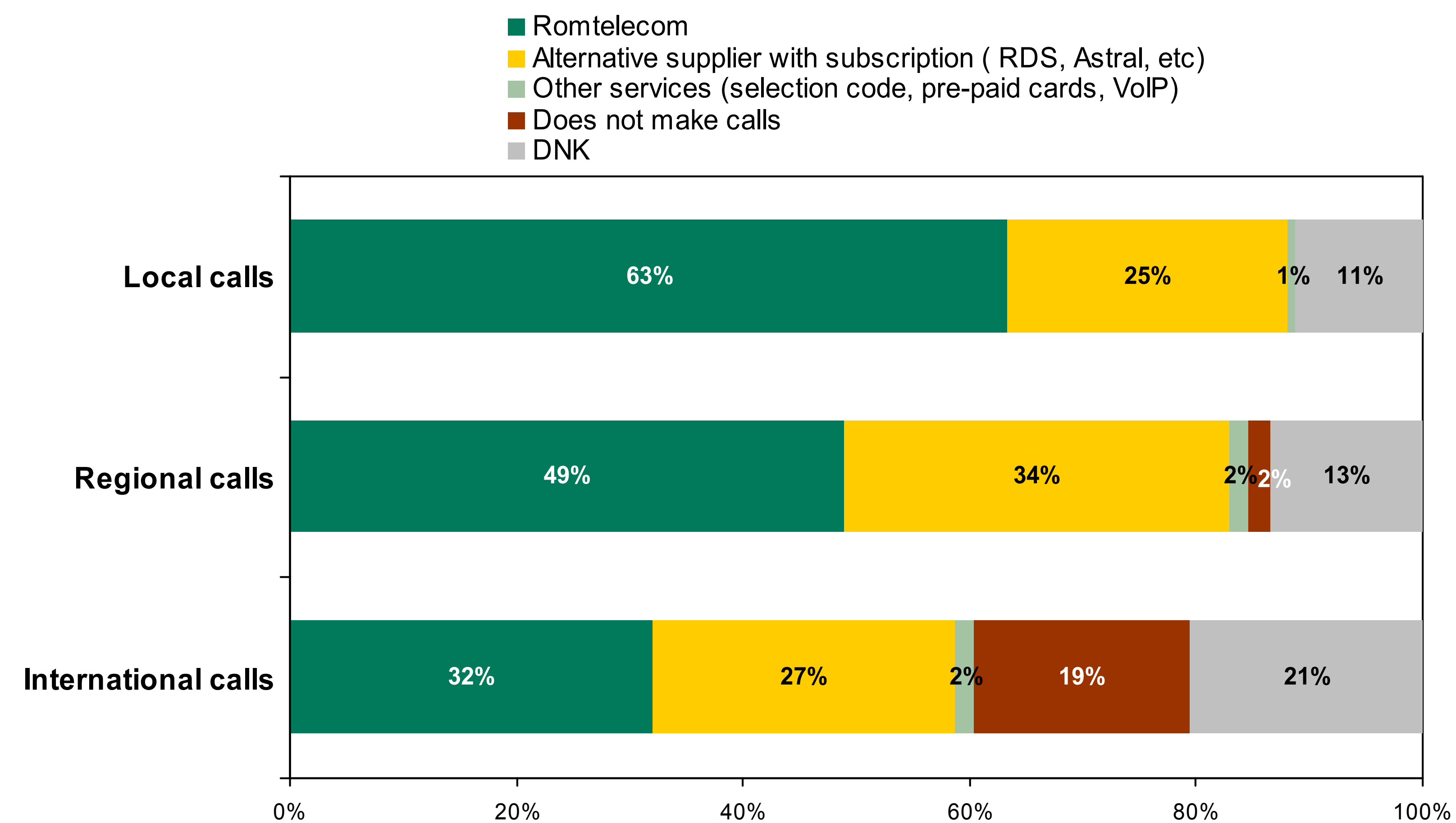
Pre-paid fixe telephony

Mainly for international calls	1 answer
DNK	3 answers
	[N=4]

Most Used Supplier for Fixed Telephony by Companies with More than One Supplier

You indicated that your company used more fixed telephony services.
Which one does your company use MORE OFTEN for local calls?
What about regional calls? What about international calls?

Reference: companies and institutions that use more fixed telephony suppliers (N=194)



One single answer for each type of call

III. Classic Fixed Telephony Market Subscription - based

Classic Fixed Telephony Market Subscription-based

- 96% of companies and institutions use Romtelecom as fixed telephony subscription supplier, 15% use RDS/RCS, and 4% use Astral/UPC. Per area, Romtelecom is less used in South-West (90%) as compared to other areas. RDS/RCS is mostly used in Sud-West (38%) and least used in the South and South-East. Astral/UPC is mostly used in West and North-West (7% and 9% respectively).

- 80% of companies and institutions use fixed line subscriptions ONLY from Romtelecom, and 16% use Romtelecom plus one or two alternative suppliers.

- There is a tendency to start using an alternative supplier along with the Romtelecom subscription per size of company. Moreover, small companies would tend to use ONLY one alternative supplier.

- The more employees the company / institution has, the more fixed lines it has. 68% of companies with 1-2 employees have one fixed line, while only 2% of companies with over 50 employees have one single line; 18% of the latter have over 10 lines.

- 69% of Romtelecom subscribers have only one connection. The same percentage applies for RCS/RDS connection. Astral/UPC subscribers with one single line from this supplier is higher (78%). Generally, 20% of companies have 2 lines from the respective supplier.

Classic Fixed Telephony Market Subscription-based

- Astral / UPC has started to make an impact on fixed telephony market since 2006 only. 4% of companies and institutions use their service and 53% of them had their line installed in 2006. In 2004 and 2005, RDC/RCS dominated the newly installed fixed telephony market, since over 65% of the lines of this supplier were installed during the 2 years.

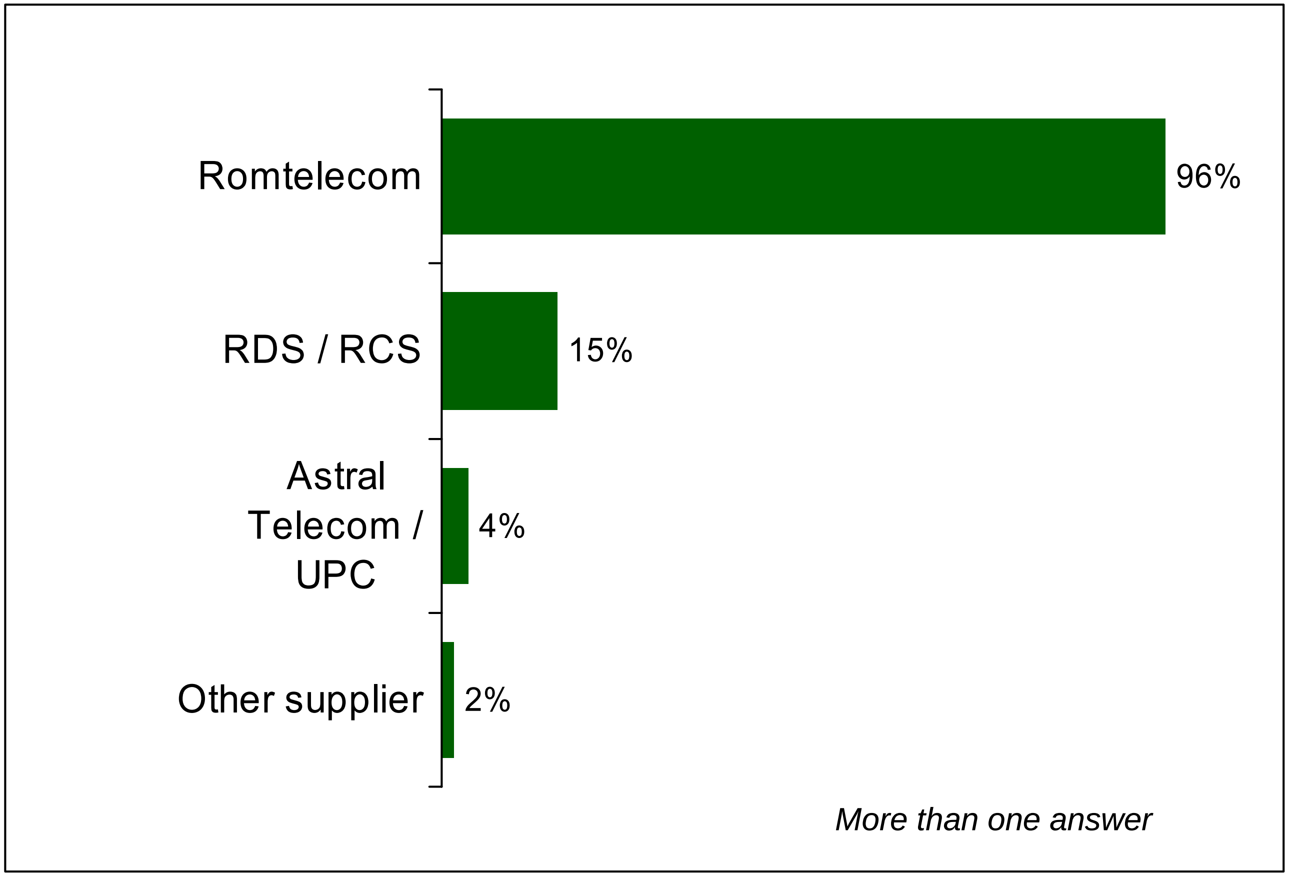
- The analysis of market after the year of liberalization (2003) indicates a slight tendency of companies and institutions to select alternative suppliers as opposed to Romtelecom. 2006 was the peak year in this selection pattern, after a plateau of switching registered in 2004 and 2005. RDS/RCS registered a significant increase among companies and institutions – from 21% in 2005 to 34% in 2006. Astral / UPC started to attract more consumers for new fixed lines only in 2006 (14% as compared to 3% in 2005). As for Romtelecom, market demand for new lines decreased from 75% in 2004 to 48% in 2006.

- 84% of companies / institutions use an individual subscription and 8% use a switchboard subscription. Most companies with switchboard subscription have a bigger number of employees (over 50).

Classic Fixed Telephony Suppliers

Which are your classic fixed line subscription suppliers?

Reference: companies and institutions that use classic fixed telephony services, N = 1097

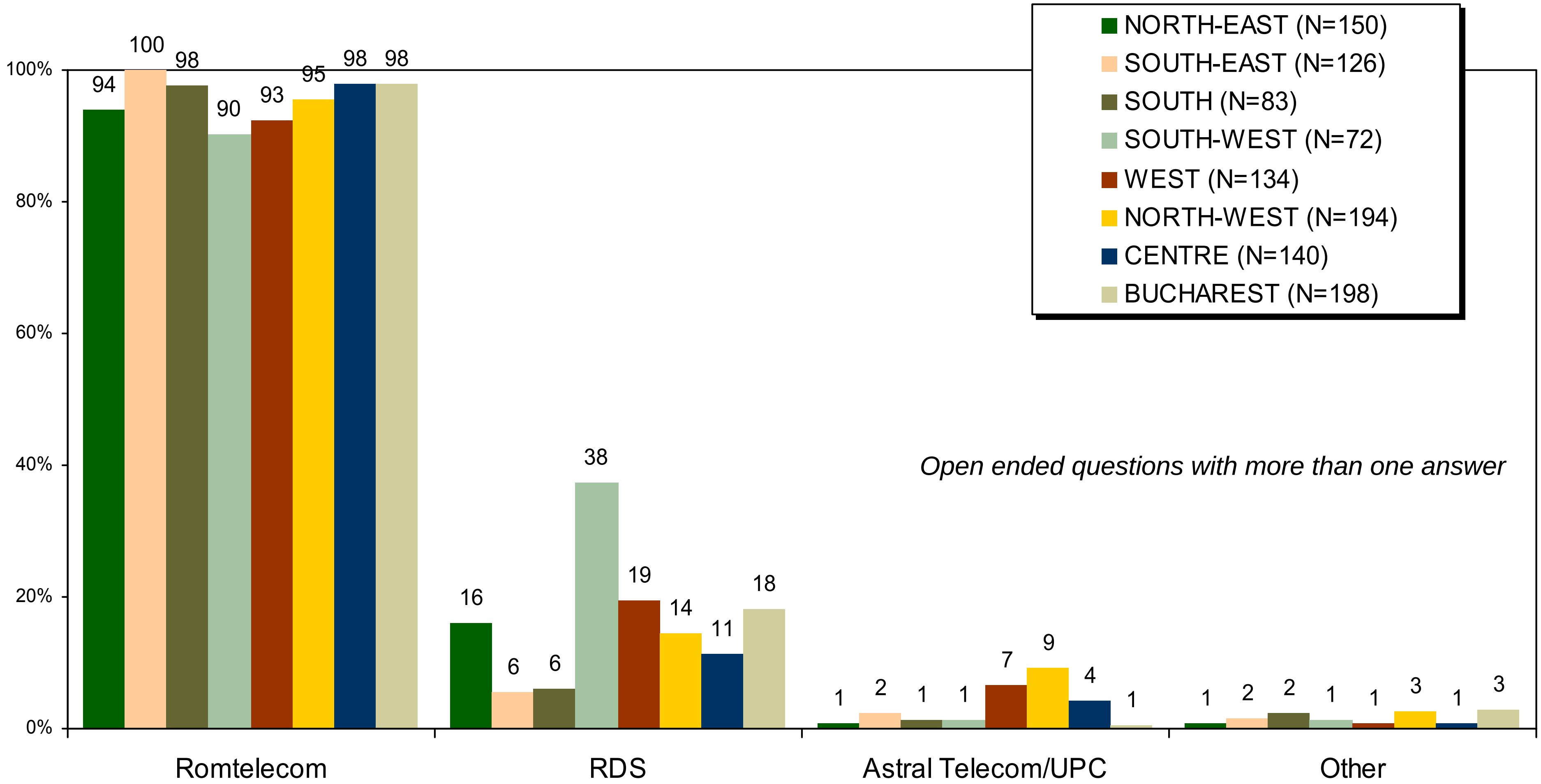


Classic Fixed Telephony Suppliers

per area

Which are your classic fixed line subscription suppliers?

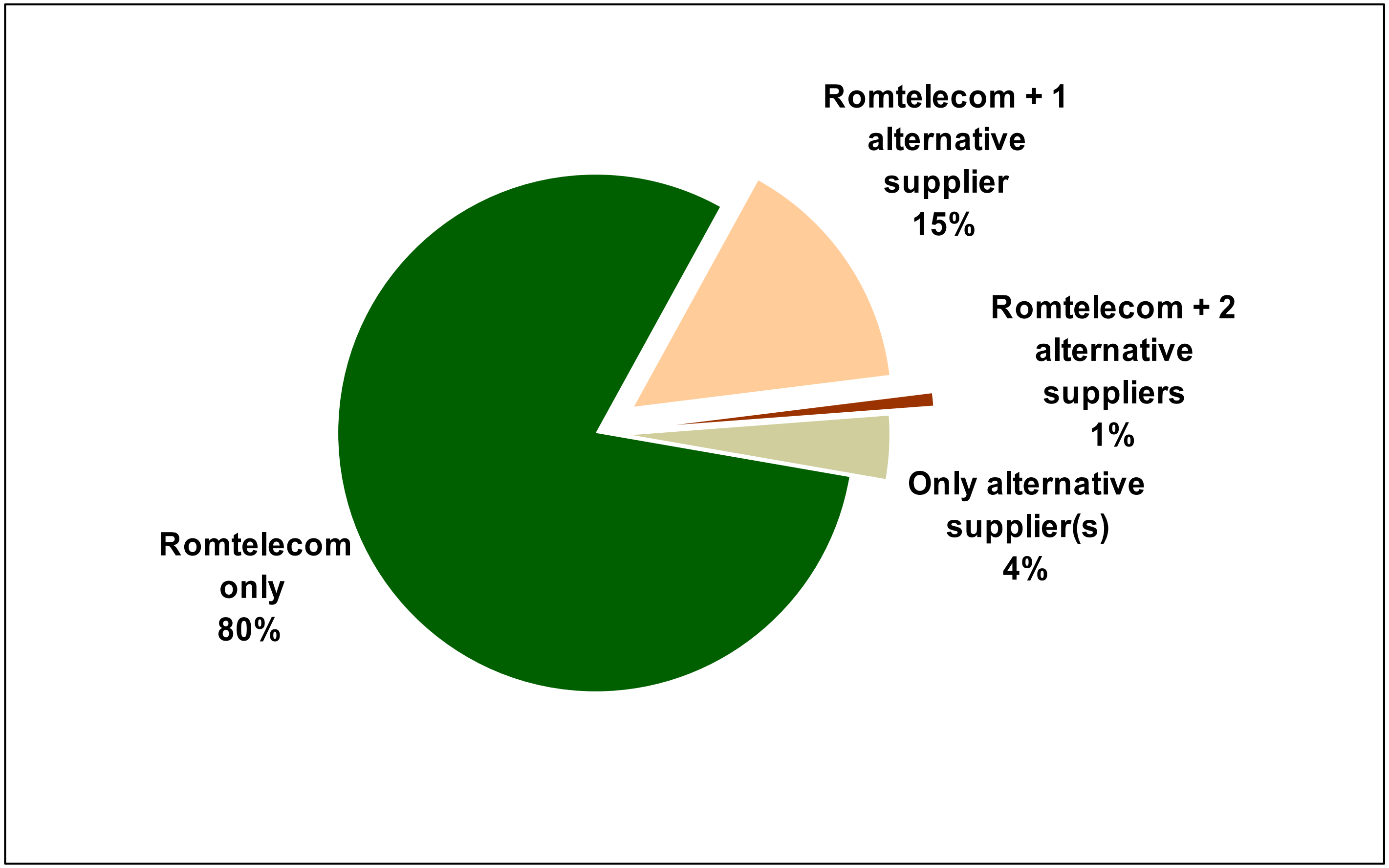
Reference: companies and institutions that use classic fixed telephony services per area



Classic Fixed Telephony Market Structure

Which are your classic fixed line subscription suppliers?

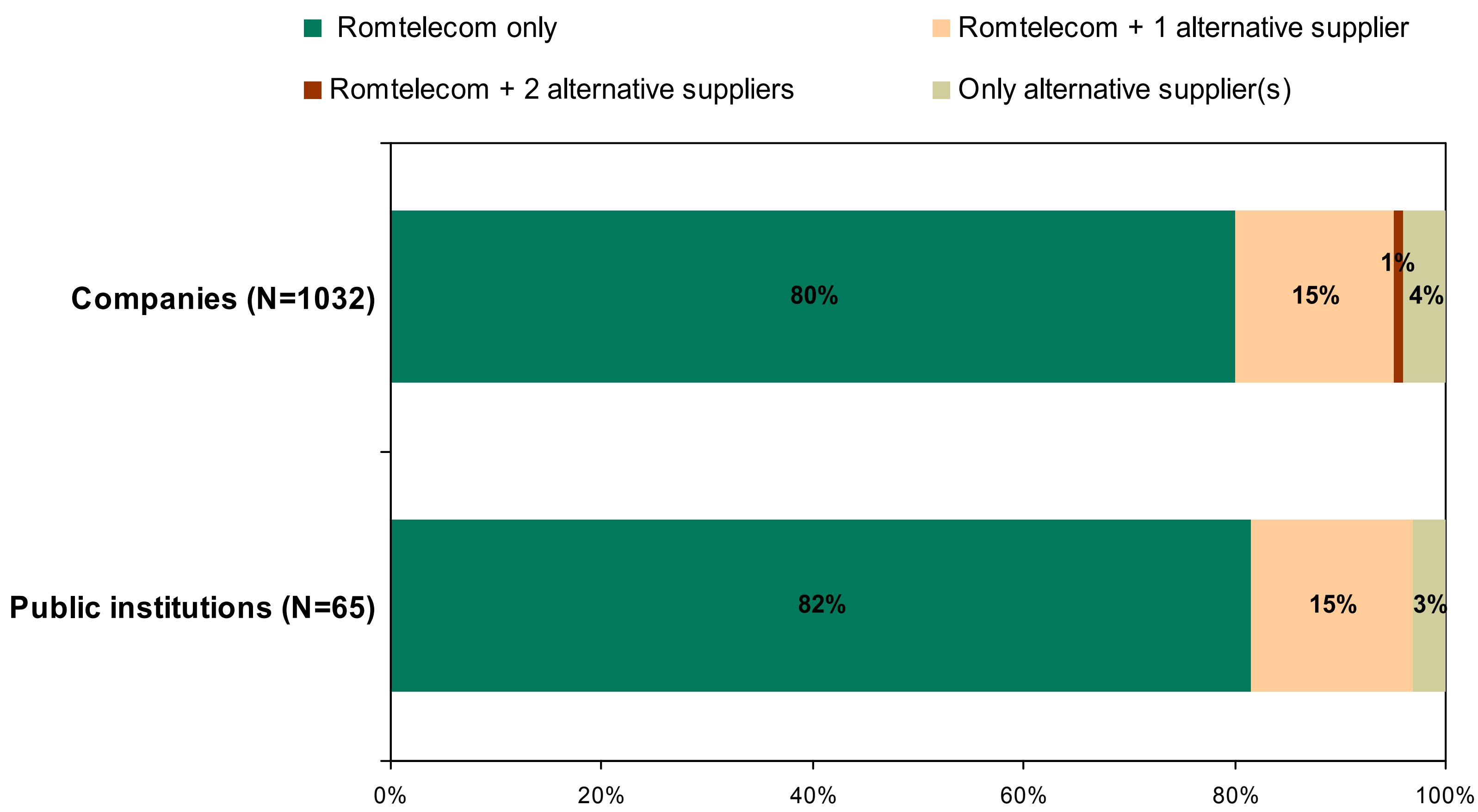
Reference: companies and institutions that use classic telephony services, N = 1097



Classic Fixed Telephony Market Structure

Which are your classic fixed line subscription suppliers?

Reference: companies and institutions that use classic telephony services, N = 1097



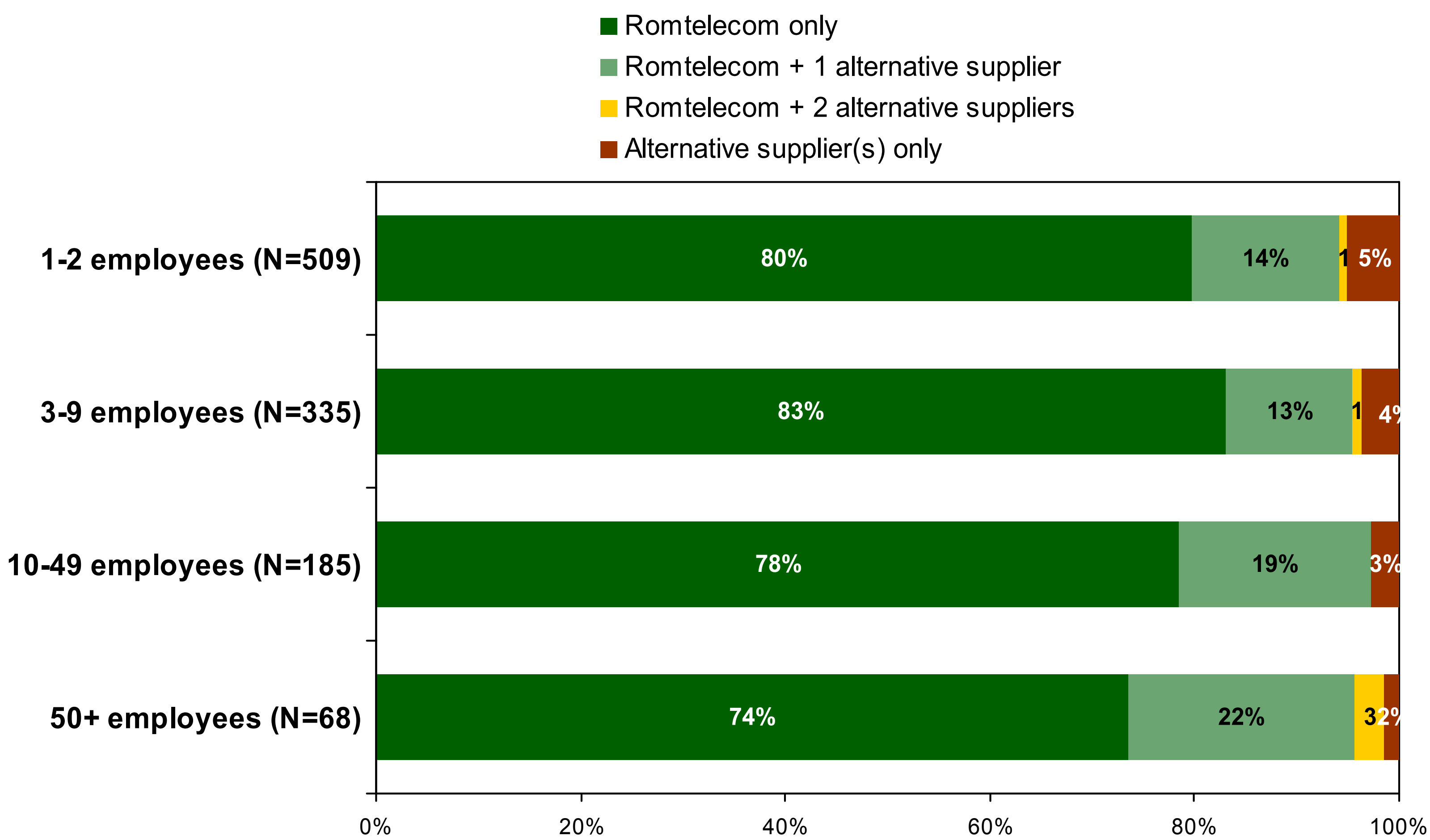
One single type of answer for each type of company

Classic Fixed Telephony Market Structure

per size of company

Which are your classic fixed line subscription suppliers?

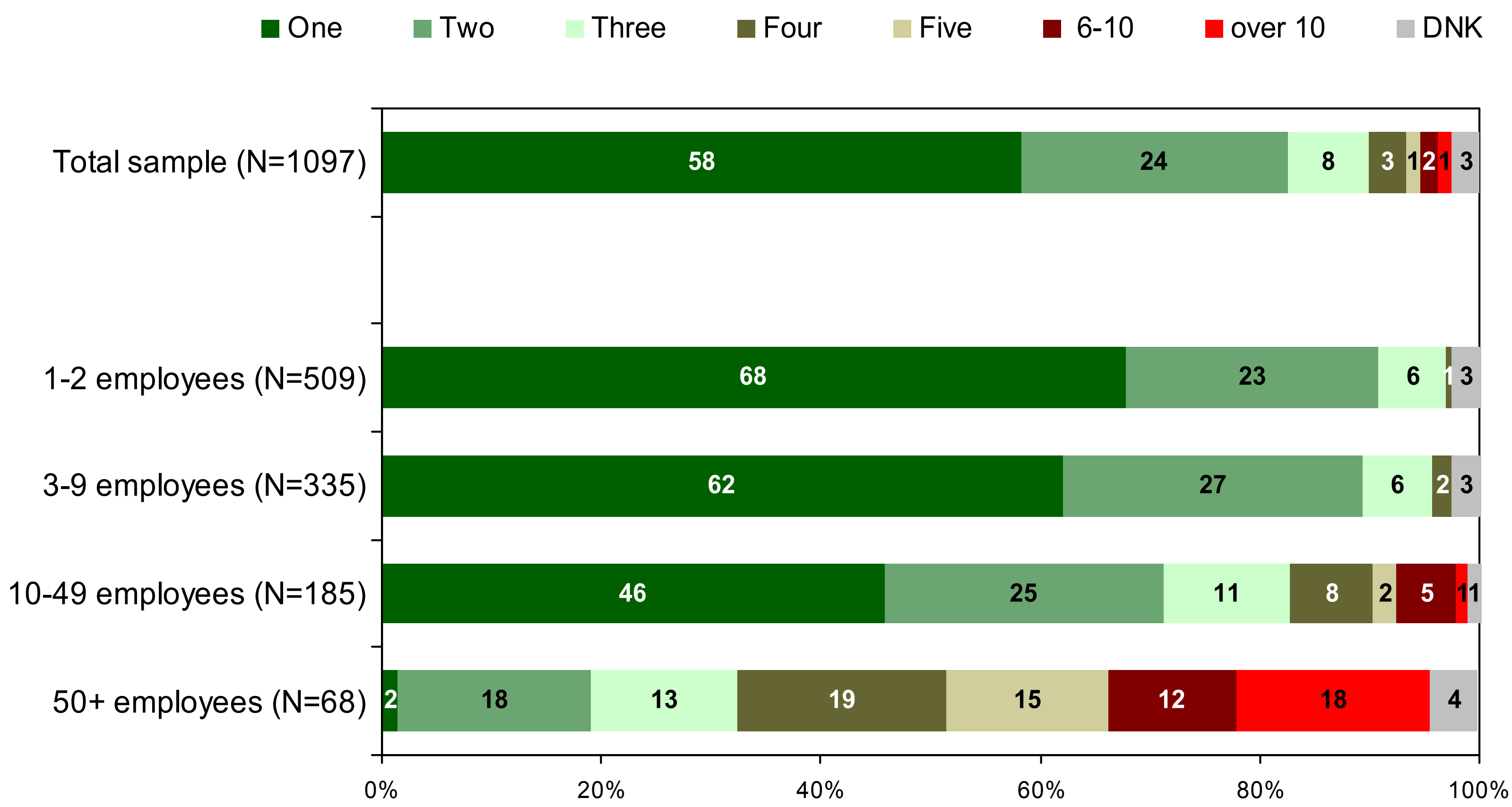
Reference: companies and institutions that use classic telephony services



Total Number of Fixed Phone Lines

How many phone lines does your company use from this supplier?

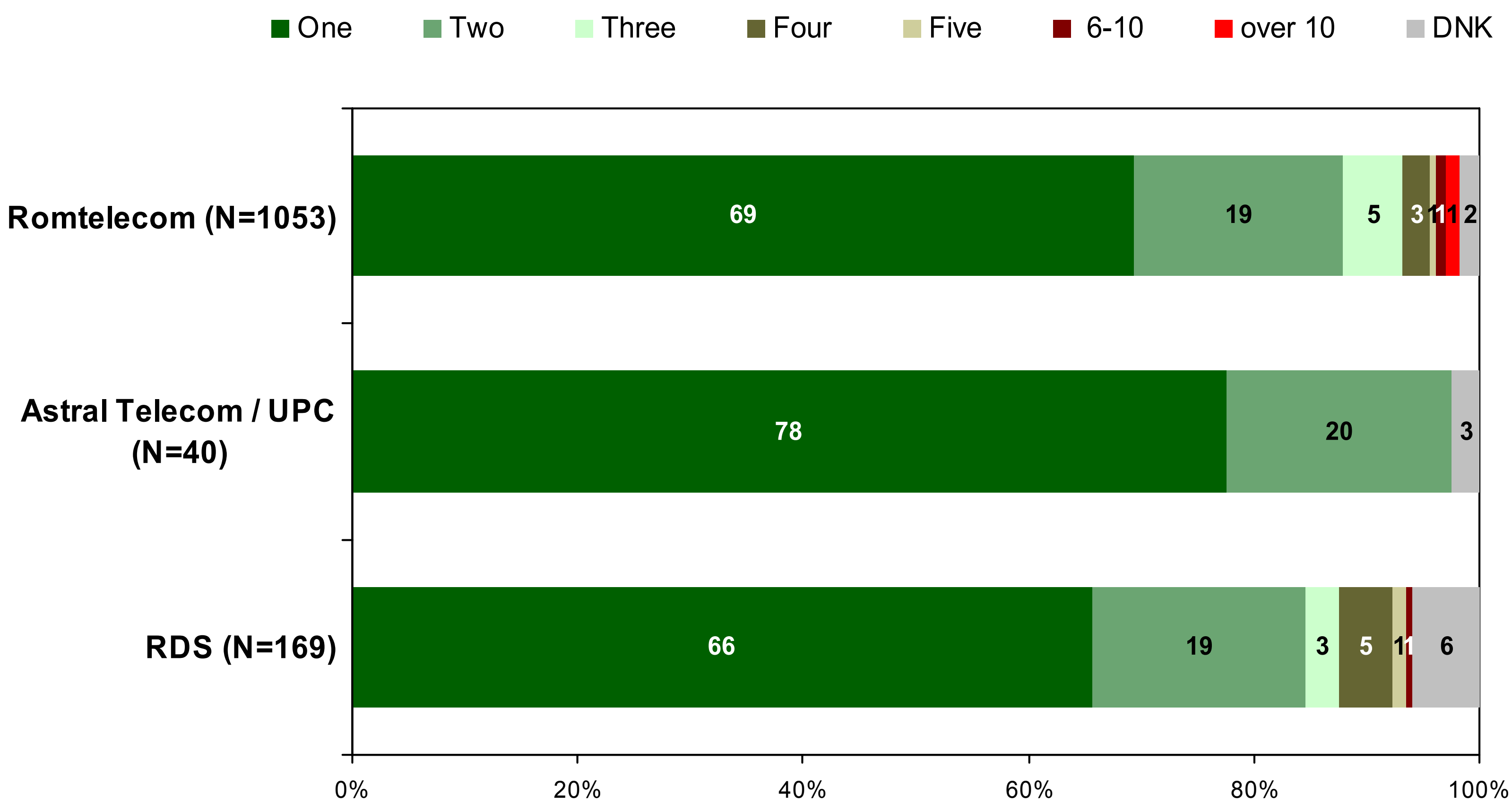
Reference: companies and institutions that use classic telephony services, per total and per size of company



Number of Fixed Lines from Each Supplier

How many phone lines does your company use from this supplier?

Reference: companies and institutions that have connections from the respective suppliers

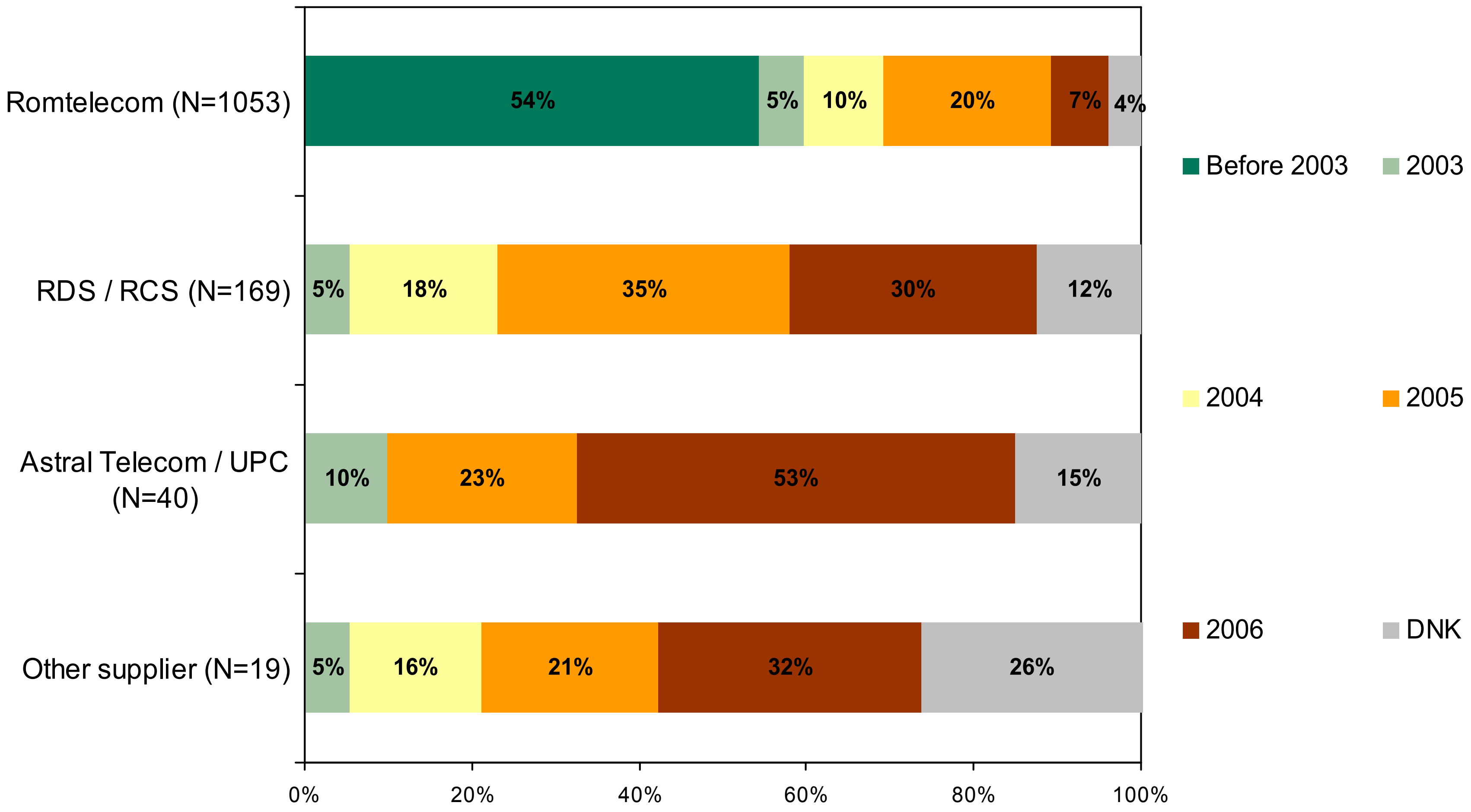


One single answer for each supplier

Age of Connection

How long have you had the subscription from the respective supplier?

