

01 Segmented propositions



We develop a deep insight into our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.

Capitals impacted:



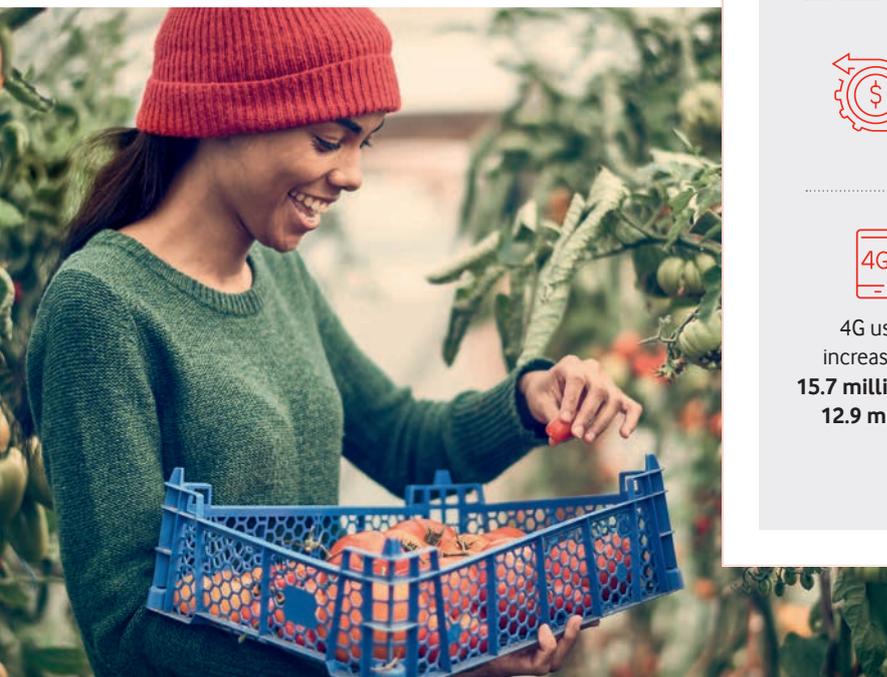
Manufactured capital



Social and relationship capital

How segmented propositions support our purpose

As a customer-centric and purpose-led business, we strive to design propositions for our customer segments based on their unique needs. Our goal is to enhance our current segmentation models with enriched psychographic data to create relevant, personalised and contextual value to specific customer segments, including persons with disabilities. Furthermore, our commitment to providing easy access to a range of nano-lending platforms also supports accessibility, affordability and inclusion. By meeting specific customer needs, we are able to support our purpose and ensure our customers remain connected by adopting digital channels.



FY21 at a glance for South Africa

The outbreak of the COVID-19 pandemic placed financial pressure on many consumers, who sought ways to reduce their costs while also increasing demand for access to affordable data that would enable them to work and study from home.



Vodacom's NXT LVL platform has almost **four million** active customers



Data usage increased by **56%**



Smartphone penetration improved by **8%**



ConnectU platform has **15.5 million** unique users



10.8 million customers use our Airtime Advance product



Launched the new **VodaBucks** loyalty programme



Data bundle sales from personalisation platforms grew **38.1%**



Through our price transformation strategy, we returned **R3 billion** in price cuts to the market from 1 April 2020, further supporting the affordability of data



4G users increased to **15.7 million** from **12.9 million**



Voice bundle sales increased **4.4%** and data bundle sales by **15.8%**



Vodacom Fibre has the third-largest connected customer base in South Africa, with 146 601 fibre points passed

Lead in targeted, segmented markets

Segmented propositions exist across all of our markets. Below are just a few examples from our markets.

Youth segment (South Africa)

✓ Our youth proposition, called Vodacom NXT LVL, targets consumers under the age of 25 and focuses on giving them access to affordable connectivity, skills to enable their future careers, and tools and technologies for a better future – thereby enabling their economic inclusion. We aim to provide our youth segment with affordable devices and preferential rates on value bundles by offering the best value rates to popular uniform resource locator service bundles for WhatsApp and social tickets. We also offer zero-rated platforms to help enable the youth to gain access to opportunities via the internet. These platforms include, among others, the Vodacom e-School and the Future Jobs Finder, a career guidance and training content portal. We offer reduced subscriptions to music and gaming services to attract the youth and keep them engaged, among other lifestyle benefits. We provided significant discounts to our Big Data offerings for universities and schools, so that lessons could continue online.

✓ We focus on removing barriers for job applicants, especially considering the high youth unemployment rate in South Africa. By providing access to Future Jobs Finder and the ConnectU platforms, we facilitate creating a digital resume and direct applicants to job opportunities based on their unique personalities. These portals also offer access to world-class online learning without incurring additional data costs.

✓ During the year, we reduced data prices through our company-wide price transformation strategy. We also continued to offer our device subsidies, resulting in an 56% increase in data usage and an 8% improvement in smartphone penetration. We saw a 6.7% year-on-year increase in our customer base, with data ARPU up by 29%.

