

With its recent acquisition of O2, the Spanish telecoms company Telefónica is now the world's number two mobile operator. Jane Walker caught up with Telefónica Moviles' director general for Europe, Fernando Panizo, in Madrid.

## TELEFÓNICA AIMS FOR NÚMERO UNO

**F**ernando Panizo, 56, has a special place in his heart for Ireland. "I have a very long and personal interest in Ireland. I studied there, and my wife, Dorothy, is Irish," he says. He has fond memories of his time at Trinity College in Dublin, where he earned a Masters of Science in Economics and Statistics – this is in addition to other degrees from Madrid and Harvard universities.

Before joining Telefónica, where he is currently director general of Telefónica Moviles for Spain and Europe, he held various posts in the Spanish administration, including Secretary of State for Tourism and sub-secretary for Industry, Commerce and Energy. "At that time I was able to develop close contacts with the Irish government, and that is why I am only too happy to support activities in Ireland now," he says.

Panizo is optimistic about the future of the telecom industry and particularly his own company. Telefónica's policy has long been one of expansion in all parts of the world, although Latin America – where there are some 500 million Spanish and Portuguese speakers on the American continent – has always been and will continue to be, an important priority. "But as a Spanish and European company, it is important that Telefónica should operate and develop in Europe. We want to expand and play a leading role in Europe as well as the rest of the world," he says.

Examples of this worldwide expansion include recent Telefónica mergers and acquisitions in Asia, Africa and Europe. In some cases, these were new operations for Telefónica, in others they were consolidation of existing operations. He says: "In 2004 we joined America Bell South mobile company, which has ten operating companies on the American continent. Last year we went into partnership with China's second largest mobile phone company. We already own two mobile companies in Morocco, where we are consolidating, and then there is the recent announcement of the purchase of O2, which is another important example."

Indeed with its recent stg£17 billion acquisition of O2, Europe's sixth largest mobile phone group, with operations in UK, Germany and Ireland, Telefónica, is now the world's number two mobile operator, and at the time of going to press, it was rumoured to be planning an

acquisition of Dutch telecom KPN NV for \$24 billion, giving Telefónica access to KPN's subscriber base in Belgium, Germany and the Netherlands.

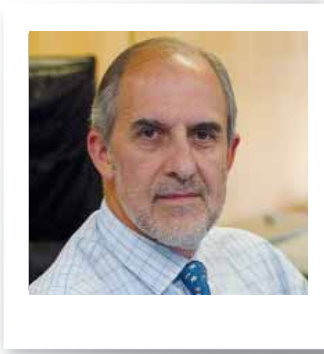
According to Panizo, Telefónica aims to expand to become the largest integrated – that is fixed and mobile – phone company in the world. "We are already second, behind Vodafone, in mobiles, and third in fixed line phones. We believe we can make it to number one, which should give us more than 90 million mobile customers. But we will continue to study and analyse any opportunity that appears on the market."

The Telefónica group's strategy remains, as it has for some time, to offer efficiency at a reasonable cost to the customers. The company has divided its activities into three specific areas of interest – residential and private customers; small and medium-sized companies (known in Spain as PYMEs) and independent professional clients; and thirdly, big business and multinational companies. "We need to identify the specific needs of each of these sectors and try to produce the best service to them at the most competitive cost," he says.

"Telefónica has a long experience of working closely with PYMEs and suppliers of services and products. This began in Spain and was later expanded to our Latin American operations, and it is always important to us to work with, and expand in, all our areas," Panizo adds.

Over the past 12 months, he says, Telefónica has begun to build up good relations with Irish high-tech companies, and some of them are already supplying equipment to Telefónica Moviles. One useful route to an introduction is the annual Movilforum trade fair, now in its fifth year. At the 2005 fair, more than 50 companies exhibited their advances in the latest mobile products and services. The event also gave Telefónica a platform to meet overseas companies, present its needs in software and new technology, and learn what was on offer.

"Irish PYMEs interested in doing business in Spain should contact Telefónica Moviles, because there are good opportunities in a growing market," Panizo suggests. He believes that Telefónica's



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network could provide good opportunities to test drive new products and services. "We could offer a kind of joint venture between Telefónica as a network supplier and the PYMEs. The problem faced by many smaller companies is that they can develop a specific product or service, but are too small to make real tests unless they have a network, and a network is only available through big companies," he says.

With no less than 15 different enterprises around the world, any contract with Telefónica offers the possibility of expansion. "Telefónica is very loyal to its suppliers, and that means we tend to work closely with suppliers who help us in our business. It would be worthwhile for any new company considering doing business with Telefónica to look at the possibilities and remember that Spain is a large market with several major multinationals - not only Telefónica, but companies like Banco Santander, BBVA, Endesa etc.," he says.

There is little doubt that any mobile provider that wants to become a leader in its field must develop its technology in two specific areas, and UMTS is a priority for mobile phones. Panizo says that Telefónica in Spain is investing in order to provide new services for its customers. At the moment, it claims 70 percent coverage of the population, which represents some 5,000 base stations in the country.

Meanwhile, in terms of content provision, in Spain, Telefónica has already signed agreements with CNN, MTV and Antena 3 TV. "There are great opportunities for companies who want to develop initiatives along those lines, which will be in great demand in the future mobile market," he says.

Potential suppliers and partners should also be mindful of the challenges the company faces. "The first challenge is to develop an efficient integration process between fixed and mobile activities," Panizo points out. "The second challenge will be to develop services like internet services, which are already being provided by other big companies like Microsoft, Google or eBay. Telefónica should be looking at those technologies in order to provide the most advanced services to our customers. Thirdly, our customer service must be very efficient and cost effective. One particular area is to develop services for the business traveller who goes from one country to

another. Telefónica is already well advanced to provide a 'virtual home environment' to our clients. This means that a traveller, whether a businessman or a tourist, could use his mobile phone in the same way as he uses it at home. There would be no short or country codes, you will be able to use voice mail and exchange photos and videos at competitive prices." Panizo says he believes that most of these services will be available with the next year or so, although it will be some time before the majority of the customers can use them.

One of the big challenges facing the wider telecom industry at present is the need to consolidate. There are simply too many companies, Panizo believes. "In the USA, which is an enormous market, there are only four or five mobile companies. In Europe, we have around 60 operators." He predicts that we will see further consolidation along the lines of the purchase of Amena in Spain by France Telecom; T-mobile's take-over of Tele-rhin in Austria, and Telefonica's own recent acquisition of O2.

"Telefónica likes to work on new ideas and test services, which is why our mobile company is successful. We want to identify the needs and services without duplicating the activities of our competitors. That is something which any potential supplier should consider when they approach Telefónica Moviles," he concludes. **M**

#### **i FOR FURTHER INFORMATION**

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