Reference: companies and institutions that have connections from the respective suppliers

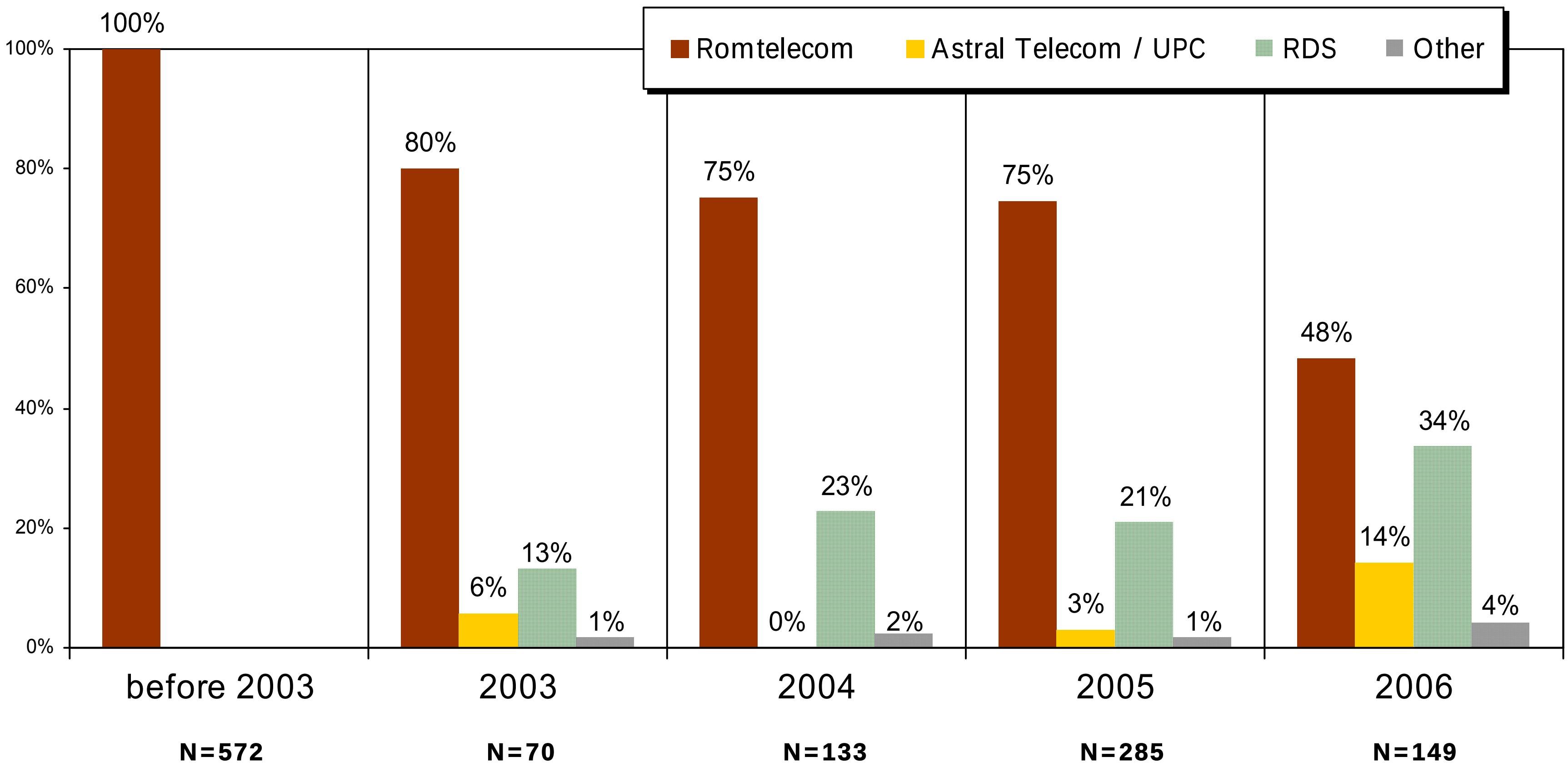


Purchase of Fixed Telephony Subscriptions 2003-2006

What classic fixed line subscription providers do you use?

How long have you had this subscription?

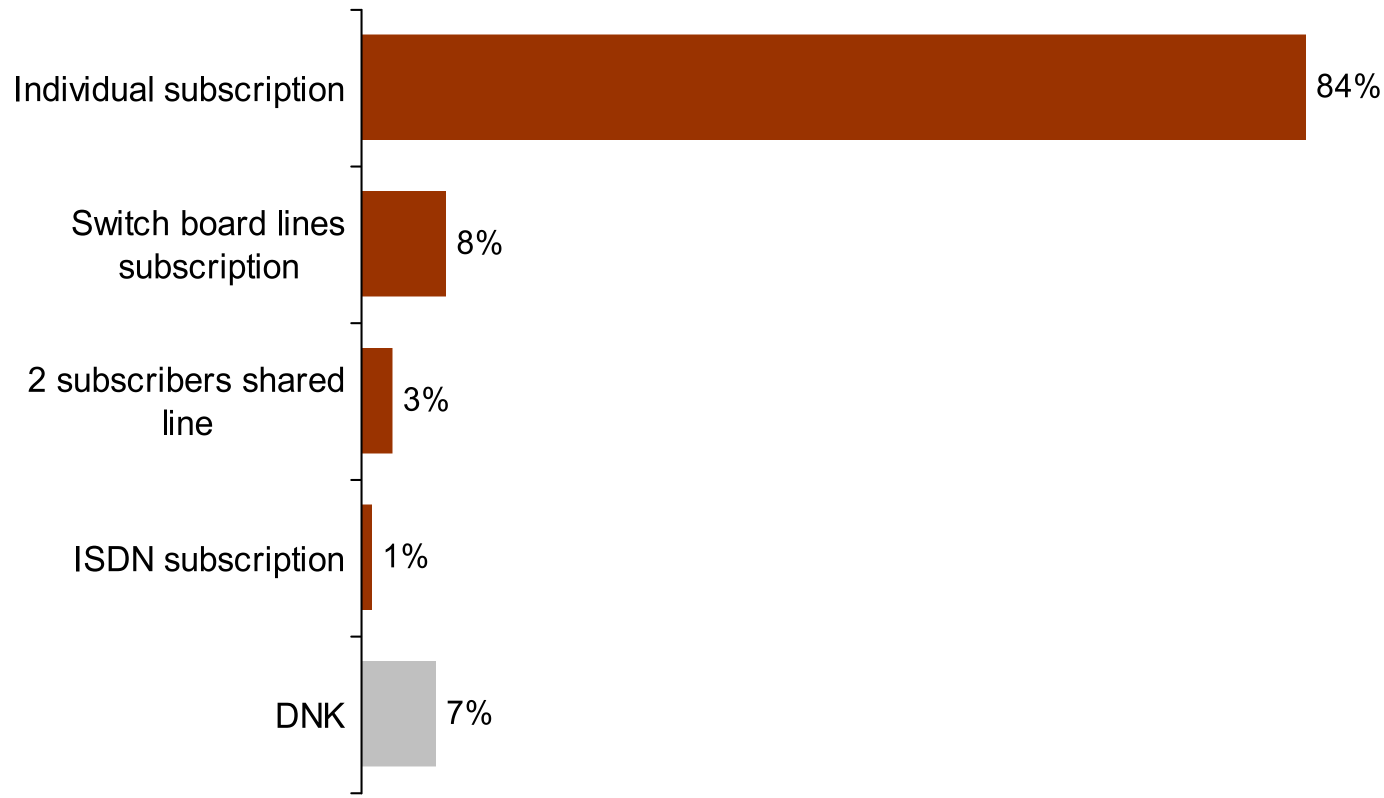
Reference: fixed line subscriptions purchased during the period



Type of Romtelecom Subscriptions Used

Reference: Romtelecom subscribers, N = 1053

What type of Romtelecom subscription does your company have?

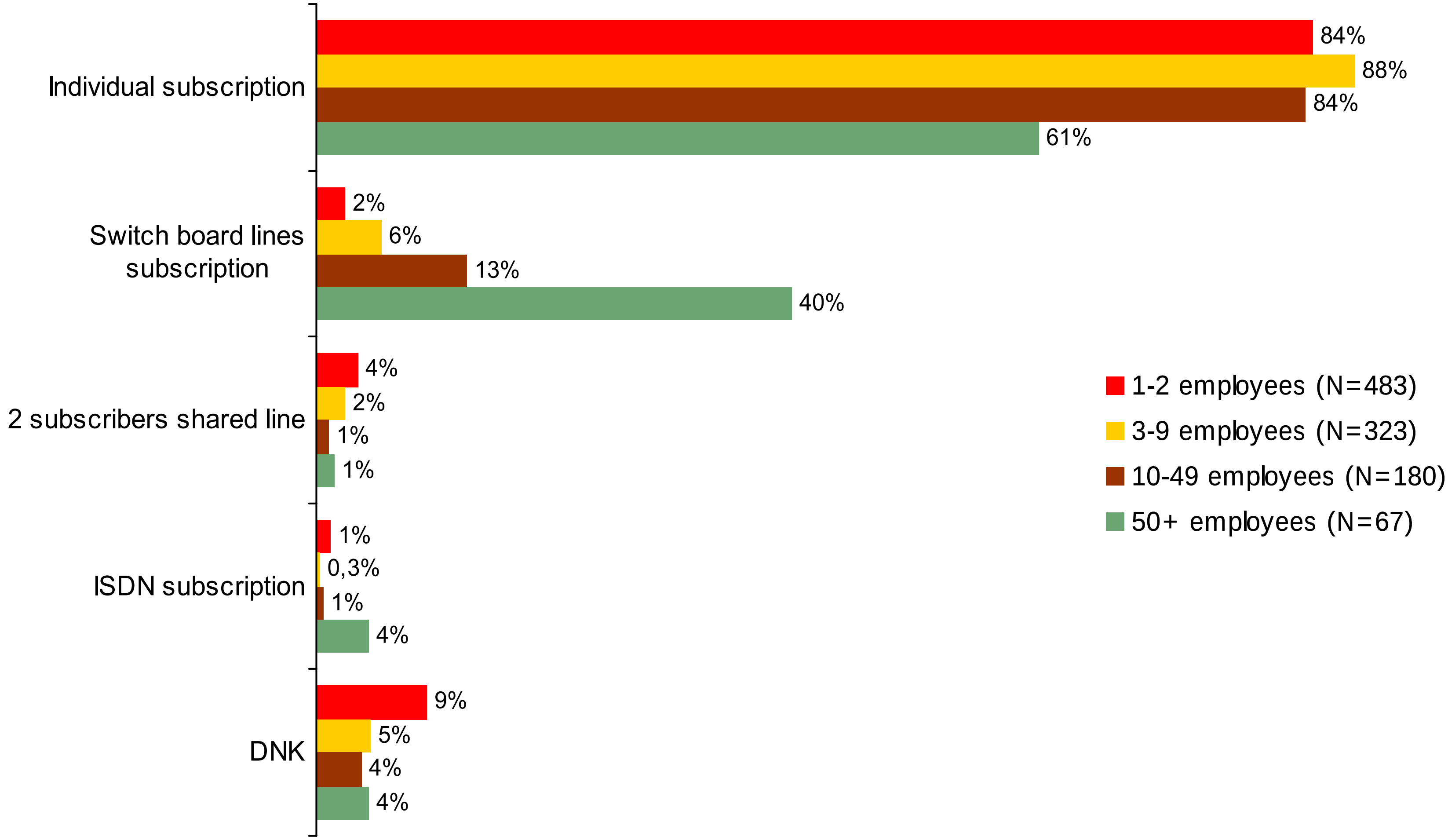


More than one answer, assisted

Type of Romtelecom Subscriptions Used
per size of company

What type of Romtelecom subscription does your company use?

Reference: Romtelecom subscribers, N = 1053



More than one answer

IV. Costs of Fixed Telephony Services

Costs of Fixed Telephony Services

- 54% of companies and institutions incur an average monthly cost of up to RON 200 for classic fixed telephony services. Their last month average cost with such services was RON 337,4.

- Last month average cost for Romtelecom services was RON 318,9 RON, for RDS/RCS it was RON 200, and RON 179 for Astral/UPC.

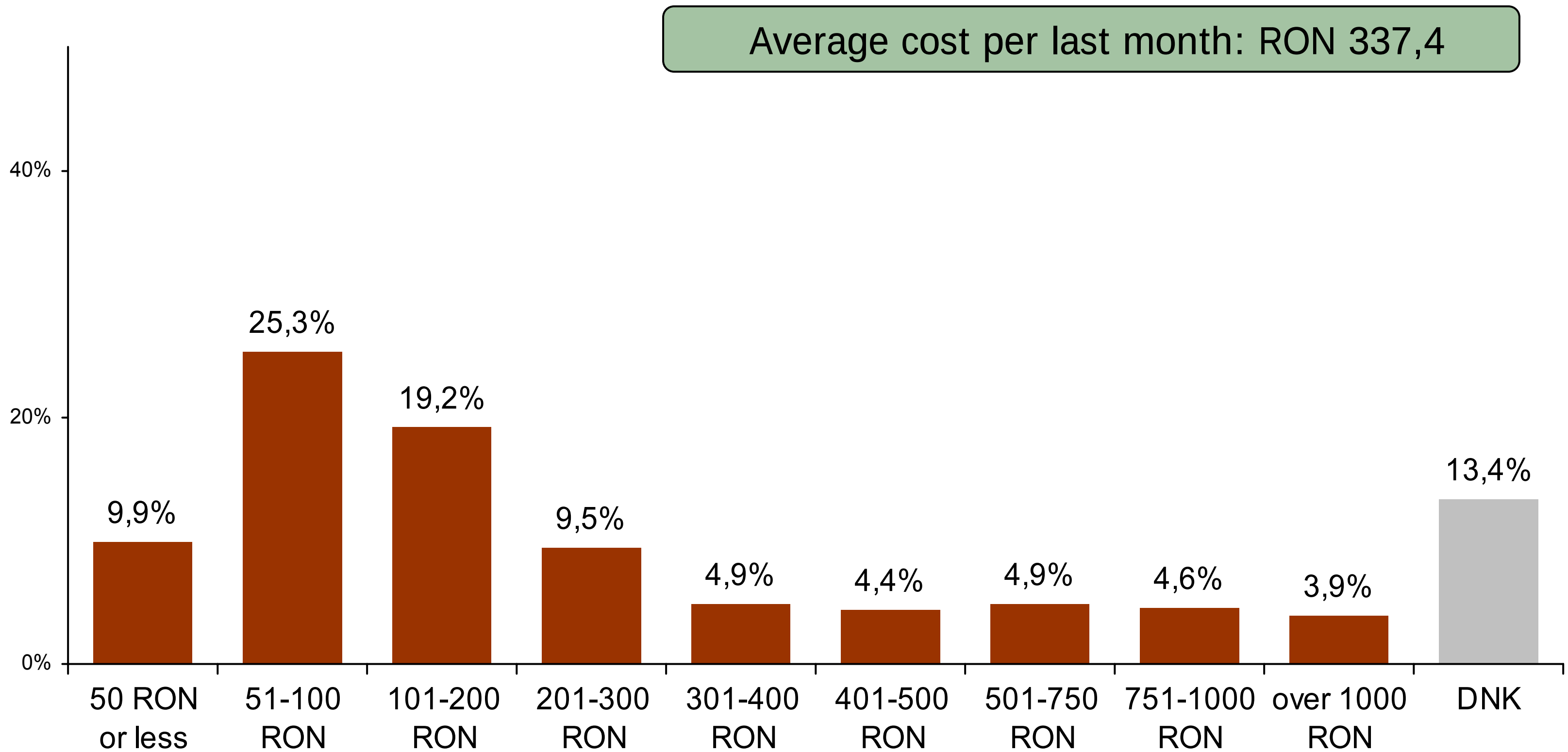
- The monthly average costs for all fixed telephony services used (both classic subscription and pre-paid cards and selection codes) amount to RON 341. These costs are on average higher for companies with over 50 employees (RON 1196) and significantly lower for 1-2 employee companies (RON 205,9). The revenue division of companies indicates a higher revenue leads to increases in fixed telephony – from RON 201 for companies with annual revenue under EURO 50 000 to RON 491 for companies with annual revenue between EURO 100 000 and 500 000 to RON 1233 for companies with revenues over EURO 1 million.

- Public institutions spend monthly on average RON 628 for fixed telephony services.

Total Costs of Classic Fixed Telephony Subscriptions

What is the approximate cost that your company pays for each supplier of subscription (line) on an average month (including VAT)? Please discount the cost of Internet / CATV services that may be included on the invoice or the costs of pre-paid or selection code services, if you use such.

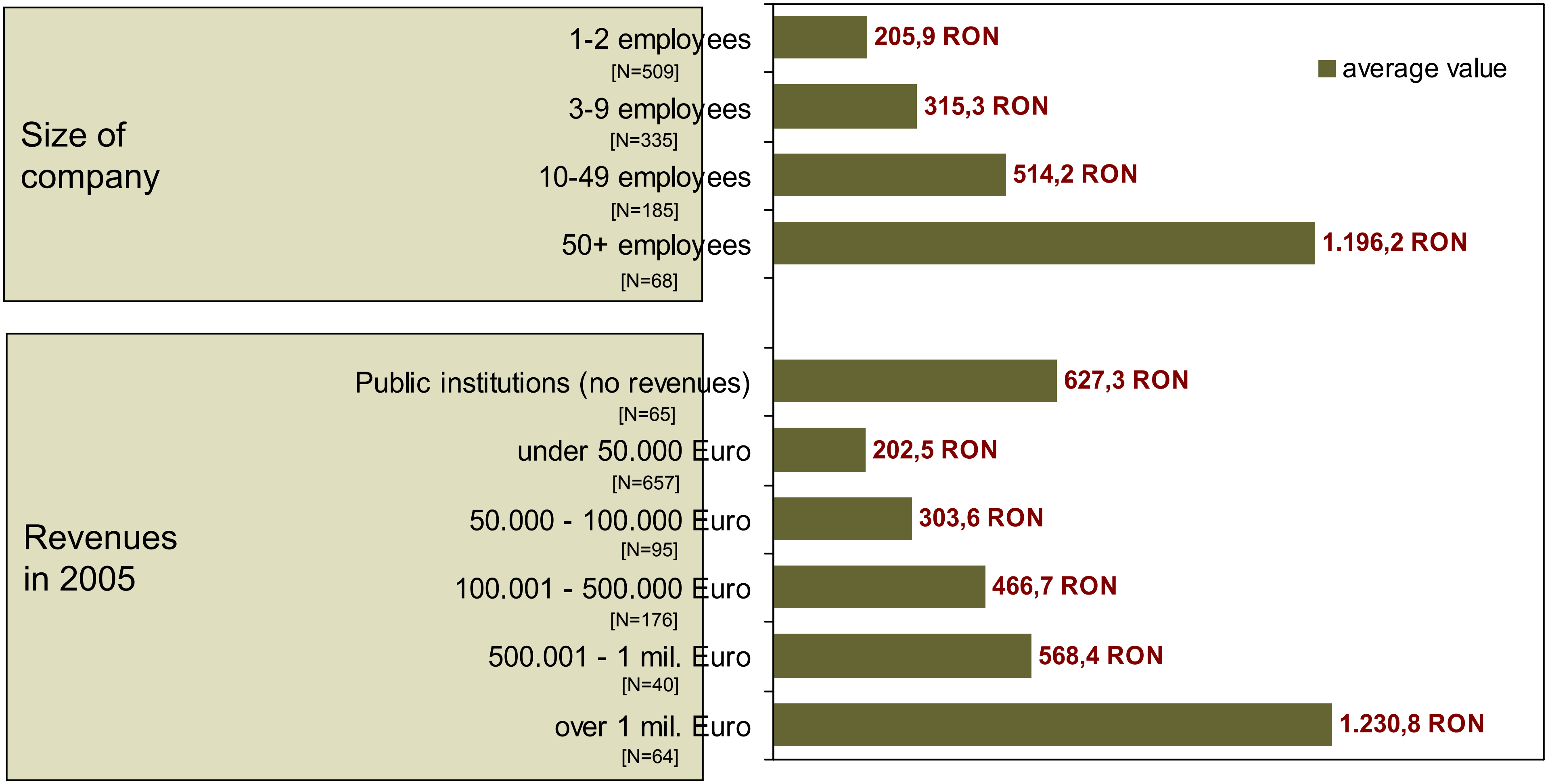
Reference: sample of companies and institutions that use fixed telephony subscription, N = 1097



Average Cost Per Last Month for Fixed Telephony Subscription

What is the approximate cost that your company pays for each supplier of subscription (line) on an average month (including VAT)?

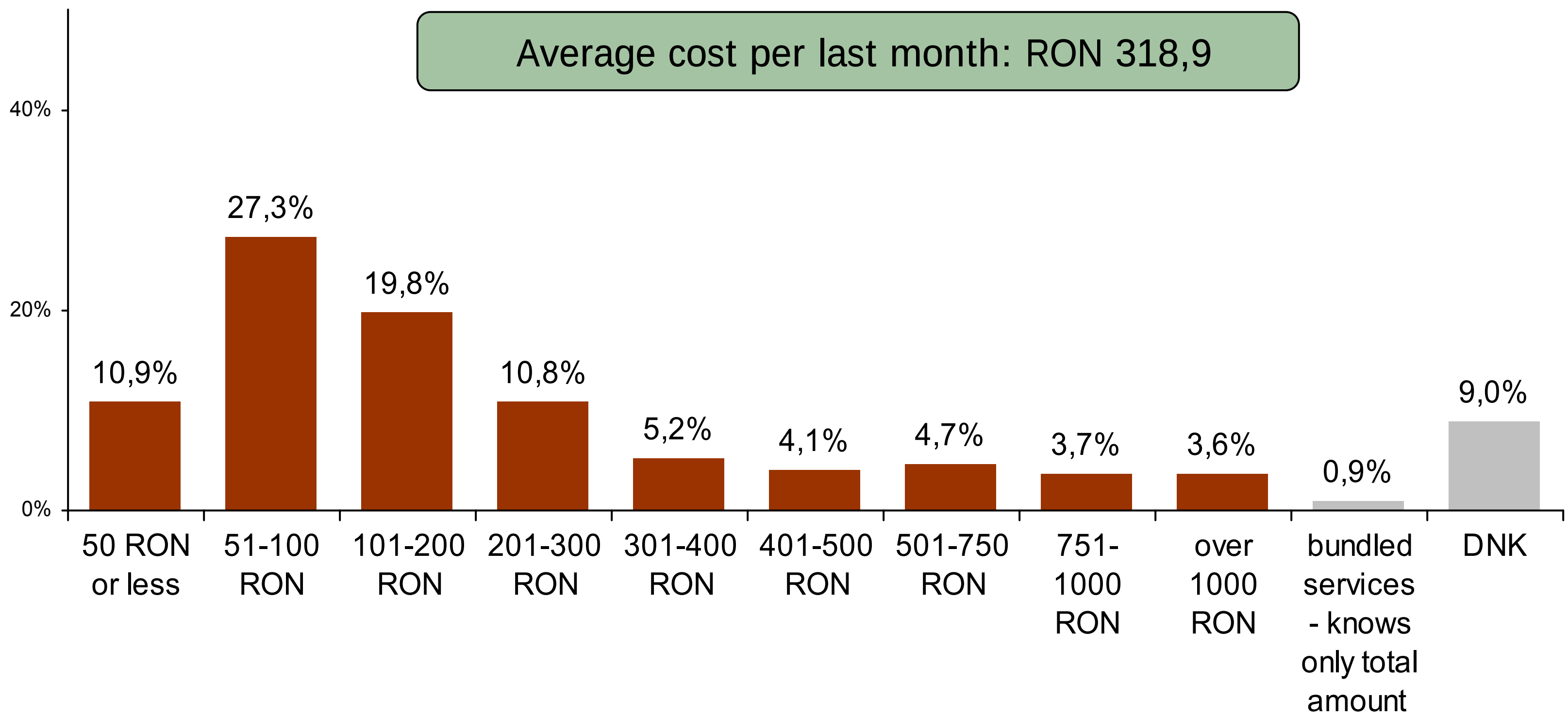
Reference: sample of companies and institutions that use subscriptions for fixed telephony services, per size of company and revenue



Monthly Costs of Fixed Telephony Subscription- **ROMTELECOM -**

What is the approximate cost that your company pays for each supplier of subscription (line) on an average month (including VAT)? Please discount the cost of Internet / CATV services that may be included on the invoice or the costs of pre-paid or selection code services, if you use such.

Reference: Romtelecom subscribers, N = 1053

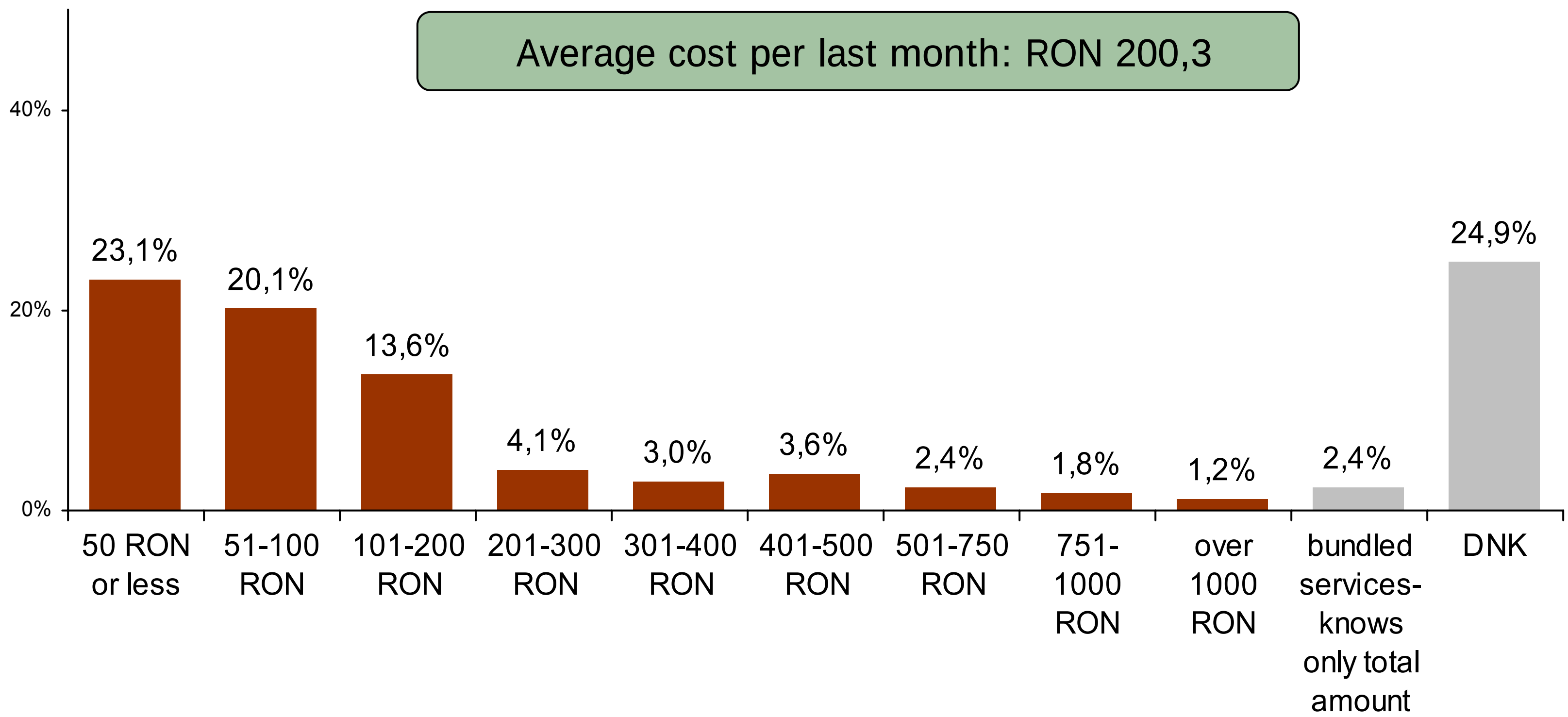


Monthly Costs of Fixed Telephony Subscription

- RDS -

What is the approximate cost that your company pays for each supplier of subscription (line) on an average month (including VAT)? Please discount the cost of Internet / CATV services that may be included on the invoice or the costs of pre-paid or selection code services, if you use such.

Reference: RDS subscribers, N = 169

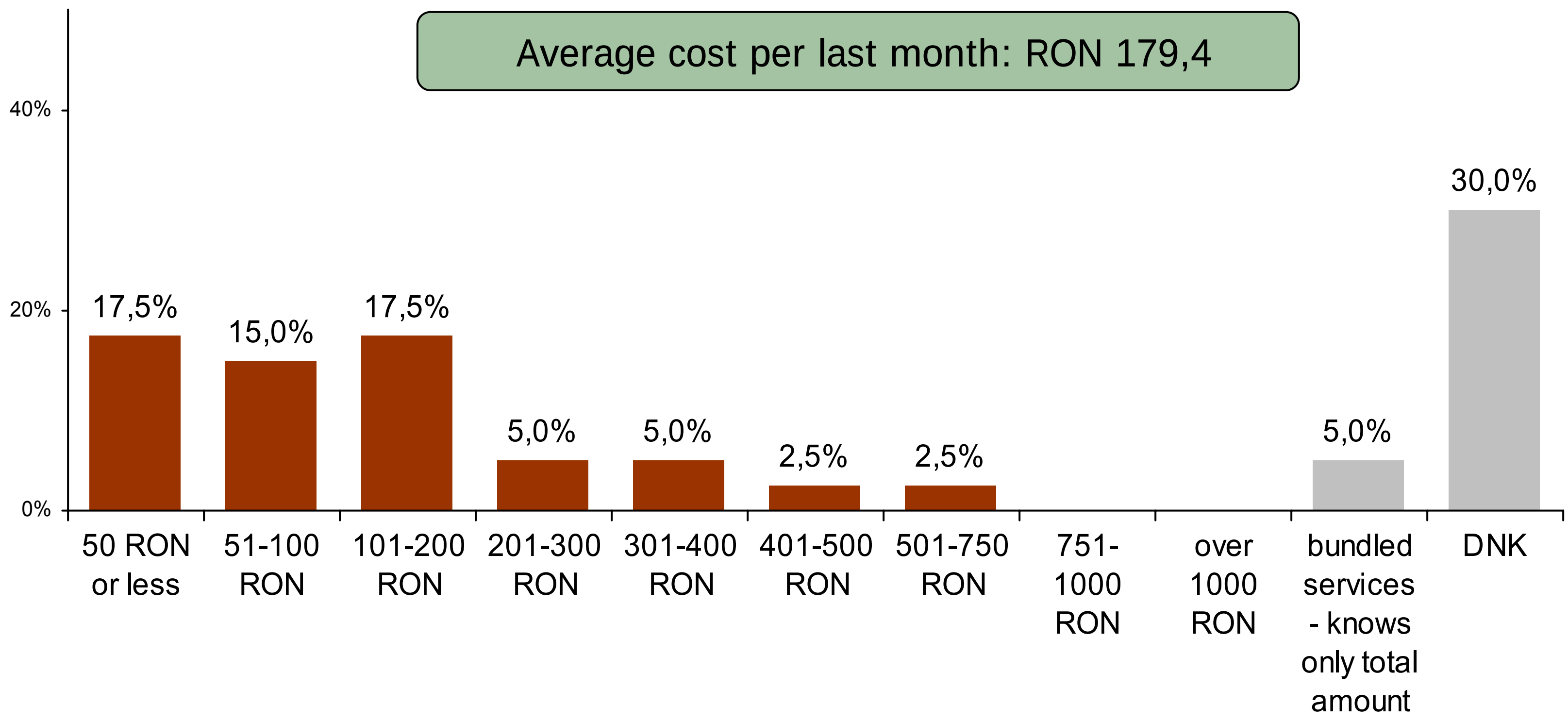


Monthly Costs of Fixed Telephony Subscription

- UPC / ASTRAL TELECOM -

What is the approximate cost that your company pays for each supplier of subscription (line) on an average month (including VAT)? Please discount the cost of Internet / CATV services that may be included on the invoice or the costs of pre-paid or selection code services, if you use such.

Reference: UPC / Astral Telecom subscribers, N = 40



Monthly Costs of Fixed Telephony Subscription via Selection Code or Pre-paid Cards

What is the approximate cost of selection code fixed telephony services on an average month (RON including VAT)?

What is the approximate cost of pre-paid card fixed telephony services on an average month (RON including VAT)?

Reference: sample of companies and institutions that use fixed telephony services via selection code or pre-paid cards, N = 11

30 RON	1 answer
100 RON	1 answer
150 RON	2 answers
350 RON	1 answer
1000 RON	1 answer
DNK	5 answers

Monthly Costs of Fixed Telephony Services via Public Phone Pre-paid Cards

What is the approximate cost of public phone pre-paid cards in your company on an average month (RON including VAT)?

Reference: sample of companies and institutions that use public phone pre-paid card services, N = 9

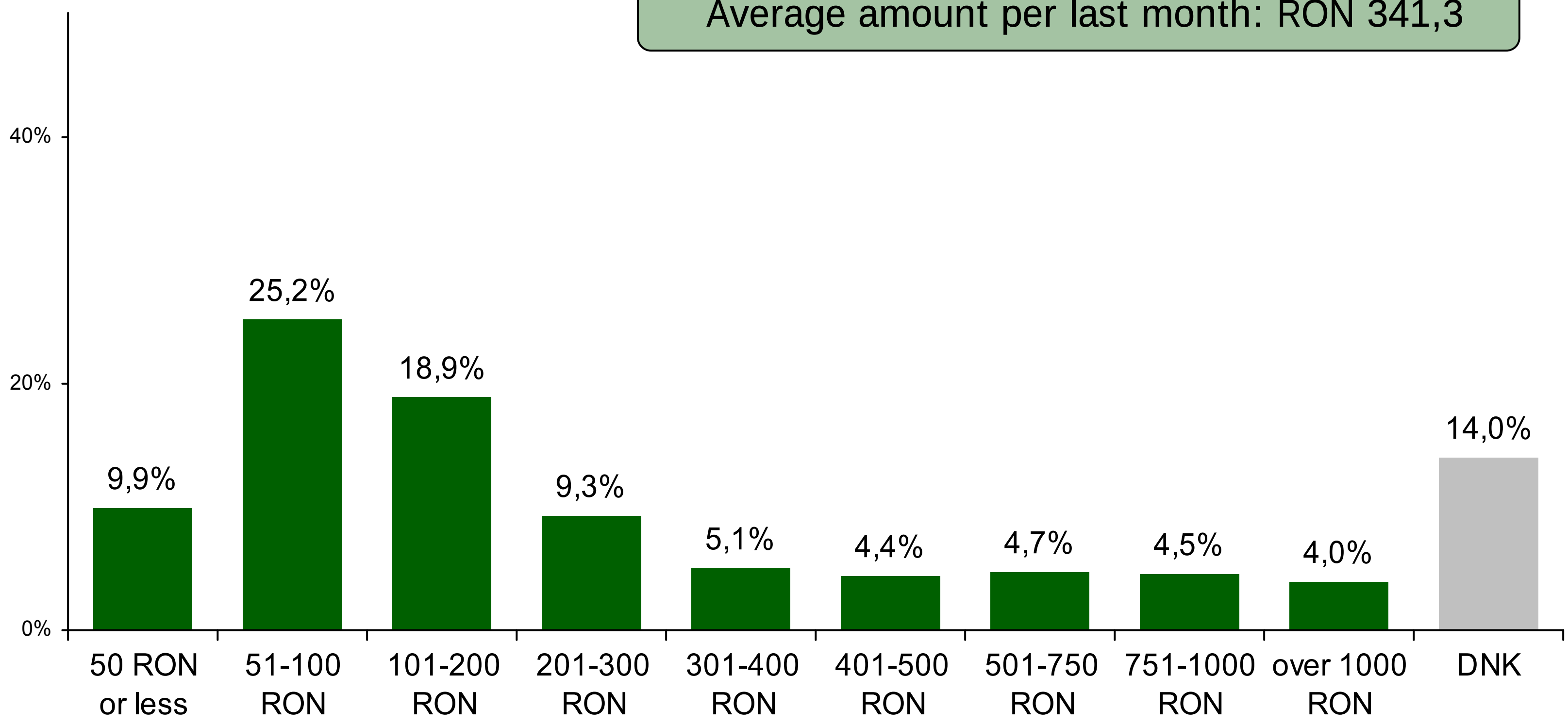
200 RON	1 answer
50 RON	1 answer
DNK	7 answers

Total Cost of Last Month Fixed Telephony Services (subscriptions, pre-paid cards and selection codes)

What is the approximate cost of all fixed telephony services (classic fixed line, selection code, pre-paid cards and public phone cards) on an average month?

Reference: sample of companies and institutions, N = 1099

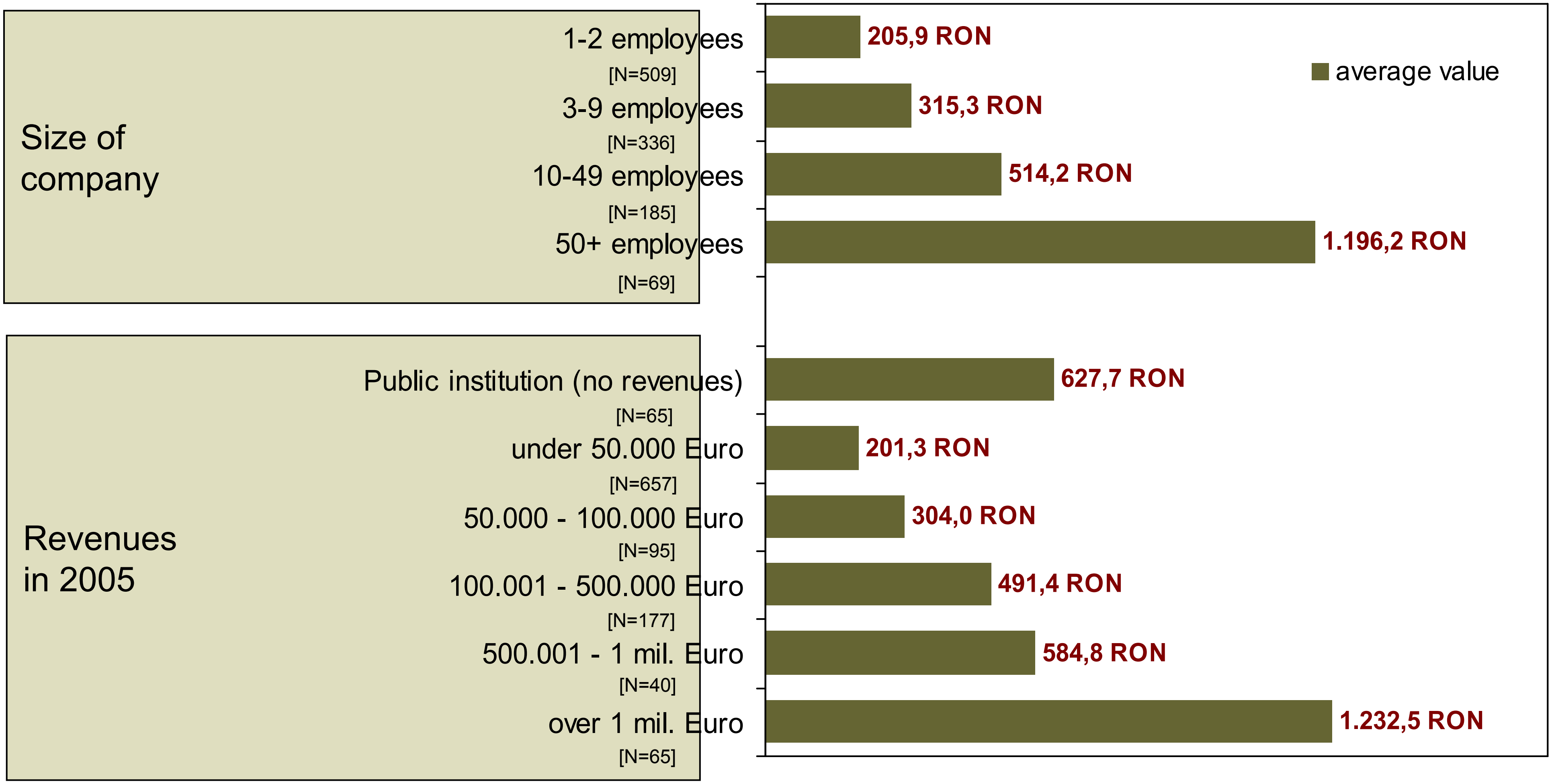
Average amount per last month: RON 341,3



Average Cost of Last Month Fixed Telephony Services (subscriptions, pre-paid cards and selection codes)

What is the approximate amount that your company paid for last month services offered by each supplier (including VAT)?

