

Our strategy (continued)

Transforming our operating model

Our strategy

A new radically simpler, Digital 'First' operating model, leveraging Group scale

In an increasingly digital world, we see the emergence of new technologies including big data analytics, artificial intelligence agents and robotic process automation ('RPA') as a compelling opportunity to structurally transform the Group's operating model and fundamentally reshape our cost base, while also improving the overall experience for our customers.

To maximise the benefits to Vodafone from these new technologies, speed and ambition are critical, and we aim to move faster than the industry. We also need to make our business 'radically simpler', and 'leverage our Group scale' by driving standardisation across our operations, in order to truly transform our operating model.

Digital 'First'



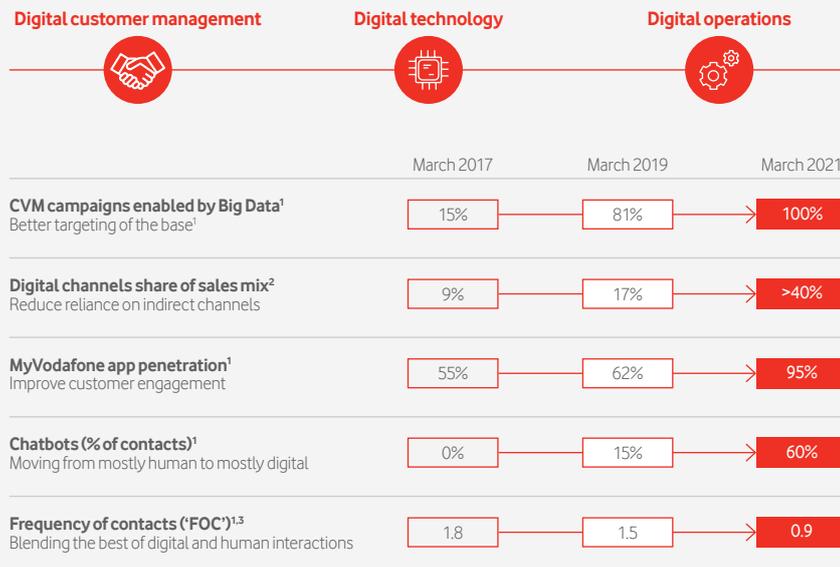
Our ambition is to move faster than our peers, and we have accelerated the implementation of our 'Digital Vodafone' programme from five years to three years.

This year, we have already increased the proportion of mobile customers acquired through digital channels to 17%. In fixed, 28% of customer acquisitions are also now online.

Across our customer operations, we have deployed TOBi chatbots in 11 markets, and plan to roll them out in a further five markets during FY20. This contributed to a 12% year-on-year reduction in the frequency of customer contacts to our call centres in Q4.

In addition, by deploying RPA 'bots' in our shared services centres, we reduced over 1,600 FTE roles this year.

Our goal: to lead the industry in the transition to digital



Notes:

- 1 Includes all European markets.
- 2 Mobile contract acquisitions and retentions in Germany, Italy, UK, Spain.
- 3 FOC requiring human intervention per year.



Digital case study – rolling out chatbots (TOBi) in Italy

TOBi is a leading artificial intelligence ('AI') chatbot, providing customers with a conversational experience (either via voice, the web, or MyVodafone app) that can directly solve queries without the need for human interaction. It continuously learns new skills and information, therefore enabling it to provide customers with a broad range of support from both basic to more complicated queries, helping us to deliver a great customer experience.

In April 2018 we launched TOBi chat in Italy, and in the second half of FY19 we launched TOBi voice, effectively making TOBi the first point of contact for almost all customer enquiries.

Since then we have seen a significant step change in our performance. As of March 2019, 66% of customer contacts were entirely automated, driving a material reduction in human contact as well as improved customer net promoter scores. As a result, in the second half of FY19 we saw a 15% reduction in the frequency of contacts per customer, and Customer Operations costs reduced by 19% year-on-year.



Leverage Group scale



We see additional opportunities to leverage the benefit of our Group scale.

We have already achieved significant savings through scale and standardisation in some of our operations. For example, centralisation has reduced the costs of our finance operations by three quarters and the cost of our network operating centres by 40%, since these activities were centralised.

We now have 21,000 employees in our shared service centres in India, Egypt, and Eastern Europe, and have centralised over 80% of our procurement activities.

Looking ahead, we see further opportunities from centralising European network design and engineering functions, as well as IT operations.

These initiatives support our >€1.2 billion net opex reduction target in Europe

Through a combination of these three initiatives, together with the benefits of our ongoing 'Fit for Growth' programme and zero based budgeting efforts, we are targeting to reduce our net operating costs in Europe (including Common functions) by at least €1.2 billion in FY21, compared to FY18 levels. In the Rest of the World, we expect to keep operating cost growth below local inflation levels.

In 2019, we have reduced European net operating expenses by €0.4 billion, and we are on track for at least a further €0.8 billion of savings over the next two years.

To date, we have already executed 50% of the actions required in order to achieve this cost target.

Radically simpler

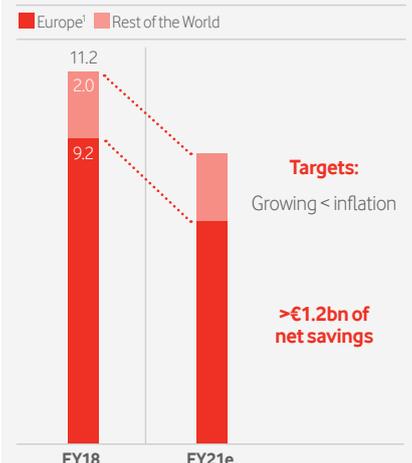


Over the last three years, we have halved the number of tariff plans and reduced the number of products by around 40%. However, we still have hundreds, and in some cases thousands of legacy plans. In order to drive out cost and increase commercial agility we now are taking a more radical approach.

We will move to new simplified pricing models across all of our markets, and will proactively phase out complex legacy tariffs. Lower complexity will allow both significant savings in IT costs and greater commercial agility. We are also introducing a number of 'digital only' products, which require no human interaction, which will lower commissions and operating costs. In Spain, we launched our first digital plan 'Vodafone Bit' in November 2018.

Group operating costs

€bn



Note: 1 Europe and common function opex.