

RESPONSIBLE MANAGEMENT

Customer satisfaction

At Telefónica, we have placed the customer at the centre of everything we do. Satisfaction analysis is a her tool to know the perception of the service quality and the customer care

In 2013, Customer Satisfaction Index rose to 7.14 points out of 10, with an increase of 0.02 points compared to the year before

Total accesses of Telefónica reached 323.1 million at the end of 2013, or 2% higher than a year before, driven by mobile contract customers, especially for mobile broadband, and pay TV. It is notable how accesses of Telefónica Latin America developed (68% of the total), rising 4% inter-annually despite more restrictive criteria for counting prepay customers. It is important to bear in mind that the variation in accesses is impacted by the sale of the residential fixed line business in the United Kingdom.

We use the CSI (Customer Satisfaction Index) methodology to measure the satisfaction of our clients, and this indicator is reported periodically to the Board of Directors of the Company. Indeed, the Company's Board of Directors has a specific committee dedicated to Service Quality and Customer Service. This meets every quarter so as to reinforce our orientation towards the customers of the Group.

In 2013, the Telefónica CSI rose 0.02 points over the previous year to reach 7.14. The most substantial improvement was in Spain, where customer satisfaction rose by 0.42 to reach 6.85. By regions, there was a generalised improvement in Europe (6.94 vs 6.75 in 2012) and a slight worsening in Latin America (7.32 vs 7.54 in 2012), which was affected by slippage in markets of high volume like Brazil, in the second half of the year, and Argentina in the second quarter.

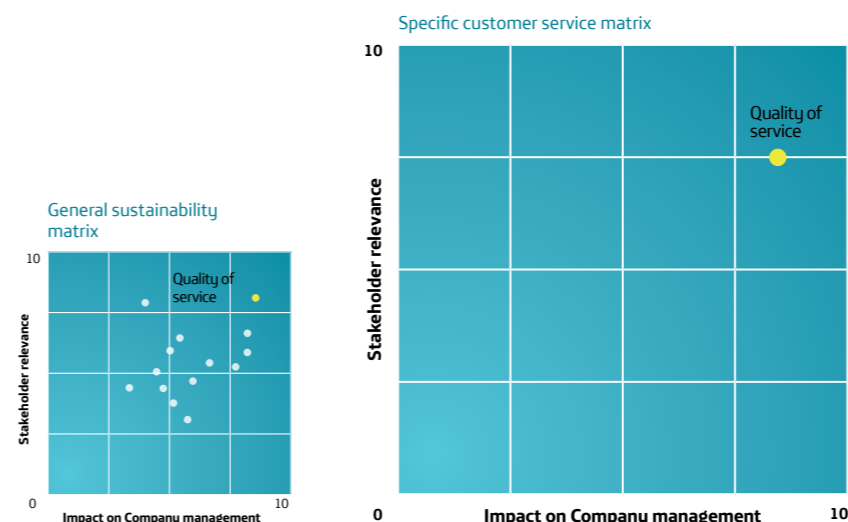
Movistar again became the Company with the best customer service, according to the latest report from the Civil, Economic and Social Rights Association (ADECES) in 2013, with 6.2 points out of 10, followed by OMO (5.4), Jazztel (5.35), R (5.29), Telecable (5.14), Euskaltel (5.08), Vodafone (4.92) and finishing with Orange (3.95).

According to data from the OAUT (statutory telecoms ombudsman in Spain), Movistar is the operator that receives fewest claims. In the area of fixed telephony, Movistar only received 0.88 claims for every 10,000 users. This is very different from Orange (with 4.62), Jazztel (3.73), Ono (2.69) and Vodafone (2.55). Respecting fixed Internet access, the Company is again the one that receives fewest, as only 0.19 of every 10,000 clients has lodged a claim. Above this, Jazztel (0.81), Vodafone (1.01), Orange (1.38) and Ono (2.42) can all be found. There is no doubt that the greatest differences between operators are found in the fixed line voice and data packages. Indeed, while Movistar has only 1.11 claims for every 10,000 users, the figures for the rest are 2.96 for Vodafone, 3.89 for Jazztel, 5.57 for Orange and 5.60 for Ono.

Telefónica United Kingdom has also managed to be the operator with fewest complaints in that country; according to data from the British regulator Ofcom, O2 has now been in this position for ten successive quarters.

In Brazil, where CSI fell slightly, we are putting a lot of effort into improving and expanding the channels of contact, with digital access technologies adapted to massive Internet use and the growth in the smartphone portfolio. Indeed, we are working on improving the available functionality of channels like Meu Vivo (Web and Mobile), SMS, Chat and URA, so as to provide simpler, faster, standardised interactions. We recently introduced a chat channel for fixed users and launched a collaborative forum so that customers of one of our major promotions can communicate and help each other to clear up doubts. The success of these initiatives is made manifest by the fact that they now deal with about 80% of the incoming contacts. As an example, the Meu Vivo service had a rise of 50% in the mean

Materiality matrix



number of accesses between 2012 and 2013, while the use of SMS more than tripled.

In Argentina we won first prize in the International Team Excellence Competition 2013 – awarded by the American Society for Quality (ASQ) in Indianapolis, USA – for a quality management improvement project focused on the final satisfaction of customers. The Telefónica project *Conectados a tiempo* (Connected on time), centered on diagnosing and implementing sustainable improvements in installation time for different equipment, was also recognised as the best at an international level. This Telefónica initiative was developed following the Six Sigma methodology, a system implemented by the company which points the way to perfection in management of products and processes.

Milestones

We won first prize in the International Team Excellence Competition 2013 for the quality management improvement project based on the final satisfaction of customers in Argentina.

Telefónica has also maintained the channels of communication with diverse consumer and official bodies and with the regulator. Thus, meetings have taken place with ASGECO (the general consumers' association), the OAUT (ombudsman) and various OMICs (municipal consumer information offices).

Best practices

The AI (Internauts Association - a consumer body) has rated the quality of mobile broadband access offered by operators in Spain at 6.41 out of ten. This figure is well below the 9.1 rating achieved by Movistar. According to the analysis carried out by AI, Movistar is two points above Vodafone and Yoigo and more than 2.7 above Orange.

The association has explained that the differences are in the download speed (in comparison with the speed offered), in customer service and in the prices and features of the classic offers.

Specifically, AI has underlined the "large differences" in compliance with nominal download speeds of 7.2 Mbps. While Movistar attained 101%, the Vodafone mean was 64% and Orange reached 78%. At the 42 Mbps speeds, Vodafone and Orange reach 39% and 31%, respectively, although Vodafone reaches 73% at 10.8 Mbps.

Regarding customer service, the data show a mean score of 5.9, ahead of Orange, which had 5.4 points, and Vodafone, with 4 points.

With respect to prices, the mean cost per MB without speed limitation ranges from 0.0065 euros/MB with Movistar contract to 0.17 with the Vodafone card model, according to the AI data.

Relating to combined offers (bundles), the mean score was 6.60 points, Movistar leading with 8 points, followed by Orange and Vodafone.

Customer Satisfaction Index (CSI)	CSI	Var. 2012/13
Spain	6.85	+0.42
Total Europe	6.94	+0.19
Brazil	6.95	-0.39
Total Latam	7.32	-0.22