Reference: sample of companies and institutions, per size of company and revenue



V. Fixed Telephony Consumption Policies

Fixed Telephony Consumption Policies

- Overall 67% of employees of companies and institutions use a fixed line, but in only 60% of companies and institutions all employees can use it and in 24% of companies and institutions at least half of the employees use it. The analysis per size of company shows a difference. The percentage of employees who have access to a fixed line decreases per increase of number of employees, from 97% for companies and institutions with 1-2 employees to 68% for companies and institutions with over 50 employees. Moreover, the percentage of companies where all employees have access to a fixed line decreases from 70% for companies and institutions with 1-2 employees to 33% for companies and institutions with over 50 employees.

- 59% of companies and institutions do not apply any restriction or recommendation for fixed line usage, while only 16% of companies and institutions enforce some restrictions. The percentage of companies and institutions that enforce restrictions increases with size, from 12% of companies and institutions with 1-2 employees to 36% of those with over 50 employees.

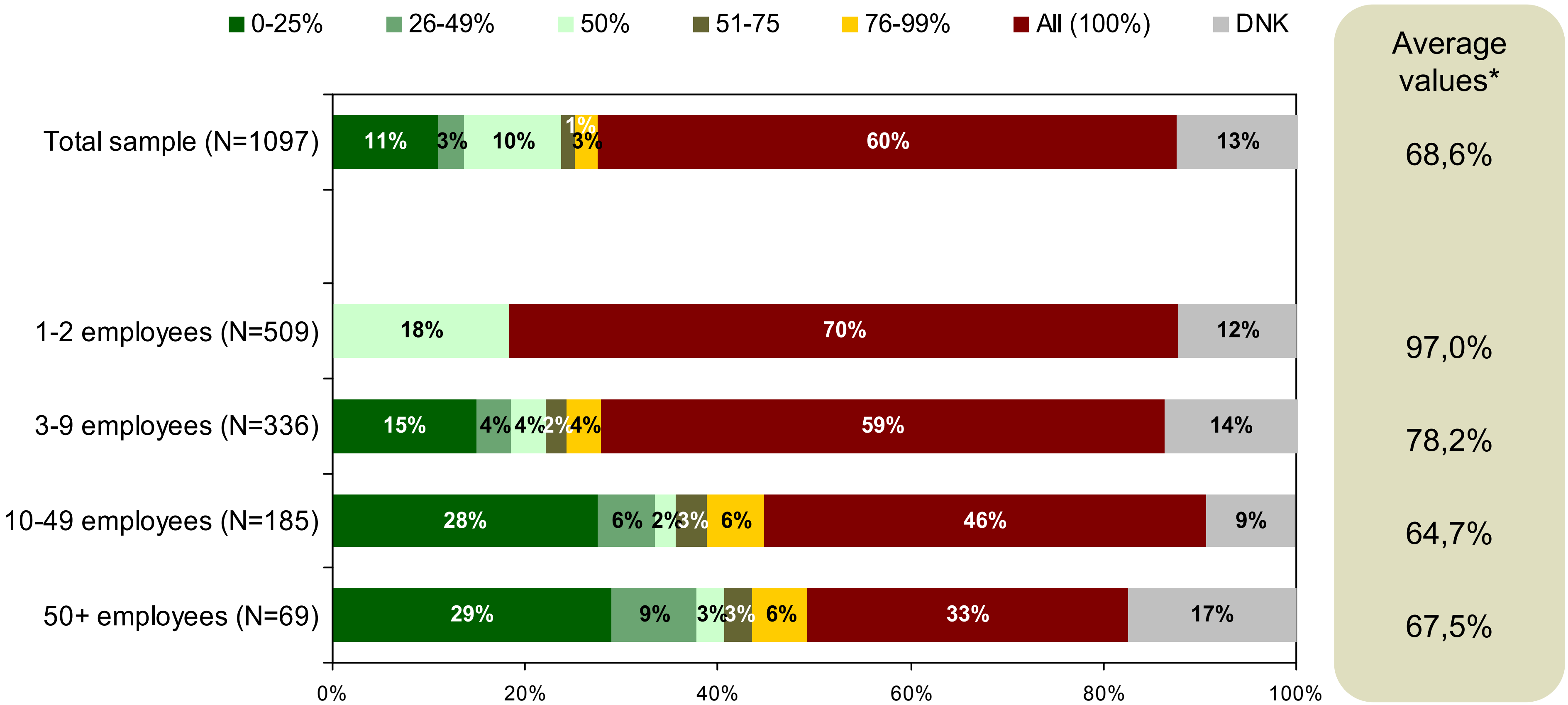
- Main restrictions include international, fixed to mobile and regional calls. The percentage of companies which apply these restrictions is significantly different per type of employees: managerial vs non-managerial. 58% of companies that enforce restrictions apply them to non-managerial employees.

- If fixed phone usage restrictions are enforced for employees, they are offered the alternative usage of the mobile phone in 62% of companies and institutions. However, 30% of companies do not offer any alternative to their employees if they enforce restrictions on fixed line usage.

Percentage of Employees with Fixed Phones out of Total Employees

Overall, what is the percentage of employees that have access to fixed lines in your company?

Reference: total sample per size of company

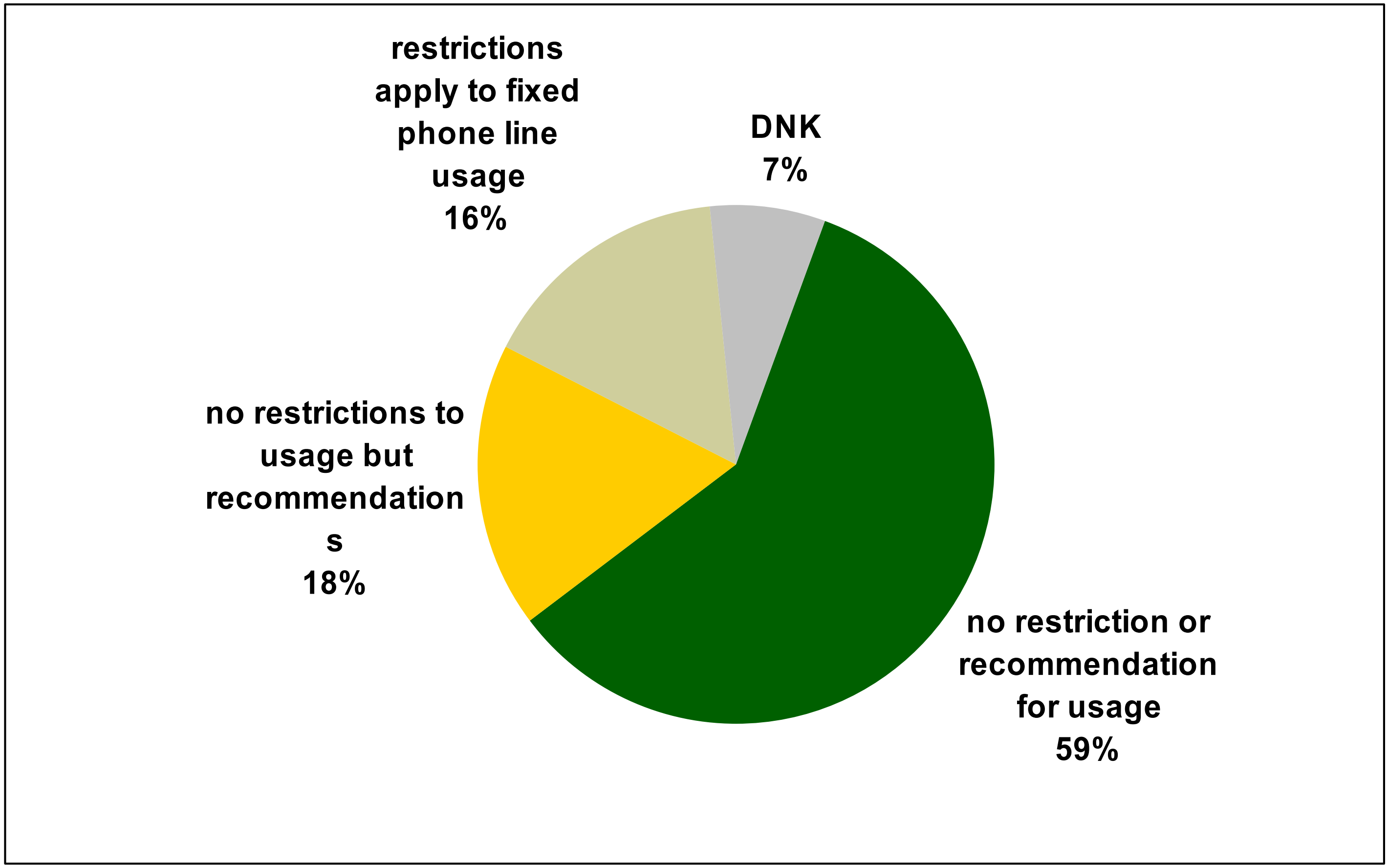


**Average values were calculated as the total number of employees with fixed line access per total number of employees in the sample*

Company Policy on Use of Fixed Phone - Restrictions -

Which of the following statements best describes your company's policy of fixed phone line usage?

Reference: sample of companies and institutions, N = 1099

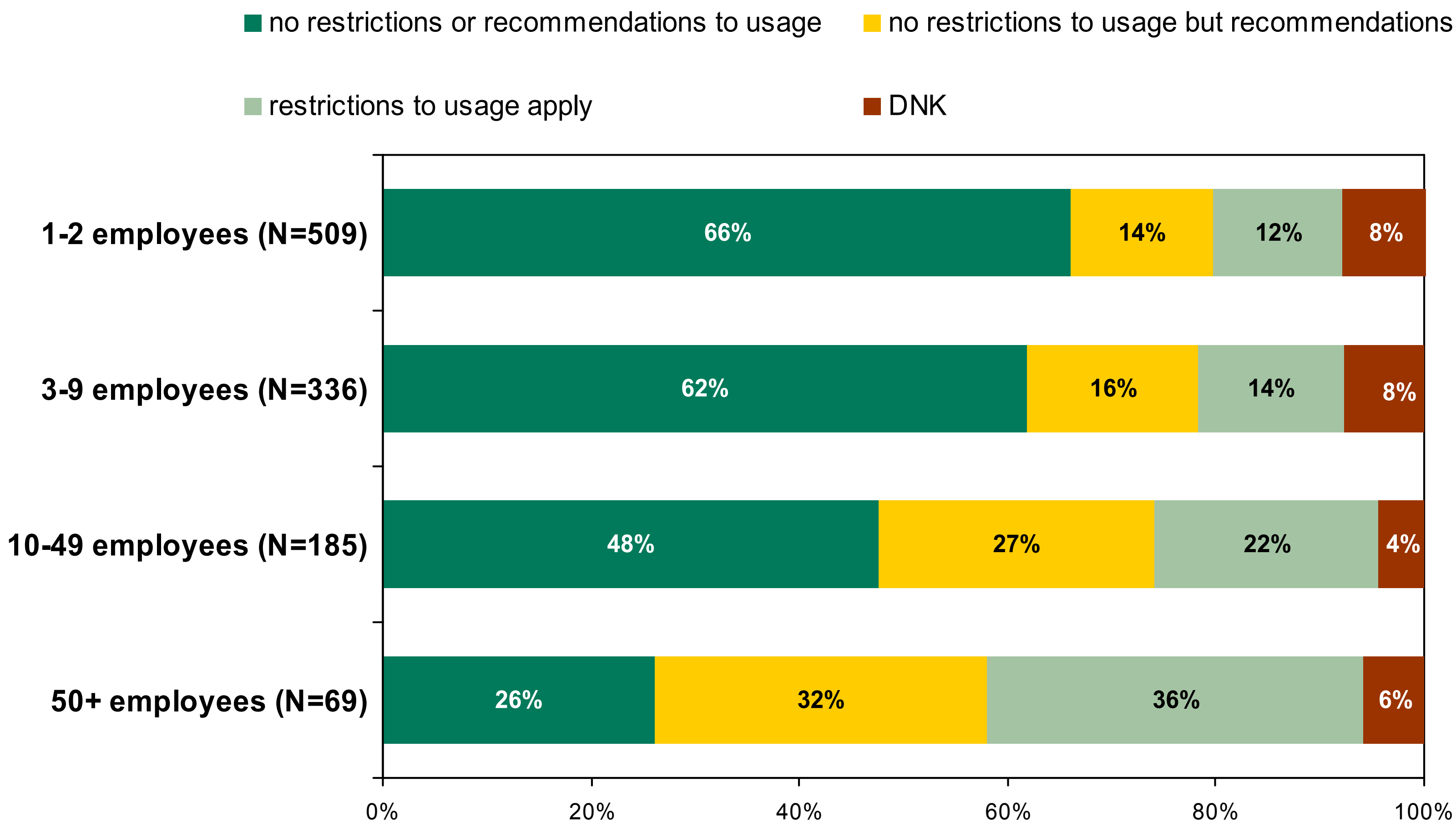


Restrictions on Fixed Line Usage

per size of company

Which of the following statements best describes your company's policy of fixed phone line usage?

Reference: sample of companies and institutions, N = 1099



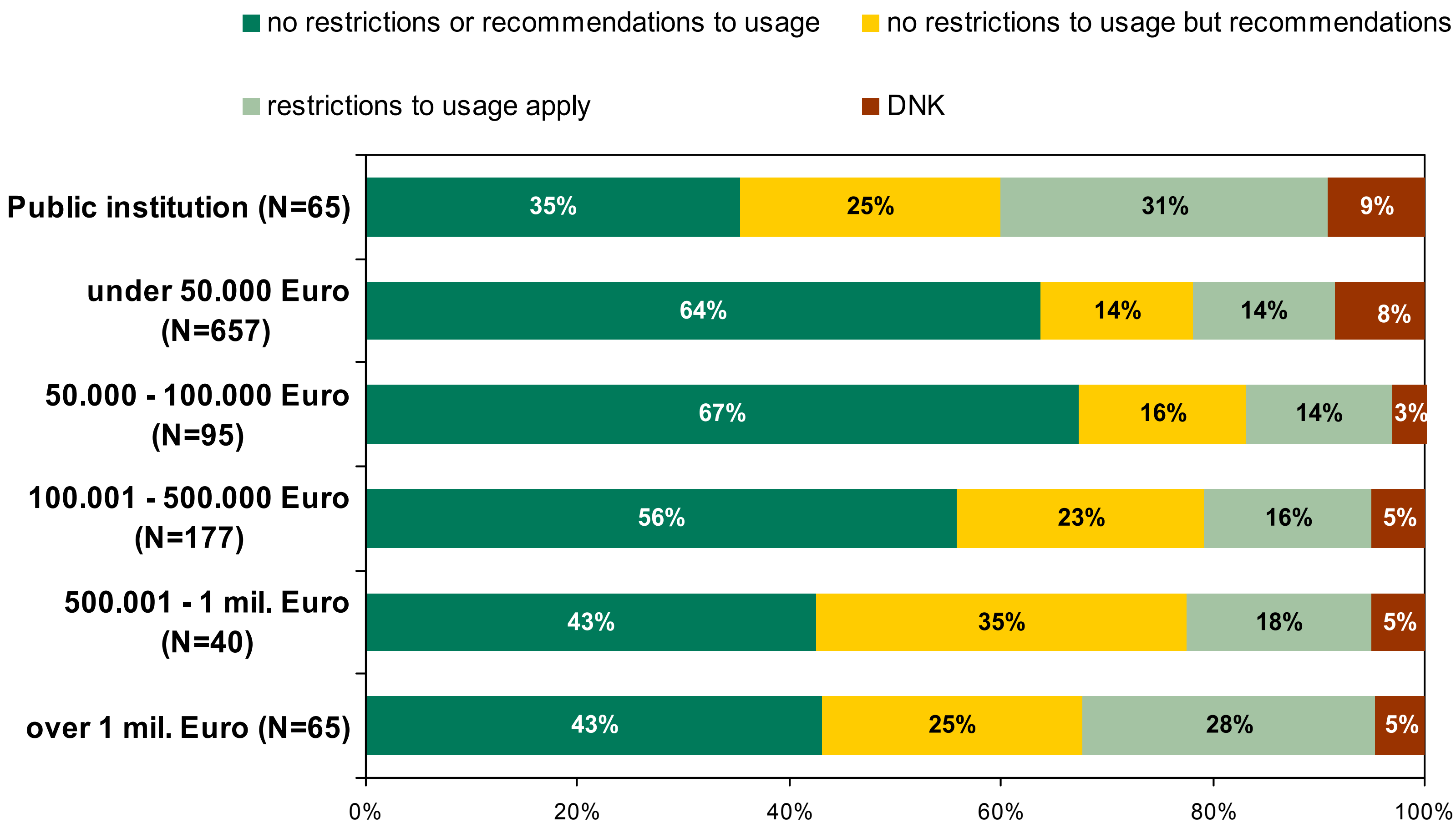
One single answer

Restrictions on Fixed Line Usage

per revenue

Which of the following statements best describes your company's policy of fixed phone line usage?

Reference: sample of companies and institutions, N = 1099



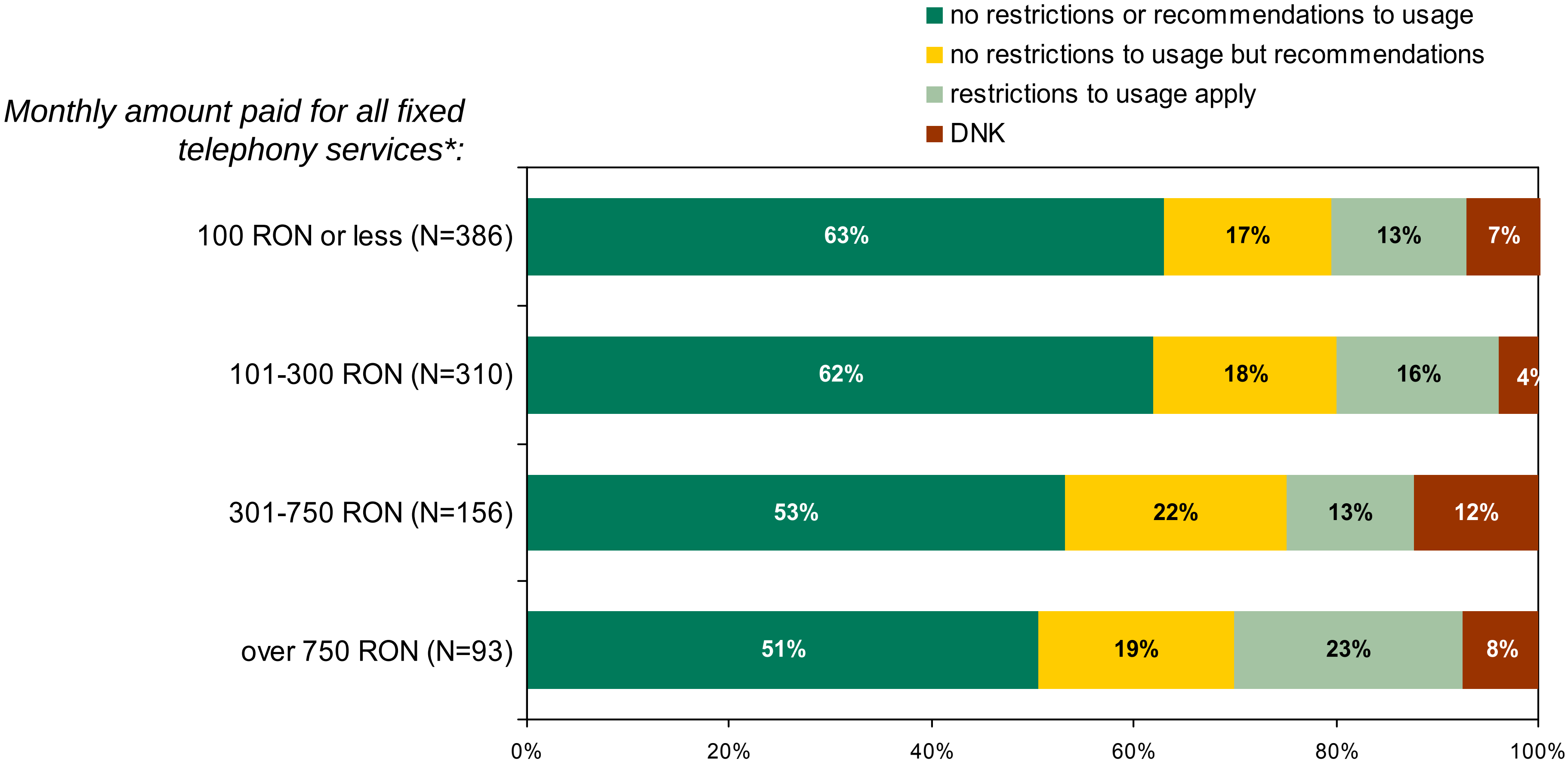
One single answer

Restrictions on Fixed Line Usage

per monthly cost for all fixed line services

Which of the following statements best describes your company's policy of fixed phone line usage?
What is the approximate total amount that your company pays for all fixed line services (classic fixed telephony, selection code, pre-paid cards, public paid phone cards) on an average month?

Reference: sample of companies and institutions, N = 1099



*154 of interviewees did not know the amount or refused to answer

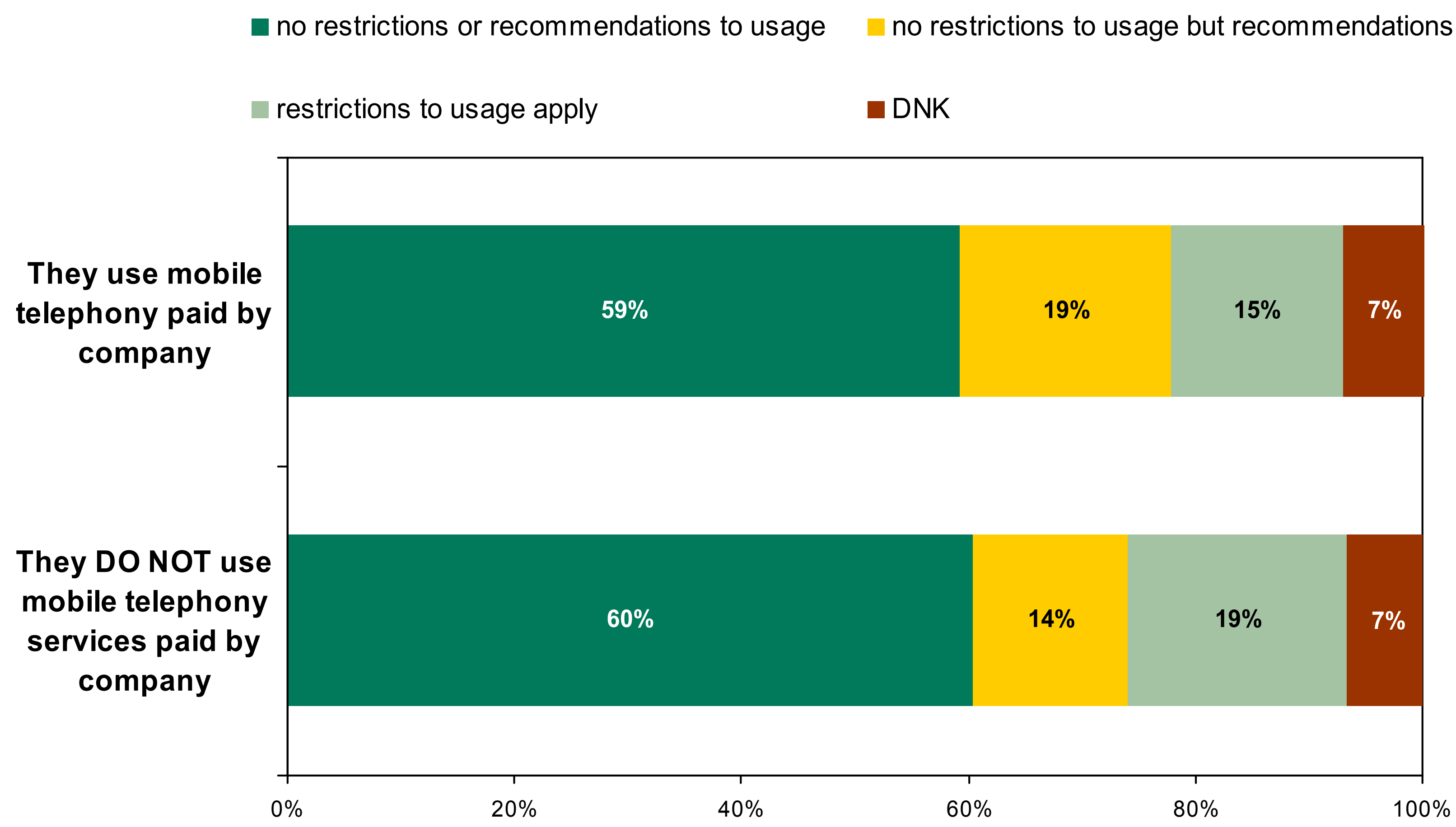
One single answer

Restrictions on Fixed Line Usage

per occurrence of mobile phone services paid by company

Which of the following statements best describes your company's policy of fixed phone line usage?

Reference: sample of companies and institutions, N = 1099

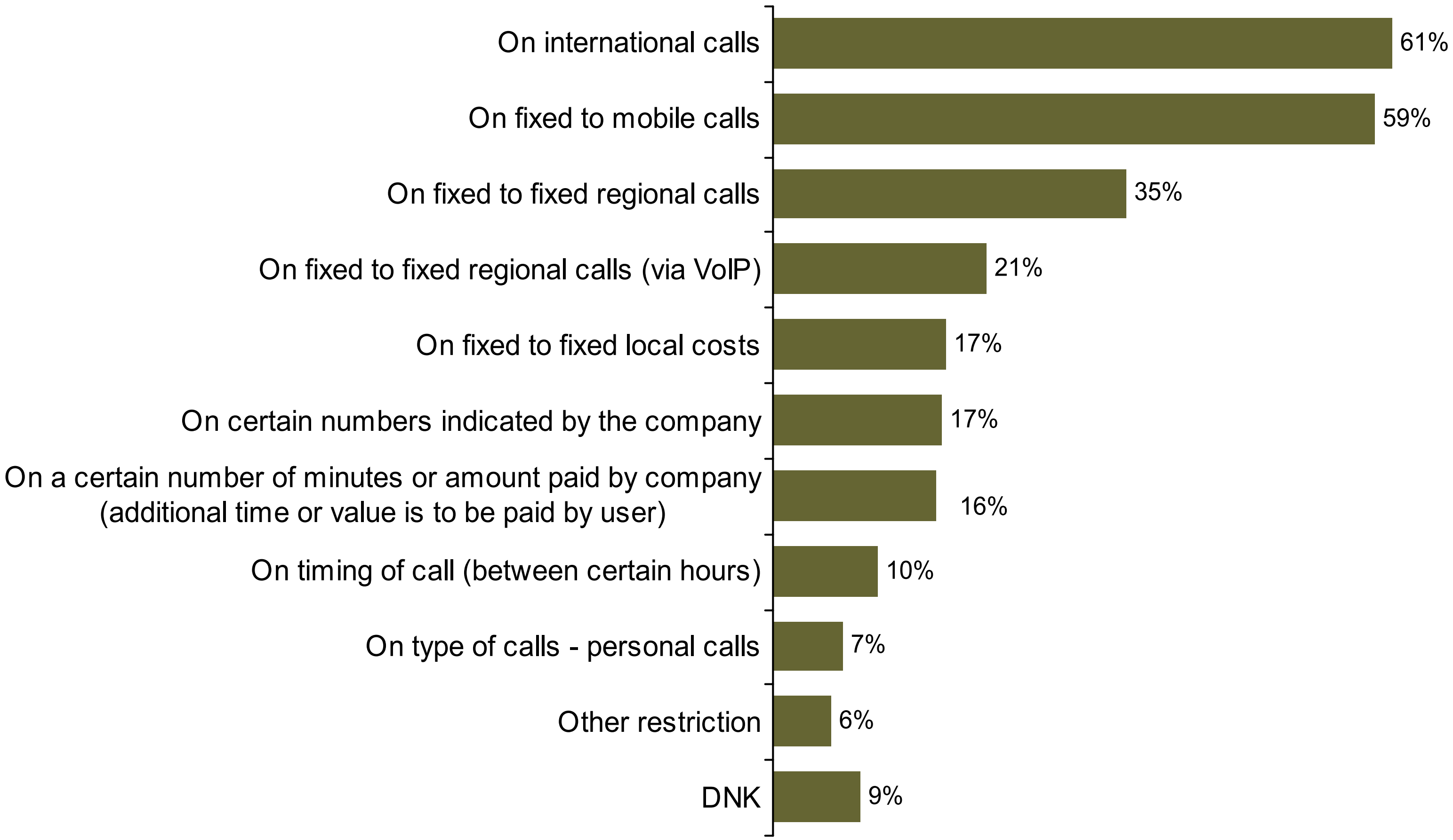


One single answer

Restrictions on Fixed Line Usage for Non-managerial Employees

What type of restrictions on fixed line usage does your company enforce for non-managerial employees?

Reference: companies and institutions that enforce restrictions on fixed line usage, N = 175

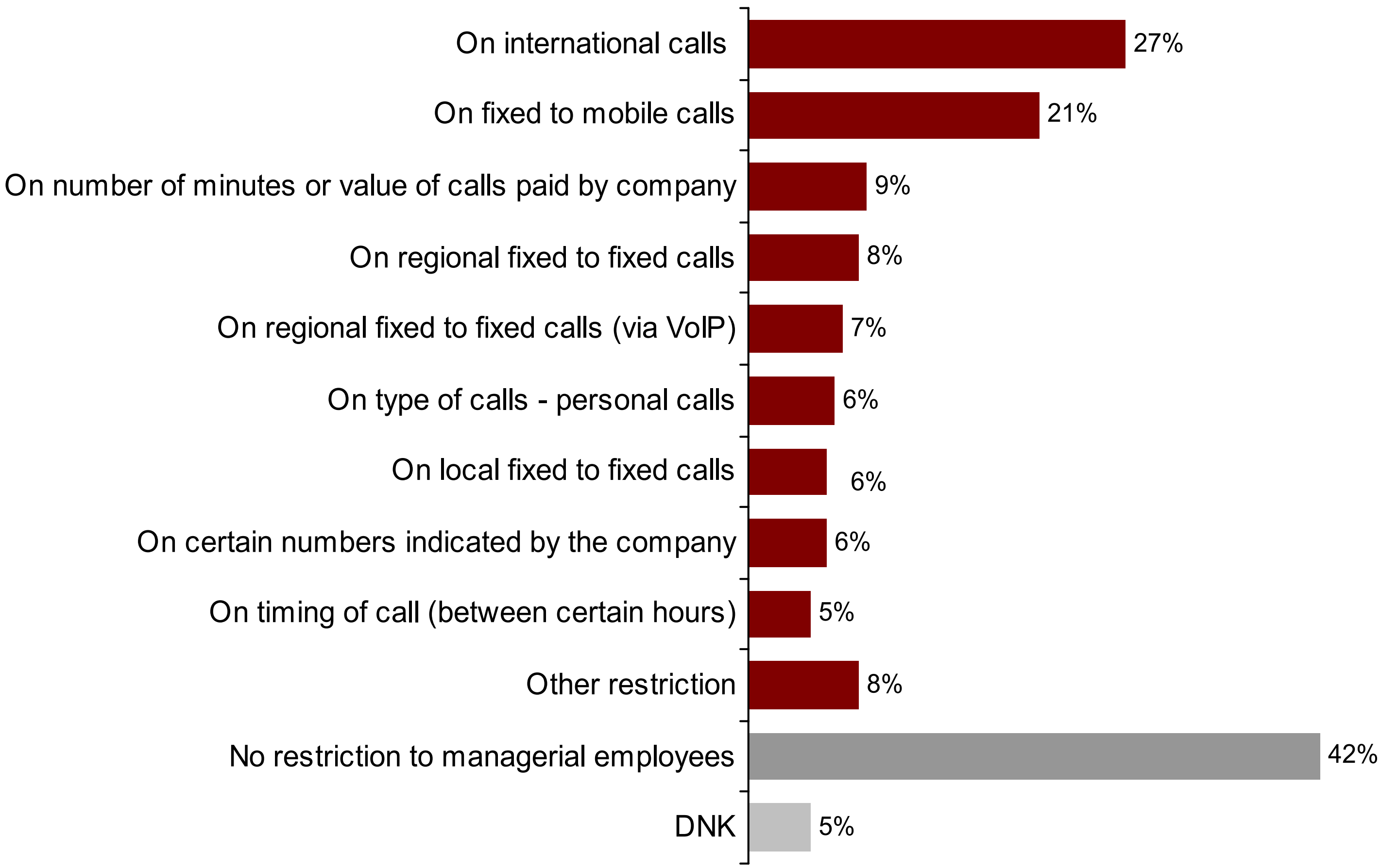


More than one answer

Restrictions on Fixed Line Usage for <u>Managerial Employees</u>

What type of restrictions on fixed line usage does your company enforce for managerial employees?

Reference: companies and institutions that apply restrictions to fixed line usage, N = 175

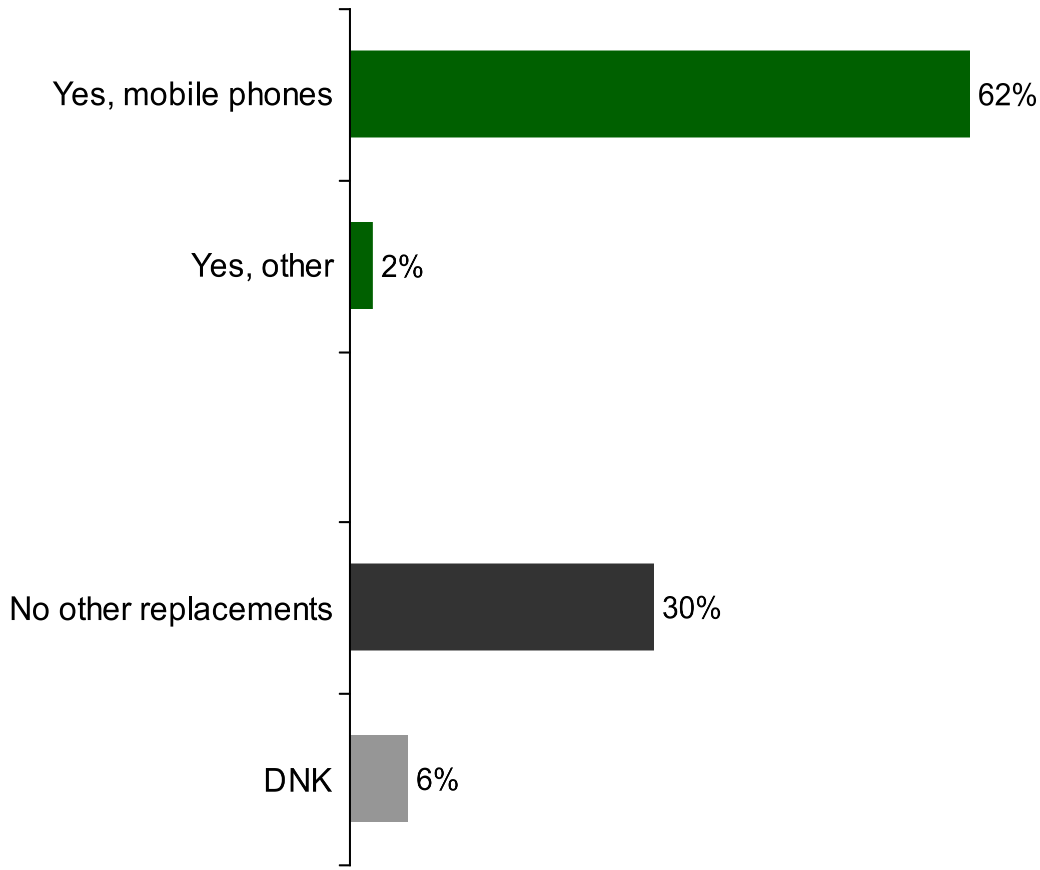


More than one answer

Substitution Services Offered to Employees to Replace Fixed Line Calls

Do the persons who are restricted in their use of fixed line (in terms of destination, time or credit) have other possibilities to make the respective calls?