Mass segment

✓ This year, we have continued with our strategy to democratise data by designing compelling customer propositions. Through this platform, acting as a storefront we can offer customers cheaper access to voice, data, digital lifestyle and financial services, i.e. Airtime Advance. Our smart targeting capabilities allow us to build innate journeys to enable us reach our customers via multiple platforms. This year, 15.5 million unique users per month interacted with our free-to access ConnectU platform.

✓ We further create value by leveraging our digital propositions driven by deep customer intelligence. Our nano-lending and microloans platforms continue to drive growth in our international markets, giving 15 million first-time borrowers access to basic needs, including food and electricity. Songesha, our overdraft facility in Tanzania, offers not only customers, but its agents the overdraft facility as well, ensuring that our agents are liquid at all times, and able to serve our customers timeously. In Kenya, 1.4 million customers use our overdraft facility, called Fuliza. Through M-Pesa, our nano-loans of up to US\$10 continue to be popular among our customers.

✓ In the DRC, Vodacom introduced a savings and loans solution in partnership with microfinance FINCA Bank, enabling M-Pesa customers to save and access microloans. By introducing this solution, called Vodacash, people living in remote areas of the country can now access payment, loans and savings on their mobile devices. Vodacom Tanzania partnered with TPB Bank to introduce M-Koba, a group savings solution that enables community members – particularly women – to mobilise savings, investments and microloans.

High-value segment (South Africa)

✓ We differentiate ourselves through our value proposition and best-in-service RED VIP plans. We designed each VIP plan with customer usage preferences in mind, including premium rewards and benefits. Our RED VIP 10GB, 25GB and 100GB come standard with unlimited minutes and SMSes, as well as access to our 24/7 concierge-type service called Platinum Resolution Centre.

✓ The Platinum Resolution Centre ensures that our customers receive first-in-line priority service through an exclusive service help desk, where calls are attended to immediately. Customers on these packages receive high allocations of voice and data and have access to the RED VIP Club. These plans are available as 24-month or 36-month contracts.

✓ During the year, our RED customers' data usage increased by 7%, the number of 4G users is at an average of 94%, and smartphone penetration amounted to 99%.



Family segment

- ✓ We designed our family segment proposition around customer insights and expectations. With the onset of the COVID-19 pandemic, we launched the home internet broadband proposition (@home) based on the LTE and 5G access technologies together with the Vodacom Fibre offering. This created a singular proposition that addressed customer value expectations around pricing, network excellence and experience.
- ✓ The outbreak of COVID-19 significantly increased the demand for broadband @home. As a result of our @home strategy, Vodacom Fibre had the third-largest connected customer base among fibre internet service providers in South Africa. Our connectivity enabled customers to work and study from home.

- ✓ We also intensified our focus on creating converged customers who use mobile and fixed-line services, thereby increasing the average revenue per account. We aim to continue driving convergence with improved value propositions, along with targeted value-added services.
- ✓ We combine Big Data insights with a detailed analysis of the family segment and associated sub-segments to understand our customers' needs and expectations better. This analysis enables us to improve efficiencies and provide customers with practical value and excellent customer journeys.

Special needs segment

- ✓ We remain committed to providing easy access to a range of offers and services suitable for persons living with disabilities to ensure all customers can stay connected. Our product development team collaborate with organisations for persons living with disabilities to ensure our offerings meet their needs. These solutions have considered the needs of senior citizens, persons with visual impairments and persons who experience communication barriers such as being deaf, hard of hearing, hearing impaired, blind or having a speech impairment.

Democratising internet access

Rural roll-out and device penetration

- ✓ Vodacom's rural coverage acceleration programme focused on expanding coverage to rural communities that have never been connected to the network. We introduced new network sites in rural communities across South Africa, and 82.9% of the rural population is covered by the 4G network in the country.
- ✓ Vodacom South Africa has 23.2 million smart devices on our network, a 9.5% increase from 2020. The number of 4G devices increased by 22.0% to 15.7 million in South Africa. Sales of South Africa's most affordable 4G smart feature phones, the "Vibe" and Nokia 215, which retail at R299, continues to grow – 133 200 devices were sold in 2021.
- ✓ We improved our customer proposition by offering customers both 3G and 4G devices, selling over 3.5 million of these devices in South Africa. We trialled our prepaid device financing solution with customers without credit facilities, who were able to pay for 4G devices in instalments. We believe this will reduce barriers to entry and ensure that all South Africans have access to a high-quality network.
- ✓ To further subsidise device prices and migrate our customers from 2G to our 4G network, we offered network-locked devices. We sold over 3.7 million units since April 2019 – primarily to our mass emerging customer segment. By increasing our customers' accessibility to 4G devices, we can expand digital inclusivity for our customers through plans ranging from zero-interest 12-month contracts to 36 months, as well as offer contracts to ease the burden of monthly payments. Our 36-month contract option is popular with customers, contributing 23% of all contract gross add acquisition this financial year.

Special needs South Africa

CASE STUDY

Vodacom continues to drive digital inclusion through our specific needs office. The office team is led by people with disabilities who design and drive our digital inclusion strategy for consumers with disabilities. Vodacom South Africa has provided accessible products and services for people with disabilities since 2004, when we launched the first accessibility initiative. Along with a dedicated call centre for people with disabilities, our products and services include, among others, special monthly discounted contract deals exclusive for people with disabilities, text-based emergency services and special voicemail option for deaf customers, and an easy-to-use phone for elderly people.

