

# customers

quality and compliance

## 1 Telefónica strives for excellence in its service...

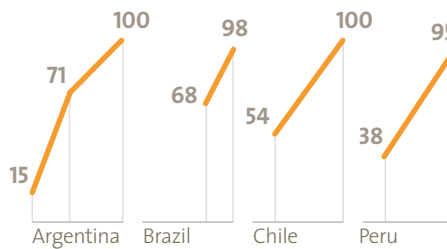
### 1.1 Quality Certificate

ISO 9000 Certificates

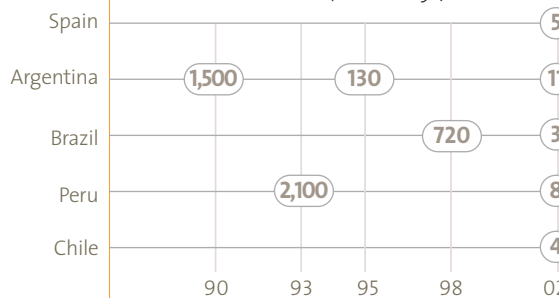


### 1.2 Service Parameters

Network digitalisation (data in percentages)



Time required to install a basic line (data in days)



### 1.3 Quality improvement initiatives

Six Sigma Project



## 2 ... based on its ability to listen to customers

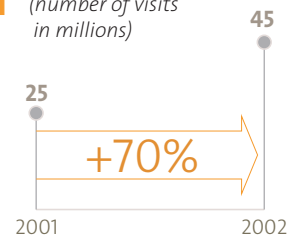
### 2.1 Through Telephone Customer Helplines

Calls to customer service centres (data in millions)

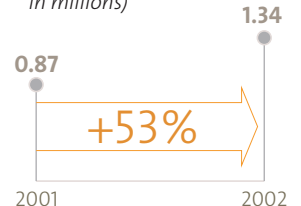


### 2.2 Through the Internet

www.telefonica.pais (number of visits in millions)



www.telefonicaonline.com (number of registered users, in millions)



### 2.3 Through Customer Associations

### 2.4 By listening to the audience

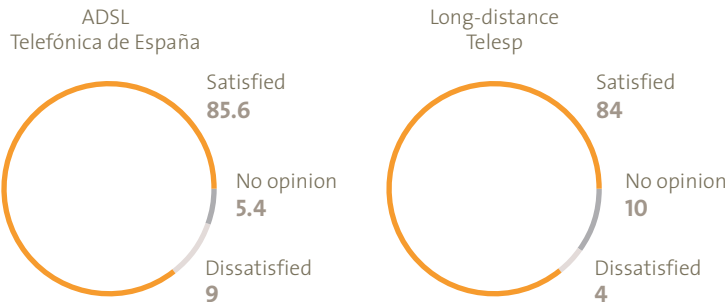
# 3

All of its actions should be aimed at responding to the confidence its customers place...

## 3.1

### Telefónica pursues its customer satisfaction

Satisfaction regarding the new strategic services (data in percentages)



## 3.2

### Added Value Services

New users in 2002

	Spain	Latin America
Network answer phone	1,112,000	1,062,424
Caller identification	2,008,000	877,450
Servipack	-	3,550,139

→ **8,400 million** short messages sent in Spain in 2002

## 3.3

### Customer loyalty reward

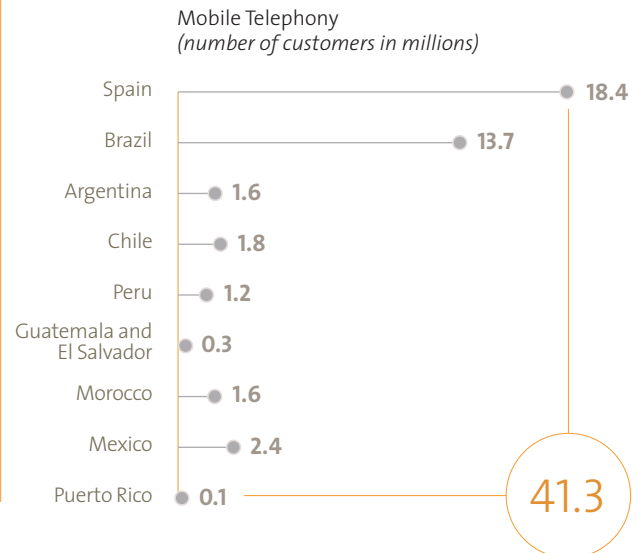
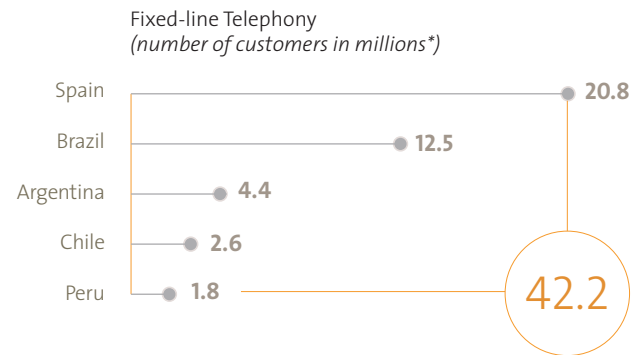
Churn rate Telefónica Móviles España