Reference: companies that use fixed line services and restrict their use
N = 175



More than one answer

VI. Fixed Telephony Services Selection Criteria

Fixed Telephony Services Selection Criteria

- The most important criteria for selecting the fixed telephony supplier are quality of sound and coverage, followed by troubleshooting speed and invoicing. Level of tariffs is ranked under the four criteria above.

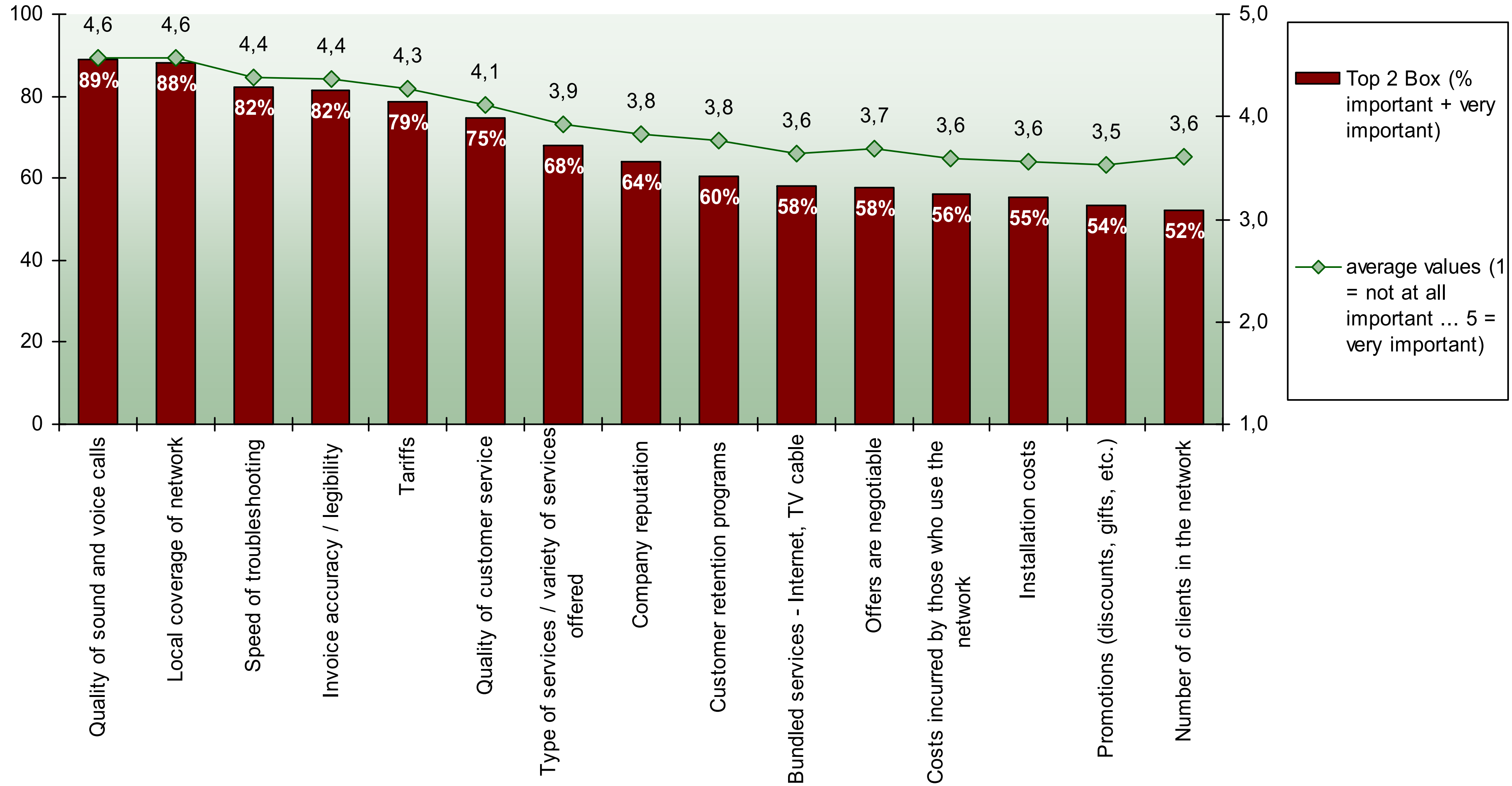
- The analysis per size of company/institution resulted in higher demands from bigger companies (over 50 employees), which assign a higher importance to all selection criteria included in the research.

- All types of tariffs are considered important for companies and institutions when selecting their supplier, including tariffs for international calls. However, companies with over 50 employees do not rank the cost of international calls as important. On the contrary, bigger companies are more concerned about fixed to fixed and fixed to mobile tariffs.

Ranking of Selection Criteria for Fixed Telephony Services

When you select a fixed telephony supplier or service, how important are the following criteria for you?

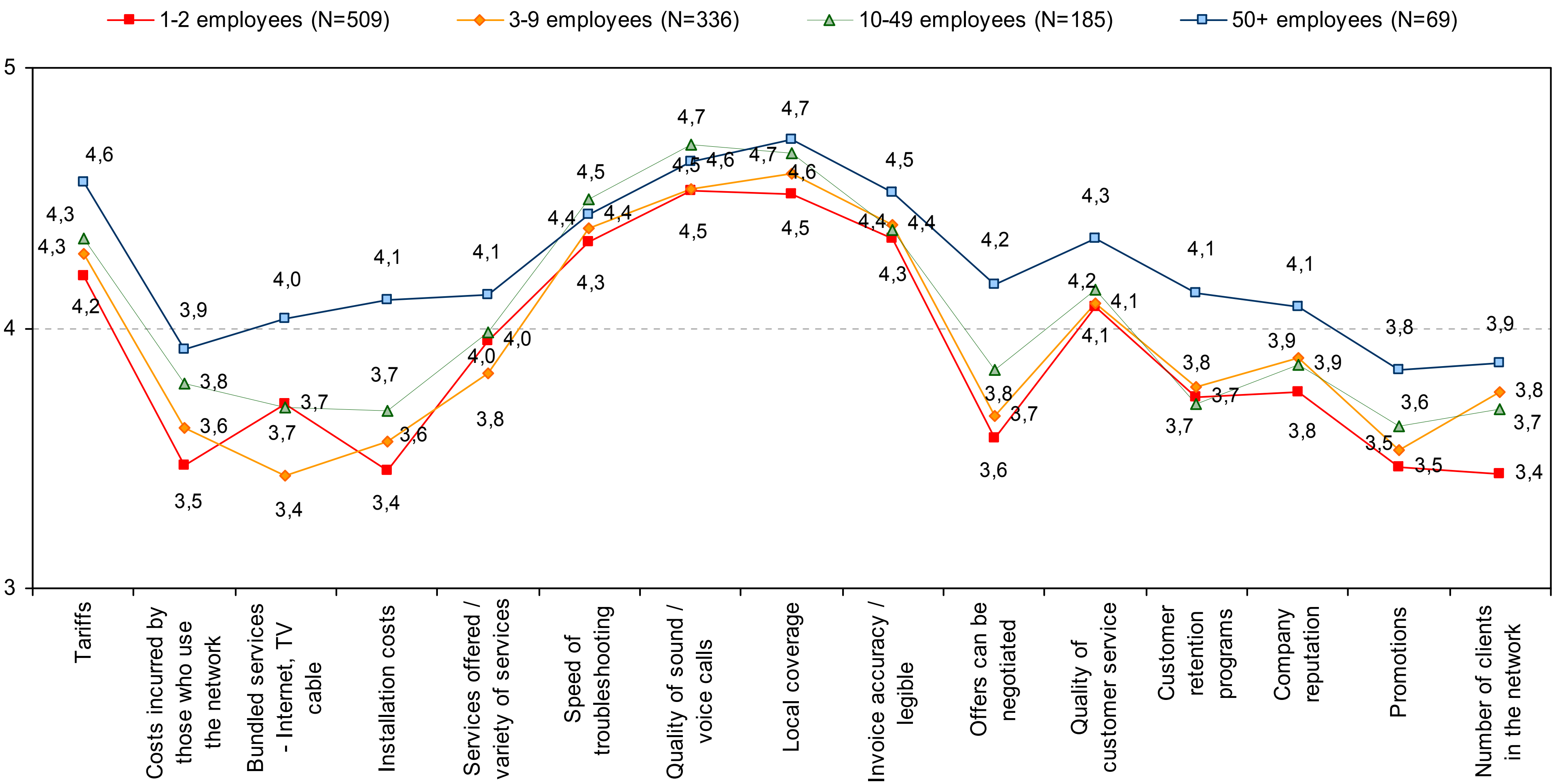
Reference: sample of companies and institutions, N = 1099



Ranking of Selection Criteria for Fixed Telephony Services
per size of company

When you select a fixed telephony supplier or service, how important are the following criteria for you?

Average values
(1 = not at all important ... 5 = very important)

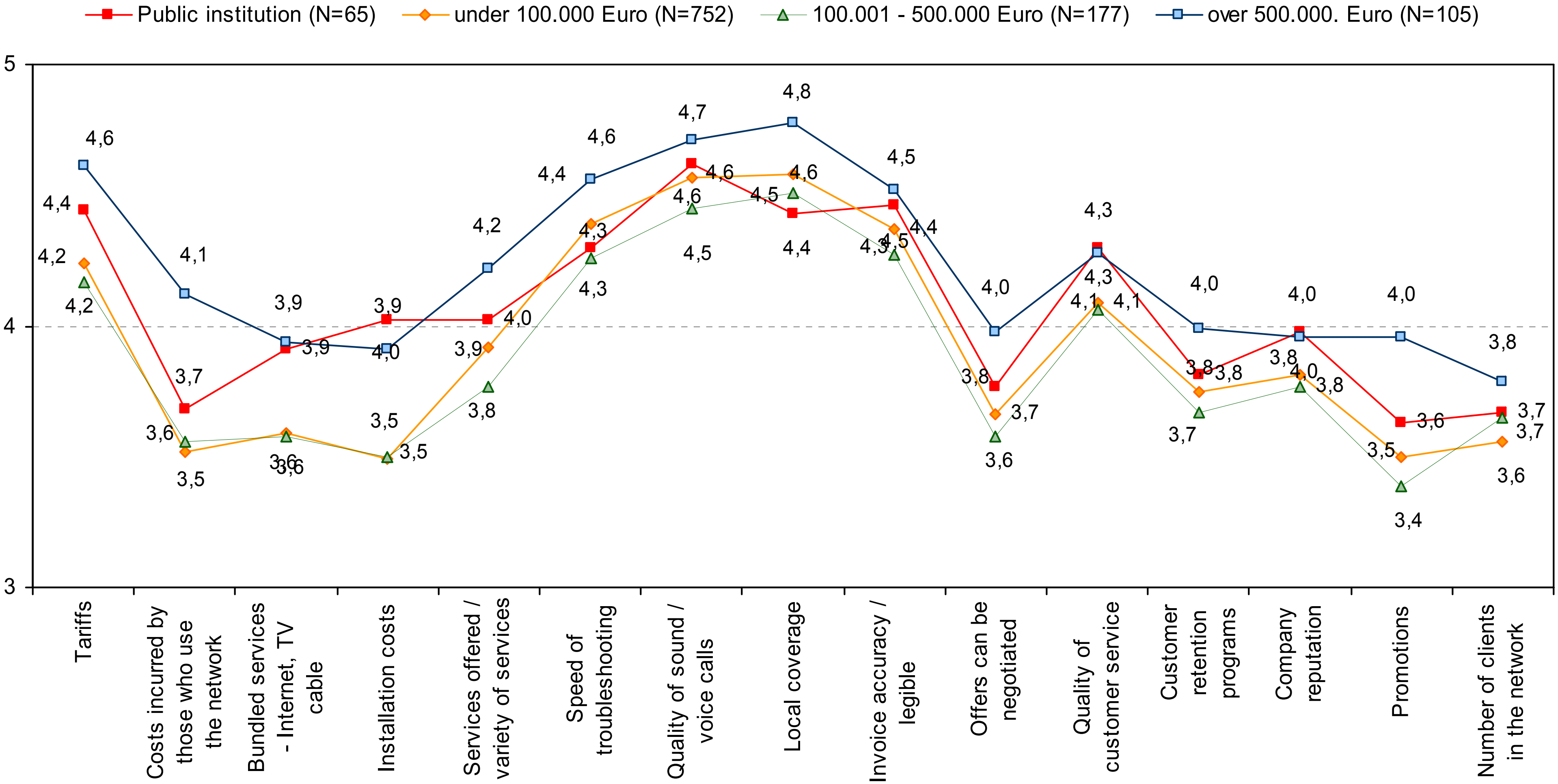


Ranking of Selection Criteria for Fixed Telephony Services

per revenue

When you select a fixed telephony supplier or service, how important are the following criteria for you?

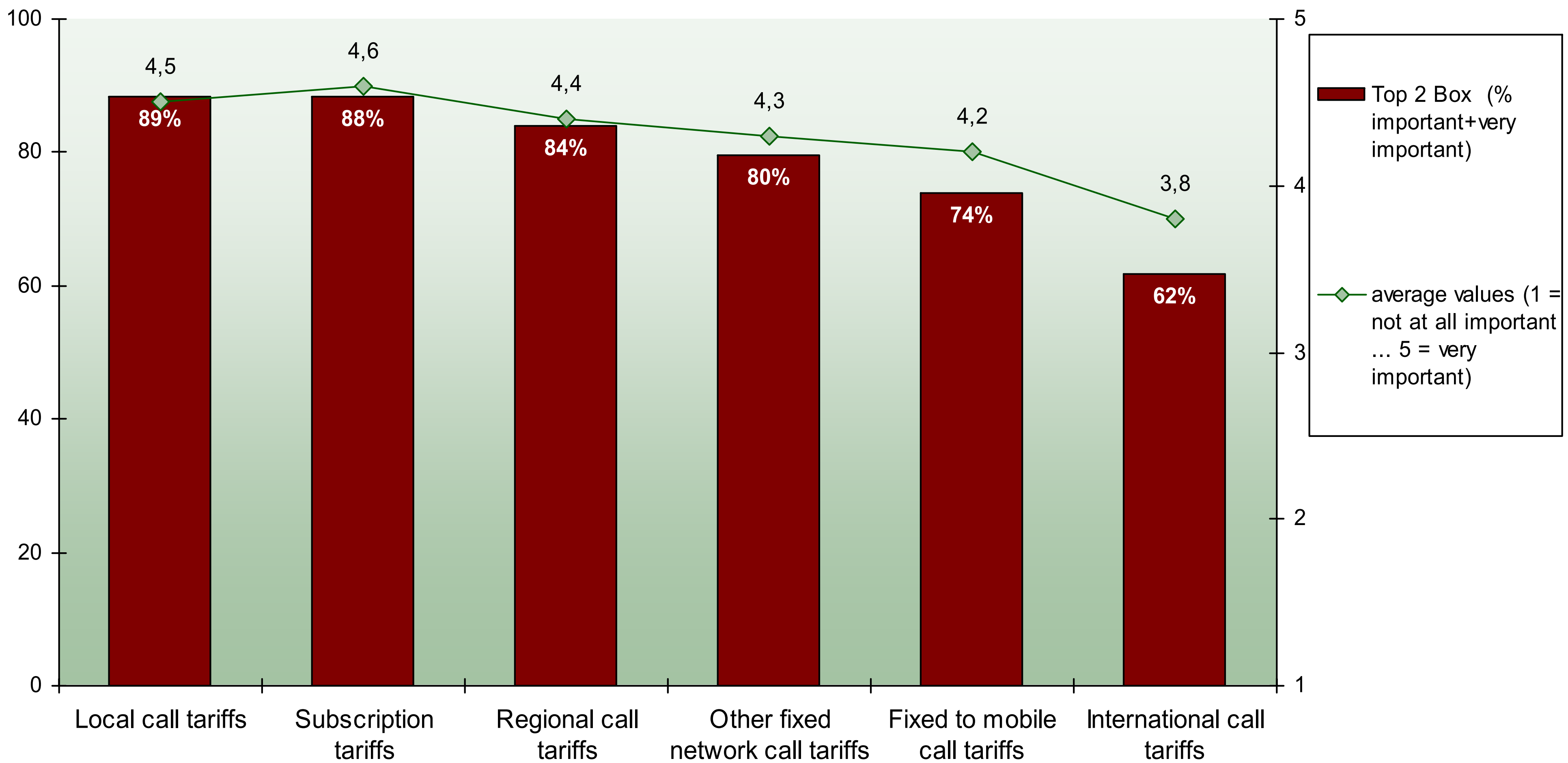
Average values
(1 = not at all important ... 5 = very important)



Importance of Tariffs When Selecting a Fixed Telephony Service

When you select a fixed telephony supplier or service, how important are the following categories of tariffs for you?

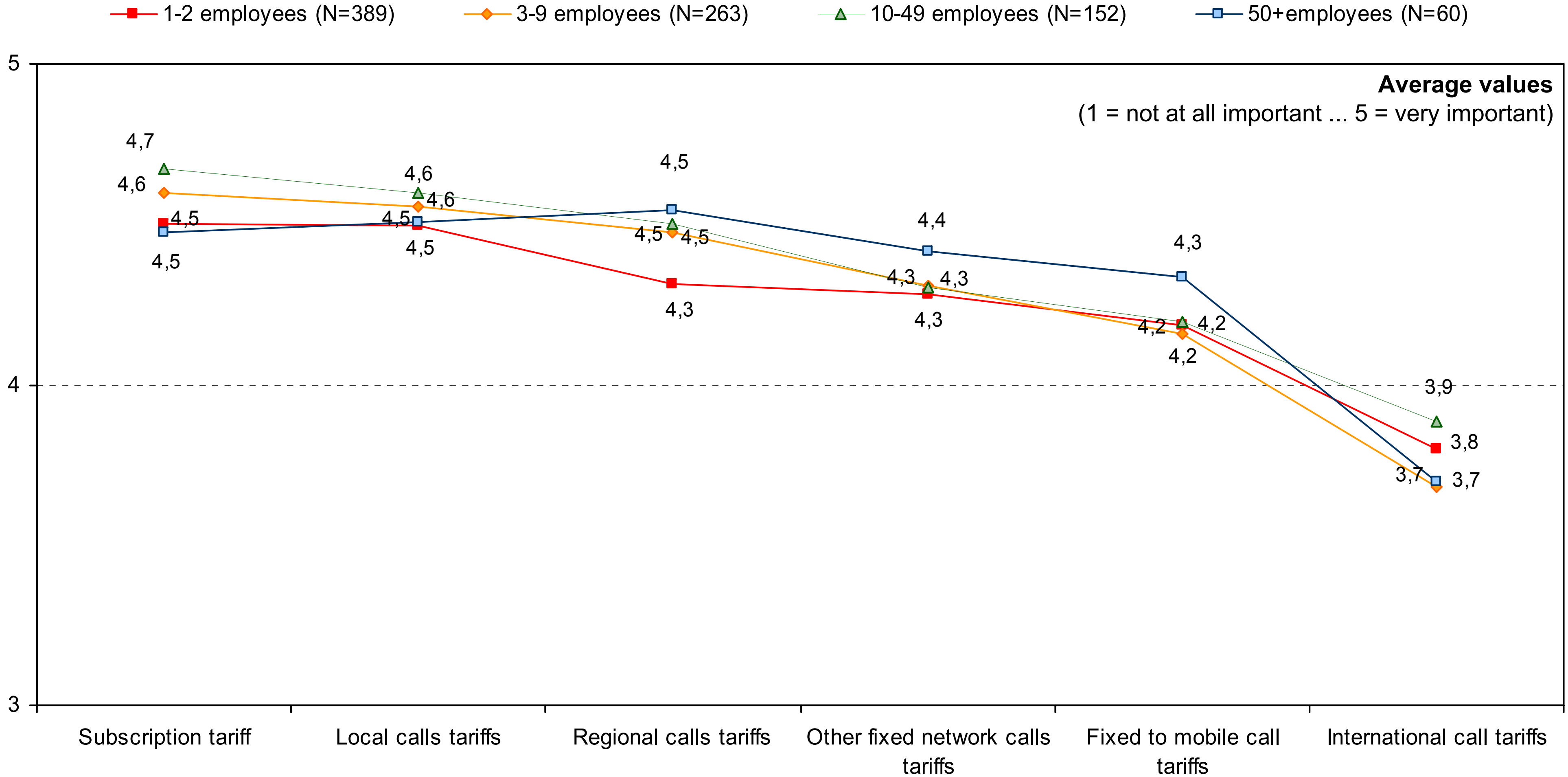
Reference: companies and institutions that rank tariffs as "important" and "very important" when selecting a fixed telephony service, N = 864



Importance of Tariffs When Selecting a Fixed Telephony Service
per size of company

When you select a fixed telephony supplier or service, how important are the following categories of tariffs for you?

Reference: companies and institutions that rank tariffs as “important” and “very important” when selecting a fixed telephony service, N = 864

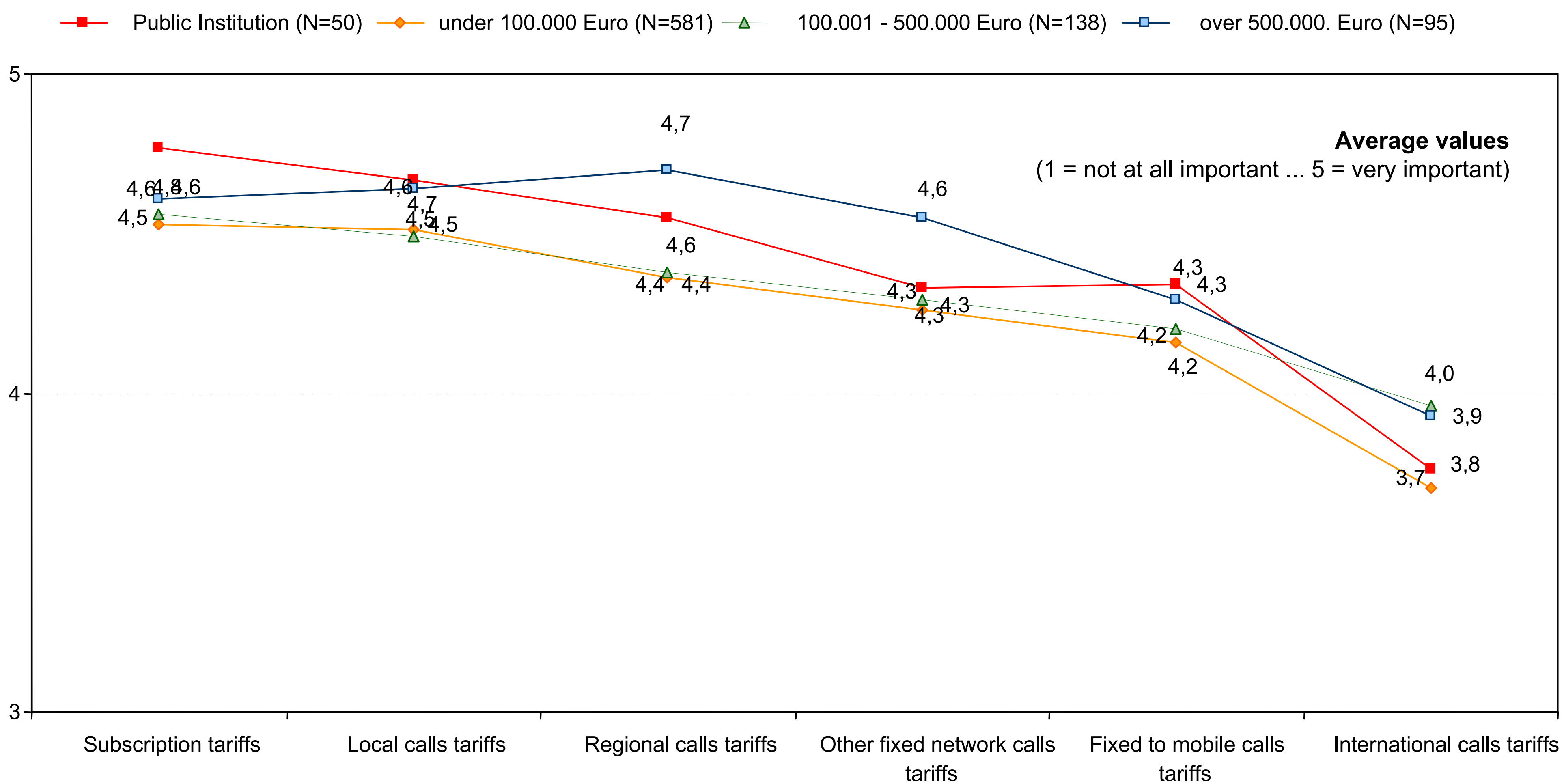


Importance of Tariffs When Selecting a Fixed Telephony Service

per revenue

When you select a fixed telephony supplier or service, how important are the following categories of tariffs for you?

Reference: companies and institutions that rank tariffs as "important" and "very important" when selecting a fixed telephony service, N = 864



VII. Level of Consumer Satisfaction with Fixed Telephony Suppliers

Level of Consumer Satisfaction with Fixed Telephony Suppliers

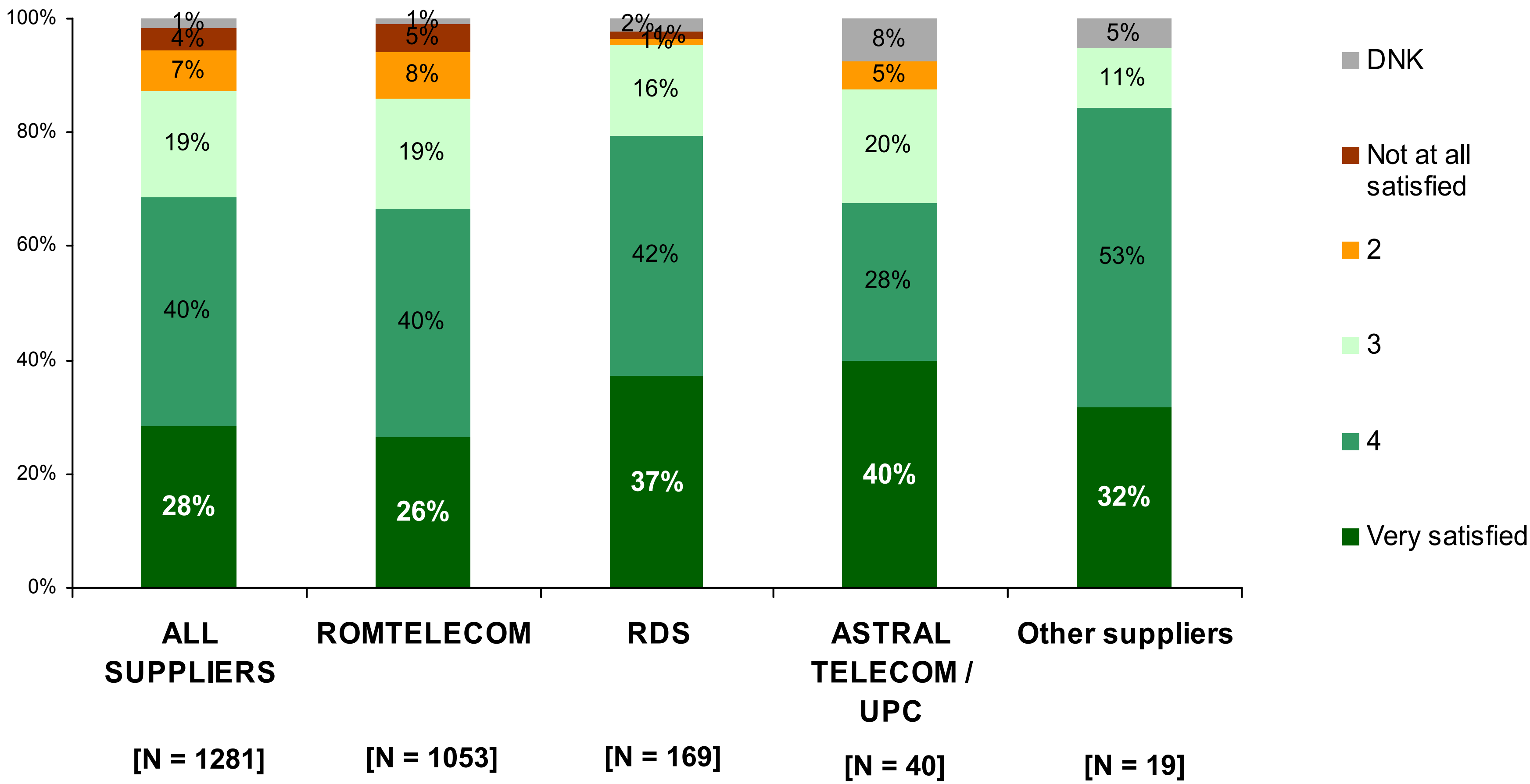
- Romtelecom ranks the lowest among the 3 fixed line service suppliers under evaluation on the market. The ranking does not exceed an average of 4,0 (on a scale from 1 to 5) neither for overall evaluation nor for specific evaluation of services and tariffs. The percentage of satisfied and very satisfied customers of Romtelecom services is only 66% as opposed to 79% for RCS. 5% of interviewees were totally dissatisfied by Romtelecom services.

- The same results were obtained for the question on quality of fixed line suppliers' services. Moreover, the gap between Romtelecom and RCS is widened when interviewees are specifically asked about their satisfaction with tariffs. The percentage of interviewees dissatisfied with the level of tariffs increases for Romtelecom to 15% (as opposed to 2% for RCS/RDS, and 5% for Astral/UPC), while the percentage of very satisfied users of RCS tariffs is higher than those very satisfied overall (41% of RCS users are very satisfied by tariffs as opposed to 37% of all respondents who are very satisfied).

Overall Satisfaction with Fixed Telephony Suppliers

Overall, how satisfied are you with this fixed telephony supplier? Please use a scale from 1 to 5 where "5" is very satisfied and "1" is not at all.

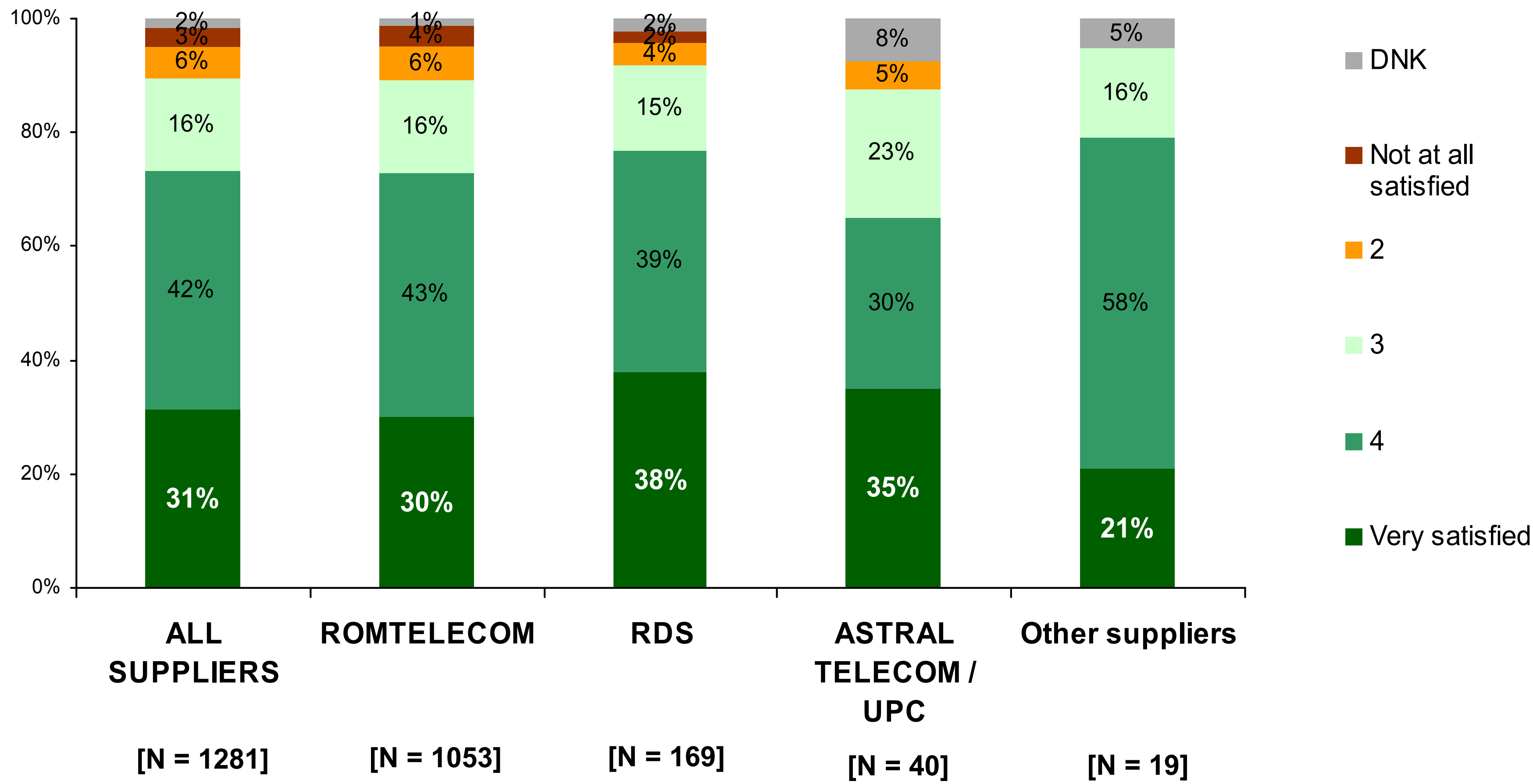
Reference: companies and institutions which use fixed telephony subscription services from the respective suppliers



Satisfaction with Service Quality Offered by Fixed Telephony Suppliers

Using the same scale, how satisfied are you with the service quality of this supplier?

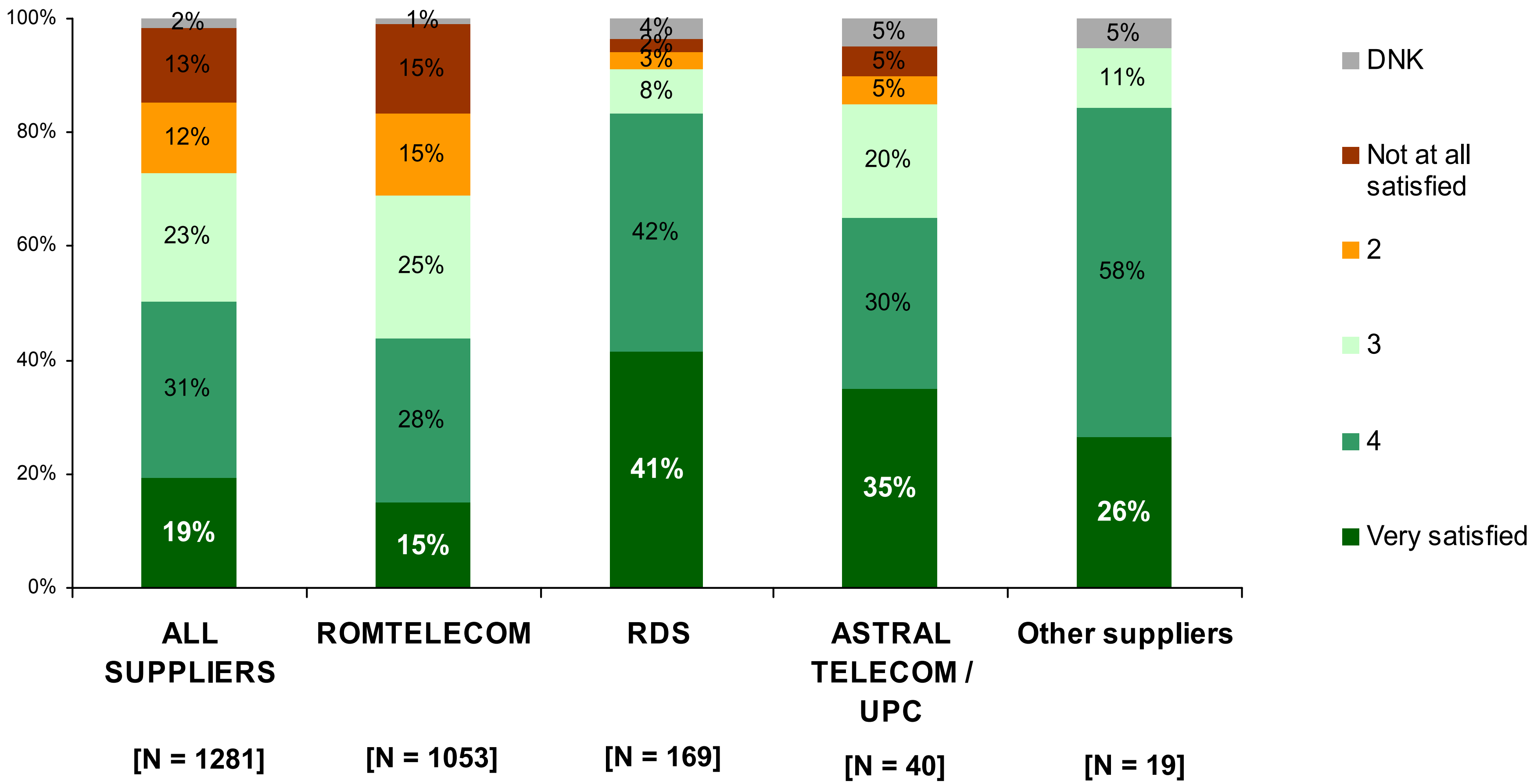
Reference: companies and institutions which use fixed telephony subscription services from the respective suppliers



Satisfaction with Tariffs Offered by Fixed Telephony Suppliers

Using the same scale, how satisfied are you with the tariffs of this supplier?