On 3 December 2020, Vodacom became one of the first signatories to the GSMA principles for driving digital inclusion of persons with disabilities. The principles will play an important role in ensuring that mobile operators implement accessibility strategies that promote digital inclusion of consumers with disabilities. We are committed to developing more relevant products and services for our customers with disabilities in 2022. Vodacom is currently the only South African operator with personalised offers for the special needs segment.

✓ To remove any barriers to 4G adoption, we partnered with Google on the Android Go operating system to offer customers a simple and seamless user experience. By implementing a comprehensive marketing plan in partnership with Google, we sold over 1.7 million Android Go 4G devices.

✓ After launching the Samsung eSIM capable watches and the One Number service in March 2019, we extended the same capability to Apple devices during the year to further reinforce our leadership position. We sold more than 5 000 watches per month and have successfully entrenched Vodacom as one of the largest tablet distributors in South Africa – sales increased by 76% during the year. Our customers can now buy and pay for accessories in instalments linked to their postpaid plans. This proposition offers customers an easy, flexible and affordable way to enhance their lifestyle experiences. This led to a 226% increase in wearable sales volume. Furthermore, sales revenue from accessories increased by 106% year-on-year.

✓ In our international markets, smartphone users increased by 8.0% to 11.0 million, representing 32% of our customer base. In Tanzania, over 500 000 low-cost smart-feature devices were sold since the introduction of the smart Kitochi at the cost of US\$25 in 2019, leading to a 14.6% increase in 4G mobile data traffic. In Mozambique, 750 000 low-cost devices, priced at R299, were sold. Vodacom Lesotho registered a 38% growth in 4G devices year-on-year.

✓ Safaricom launched innovative device funding in the year, supporting an acceleration in smartphone sales. Active 4G devices grew 39.8% to 8.5 million while 4G network coverage reached 94% of the population.

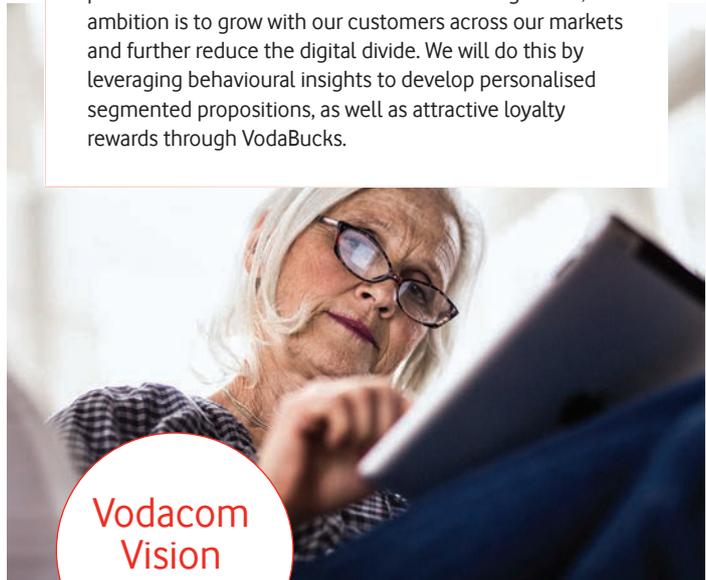
Bundle engagement: South Africa

✓ Data revenue-generating customers as a percentage of total revenue-generating customer increased from 66% to 69% since the start of the COVID-19 lockdown, resulting from 890 million bundle sales over the same period. This was further accelerated by our pricing transformation strategy, which delivered R3 billion in value primarily driven by the price reduction of our monthly data portfolio.

✓ Voice bundle sales increased 4.4% and data bundle sales increased 15.8% due to commercial initiatives that leveraged our personalisation engines and data portfolio set to the market. Data bundle sales from our Just for You personalisation platform grew by 38.1% as customers were drawn to the value propositions in these bundles.

How our segmented propositions support the system of advantage

We aim to embed ourselves in the lives of our customers and continue to expand our ecosystem of products to address their needs. With the combination of our segmented customer approach and our pricing transformation journey, we successfully reduced pricing between 34% and 40% year-on-year, returning R3 billion in price cuts to South African consumers. Looking ahead, our ambition is to grow with our customers across our markets and further reduce the digital divide. We will do this by leveraging behavioural insights to develop personalised segmented propositions, as well as attractive loyalty rewards through VodaBucks.



Vodacom
Vision
2025

By remaining customer-centric, we can:

- Focus on our pricing transformation journey to reduce the digital divide and enable access for more South Africans. Our goal is to ensure everyone can connect affordably;
- Enable a seamless system for customers to use their mobile phones to connect, access entertainment, pay bills, invest, lend and insure;
- Humanise technology, simplify and transform the customer experience to achieve true convergence of our multi-product offerings;
- Democratise data and design compelling customer propositions, embed our loyalty programme and enhance regional execution; and
- Deliver a multi-product omni channel digital experience.