

SimCom is an European operator with long traditions. It's historical background reaches all the way to Märkön family at the start of the last century. In the early 90's SimCom was a considerably larger company with even larger plans for the future and new market expansions. However, SimCom experienced the same fate as so many other companies that were blinded by the never-ending growth promise of information technology. The companies' market values melted even faster than the 3G licensing incomes from the pockets of greedy governments.

But at this moment SimCom, several experiences richer, has regained its trust in the future. However, following a sequence of company- and industry restructurings the number of private mobile customers has shrunk below 40 000 and the number of fixed line customers is less than 25 000. Currently the company's business customer base consists of 34 clients.

In order to make the analysis of customer behavior easier SimCom has divided its mobile clients into two segments: "Halfpipers" and "Cross country skiers". The two segments are introduced briefly below:

Half-pipers

SimCom's segmentation is not based directly on the age of the clients. Yet most of the clients in the Half-pipers segment are aged between 10-30 years. In terms of the number of customers Half-pipers is a smaller segment than Cross-country skiers. The following characteristics apply to a typical Half-piper:

- Makes a lot of mobile calls.
- Considerable proportion of the calls is made at night.
- Is an early-adapter in using mobile services and in ramping-up DSL technologies.
- Reacts strongly to advertisement, pricing, free airtime offers and inexpensive cell phone offers.
- Low customer loyalty.

Cross-country skiers

Majority of the clients in Cross-country segments belong to the age class 30-60 years. The following characteristics apply to a typical Cross-country skier:

- Makes only a few mobile calls for now.
- Is not interested in new services. However, the demand for services is expected to pick up in the future.
- High customer loyalty.
- Majority of the mobile calls is made at daytime.

SimCom's financial situation has stabilized and the solvency ratio is approximately 30%. The company is no longer listed on the stock exchange, but its shares can be traded in the OTC markets. The average cost of capital (WACC) is 9%. Two years ago the company was still deep in the red, but recently the development has taken a positive trend. Thus following the introduction of a new management team, the analysts expect the company to get back in the black sooner or later.

Market outlook for year 2003

PRIVATE CUSTOMERS

Mobile calls and services

The growth of SimTel's customer base in key segments has almost stalled and competition for market shares is fierce. The situation is not made any easier by the decision of the Euro area to introduce MNP, mobile number portability, which means that after the summer 2003 the mobile numbers are no longer service provider specific. The industry association predicts that churn will increase by approximately 5%-points in the half-pipers segment to the total of 25% and by 5-10%-points in the cross-country segment to 15-20%. Historically the figures for the half-pipers segment have been under constant turmoil, but the cross-country skiers would rather change their spouses than their cell phone numbers. However, once the new legislation regarding MNP becomes effective, it has been estimated that churn will pick up rapidly after several years of waiting.

Analysts believe that further growth on the consumer market can be achieved by launching new offers and new services. Also GPRS is paving its way but the demand has not yet taken off. The proportion of GPRS as a percentage of all connections is expected to grow by a few percentage points during year 2003.

Fixed-line calls

Sales within fixed communications are decreasing as more and more customers consider switching to the use of mobile connections only. The customer base shrinks at an annual rate of 5-10%. This development is pronounced as a rapid increase in the number of customers with ADSL access against the number of dial-up connections. Sales of ADSL channels is predicted to grow by at least 150% in 2003 and by the same rate also in year 2004.

BUSINESS CUSTOMERS

On average the analysts predict that there will be seven new corporate clients per each operator. In practice this implies that your company is able to capture seven new business customer with medium investments. However, as it comes to business customers it is of imperative to take good care also of the old clients. For now, the pricing has been roughly the same for the both target groups and therefore this can be a major opportunity for skilled managers to demonstrate their marketing know-how. Note the need for integration personnel.

PERSONNEL

Assuming that the average wage level will remain roughly the same as in 2002, there are on average 6 new integration and 3 installation resources per each operator, respectively. Higher average wages would naturally attract more skilled personnel and vice versa if lower wages were offered.

FINANCING

The interest rates are just seeking their future trend. The short rates are decreasing and the long rates are increasing. The price of money for SimTel will drop by 0.5%-points on average. The final company specific interest rates will, however, depend on the capital structure of each company. The higher the solvency the lower the interest rates and vice versa.