Reference: companies and institutions which use fixed telephony subscription services from the respective suppliers

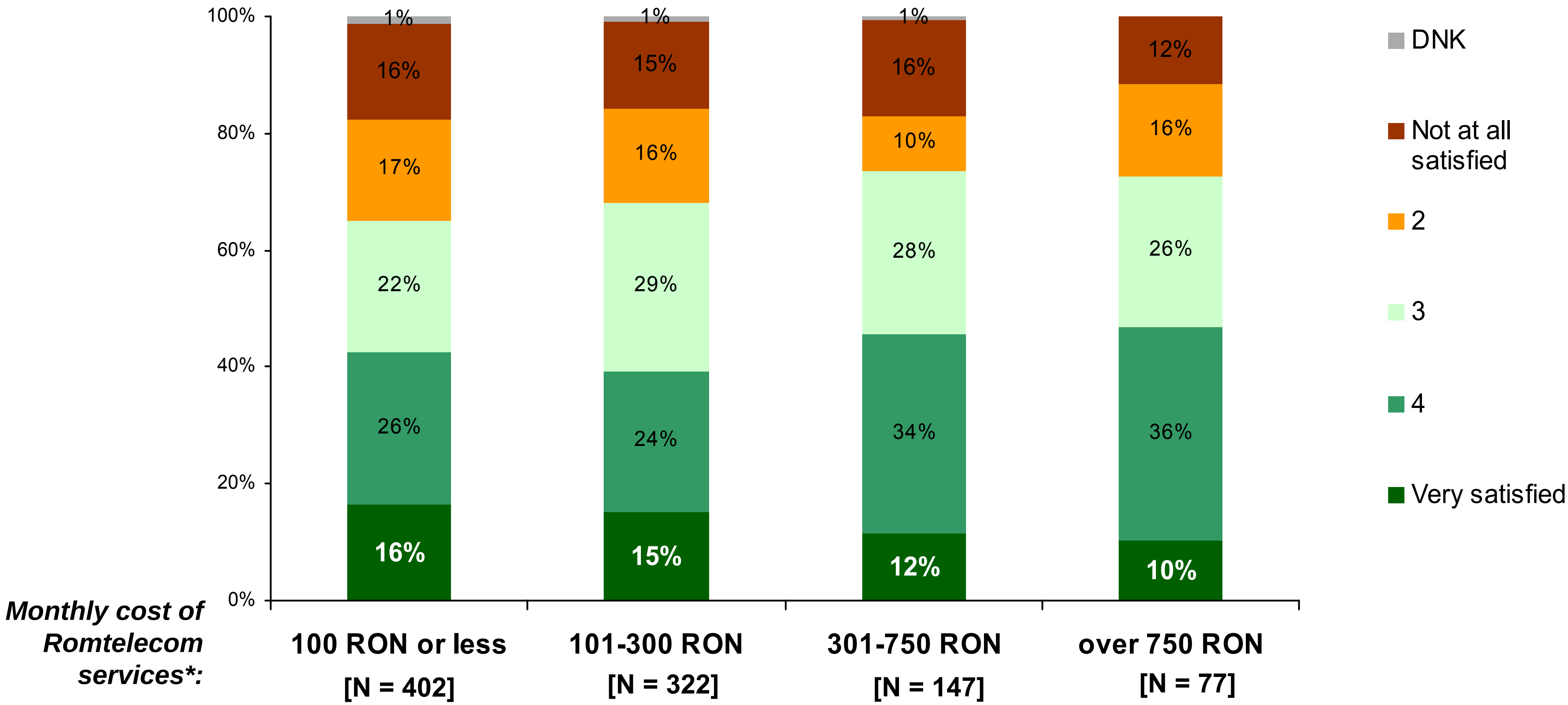


Satisfaction with Tariffs Offered by Romtelecom

- per monthly cost of Romtelecom services -

Using the same scale, how satisfied are you with the tariffs of this supplier? What is the approximate amount that your company pays for subscription for services offered by each supplier on an average month (including VAT)?

Reference: companies and institutions which use fixed telephony subscription services from Romtelecom



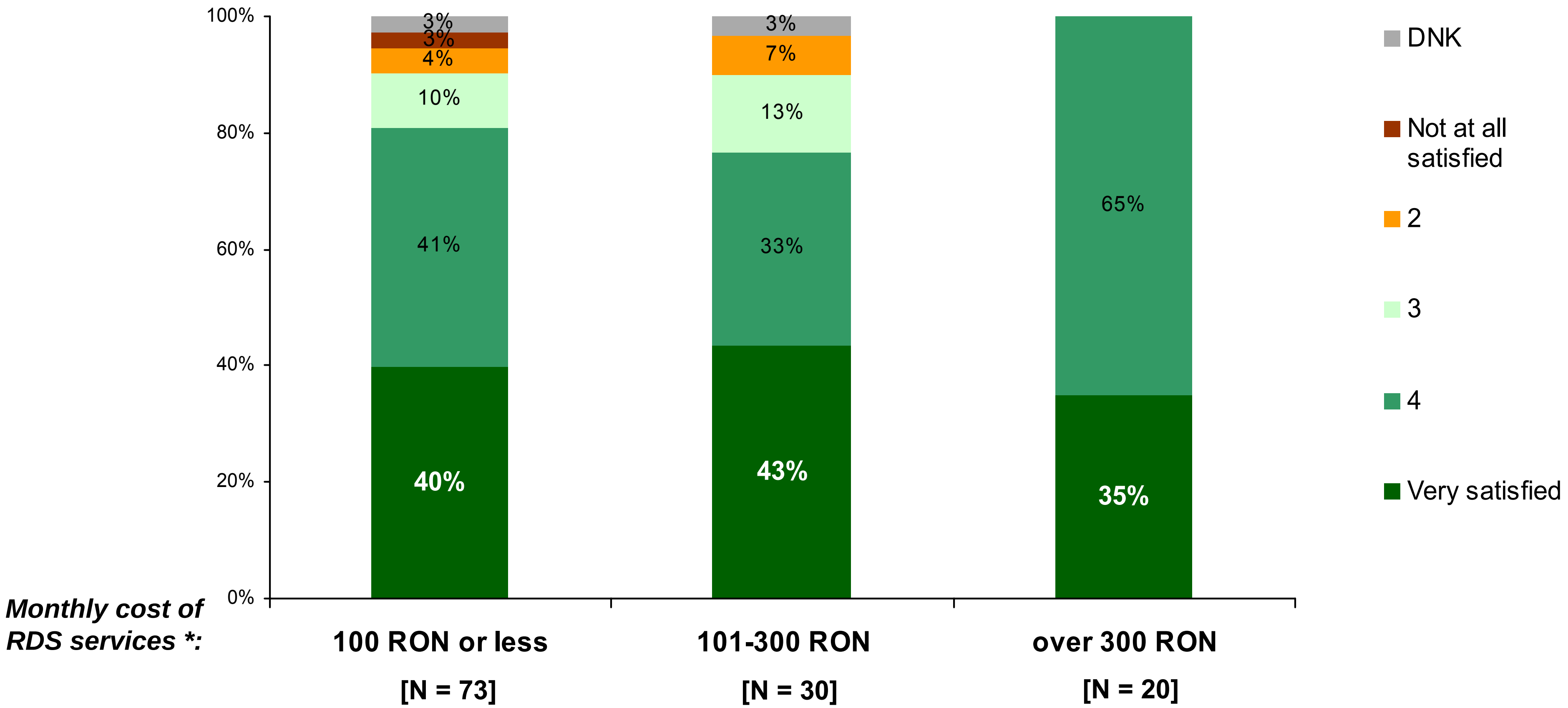
**105 interviewees did not indicate the monthly cost of Romtelecom services*

Satisfaction with Tariffs Offered by RDS

- per monthly cost of RDS services -

Using the same scale, how satisfied are you with the tariffs of this supplier?
What is the approximate amount that your company pays for subscription for services offered by each supplier on an average month (including VAT)?

Reference: companies and institutions which use fixed telephony subscription services from RDS



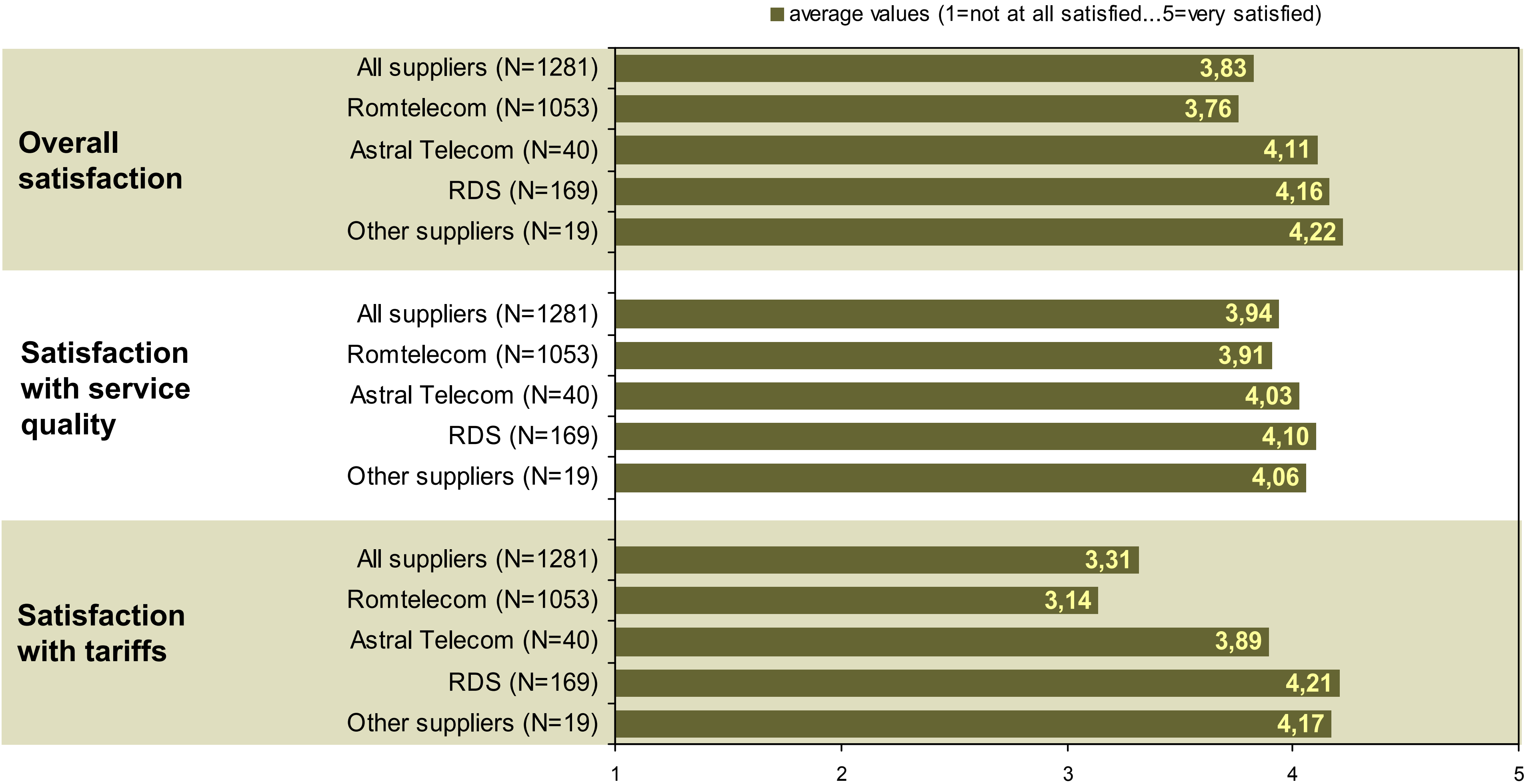
46 interviewees did not indicate the monthly cost for RDS services

Overall Satisfaction with Fixed Telephony Suppliers

average values

Overall, how satisfied are you by your fixed telephony supplier?
How satisfied are you with the service quality of this supplier?
How satisfied are you with the service tariffs of this supplier?

Reference: companies and institutions which use fixed telephony subscription services from the respective suppliers



VIII. Substitution of Fixed Telephony Services

Substitution of Fixed Telephony Services and Suppliers

- Main obstacles against switching to another fixed telephony supplier or service are “keeping the same number” and “convenience”. Only 11% of dissatisfied companies and institutions indicated that lack of information about offers on the market is an obstacle against switching. Only RCS/RDS dissatisfied customers replace “convenience” with “all suppliers have high tariffs” on top of obstacles.
- Bigger companies (over 50 employees) state most obstacles against giving up, probably as a result of their location and lack of alternatives in the area (56% of big companies indicated as such).
- Out of 22% of companies and institutions which declared their intention to give up their current supplier, over three quarters have one single supplier i.e. Romtelecom. RDS/RCS customers registers the lowest declared intention to give up (9%).
- Small companies (1-2 employees) indicate the highest level of giving up intention related to Romtelecom. Per area, the South-West is more likely to give up Romtelecom services, since this area is dominated by RDS/RCS brand recognition and use. The following areas in terms of probability of giving up are South-East and West. Centre and North-East indicate the highest level of intention to give up alternative suppliers.
- Most of the time the intention to give up the services of the current supplier is finance-driven. Out of all suppliers to give up on, 53% of cases are motivated by cost of subscription. Moreover, call tariffs are important reasons for the intention to give up. In the network call tariffs were indicated as a reason to give up to 38% of suppliers, fixed to fixed network call tariffs by 34%, and fixed to mobile call tariffs by 37% of cases.

Substitution of Fixed Telephony Services and Suppliers

- Companies/institutions which would only switch the fixed telephony supplier are driven by subscription costs, in the network tariffs and technical support. Companies and institutions which would switch from fixed line to mobile services are driven by fixed to mobile and fixed to fixed out of network call tariffs and accuracy of invoicing.

- 62% of companies which intend to give up their current supplier will replace it with a classic fixed telephony subscription from another supplier. Only 14% state that they will totally replace the fixed with mobile telephony services.

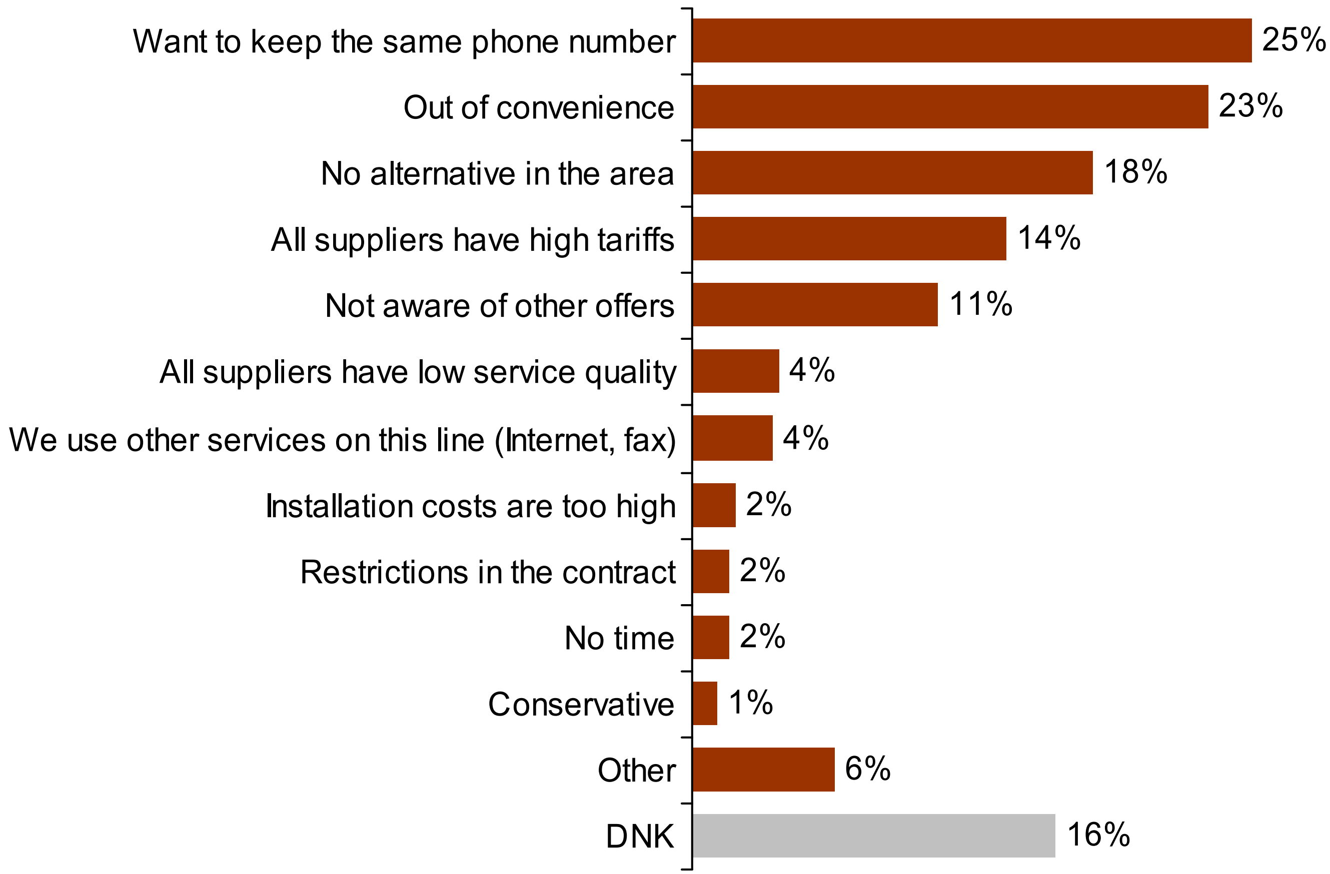
- Only 2% of companies and institutions have given up a fixed telephony supplier over the last 12 months and 36% of those have given up Romtelecom subscription services. The increase of subscription tariffs is the most important reason for the *intention* to give up, but *de facto* companies have various motivations to do so. As stated, they have *already given up* a supplier for technical support / customer service, quality of sound, new suppliers reasons. Consequently, the drivers that have already generated changes are no longer financial, but related to relationships and technical aspects.

- 72% of companies which gave up a supplier replaced it with another fixed telephony supplier, 8% chose Internet telephony suppliers, 4% switched to mobile operators, and 16% gave up the services of the respective supplier without replacing them.

Obstacles against Switching Suppliers

You indicated that you were dissatisfied with the services of a fixed telephony supplier. Why have you not given up their services so far?

Reference: interviewees who are dissatisfied with fixed telephony services, N = 364

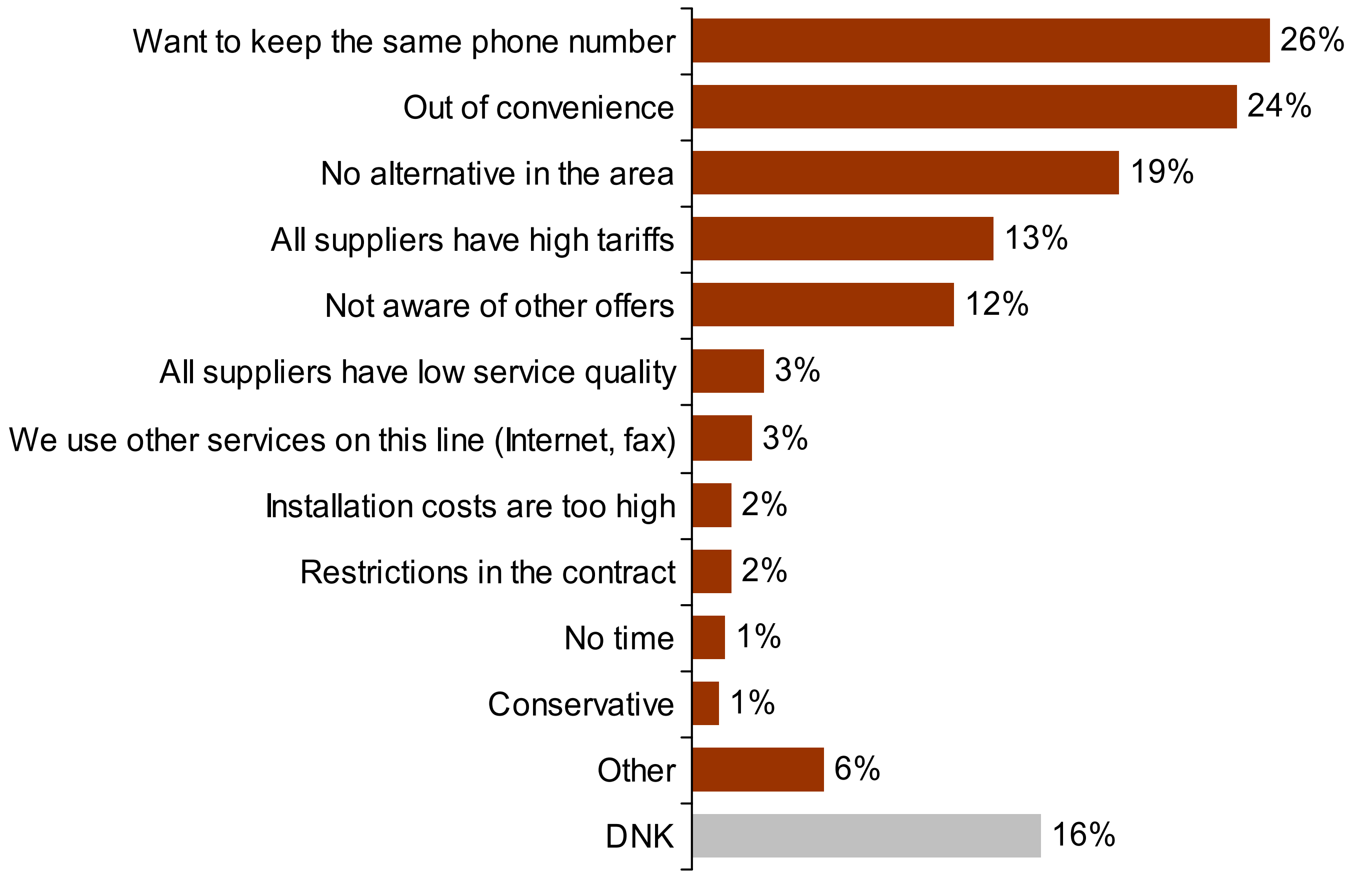


More than one answer

Obstacles against Switching Suppliers - **ROMTELECOM**

You indicated that you were dissatisfied with the services of a fixed telephony supplier. Why have you not given up their services so far?

Reference: interviewees who are dissatisfied with Romtelecom services, N = 341

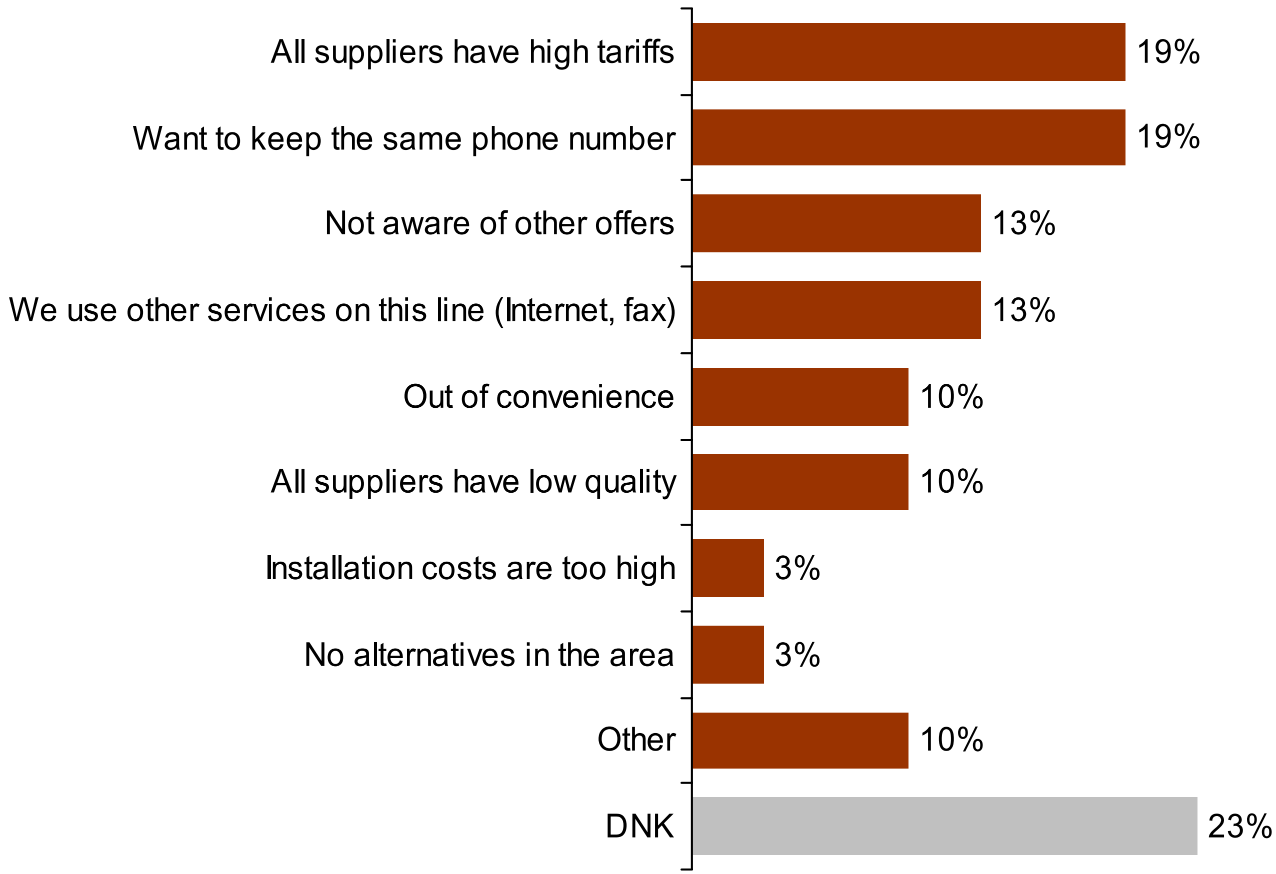


More than one answer

Obstacles against Switching Suppliers - **RDS**

You indicated that you were dissatisfied with the services of a fixed telephony supplier. Why have you not given up their services so far?

Reference: interviewees who are dissatisfied with RDS services,N = 31



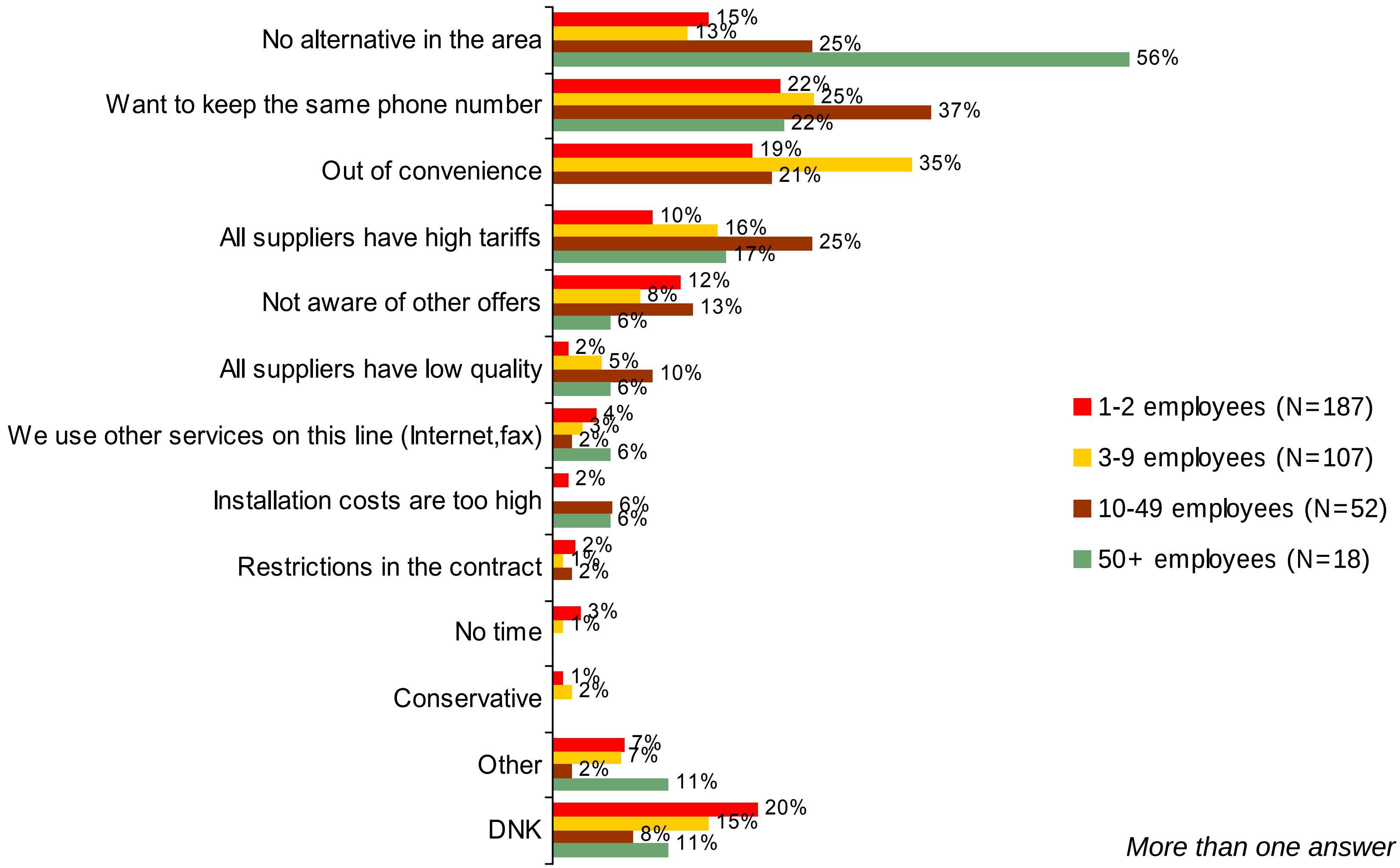
More than one answer

Obstacles against Switching Suppliers

per size of company / institution

You indicated that you were dissatisfied with the services of a fixed telephony supplier. Why have you not given up their services so far?

Reference: interviewees who are dissatisfied with their fixed telephony supplier

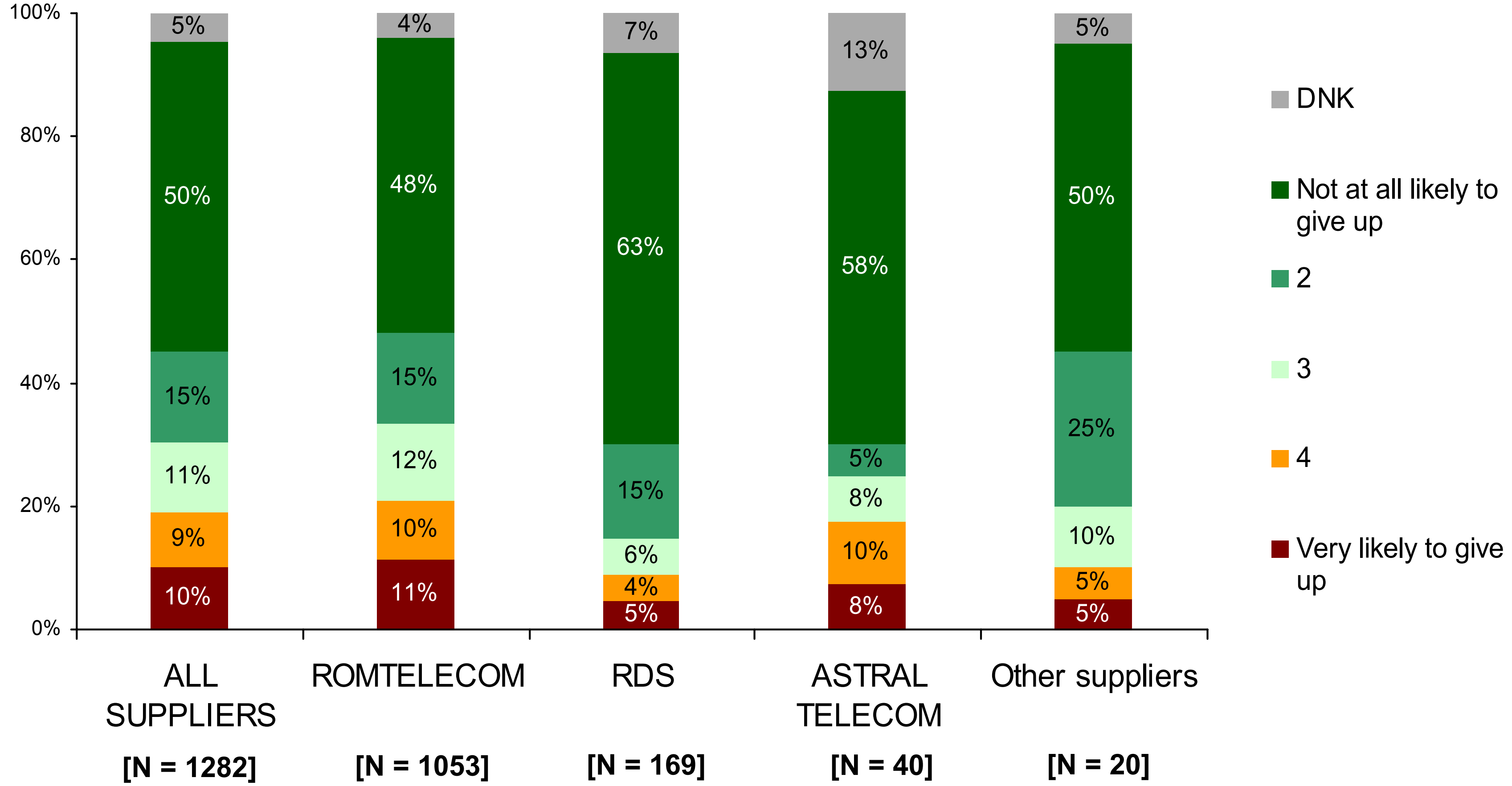


More than one answer

Intention to Give Up the Services of Fixed Telephony Suppliers

How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5" is very likely and „1" is not at all likely.

Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP) from these suppliers

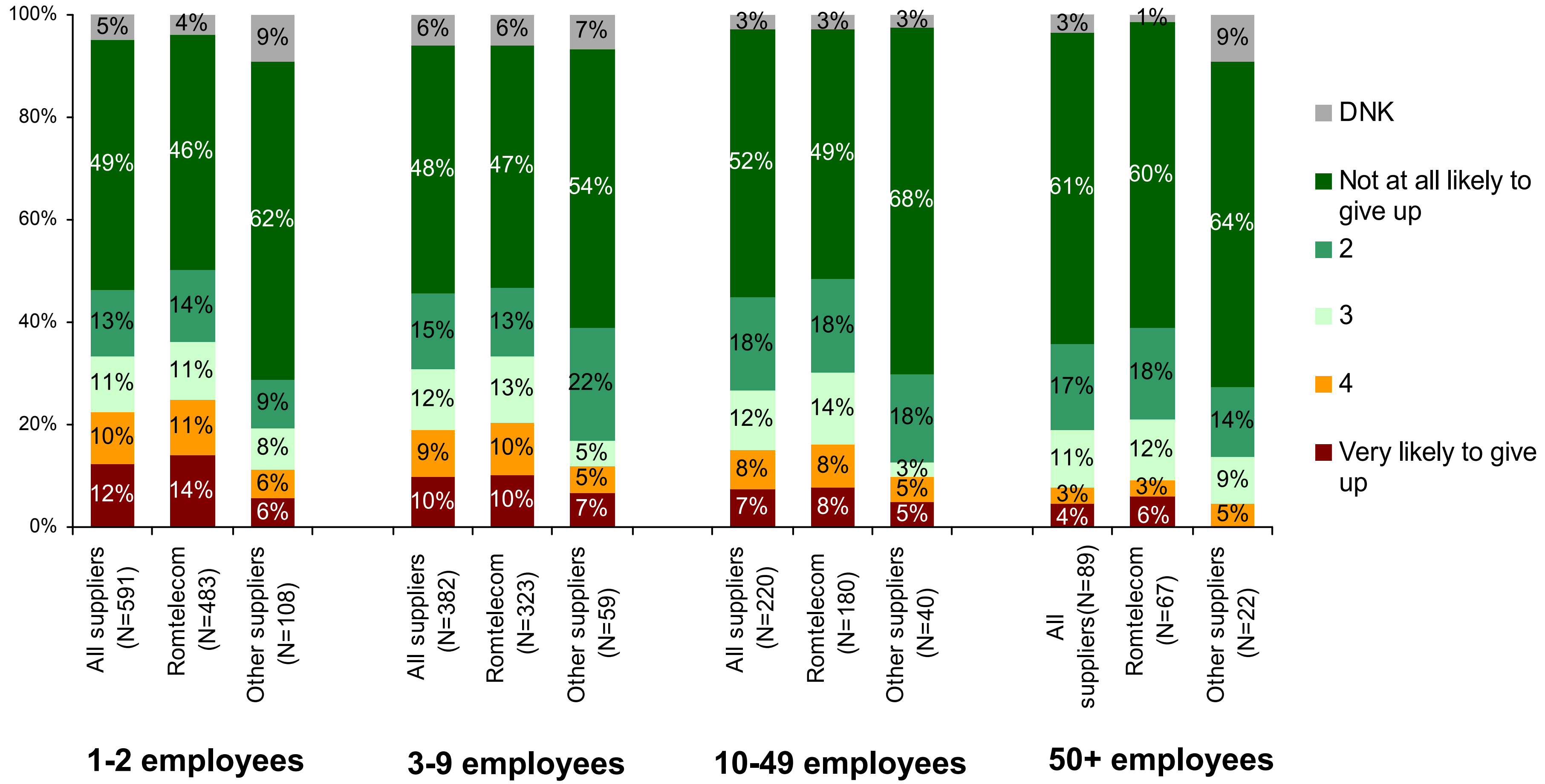


Intention to Give Up the Services of Fixed Telephony Suppliers

per size of company

How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5" is very likely and „1" is not at all likely.

Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP) from these suppliers

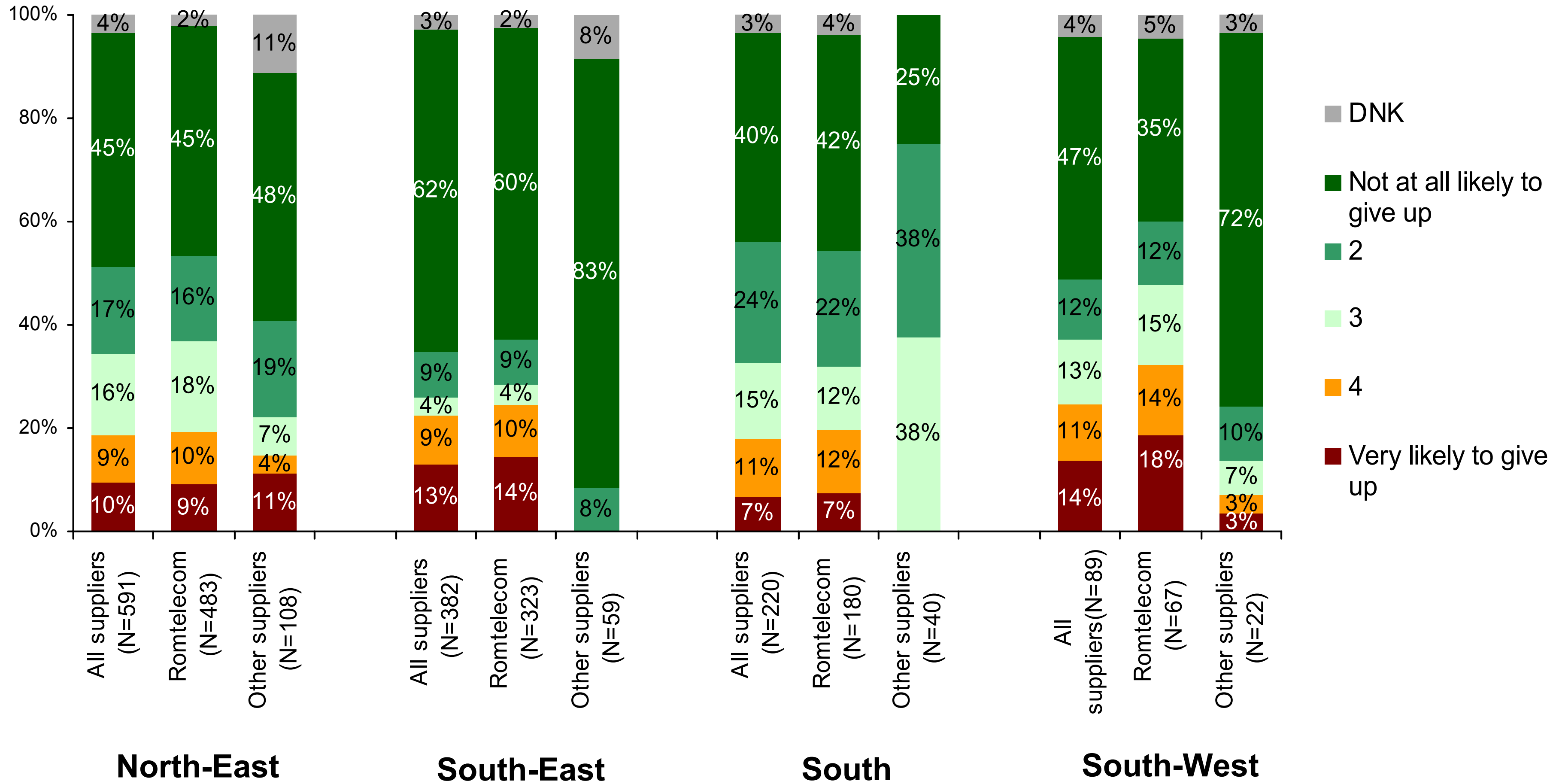


Intention to Give Up the Services of Fixed Telephony Suppliers

per area (1)

How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5" is very likely and „1" is not at all likely.

Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP) from these suppliers

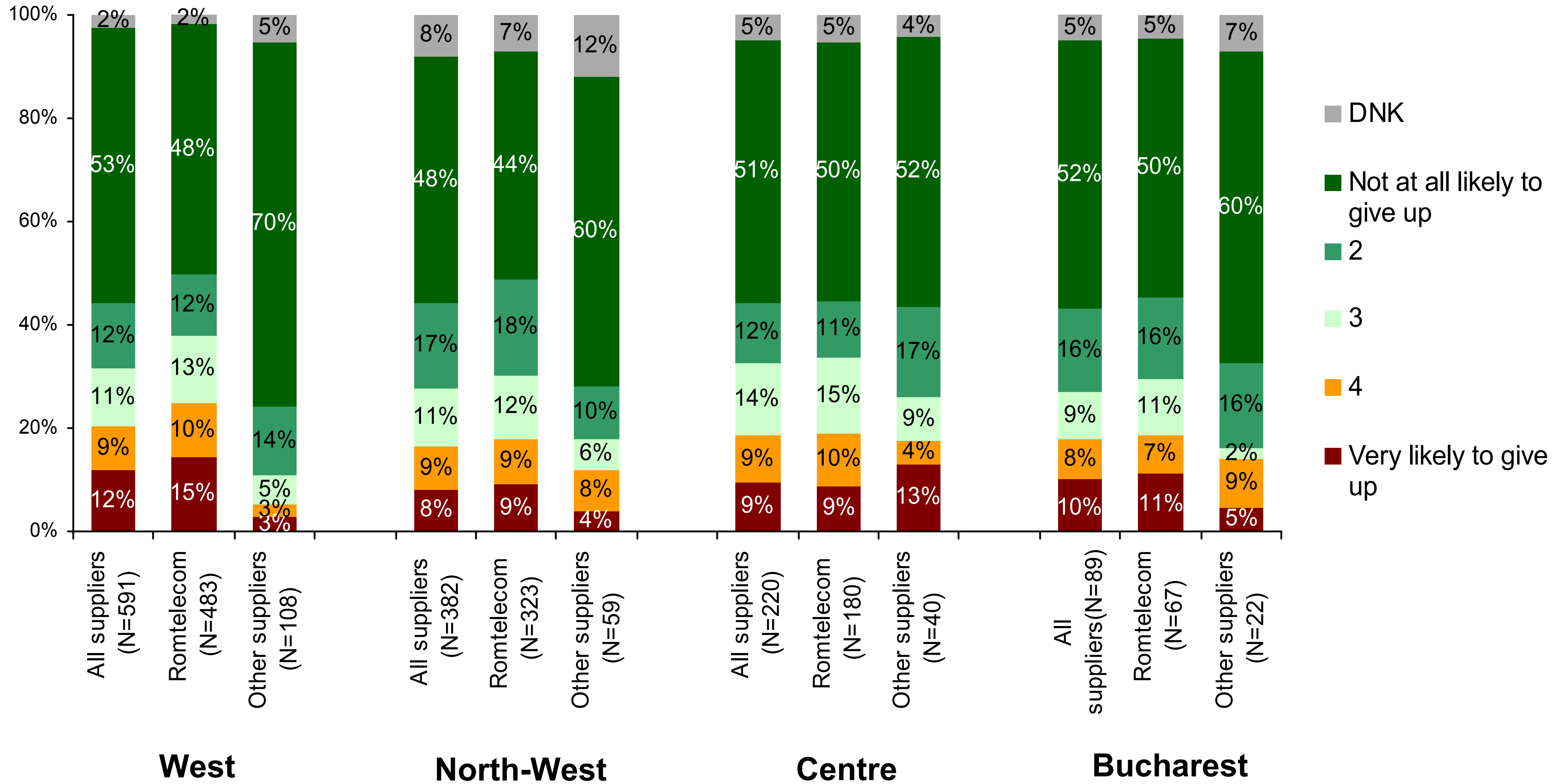


Intention to Give Up the Services of Fixed Telephony Suppliers

per area (2)

How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5” is very likely and „1” is not at all likely.

Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP) from these suppliers



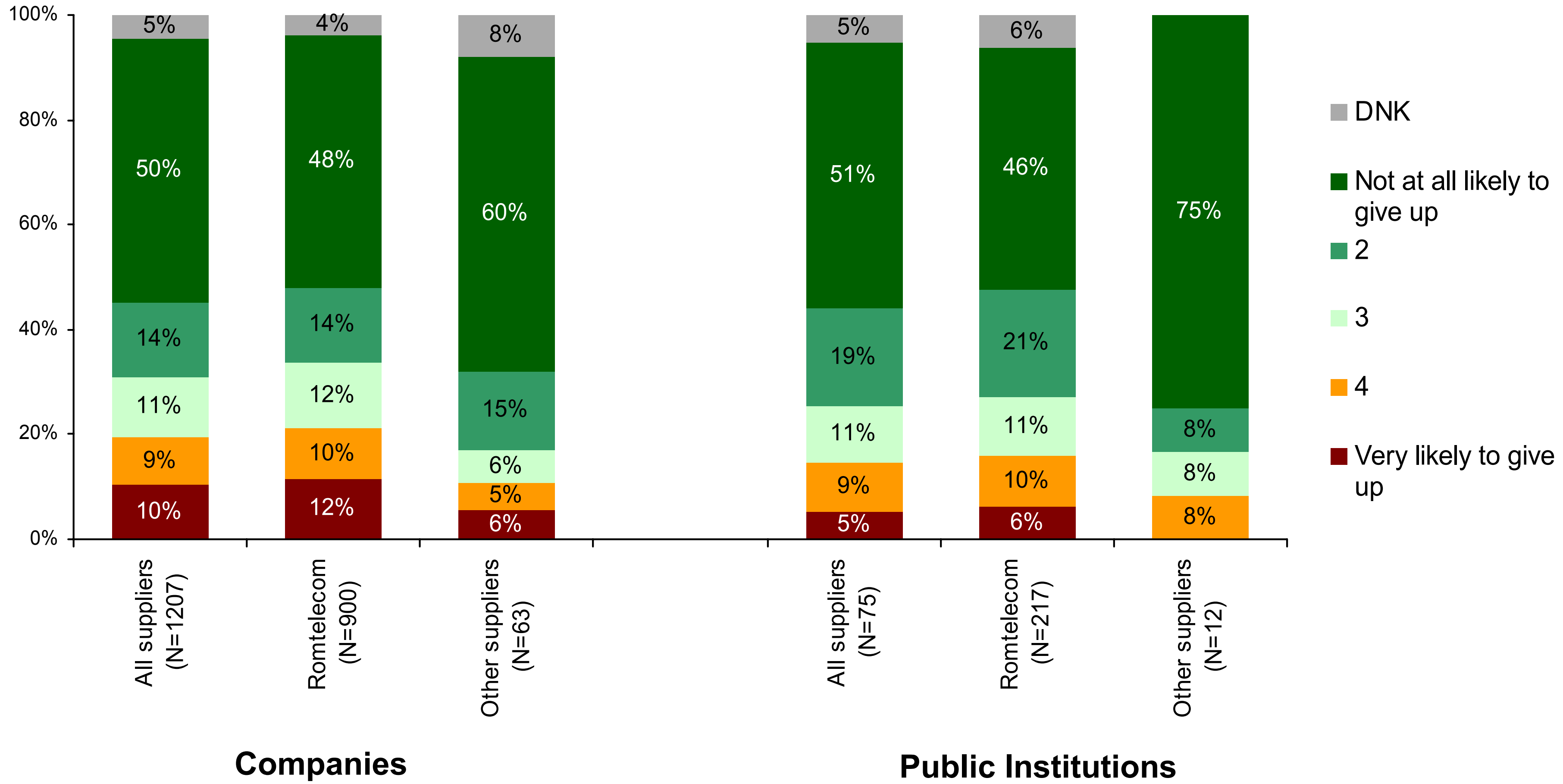
	West: All suppliers (N=591)	West: Romtelecom (N=483)	West: Other suppliers (N=108)	North-West: All suppliers (N=382)	North-West: Romtelecom (N=323)	North-West: Other suppliers (N=59)	Centre: All suppliers (N=220)	Centre: Romtelecom (N=180)	Centre: Other suppliers (N=40)	Bucharest: All suppliers(N=89)	Bucharest: Romtelecom (N=67)	Bucharest: Other suppliers (N=22)
DNK	2%	2%	5%	8%	7%	12%	5%	5%	4%	5%	5%	7%
Not at all likely to give up	53%	48%	70%	48%	44%	60%	51%	50%	52%	52%	50%	60%
2	12%	12%	14%	17%	18%	10%	12%	11%	17%	16%	16%	16%
3	11%	13%	5%	11%	12%	6%	14%	15%	9%	9%	11%	2%
4	9%	10%	3%	9%	9%	8%	9%	10%	4%	8%	7%	9%
Very likely to give up	12%	15%	3%	8%	9%	4%	9%	9%	13%	10%	11%	5%

Intention to Give Up the Services of Fixed Telephony Suppliers

companies and public institutions

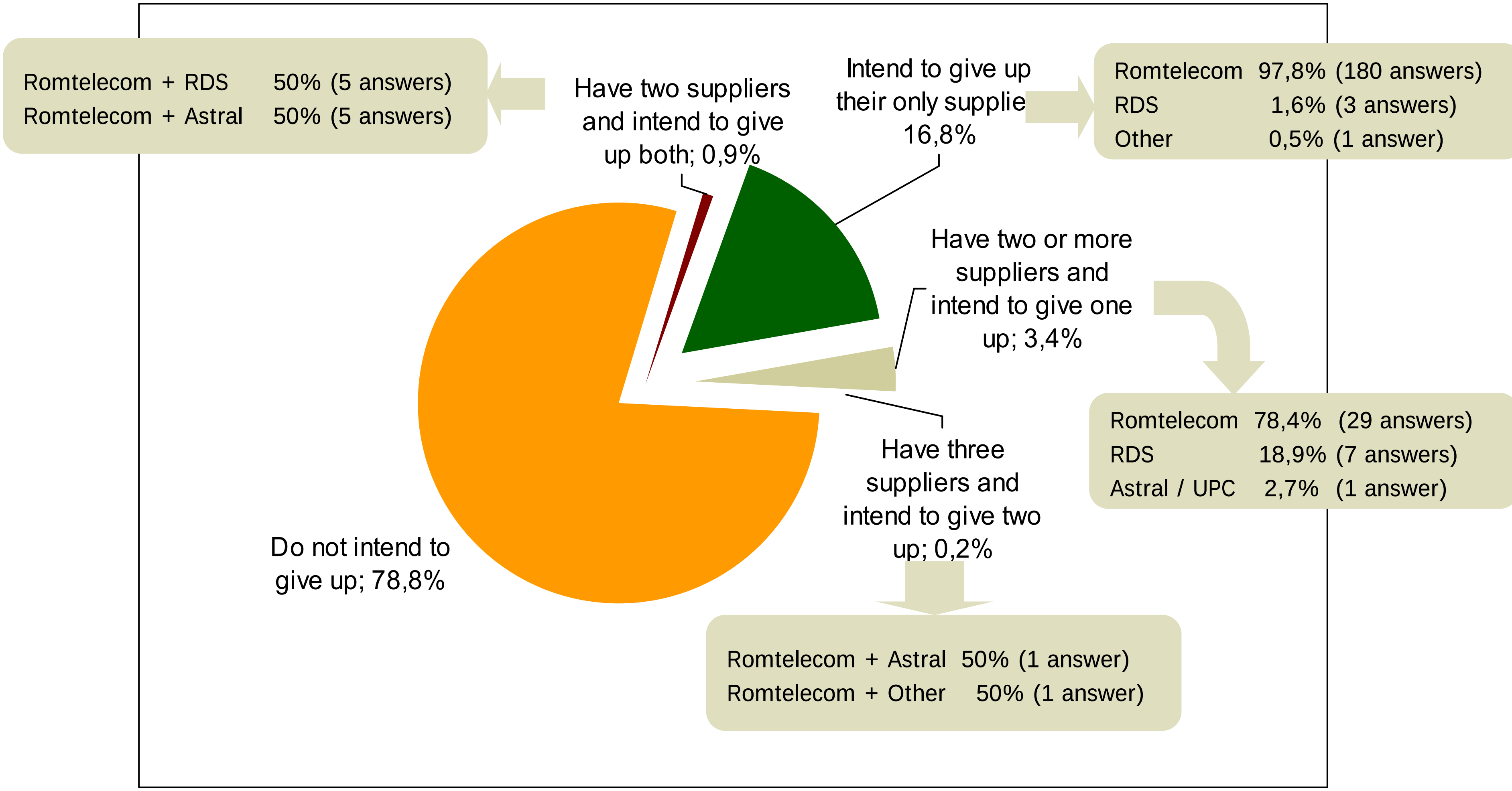
How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5” is very likely and „1” is not at all likely.

Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP) from these suppliers



Market Division in terms of Intention to Give Up the Subscription Services of Fixed Telephony Suppliers

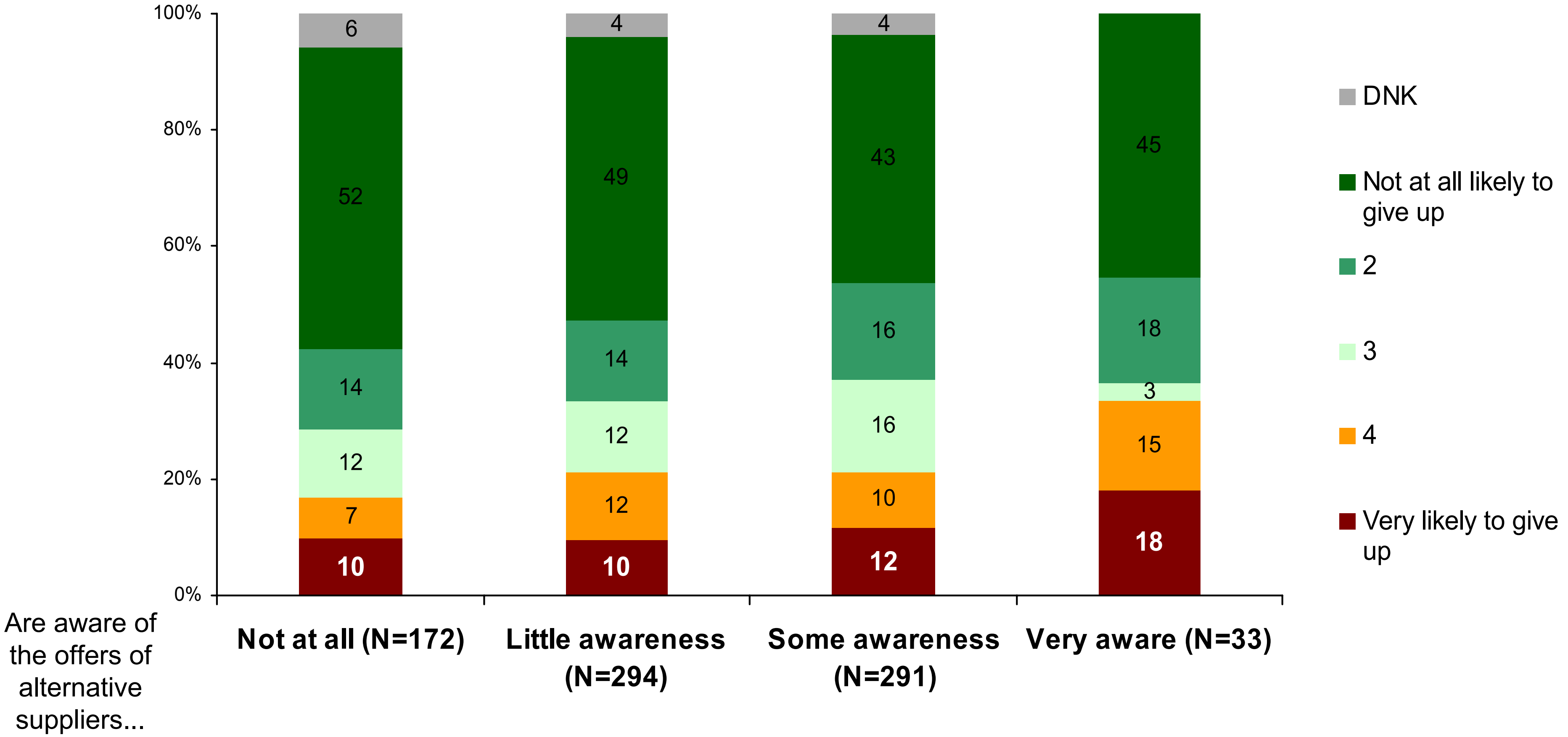
Reference: companies / institutions which use subscription for fixed telephony services (classic or VoIP), N = 1098



Intention to Give Up the Services of Romtelecom per Degree of Awareness of Other Alternative Suppliers

How likely are you to give up the services of your supplier(s) over the following 12 months? Please use a scale from 1 to 5 where „5" is very likely and „1" is not at all likely.

Reference: companies with Romtelecom subscription only, per degree of awareness of other alternative suppliers

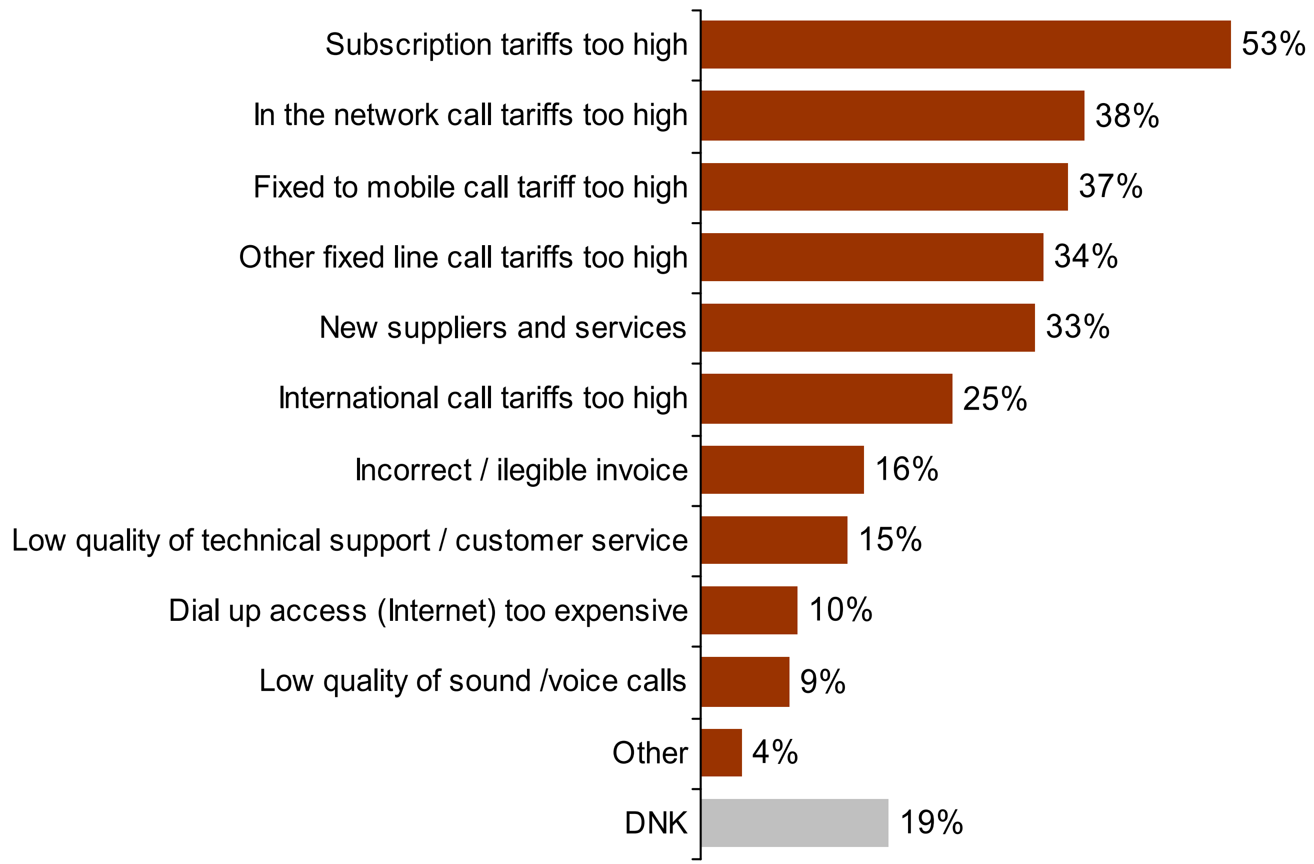


**89 interviewees do not know or refuse to answer to the question on degree of awareness of alternative suppliers' offers*

Main Reasons Why Interviewees Would Not Continue Contracting from their Fixed Telephony Supplier

Why would you give up the services of your supplier?

Reference: all suppliers that are indicated under intention to be given up to, N =245

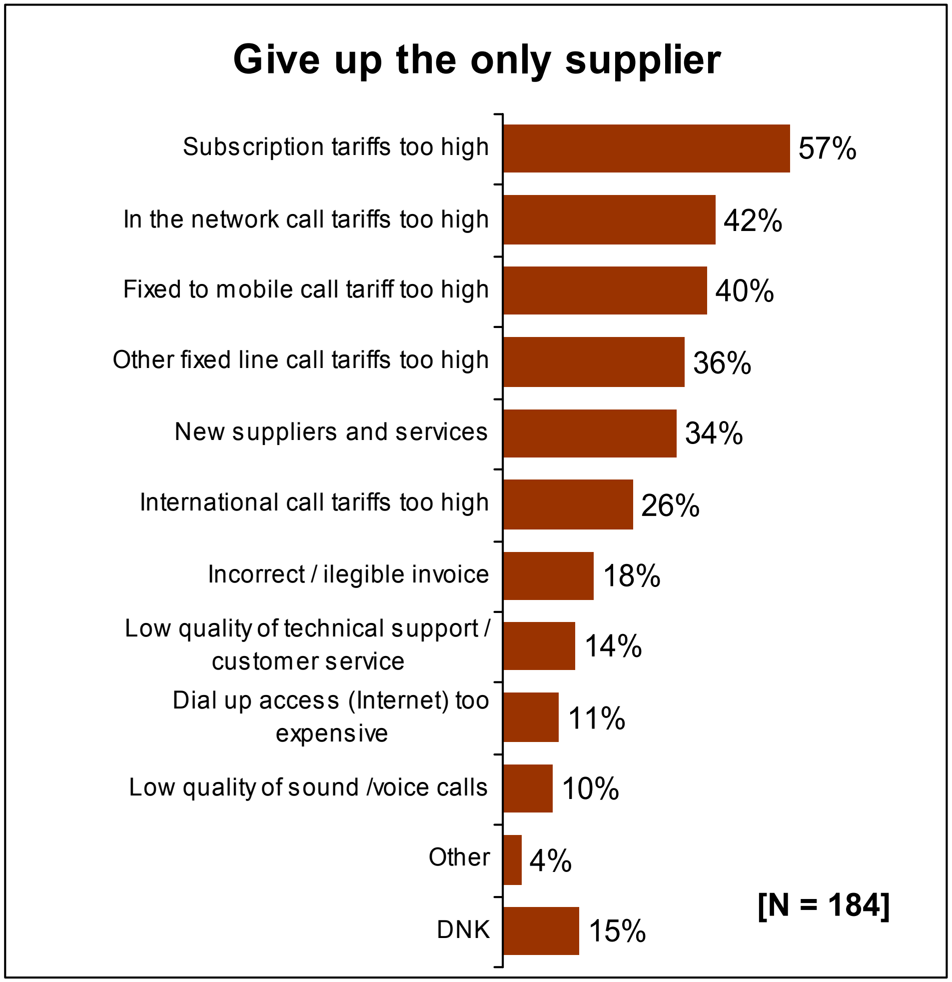


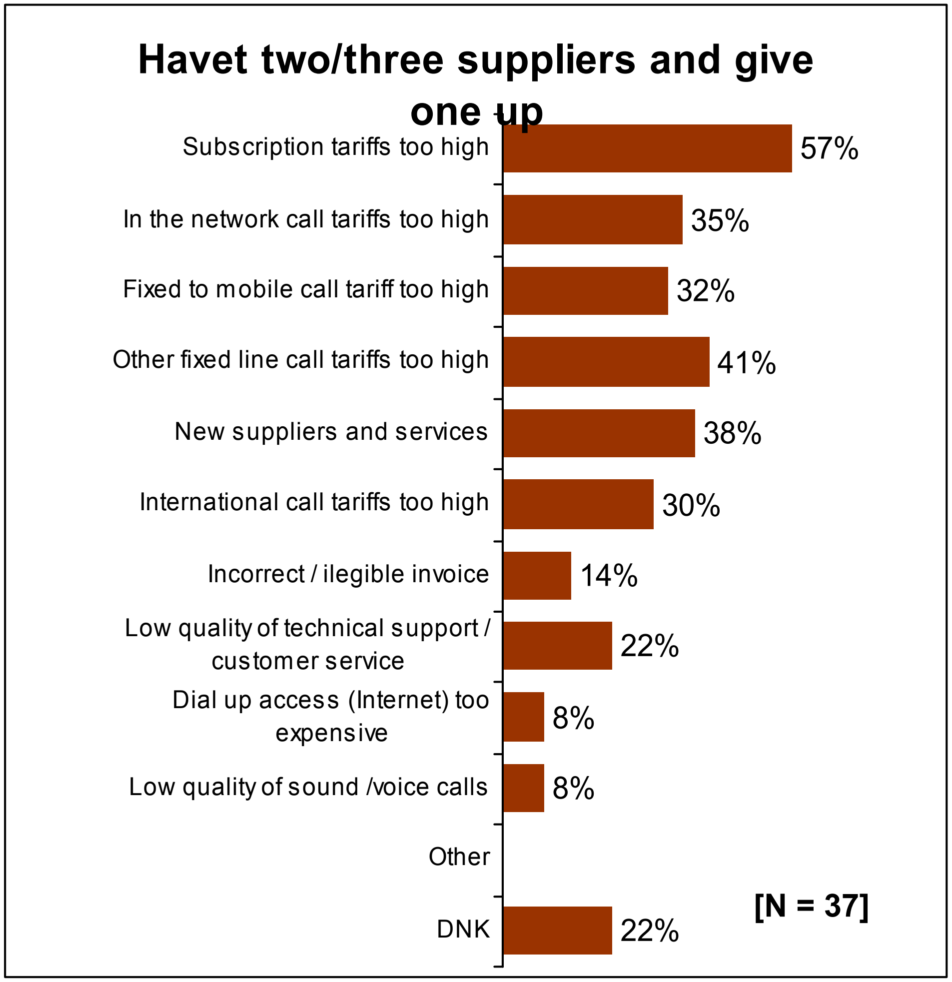
More than one answer

Main Reasons Why Interviewees Would Not Continue Contracting from their Fixed Telephony Supplier

Why would you give up the services of your supplier?

Reference: companies and institutions which would give up a supplier



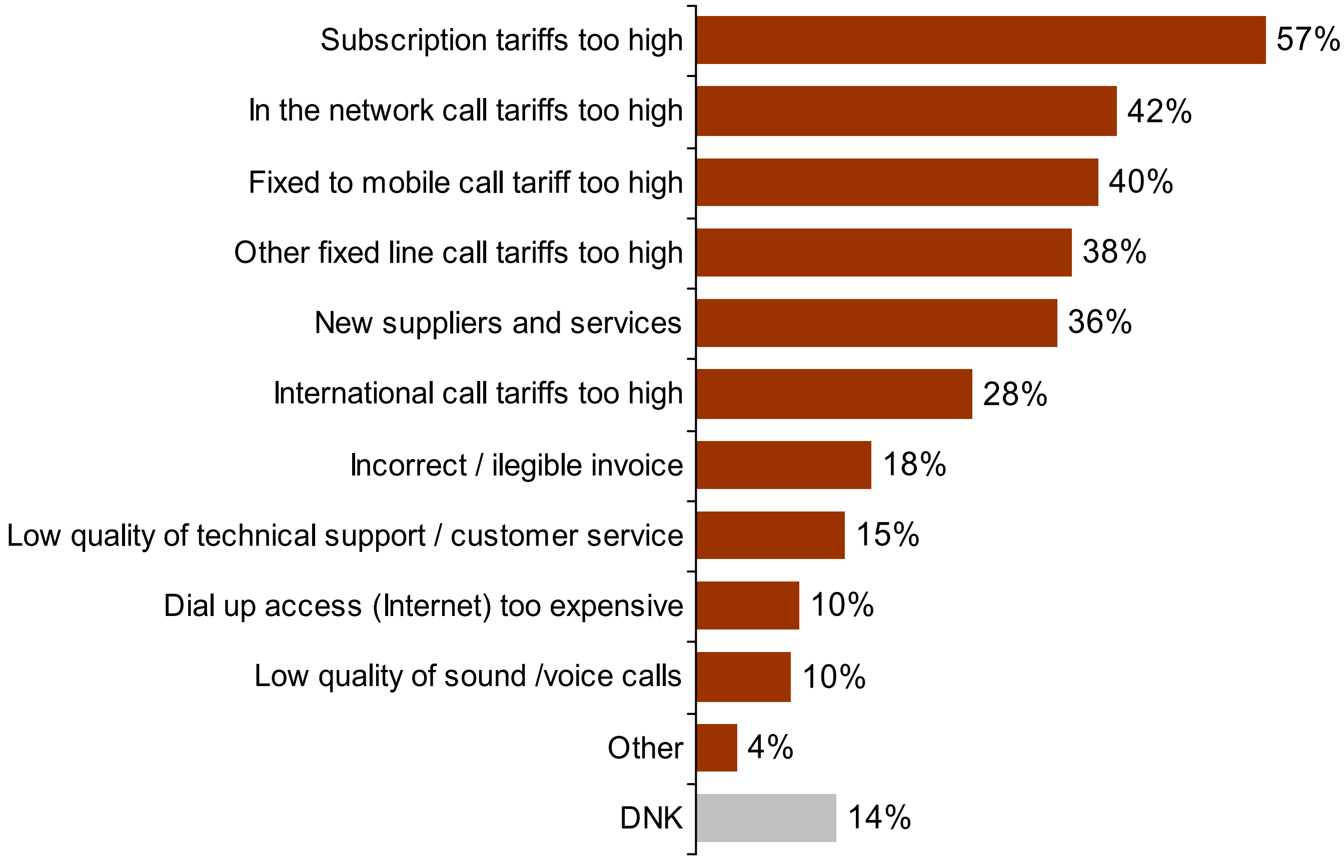


More than one answer

Main Reasons Why Interviewees Would Not Continue Contracting from their Fixed Telephony Supplier - **ROMTELECOM**

Why would you give up the services of your supplier?

Reference: companies and institutions which indicated their intention to give up Romtelecom services as “likely” and “very likely”, N =221

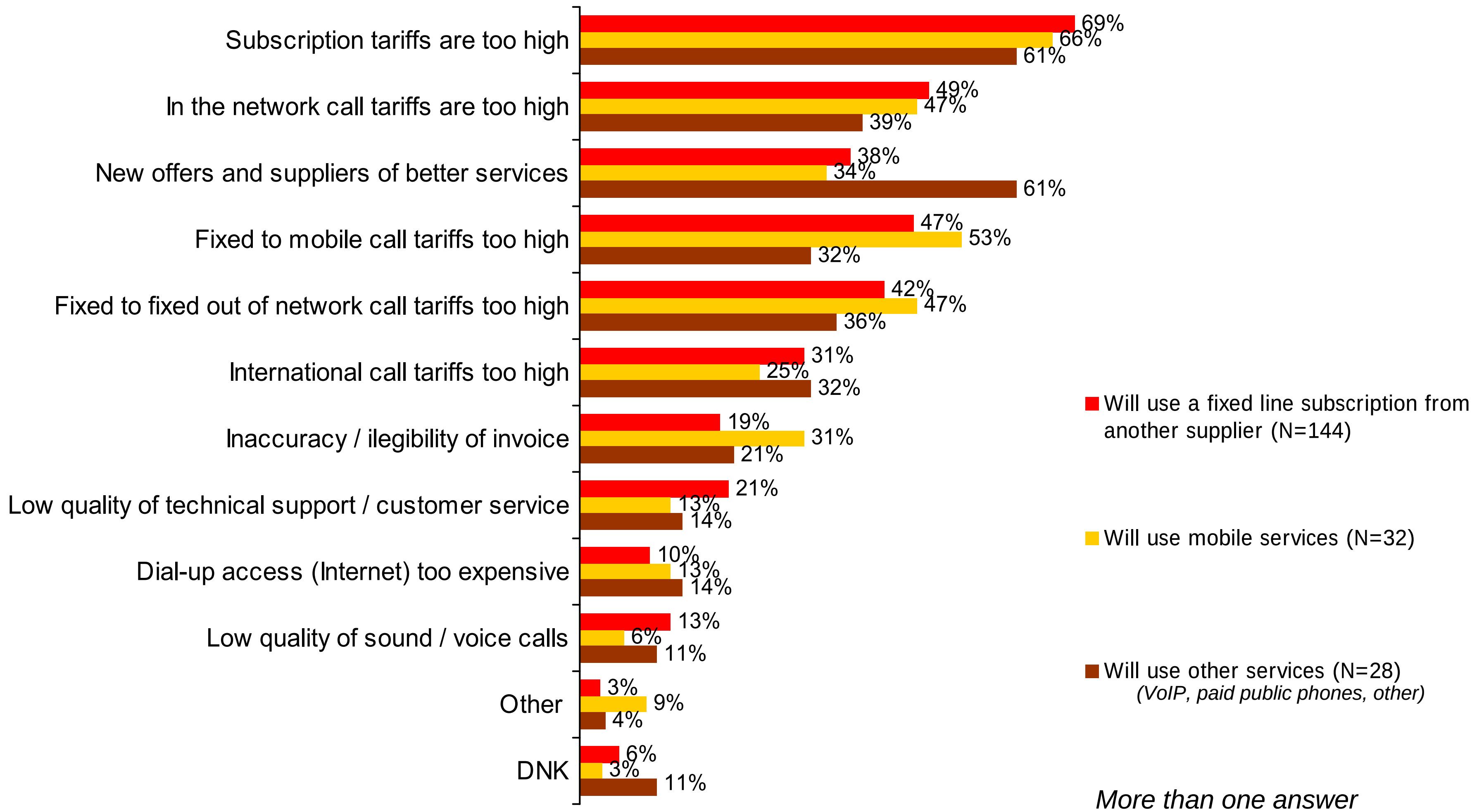


More than one answer

Main Reasons Why Interviewees Would Not Continue Contracting from their Fixed Telephony Supplier

Why would you give up the services of your supplier?

