



Microsoft Subscription Computing Program Case Study

Telecommunications Leader Provides New Opportunities with Subscription Computing

Overview

Country or Region: Slovakia
Industry: Telecommunications

Customer Profile

Based in Bratislava, Slovakia, Slovak Telekom Group is the country's leading telecommunications provider.

Partner Profile

Based in Bratislava, Slovakia, AGEM is the country's leading assembler, provider, and distributor of desktop and portable PCs.

Business Situation

Broadband penetration in Slovakia was less than 20%. Slovak Telekom wanted to increase broadband Internet service to households and small businesses, but an initial effort involving Linux-based PCs coupled with broadband Internet service was unsuccessful.

Solution

In collaboration with AGEM, Slovak Telekom joined the Microsoft Subscription Computing Program and now offers an affordable Windows® Vista™-based PC in an Internet-broadband package.

Benefits

- Broader market reach
- Higher revenues
- Enhanced customer loyalty
- Affordable Internet access

“Many people would like to have an Internet connection at home but can't afford to buy a PC for a market price. This was the main driver to bundle PCs with their Internet connection.” Ingrid Kanzelsbergerova, Head of the Customer Equipment Premises Team, Slovak Telekom

Slovak Telekom Group is the leading provider of telecommunications services in Slovakia, with fixed-line phone installations in more than half of the country's 1.9 million households. The company also provides mobile, Internet, call-center, and other services and solutions to residential and business customers. In recent years, Slovak Telekom sought to broaden its market for broadband Internet, especially among households and small businesses in Slovakia that did not have a modern PC or broadband connections. The telecommunications company joined the Microsoft® Subscription Computing Program (SCP) and began offering an essentially free Windows® Vista™-based PC with any broadband Internet subscription. (The initial cost is only \$1 with financing costs paid monthly in the customer's broadband services bill). As a result, the service provider has brought affordable computing and Internet access to thousands of new households and businesses, broadened its market reach, and enhanced its revenues and reputation.



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Marek Toth, Product Manager, AGEM

“We have become known among the general public as the people who will sell you a PC for one Slovak Koruna. This is an excellent way of publicizing our brand.”

Ingrid Kanzelsbergerova, Head of CPE Team, Slovak Telekom

Situation

Slovak Telekom Group, a subsidiary of Deutsche Telekom, is the leading provider of telecommunications services in the Slovak Republic. The company provides residential and business customers across the Slovak Republic with services for fixed-line and mobile voice and data, Internet access and content, call centers, and more.

Like most telecommunications providers, Slovak Telekom built its business on providing fixed-line residential telephone service, and today counts more than half of the country's 1.9 million households as customers. In recent years, the company shifted its core business focus to broadband Internet, especially for those residential customers with school-age children and for small businesses. To promote broadband services to this market segment, it began working with long-time customer and IT partner AGEM.

As recently as 2005, however, these promotional efforts fell short of expectations, as fewer than half of all Slovak households even owned a PC and just a minority of those PCs was capable of supporting broadband Internet. As Marek Toth, Product Manager, AGEM, explains, Slovak Telekom initially tried to reach these households with a program that would provide customers a heavily discounted PC as part of signing up for broadband services. “But in that program, originally designed for small businesses, the PCs ran the Linux operating system,” he points out. “This held little appeal for residential customers, especially those who were new to computing.”

In response, Toth and his colleagues at AGEM suggested that Slovak Telekom implement a similar program but one offering PCs that ran the Windows operating system instead. Slovak Telekom liked the idea, as Ingrid Kanzelsbergerova, Head of the Customer

Equipment Premises Team, Slovak Telekom, explains. “AGEM was a trusted partner that had provided IT services to Slovak Telekom for many years, so we trusted their judgment,” she says. “We also understood clearly that our target customers, many of them unfamiliar with computing and particularly with Linux, tended to be familiar with Windows.”

In tandem with AGEM, Kanzelsbergerova and her colleagues turned to Microsoft. Slovak Telekom became the first Internet Service Provider in Slovakia to join the Microsoft® Subscription Computing Program. The program is designed to help Internet service providers offer PC and broadband-subscription offerings to expand the reach of personal computing to consumers as well as small and medium-sized businesses. The program also is part of the Microsoft Unlimited Potential initiative, which aims to enable sustained social and economic development for many people worldwide who lack access to affordable information technology.

Solution

Under the Subscription Computing Program, Slovak Telekom provides residential customers and small businesses a brand-new PC running Windows Vista for the token price of just 1 Slovak Koruna (less than one U.S. dollar) as part of a broadband-subscription package. The package includes delivery, in-person installation, and 24/7 phone support from AGEM for both the PC and the broadband service.

AGEM and Slovak Telekom collaborated closely to make the program easy and convenient for new consumers and small-business customers. “New customers simply select and order the package they want from Slovak Telekom, and after that AGEM takes over,” says Peter Terpak, Sales and Marketing Director, Residential Segment,

“We see a tremendous potential in reaching out to this emerging market segment.”

