Sale of products and services

In 2019, MegaFon made further progress on improving the efficiency of its retail network managed by MegaFon Retail.

The total number of MegaFon Retail stores increased to 2,011 by the end of 2019, with per store revenue up 11% y-o-y.

In 2019, MegaFon Retail stores:

sold

over **9** million

mobile phones, smartphones, tablets, and accessories

added

over **7.2** million

subscribers

In 2019, MegaFon Retail continued to develop its value-added services:

Sales (transaction volume) growth

Insurance **+28**%

Device set-up **+53**%

Terminal payments **+8**%

Money transfers **+36**%

MegaFon's digital development strategy continues to prioritise the expansion of the range of products and services available to customers instead of simply focussing on signing up new subscribers. As part of this, MegaFon's stores launched a number of new services in 2019, including:
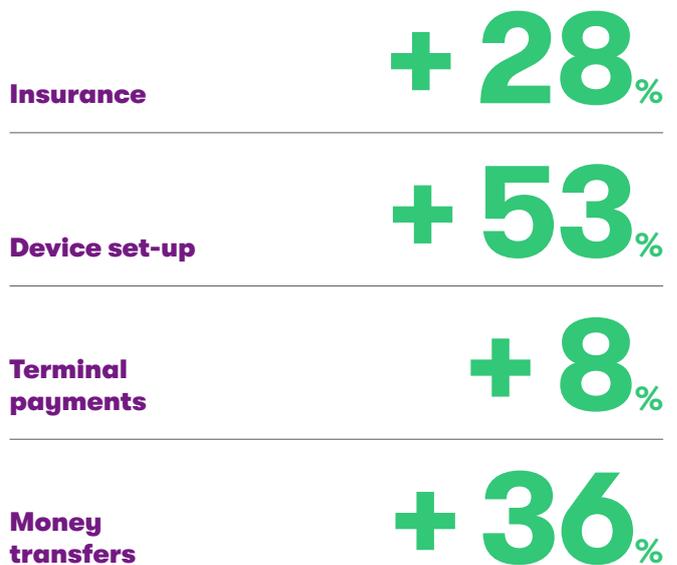• MegaFon Press and paid MegaFon TV subscriptions;
• insurance;
• payment services, such as identification of Qiwi e-wallet users, payments to UniCreditBank, AlfaStrakhovanie and SOGAZ INSURANCE;
• tourism services (together with OZON.travel, Biblio Globus, CORAL TRAVEL, PEGAS Touristik, ART-TOUR, and Geografiya).

In 2019, MegaFon Retail expanded its product range, with the average price of smartphones remaining at the 2018 level but rising by 9% for accessories.

Smartphones remained the device of choice – their share of total mobile device sales in value terms increased by 1.5 p.p. to 95.6% in 2019, and 4G smartphone sales grew by 3 p.p to 93% of total units sold. Samsung, Huawei/Honor, Xiaomi, Vertex and Apple brands were the leaders by the number of smartphones sold.

During the year, MegaFon Retail launched six nationwide advertising campaigns across TV, radio, online, and outdoors together with some of our suppliers, including Samsung, Huawei, Honor, and Xiaomi. The campaigns were supported by a range of promotions targeting subscribers, including free mobile subscriptions, gifts, top-ups, trade-ins and attractive POS loans.

In 2019, MegaFon launched a programme offering cashback on telecoms spending – the accumulated cashback amount can be exchanged for a discount of up to 99% for purchases (smartphones, tablets, accessories, and portable devices) at MegaFon stores.

Stores of the Future

In 2019, MegaFon Retail started actively upgrading its retail network by opening 89 new generation stores with improved external store design. The new stores offer an expanded range of products and are focused on digital solutions and products, with an updated employee role facilitating increased service mobility and speed through a greater use of tablets. All these measures have helped improve customer experience and made stores more attractive to customers while boosting revenue from sales of equipment and accessories, as well as the number of contracts signed. In 2020, MegaFon Retail will continue its programme for scaling up its new generation stores by opening another 300 stores.

Experience Store

In November 2019, we piloted a new 'Experience Store' format at our store at the Metropolis Shopping Centre in Moscow, where customers can try out, choose, and buy any device all by themselves. The new format has a much bigger area enabling store zoning, including a dedicated self-service area. The project is expected to enhance customer experience while promoting new types of digital services and products. In 2020, we will take a final decision on scaling up the Experience Store format based on the results of the pilot project.
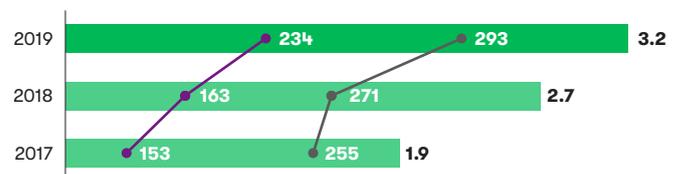
Online sales

In 2019, MegaFon continued to develop its online sales, with the number of online orders increasing by 8.1% to 293,000, and the number of visitors by 5% to 18.9 million users.

In 2019, MegaFon's online store continued to expand its fast delivery service by opening physical stores in five more regions, bringing their total count to 36 by the year-end. We have improved our systems and interaction with partners' delivery systems to offer our customers the best order delivery times and costs across the entire Russian market.

MegaFon was the first mobile operator to launch its TMall marketplace on AliExpress in 2019. To expand its product range, the online store has started offering partner products on its website, introducing a new pattern for engagement with suppliers.

In 2020, MegaFon is planning to continue to improve the online shopping experience and customer retention throughout its retail sales arm. We will also continue our efforts to develop a Big Data driven vehicle for providing recommendations to customers.

2019	234	293	3.2
2018	163	271	2.7
2017	153	255	1.9

■ Online store sales, RUB bn, including VAT
● B2B and B2C connections, '000 subscriptions
● Online orders, '000

Telemarketing

In 2019, we maintained our total monthly telemarketing capacity at 4.5 million subscribers. During the year, we enlarged the line up of products that can be promoted via this channel by adding financial instruments, converged products, and B2B offers to the existing options and tariff plans.

In 2019, MegaFon kept its completed sales level at 9 million despite a reduction in the sales of 'light' products which usually have high conversion rates in telemarketing

campaigns. Our initiatives to improve platform efficiency have increased the call-to-sale conversion rate to 25%. We have also completed the integration of our telemarketing and segment marketing systems while also designing and introducing a new motivation system for call handlers.

In 2020, MegaFon will continue to develop its product offerings for telemarketing campaigns. We are also planning to maintain our focus on building employee skills through user-friendly training sessions, and improve our existing monitoring systems and interfaces.

2019 highlights:

53 million
calls

+ 9%
y-o-y

37 million
subscribers
reached
+ 5%
y-o-y

9 million
subscribers
said YES
to our offers
flat y-o-y

Customer satisfaction

MegaFon's strategy is to provide our customers with the highest level of satisfaction. To achieve this, we are continuously developing our processes and services to make them more transparent, convenient and consistent. We are deploying new technologies and expanding our online presence.

In 2019, we switched from a customer satisfaction metric to measuring a Net Promoter Score (NPS) across most of our customer service channels and, as a result, achieved significant increases in positive customer comments: up to 18 p.p. by call centres and up to 25 p.p. by customer complaints management.

Key customer service development priorities

Automation and development of digital channels, including messengers, chat bots and virtual assistants

Development of convenient and simple service processes

Channel customisation and development of user-friendly interfaces and algorithms

Faster response and resolution times for customer queries

Maintaining the quality of connections and products to further reduce the number of inbound calls and achieve faster conversions

Improving customer retention and maintaining a strong quality focus