Reference: companies and institutions which indicated their intention to give up one or more suppliers as "likely" and "very likely", per services to replace the previous ones

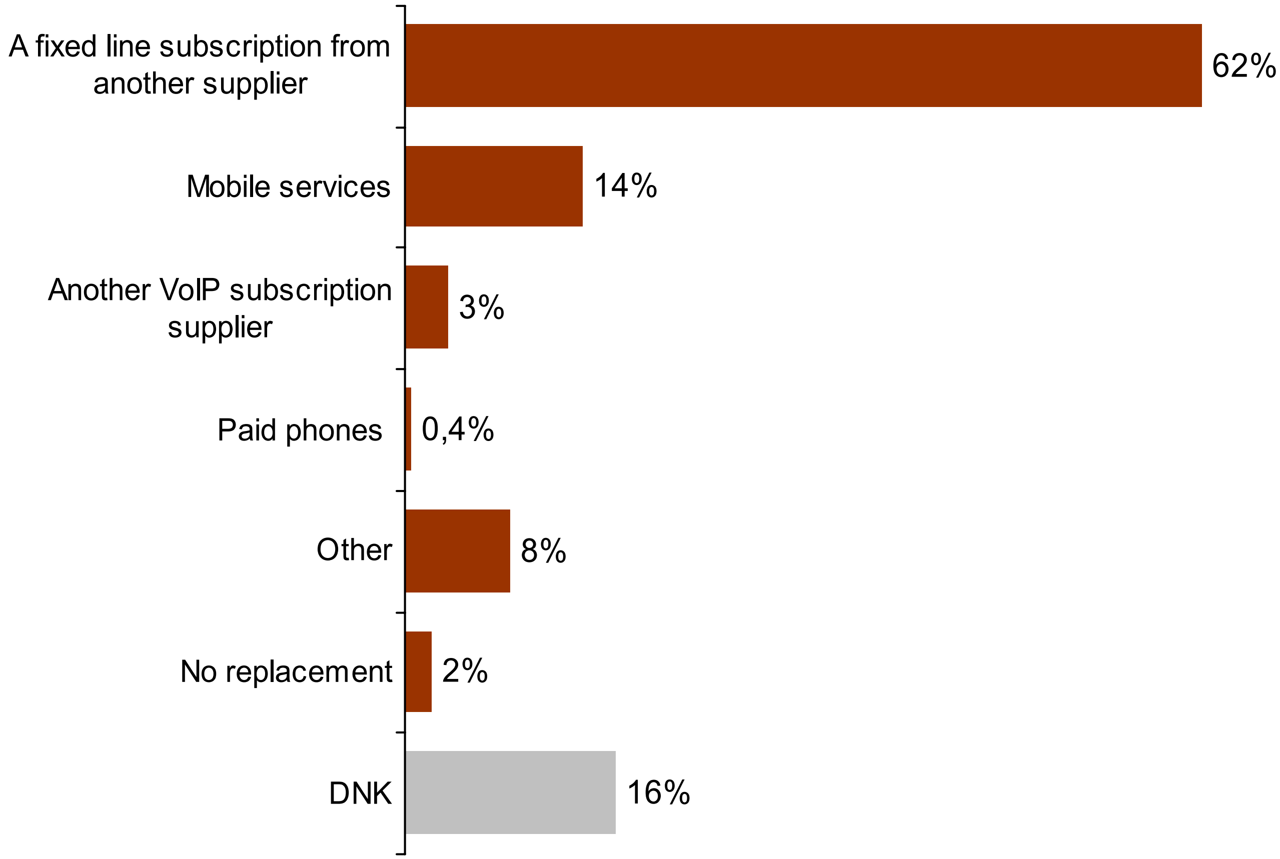


More than one answer

How Would Interviewees Replace the Fixed Telephony Services?

How do you think you will replace the fixed telephony services you would give up?

Reference: companies and institutions that intend to give up the services of a supplier, N =233



More than one answer

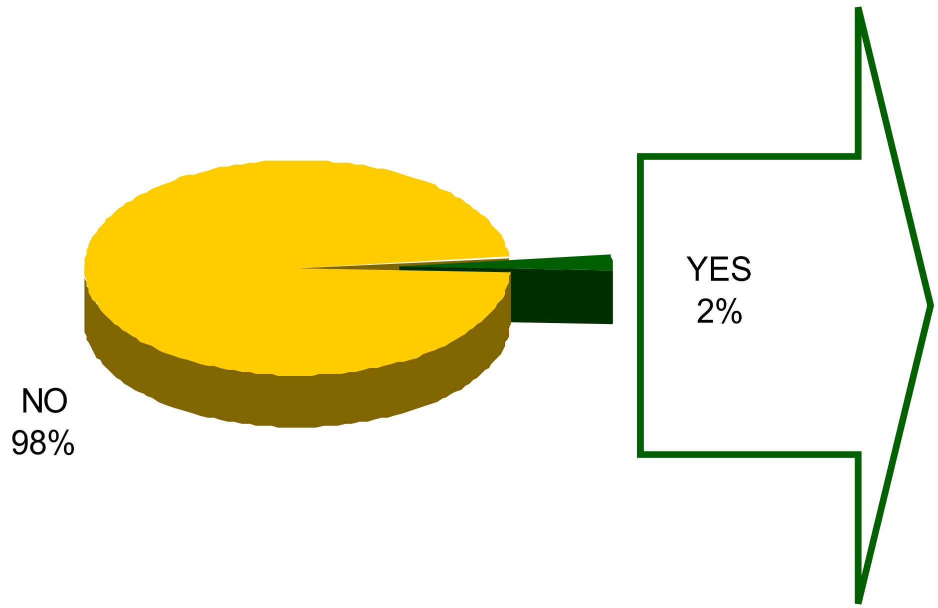
Have They Given Up Any Supplier Over the Last Year?

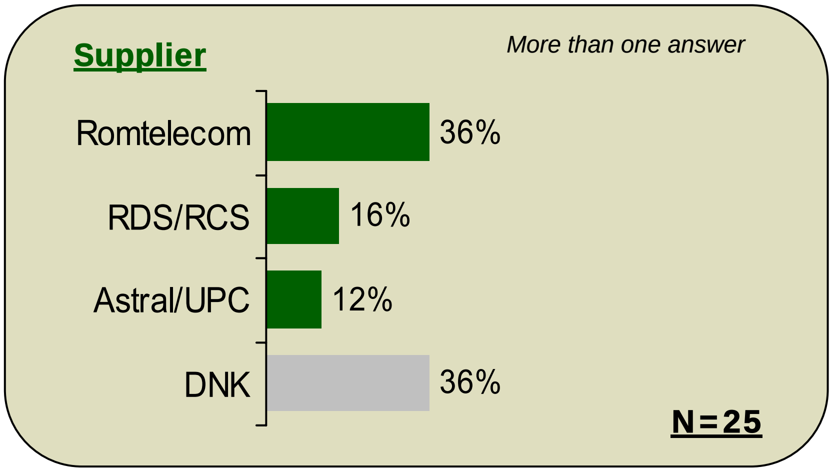
Have you given up the services of a fixed line supplier over the last 12 months? Please think about both subscription and pre-paid/selection code suppliers.

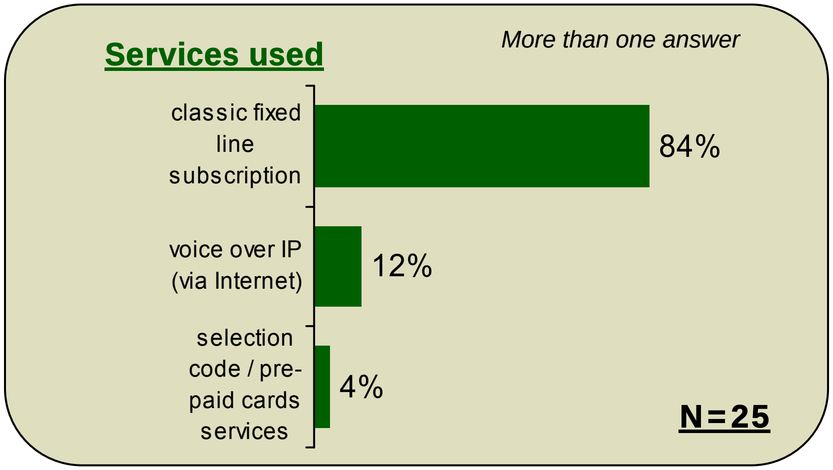
[IF YES] Which supplier(s)?

[IF YES] What type of services did you have from the respective supplier(s)?

Reference: sample of companies and institutions, N = 1099



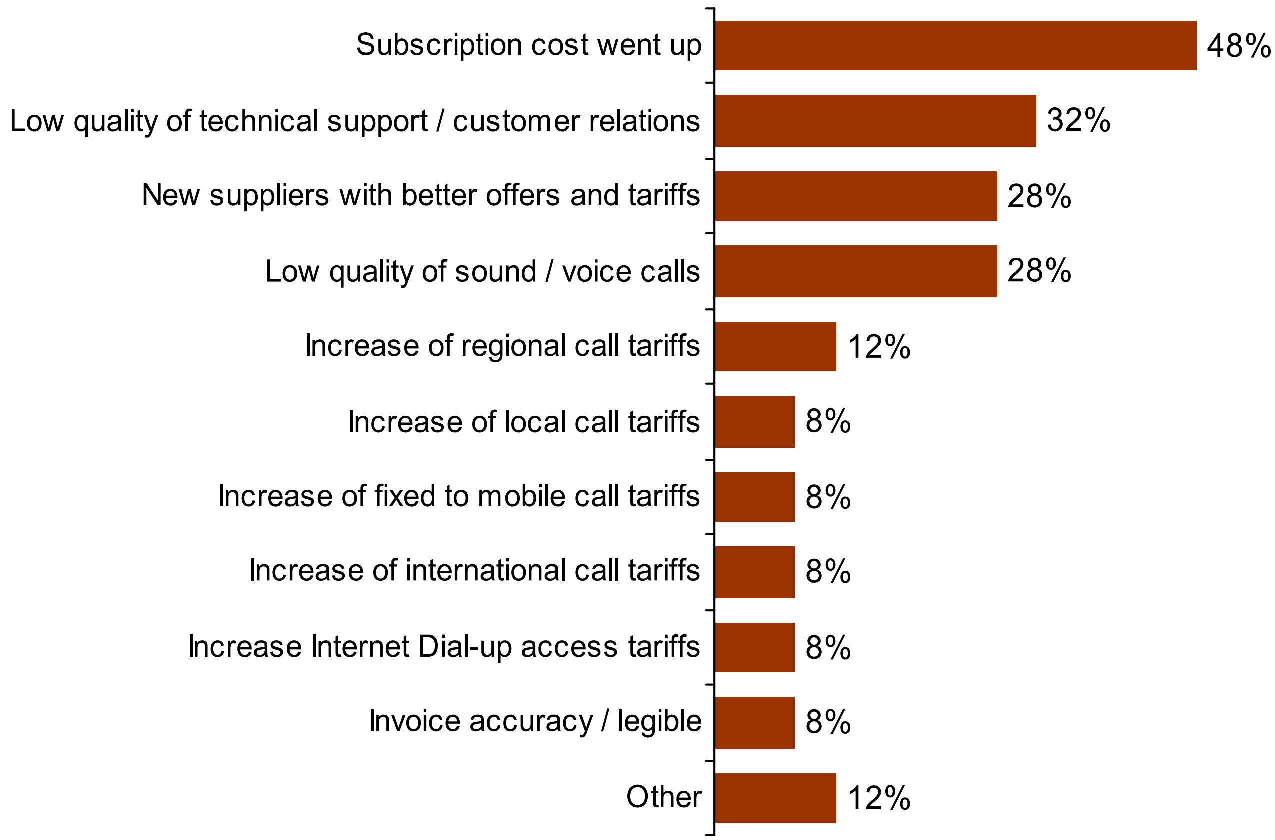




Main Reasons Why Interviewees Gave Up Contracting from their Fixed Telephony Supplier

Why did you give up the services of this supplier?

Reference: companies and institutions that gave up the services of a supplier, N = 25

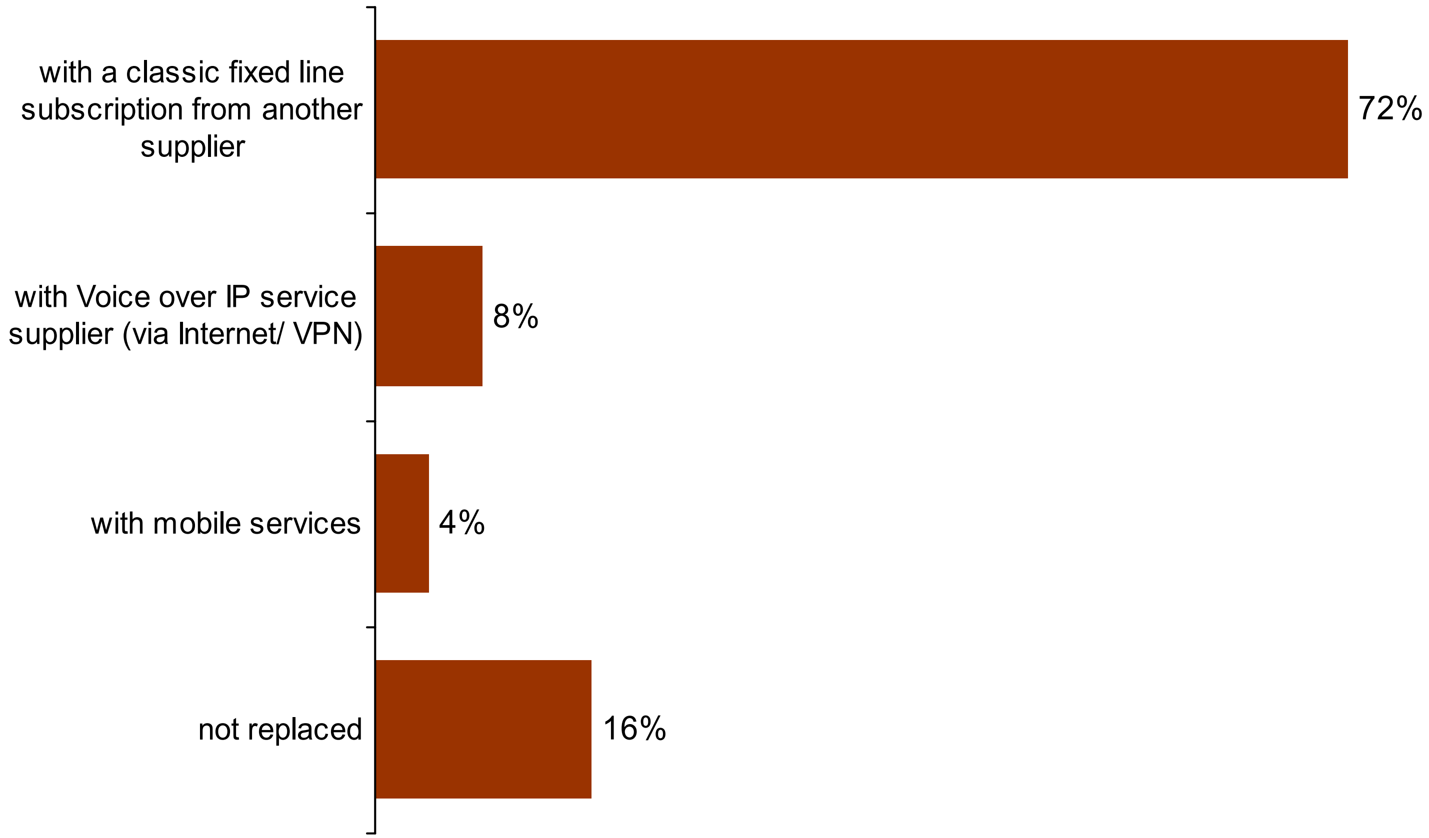


More than one answer

How Interviewees Replaced the Fixed Telephony Services

How did you replace the services you gave up to?

Reference: companies and institutions that gave up the services of a supplier, N = 25



More than one answer

IX. Consumer Behavior to Increase of Tariffs

Consumer Behavior to Increase of Tariffs

- A 5% increase of subscription tariffs or fixed line calls would not generate any reaction to slightly more than half of current fixed telephony users. Only a 20% increase would generate a consistent percentage of users (20-30%) who would not change their usage in any way.

- The increase of tariffs results into two consistent reactions, per intensity: switching fixed line supplier and switching type of service (from fixed line to mobile).

- The increase of tariffs for subscriptions, local and regional calls, would also generate switching to another fixed line supplier- about 19% respondents for a 5% increase in tariffs, 30% for a 10% increase and a maximum of 37% for a 20% increase. A 10% increase of tariffs for companies and institutions represents an input that creates a strong reaction from the target market and this reaction is no longer felt when tariffs increase by 20%. The increase of tariffs for fixed to mobile and international calls would generate a less strong reaction i.e. they would not change their current supplier because they evaluate such an increase as having less impact on them.

Consumer Behavior to Increase of Tariffs

- The increase of subscription, domestic and regional call tariffs would generate both the change of service – from fixed to mobile line – about 10% for a 5% increase of tariffs, 15% for a 10% increase and 17% for a 20% increase. The strongest reaction is generated by an increase of fixed to mobile tariff increase, which indicate a tendency to change the type of service for 22% of companies/institutions for a 5% increase of tariffs, 29% for a 10% increase and 31% for a 20% increase.

- The least significant reaction is determined by the increase of international call tariffs, mainly because of the low frequency of using this service.

- Per size of company/institutions, bigger companies (over 50 employees) tend to change less, while smaller companies (1-2 employees) display a higher mobility to changes in tariffs with even 15 percentages. The increases of tariffs that generate the most impact per size of company are those for local and fixed to mobile calls.

- Moreover, public institutions have a higher inertia than private companies.

Consumer Behavior to Increase of Subscription Tariffs

How would you proceed if your current subscription increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions that use classic fixed line subscriptions, N = 1097

Behaviour ↓ / Increase of tariffs →	5%	10%	20%
Will do nothing, it does not affect us	56,6%	35,1%	25,4%
Will give up using fixed line subscription and use mobile instead	9,1%	14,1%	16,0%
Will switch to another fixed line supplier	19,0%	29,5%	35,6%
Will keep current supplier but change type of subscription	5,6%	9,3%	9,2%
Other	1,7%	1,8%	2,1%
DNK	7,9%	10,2%	11,7%
TOTAL	**100%**	**100%**	**100%**

Consumer Behavior to Increase of Tariffs for Local Calls

How would you proceed if local call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions, N = 1099

Behaviour ↓ / Increase of tariffs →	5%	10%	20%
Will do nothing, it does not affect us	56,6%	36,3%	27,1%
Will give up local calls on fixed line and use mobile instead	11,6%	17,1%	19,0%
Will use other suppliers/methods to use fixed line	19,2%	29,9%	36,6%
Other	3,0%	3,8%	3,8%
DNK	9,6%	12,8%	13,5%
TOTAL	**100%**	**100%**	**100%**

Consumer Behavior to Increase of Tariffs for Regional Calls

How would you proceed if regional call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions, N = 1099, N = 1099

Increase of tariffs → Behaviour ↓	5%	10%	20%
Will do nothing, it does not affect us	57,7%	38,9%	30,2%
Will give up regional calls on fixed line and use mobile instead	10,0%	15,9%	17,7%
Will use other suppliers/methods to use fixed line	20,4%	30,2%	35,8%
Other	2,9%	3,4%	3,4%
DNK	9,0%	11,6%	12,9%
TOTAL	**100%**	**100%**	**100%**

Consumer Behavior to Increase of Tariffs for Fixed to Mobile Calls

How would you proceed if fixed to mobile call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions, N = 1099

Increase of tariffs → Behaviour ↓	5%	10%	20%
Will do nothing, it does not affect us	51,5%	35,9%	29,0%
Will give up calling fixed to mobile and will use mobile connections	21,7%	28,8%	30,8%
Will use other suppliers/methods to make these calls from fixed line	15,7%	22,0%	25,7%
Other	2,0%	2,5%	2,5%
DNK	9,1%	10,7%	12,0%
TOTAL	**100%**	**100%**	**100%**

Consumer Behavior to Increase of Tariffs for International Calls

How would you proceed if international call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions, N = 1099

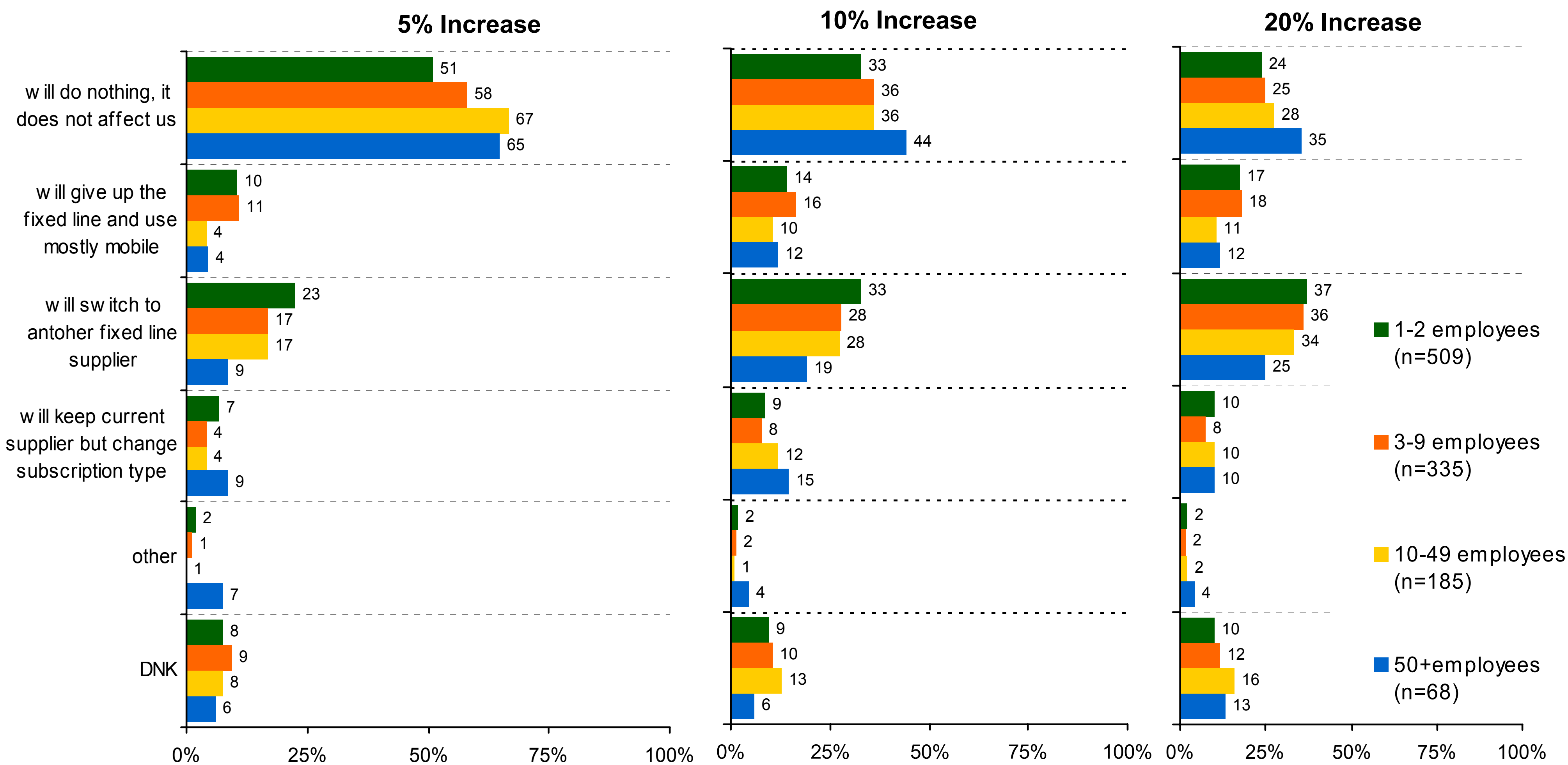
Behaviour ↓ / Increase of tariffs →	5%	10%	20%
Will do nothing, it does not affect us	65,3%	53,7%	49,8%
Will give up international calls on fixed line and use mobile instead	8,0%	11,6%	12,3%
Will use other suppliers / methods to use fixed line	14,9%	20,0%	22,3%
Other	1,5%	1,6%	2,0%
DNK	10,2%	13,1%	13,6%
TOTAL	**100%**	**100%**	**100%**

Consumer Behavior to Increase of Subscription Tariffs

per size of company

How would you proceed if your current subscription tariff increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions that use classic fixed line subscriptions per size of company, N = 1097

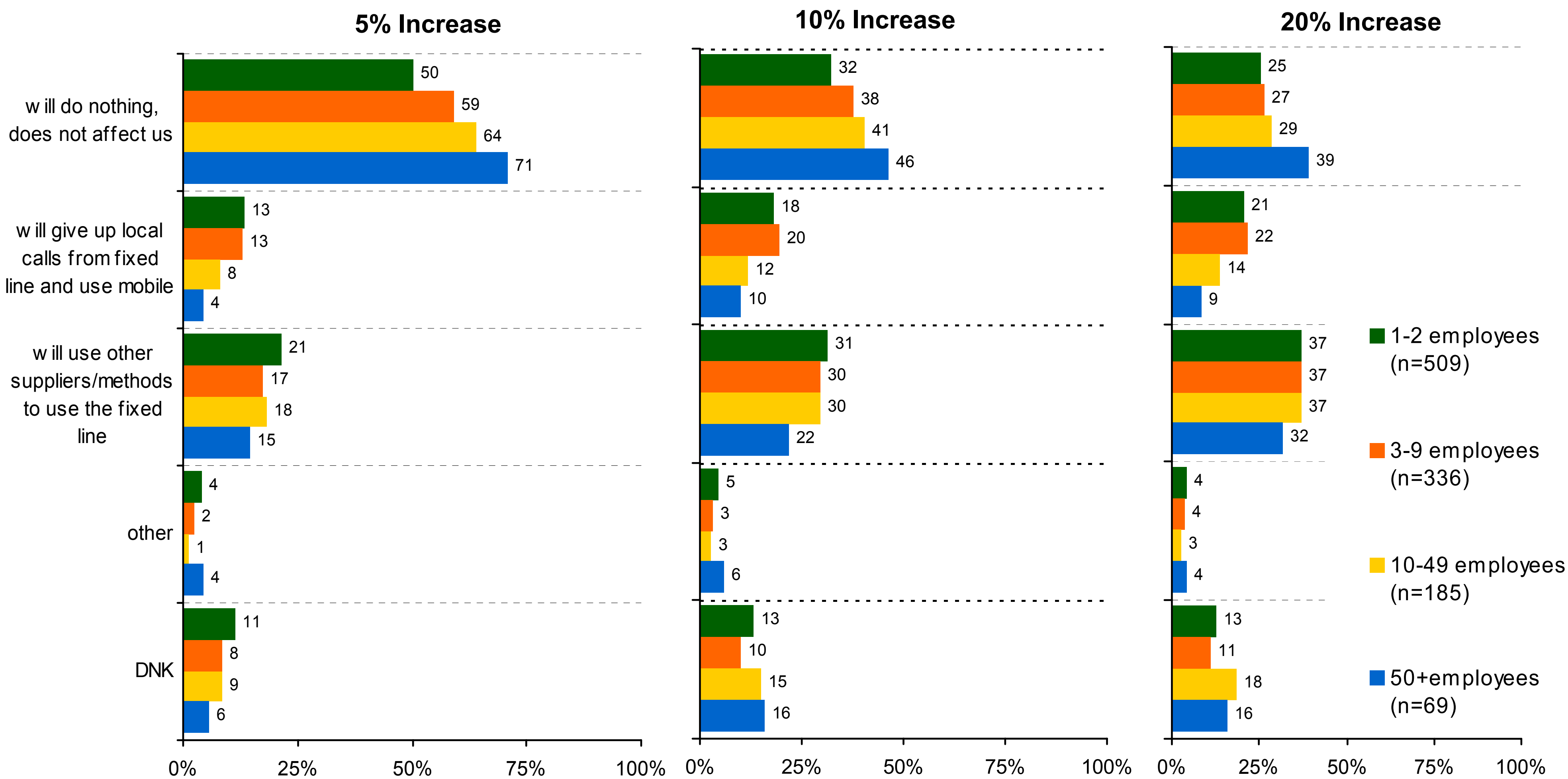


Consumer Behavior to Increase of Tariffs for Local Calls

per size of company

How would you proceed if local call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per size of company, N = 1099



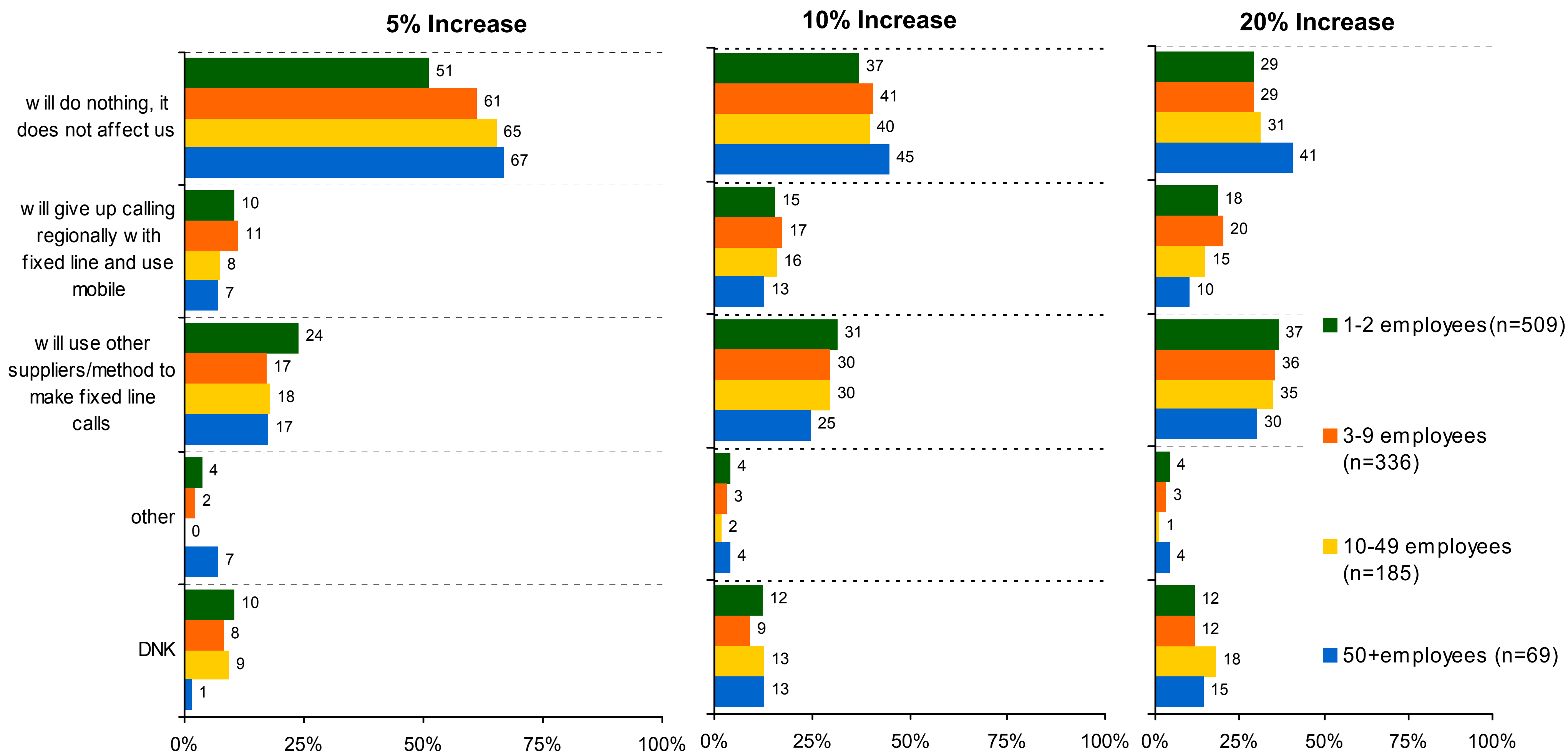
	5%: 1-2	5%: 3-9	5%: 10-49	5%: 50+	10%: 1-2	10%: 3-9	10%: 10-49	10%: 50+	20%: 1-2	20%: 3-9	20%: 10-49	20%: 50+
will do nothing, does not affect us	50	59	64	71	32	38	41	46	25	27	29	39
will give up local calls from fixed line and use mobile	13	13	8	4	18	20	12	10	21	22	14	9
will use other suppliers/methods to use the fixed line	21	17	18	15	31	30	30	22	37	37	37	32
other	4	2	1	4	5	3	3	6	4	4	3	4
DNK	11	8	9	6	13	10	15	16	13	11	18	16

Consumer Behavior to Increase of Tariffs for Regional Calls

per size of company

How would you proceed if regional call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per size of company, N = 1099



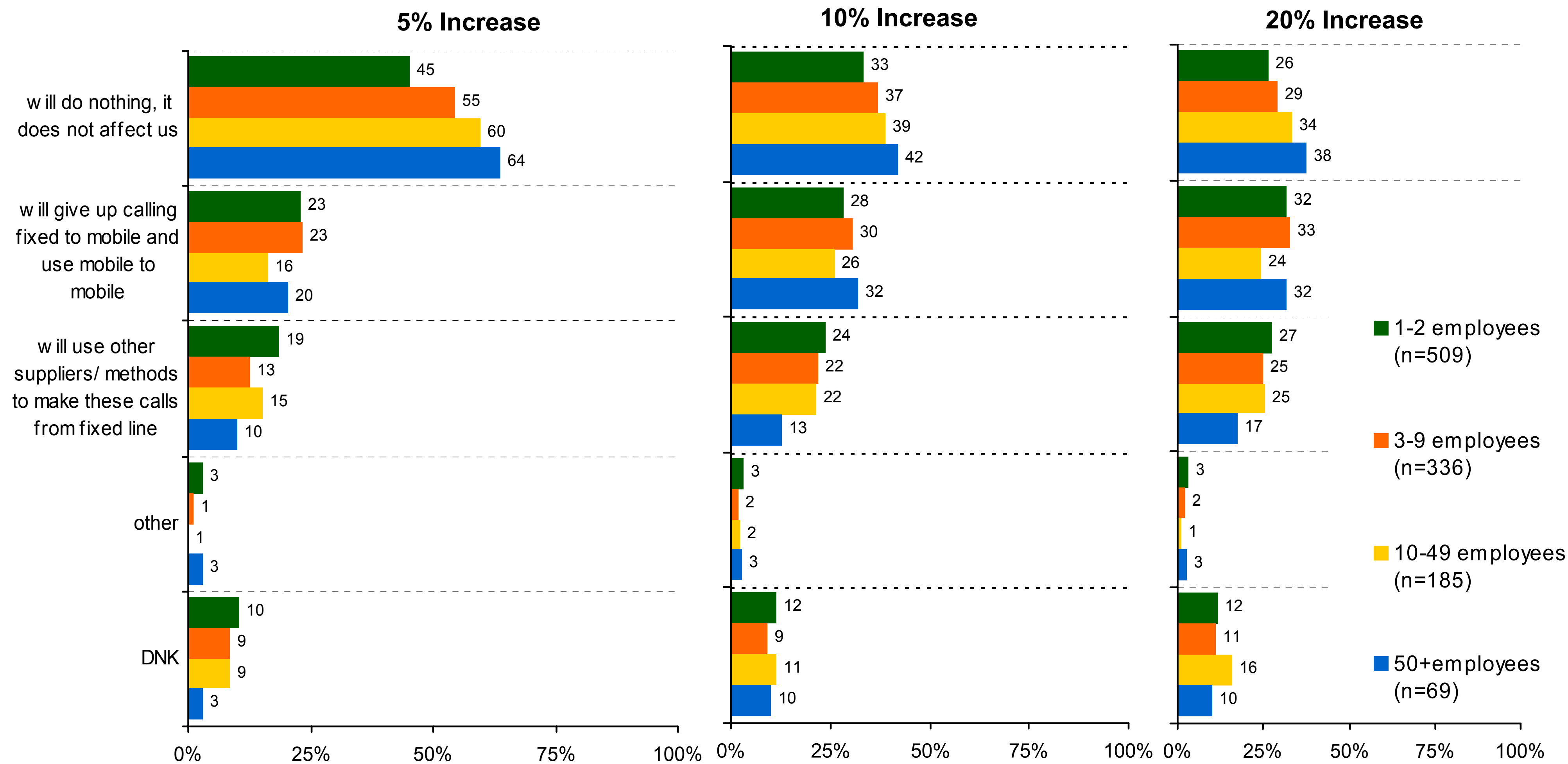
	5%: 1-2	5%: 3-9	5%: 10-49	5%: 50+	10%: 1-2	10%: 3-9	10%: 10-49	10%: 50+	20%: 1-2	20%: 3-9	20%: 10-49	20%: 50+
will do nothing, it does not affect us	51	61	65	67	37	41	40	45	29	29	31	41
will give up calling regionally with fixed line and use mobile	10	11	8	7	15	17	16	13	18	20	15	10
will use other suppliers/method to make fixed line calls	24	17	18	17	31	30	30	25	37	36	35	30
other	4	2	0	7	4	3	2	4	4	3	1	4
DNK	10	8	9	1	12	9	13	13	12	12	18	15

Consumer Behavior to Increase of Tariffs for Fixed to Mobile Calls

per size of company

How would you proceed if fixed to mobile call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per size of company, N = 1099