Peter Terpak, Sales and Marketing Director,
Residential Segment, Slovak Telekom

Slovak Telekom. “Specialists from AGEM deliver and install the PC and broadband connection, show users the basics of accessing the Internet, and provide a comprehensive support and service operation directly to those users.”

Benefits

With the Microsoft Subscription Computing Program in place at Slovak Telekom since late 2005, the telco has accrued significant benefits for its customers and itself. For Slovak Telekom, benefits include access to a larger market and the greater revenue that entails, as well as enhanced revenue and loyalty from existing customers. For Slovak Telekom customers, benefits include access to computing and Internet for households, individuals, and small businesses that in the past lacked the funds or the knowledge to establish such access for themselves. For AGEM, the program provides valuable exposure to a broad market segment.

Extending the Market

Being able to offer such a user-friendly way of receiving computing and broadband-Internet capabilities for home and small-business customers tends to make Slovak Telekom look very good in the eyes of those customers, and potential new customers. As a result, the service provider enjoys enhanced revenue from existing and new customers alike.

“Customers like the service so much that they often will sign up for additional services, such as faster broadband in the home or local area networking and help-desk services in a small business,” Kanzelsbergerova says. These customers also provide valuable word-of-mouth references. “Residential customers tell friends, family, and neighbors about the program, and small-business customers tell their own customers about it,” she adds. “We have become known among the general public as the people who will sell you a PC for

one Slovak Koruna. This is an excellent way of publicizing our brand.”

As a result, Slovak Telekom managed to sell more than 10,000 program subscriptions in the initial phase of the program, converting lower-profit-margin telephone customers to higher-profit-margin computing/broadband customers. Better yet, Terpak and his colleagues expect those numbers to grow. “Even with the program in place for two years, there are still many households in Slovakia without a PC or broadband Internet,” he says. “We see a tremendous potential in reaching out to this emerging market segment.”

Broadening Access for Customers

As intended, the subscription computing program is making computing and the Internet easier and more affordable to thousands of people across Slovakia. “With this program we can provide up-to-date computers and fully licensed Microsoft software to the homes and small businesses of people who would not have access otherwise,” Toth says. “They include not only families of modest means with school-age children who can benefit dramatically from the educational riches of the Internet, but also elderly citizens and others who might otherwise never have ventured into personal computing or the Internet.”

Thanks to the partnership of Slovak Telekom with AGEM, the program not only reduces or eliminates entry barriers at the start, but also provides a convenient arrangement over the long term—to the benefit of all concerned. As Karolina Molnarova, Store Manager, Slovak Telekom points out, “Customers like receiving a new PC almost for free. They like having all startup and support matters, including upgrades, taken care of by one provider, AGEM. They also like being able to pay for the program with one simple monthly fee to the provider they have used all along for their phone service, Slovak Telekom. This is a

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For more information about Slovak Telekom products and services, call +421-2-49666777 or visit the Web site at: www.telecom.sk

For more information about AGEM products and services, call +421 2 638 100 49 or visit the Web site at <http://www.agem.sk/>.

winning business model for Slovak Telekom and AGEM alike.”

Partnership with Microsoft

Being a part of the Microsoft Subscription Computing Program bestows benefits of its own on Slovak Telekom, according to Terpak. “By partnering with Microsoft in this program we not only broaden access to new customers and markets and build on an emerging core business strategy that is based on broadband Internet. We also enjoy access to a rich set of resources for strengthening existing customer relationships and building new ones.”

For example, Slovak Telekom works with Microsoft program representatives to identify new business opportunities, define appropriate ecosystem models, and plan value-proposition development and execution. The telco also has access to publicly available best practices and insights that Microsoft has gathered from other successful program partnerships, as well as pre- and post-sales training, co-marketing funding, and other sales and marketing support.

“For all these reasons, Terpak adds, “The Microsoft Subscription Computing Program has been an ideal fit for Slovak Telekom.”

Windows Vista

Windows Vista can help your organization use information technology to gain a competitive advantage in today’s new world of work. Your people will be able to find and use information more effectively. You will be able to support your mobile work force with better access to shared data and collaboration tools. And your IT staff will have better tools and technologies to enhance corporate IT security, data protection, and more efficient deployment and management. For more information about Windows Vista, go to: www.microsoft.com/windowsvista

Microsoft Subscription Computing Program

Today, an estimated 5 billion people worldwide do not have access to the economic, educational, and entertainment benefits of personal computing technology and the Internet. At the same time, telecommunication, cable, and mobile service providers are striving to expand broadband penetration in a highly competitive marketplace. To take full advantage of this opportunity, Microsoft partners with service providers worldwide through the Microsoft® Subscription Computing Program (SCP). This program is part of the Unlimited Potential initiative by Microsoft, which aims to enable sustained social and economic development for the billions of people who currently lack access to technology.

For more information about the Microsoft Subscription Computing Program, go to: <http://www.microsoft.com/unlimitedpotential>

Software and Services

- Services
 - Microsoft Subscription Computing Program
- Products
 - Windows Vista

Hardware

- Desktop systems built by AGEM