

In Dialogue with GCEO



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Q: Describe FY10/11 from SingTel's perspective.

A: It was both a challenging and rewarding year for SingTel. We witnessed rapid changes in the industry – technology, devices and customer behaviour – and navigated through significant competitive and regulatory developments.

In Singapore and Australia, our complementary strategies of offering attractive smartphones and other mobile internet devices, coupled with attractive data plans and strong execution, helped us grow revenue and market share in both markets.

We also made significant progress in our transformation from a traditional telco to a multimedia and infocomm technology (ICT) service provider. In Singapore, we introduced fibre-based services, bundling high-speed broadband with TV, games, social networking and other digital content, to allow consumer customers to fully experience the capabilities of the Next Generation National Broadband Network (NGNBN). In the enterprise segment, our flexible cloud-based ICT solutions helped customers enhance their productivity and reduce costs.

In the emerging markets, our associates turned in credible performances despite aggressive competition. A key highlight among our associates was Bharti's geographic expansion into Africa through the acquisitions of 16 mobile operations. As a long term strategic investor and partner, we supported Bharti's investment into this large, underserved continent. Bharti is investing to improve mobile coverage and affordability in the African markets, which will allow it to capture significant growth.

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Q: What is driving the urgency behind SingTel's transformation?

A: We are at the crossroads of industry changes, which present both opportunities and risks to our businesses.

Industry value is shifting towards mobile devices, content, applications and services while prices and margins of traditional access services are declining. Non-telco operators, such as device manufacturers and internet companies, are trying to displace telcos and establish direct relationships with our customers.

At the same time, the level of market competition among the telcos has not eased. Our competitors are adding capacity and intensifying price pressures in an effort to stay relevant to customers. To counter this, we need to carefully and creatively manage the returns from our access business to afford continual investments in our mobile and data networks.

The implementation of the Singapore Government's NGNBN, a structurally-separated open-access fibre network, has attracted new market entrants as they do not need to build their own networks. Competition in traditional access services is expected to intensify as new entrants are happy to simply provide cheap and fast broadband access. We are differentiating ourselves through exciting and innovative services that leverage the ultra fast speeds of the NGNBN. Over the medium term, we believe that NGNBN has the potential to accelerate development of new and powerful services, including digital online services that will substitute real life spending on gaming, education and commerce.

In Australia, our competitors have given notice that they are not letting up on their efforts to defend and regain market share. In the mobile market, where Optus has grown its market share, this will continue to be a keenly fought space. Optus remains steadfast to its origin as a challenger operator and will continue to offer choice and deliver innovative and value-for-money propositions for its customers.

The urgency is upon us to transform and double our efforts to stay relevant and outperform the industry.

Q: What are the priorities to accelerate growth in multimedia and ICT services?

A: There is no denying that, as an established telco, we possess unique strengths. We have identified these strengths and will fully capitalise on them to drive sustainable growth in the business.

For example, our customer relationships are key assets that non-traditional telco players do not have. We have valuable billing relationships, sophisticated customer relationship management analytics and extensive technical and customer care touch points. We plan to translate these advantages into customer insights to help us anticipate and shape customers' needs and influence their behaviours.

We may also pursue strategic investments to gain economies of scale and important capabilities in multimedia and ICT services. This is not dissimilar to NCS' acquisition of SCS in 2008, which allowed us to successfully expand our market share and increase profitability in ICT services.

The end objective for us is simple – we want to provide customers with useful, relevant and personalised services to complement their lifestyles and business needs. The traditional telco business will remain a vital part of the Group, as we build on the success of our core access business to win in the new multimedia and ICT space.

Q: How are you pushing innovation?

A: We have adopted a multi-pronged approach to push for innovation within and outside the Group.

One of our recent efforts is SingTel Innov8, our corporate venture fund, focused on investing in next generation devices and solutions. Beyond funding, SingTel Innov8 will also help catalyse the development of innovative ideas and solutions by creating a vibrant ecosystem of start-ups, incubators, investors and industry players in the multimedia space. These ideas and solutions will be developed into useful services for deployment within the Group.

In addition, we have set up business units with dedicated resources and talent for driving innovation and digital products, for example, inSing.com, SingTel Idea Factory and SingTel Innovation Exchange in Singapore and Optus Digital Media in Australia.

In the longer term, the innovation and transformation we are pushing in the developed markets will also benefit our associates. We are optimistic that we can accelerate the growth of wireless data with a number of our associates in the emerging markets.

Beyond technology, innovation also involves redesigning business models and revisiting established procedures to better serve our customers. For example, we are actively promoting the use of online channels among customers, to allow them to make purchases and activate services over the web. We will explore more ways of serving customers online while ensuring that customer experience is not compromised.

We are focused on allowing innovation to flourish and new growth initiatives to develop in the company. These new growth areas require different performance management systems and culture. We are putting in place a new incentive system to promote the right behaviour to encourage experimentation. The new system will be less reliant on traditional financial measures although we will be no less rigorous and disciplined in instilling accountability and governance.

Q: Is SingTel more than a financial investor in its associates? How do you intend to grow your regional mobile associates in the new year?

A: We are a strategic partner and take a long term view to our investments. Our role is definitely more than a financial investor. We have also been credited with the growth and success of many of our associates.

We work closely with our associates to grow their businesses by leveraging the Group's scale to drive lower costs and stimulate new service innovation. The associates, which are in various stages of development, are able to share experiences and insights with one another. These learnings help them navigate challenges and shorten their individual

learning curve in technology, marketing, product development and other areas. In terms of corporate governance, policies and procedures, there is also a great deal of benchmarking.

To promote sharing of best practices, SingTel organises regular forums for the relevant stakeholders across the Group. Among the associates, they may also pursue their own track of learning on smaller group bases.

From time to time, to realise value from our investments requires us to work patiently through local regulatory and other issues. This is one of the reasons we choose to work with strong local partners who share our commitment to operate in a highly ethical manner and are aligned with our goals for the associates.

Our primary focus in FY11/12 will be to work with our associates to strengthen their operating and financial performance as well as build capabilities, particularly in the area of mobile broadband.

Q: How are you preparing the Group for the transformation?

A: A company is only as good as the people and the talent it has. We will not let up in terms of investing in our people to ensure they are ready to take on the challenges ahead. For the Group to grow, it is important for each of us to acquire new skills and strengthen our knowledge in the new areas of growth. We promote job rotations and invest significantly in formal training and development programmes.

In addition, we have been accelerating the culture change process and enhancements have been made to our customer focus and innovation culture. With the strong support from our Board, the management team and everyone within the SingTel Group, I am hopeful we are well on track to achieving our vision of becoming Asia's leading multimedia and ICT service provider.



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