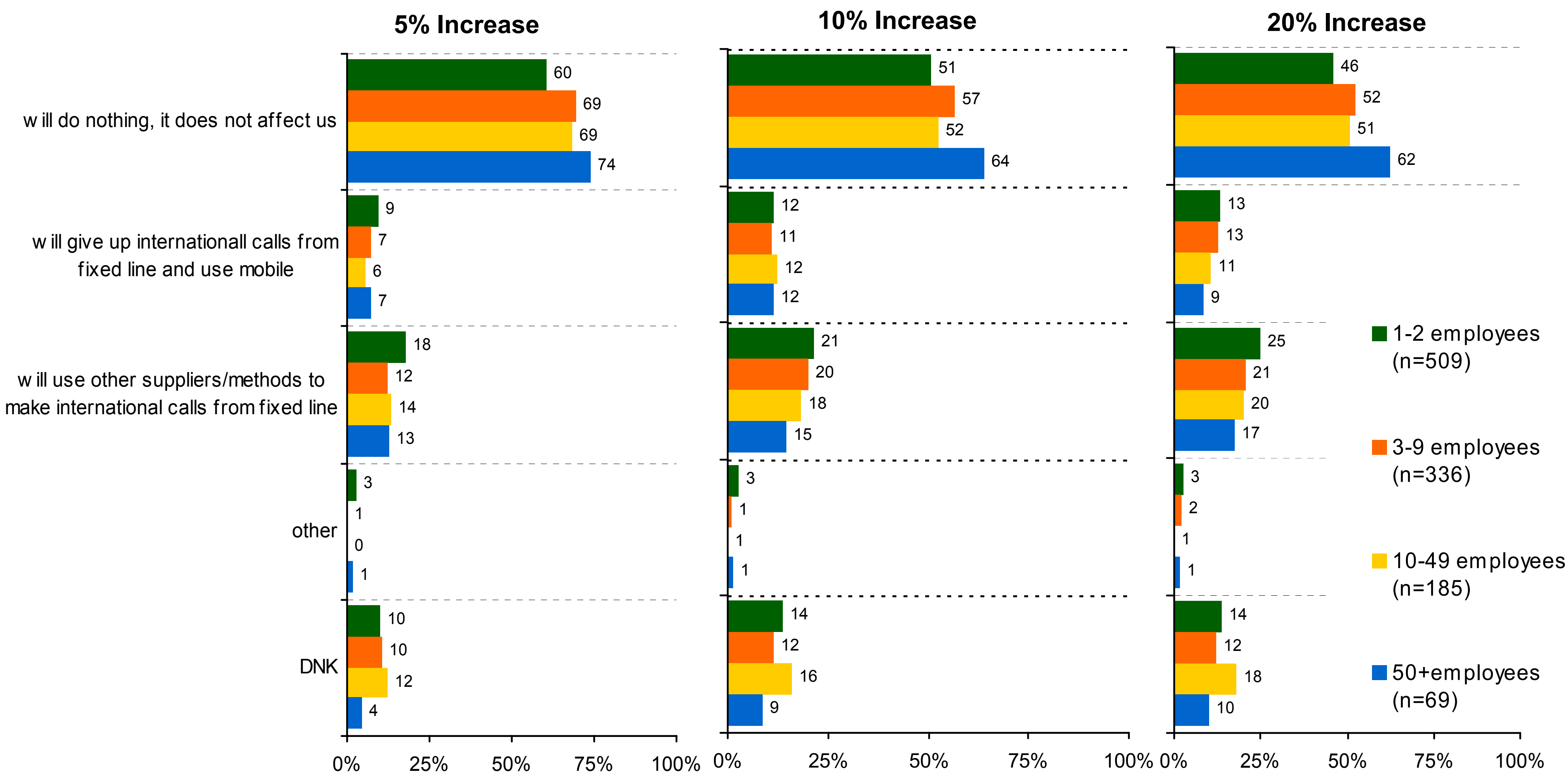


Consumer Behavior to Increase of Tariffs for International Calls

per size of company

How would you proceed if international call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per size of company, N = 1099

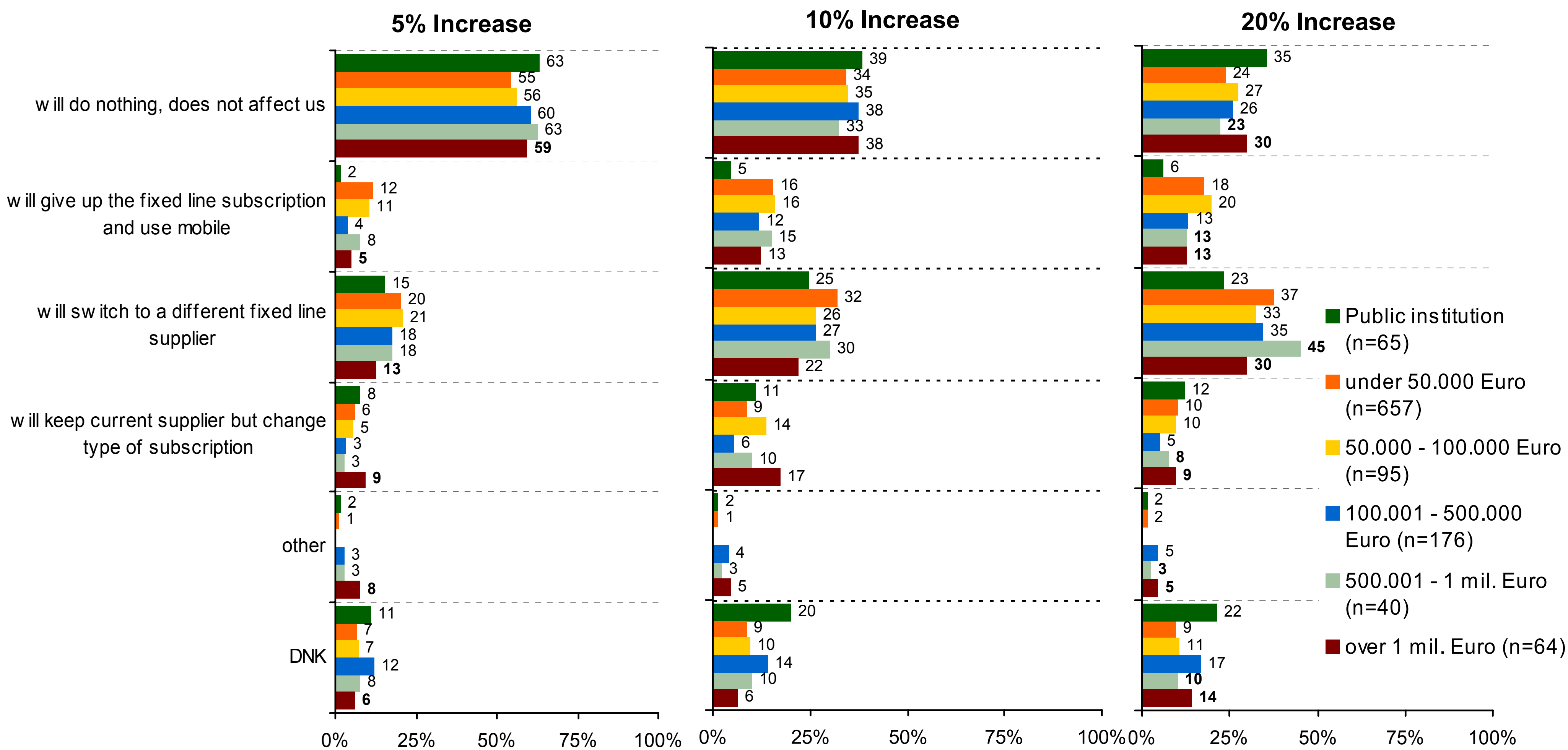


Consumer Behavior to Increase of Subscription Tariffs

per revenue

How would you proceed if your current subscription tariff increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions that use classic fixed line subscription per revenue, N = 1097

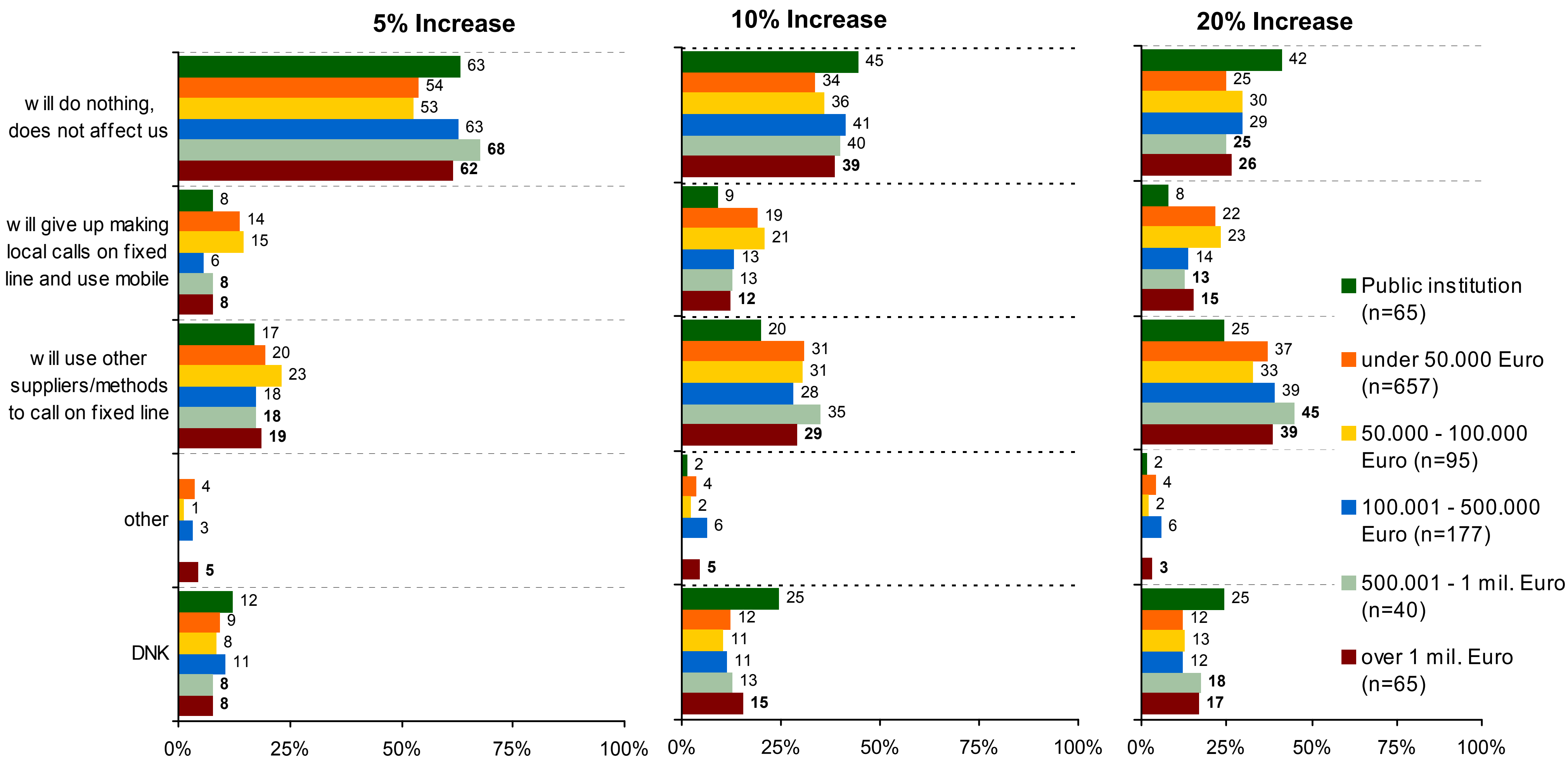


Consumer Behavior to Increase of Tariffs for Local Calls

per revenue

How would you proceed if local call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per revenue N = 1099

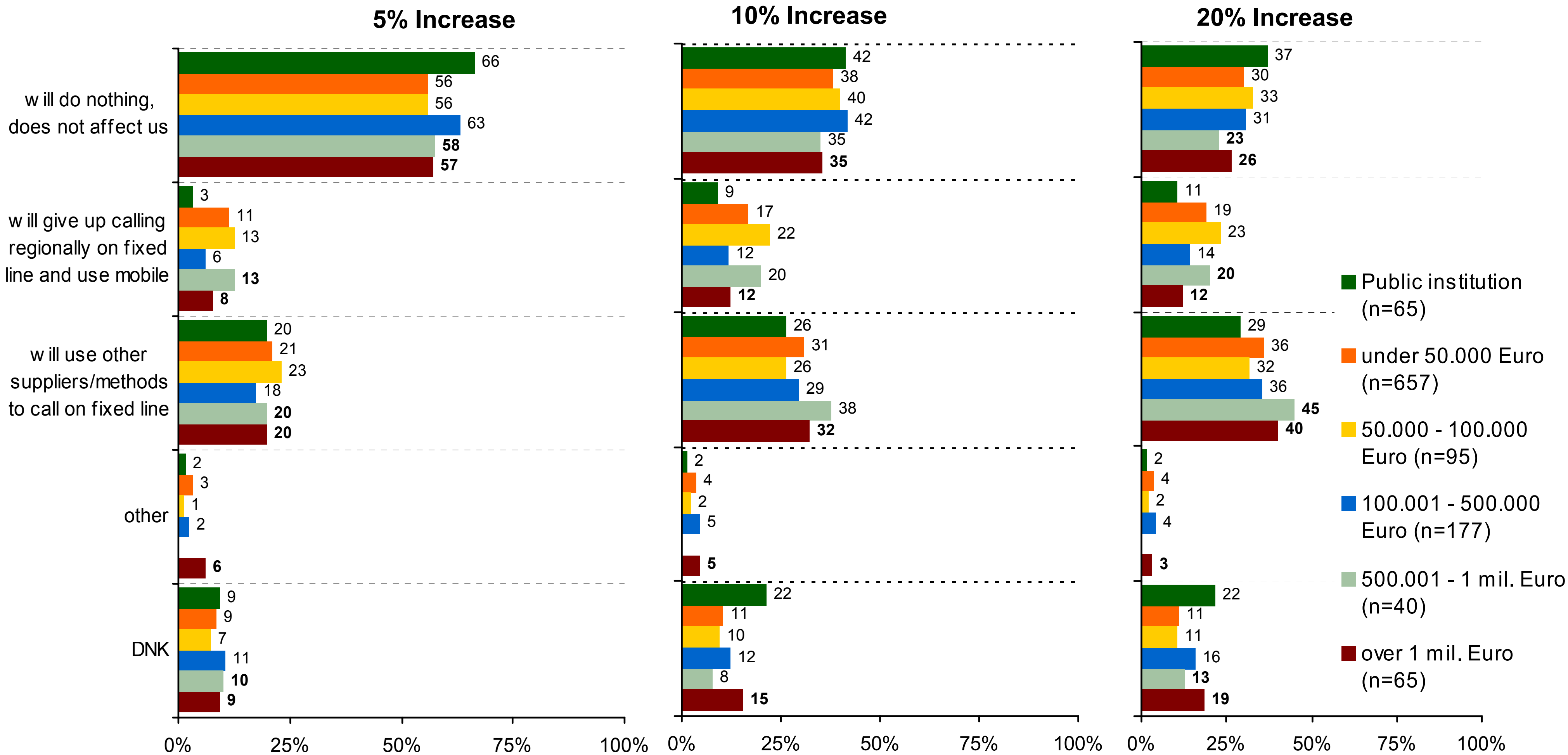


Consumer Behavior to Increase of Tariffs for Regional Calls

per revenue

How would you proceed if regional call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per revenue N = 1099

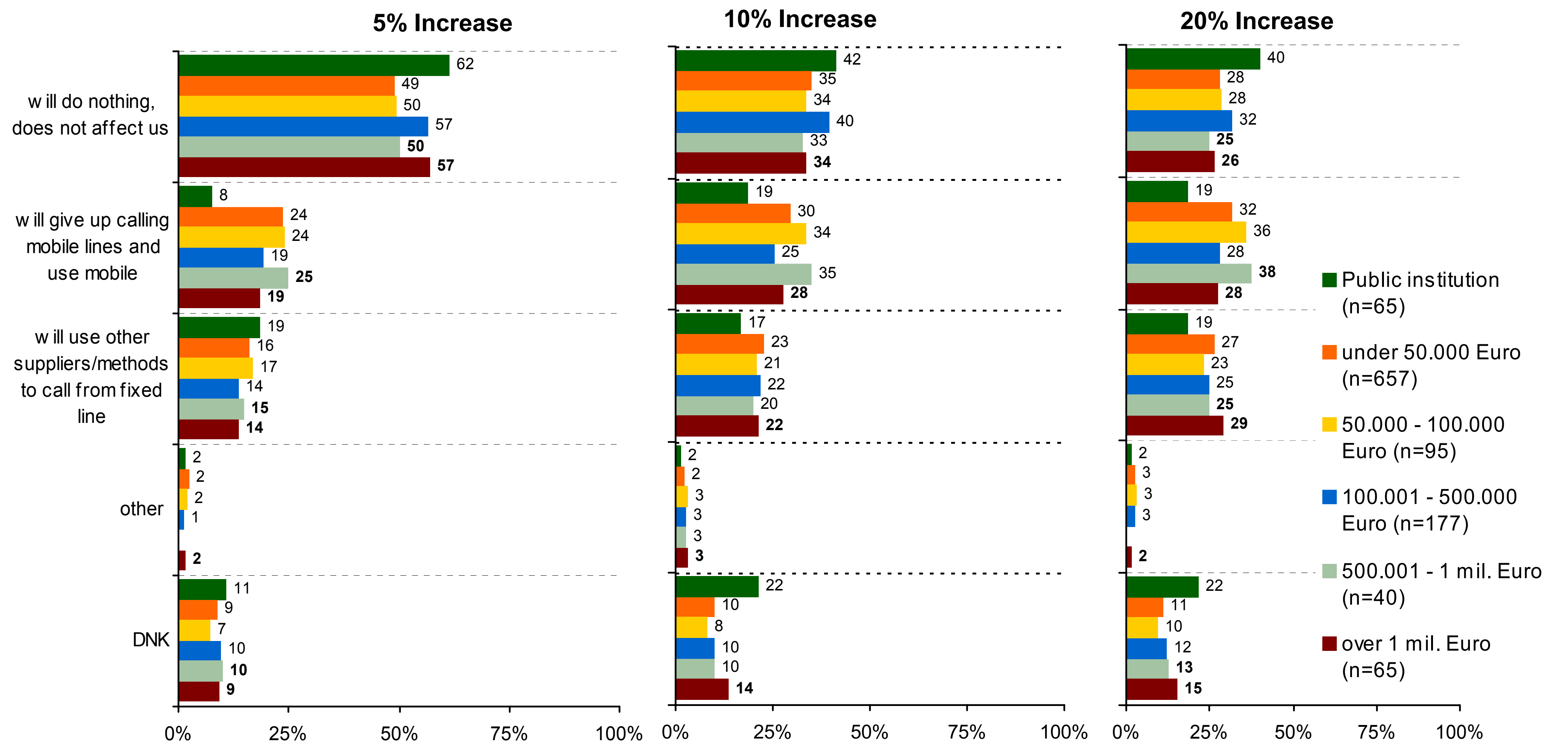


Consumer Behavior to Increase of Tariffs for Fixed to Mobile Calls

per revenue

How would you proceed if fixed to mobile call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per revenue N = 1099

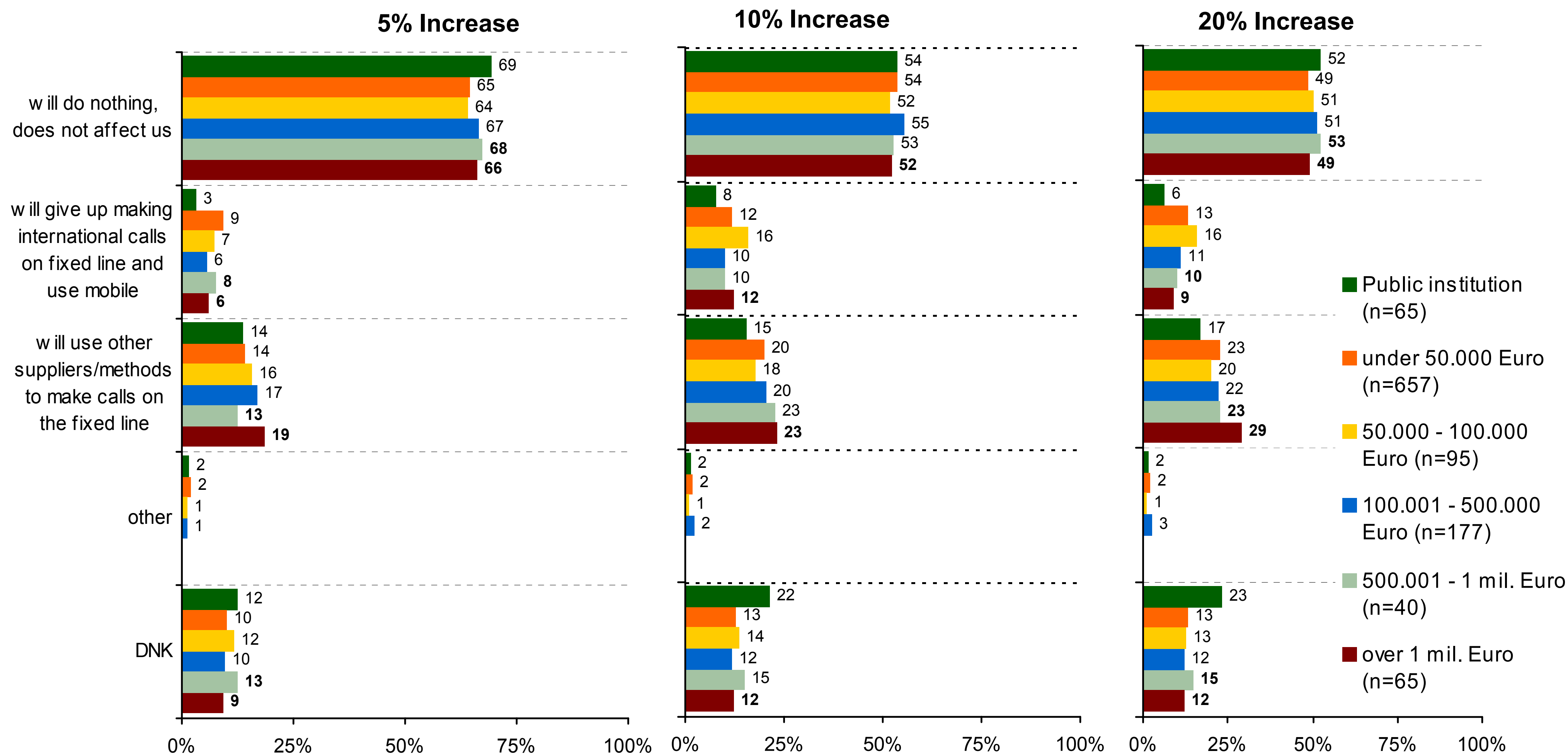


Consumer Behavior to Increase of Tariffs for International Calls

per revenue

How would you proceed if international call tariffs increased by 5%? How about 10%? How about 20%?

Reference: sample of companies and institutions per revenue N = 1099

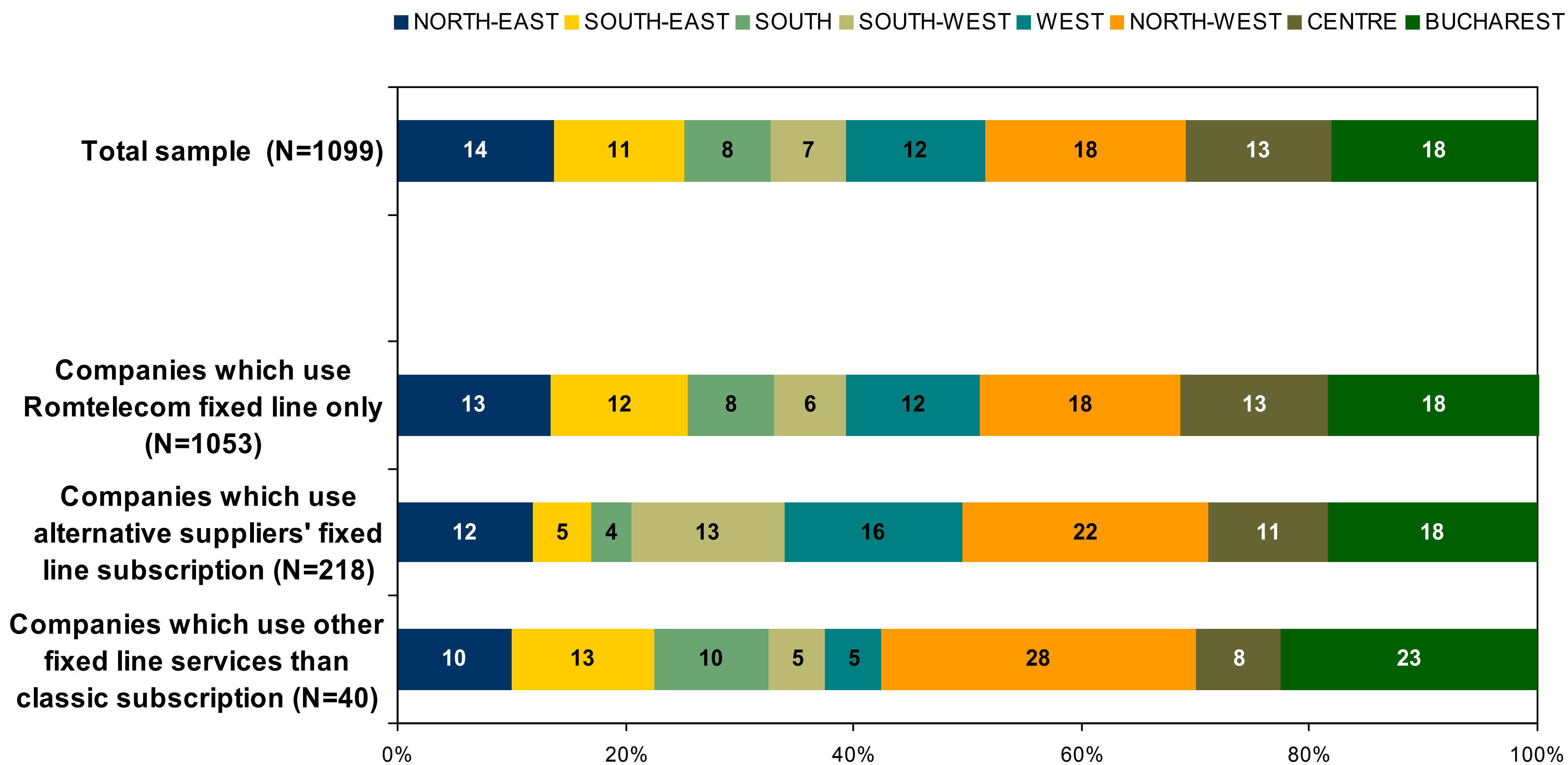


X. Profile of Companies and Institutions Which Use Fixed Telephony Services

Profile of Companies and Institutions which Use Fixed Telephony Services

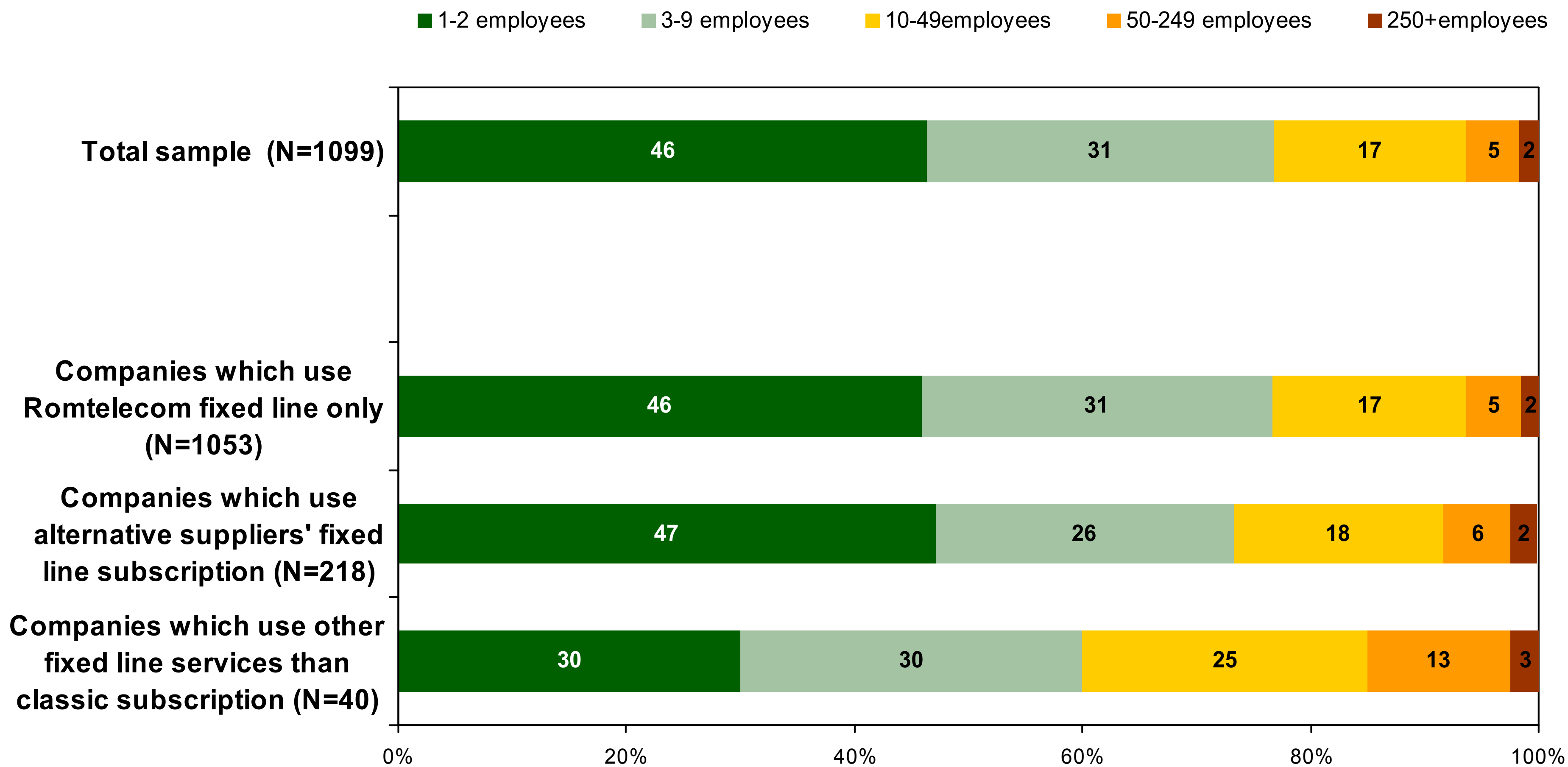
- Companies which use fixed line subscriptions from alternative suppliers are mostly located in the South-West, West and North-West and are mostly service companies.

- Companies which use other fixed line services than subscription-based are mostly in the North-Western part and Bucharest, and they activate in constructions, have more than 10 employees and revenues over 1 million EURO. This segment does not include small companies of 1-2 employees and revenues under 50 000 EURO.



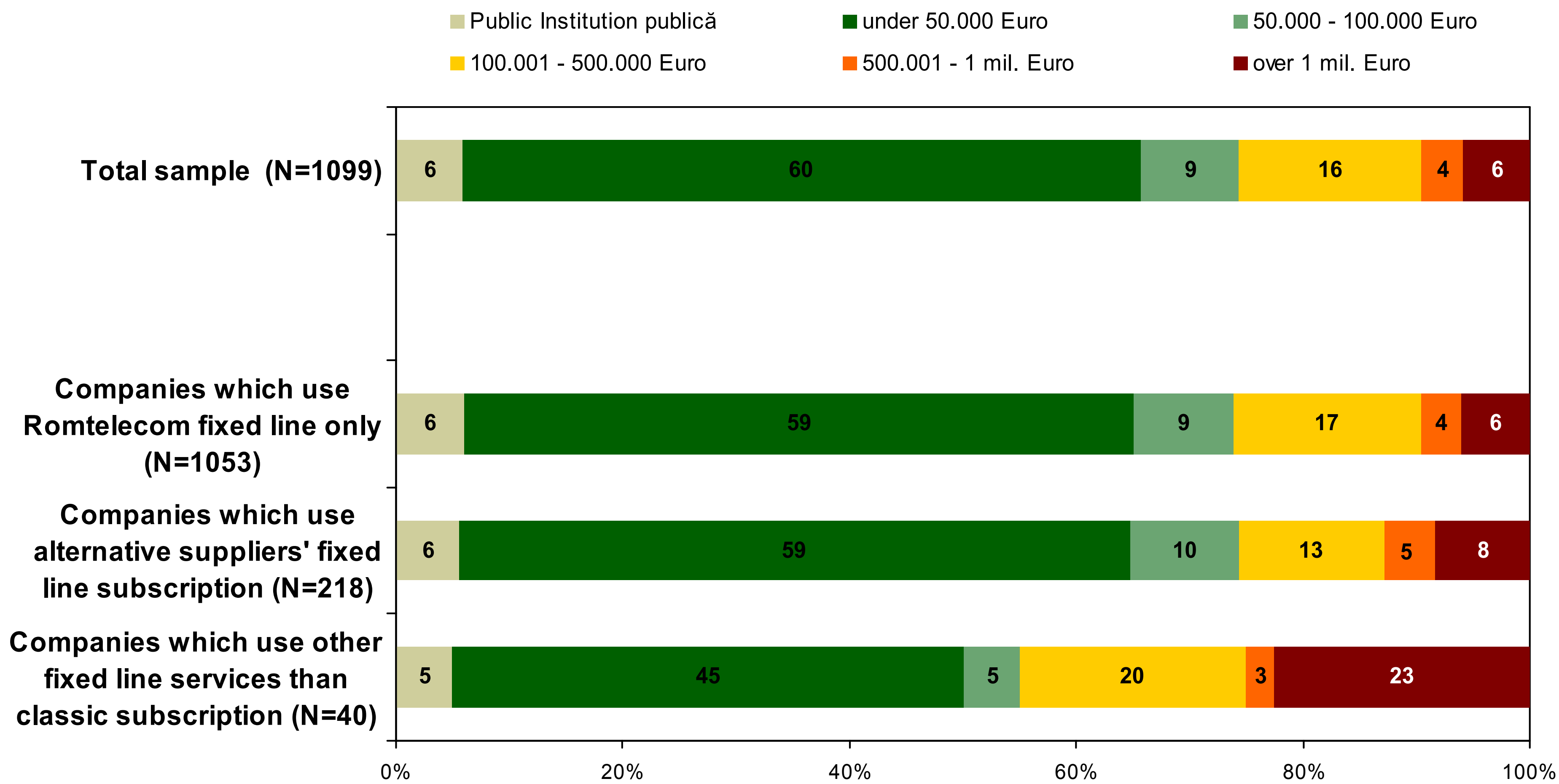
*because of the small number of companies, the profile of those who use other fixed line services than classic subscription should be interpreted cautiously

Size of Company / Institution (number of employees)



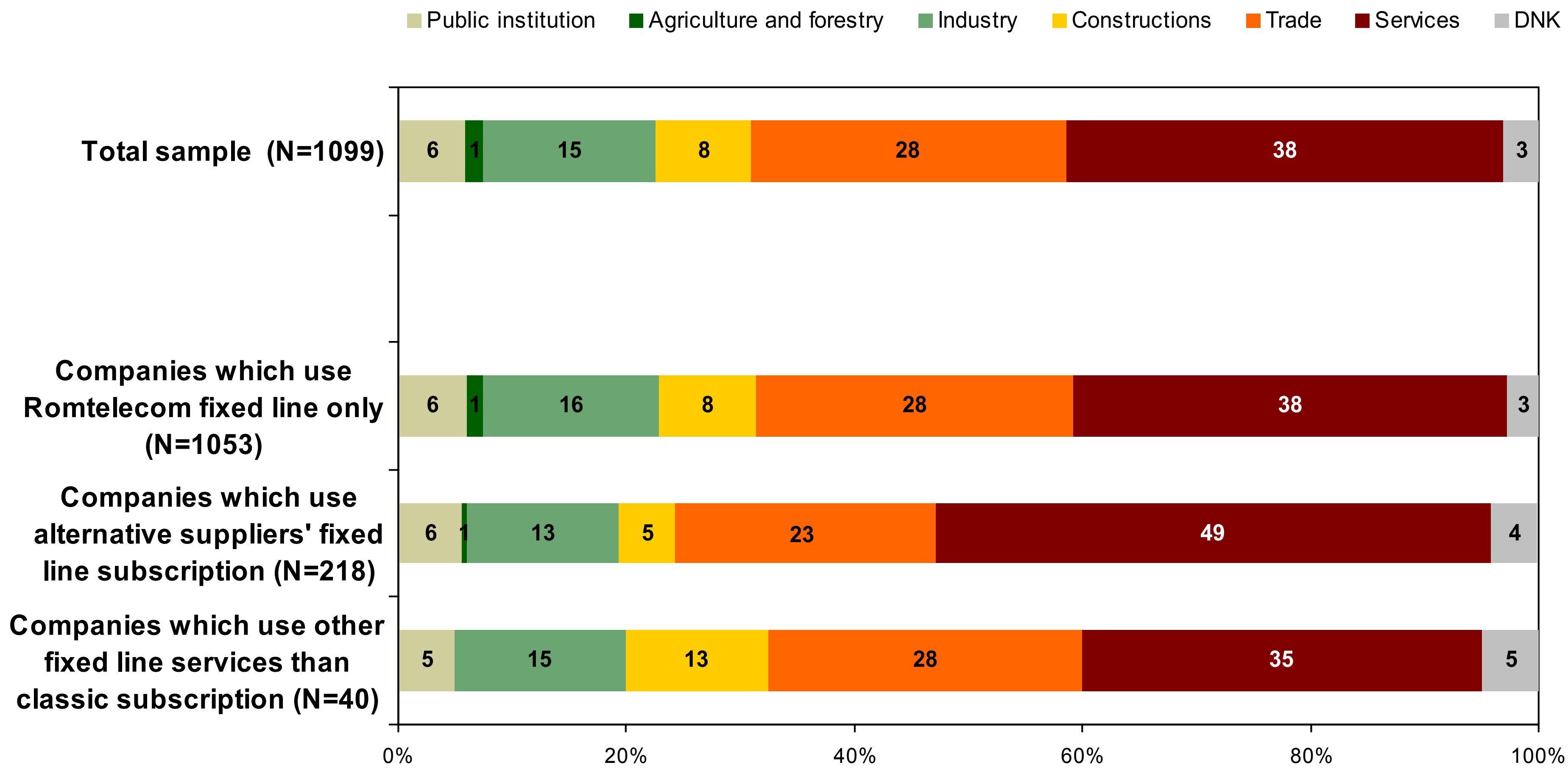
*because of the small number of companies, the profile of those who use other fixed line services than classic subscription should be interpreted cautiously

Revenue in 2005



*because of the small number of companies, the profile of those who use other fixed line services than classic subscription should be interpreted cautiously

Type of Activity



*because of the small number of companies, the profile of those who use other fixed line services than classic subscription should be interpreted cautiously