→ **1%**

# 4

... in a leading communications group like Telefónica

### Breakdown of customers by country of origin



(\*)Telefónica Group will introduce a change in the calculation of Equivalent Lines in Service beginning with the 2003 fiscal year. This new criterion introduces a different treatment of ISDN Primary accesses and 2/6 accesses for PBX and Ibercom. This will be restated by accounting the number of channels per access instead of the extensions making use of them, as was used before.

# customers

quality and compliance

The customer is the focal point of the activities of all of the business lines contained within the Telefónica Group. With the aim of encouraging and promoting the quality of its customer services and attention, in 2002 Telefónica's Board of Directors created the Quality of Service and Commercial Attention Commission, formed by four independent Directors. The duties of this Commission are, essentially, to examine, analyse and regularly follow-up the quality indexes for the main services offered by the companies from Telefónica Group.

This chapter details the quality target plans, improvement projects and parameters measured in connection with the work of the Commission, with the aim of offering solutions to customers' demands.

## 1 Telefónica strives for excellence in its service...

### 1.1 ISO 9000 Quality Certification

The efforts made by Telefónica Group to achieve excellence in each of the services it offers to its customers is reflected in the numerous procedures certified according to the strict ISO 9000 quality standards.

As part of the plan to develop strategies, policies and procedures carried out by Telefónica in 2002, an important feature was the launching of plans to oversee quality procedures in fixed telephony operators in Latin America, designed to help in the process of being awarded the above mentioned quality certification.

### 1.2 Service parameters

Each of the companies within Telefónica Group carries out systematic controls of its internal service parameters (installation time, number of faults, average repair time, availability of service) with the aim of gathering information about the quality of the service offered.

As a demonstration of its concern for the quality of telecommunications services, Telefónica participates together with regulatory bodies, users' associations, sectorial associations, trade unions and other operators in «Comisión de Seguimiento de Calidad» for the offering of telecommunications services, created in the «Ministerio de Ciencia y Tecnología».

The efforts and investments made in recent years have resulted in an important increase in quality. A significant example is the development of average times for offering service in TeleSP (Brazil), which decreased from 720 days in 1998 to three days in 2002.

### 1.3 Quality improvement initiatives

Some of the most interesting projects carried out by Telefónica Group in 2002 to improve quality are:

- **Six Sigma projects:** a quality method based on improving processes. Telefónica de España has concentrated its projects on customer attention, ADSL and improvements in infrastructures, with the active involvement of nearly 700 people. Terra Lycos has trained all of its employees in the countries in which it operates in these techniques.
- **ATIS Project:** a platform of processes and systems for customers in the areas of attention, billing and char-

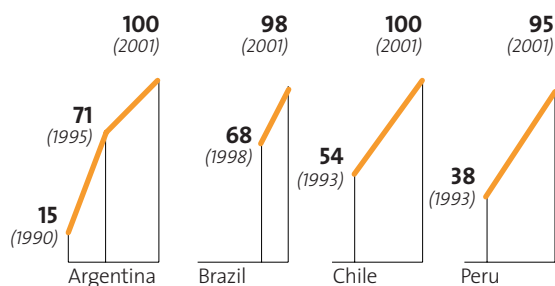
## UN EN ISO 9001/9002 Quality certification

Business line	Country	Status	
Atento	Argentina	✓	
	Brazil	✓	
	Central America	✓	
	Chile	✓	
	Colombia	✓	
	Spain	✓	
	Peru	✓	
	Puerto Rico	✓	
	Morocco	→	
	Mexico	→	
	Telefónica Data	Chile	✓
		Spain	✓
		T. Sistemas (Spain)	✓
Telefónica de España	Spain	✓	
Telefónica I+D	Spain	✓	
Telefónica Latinoamérica	Argentina (TASA)	→	
	Brazil (TeleSP)	→	
	Chile (CTC)	→	
	Peru (TdP)	→	
	Telefónica Móviles	Argentina	✓
	Brazil	✓	
	Central America	✓	
	Chile	✓	
	El Salvador	✓	
	Spain	✓	
	Guatemala	✓	
	Morocco	→	
	Peru	→	
	Puerto Rico	→	
Terra (user attention centre)	Spain	→	
	Brazil	→	
	Mexico	→	
TPI	España	✓	
	Peru	✓	
Zeleris	Spain	✓	
	Brazil	→	
	Chile	→	
	Argentina	→	
	Peru	→	

✓ Certified → Planned

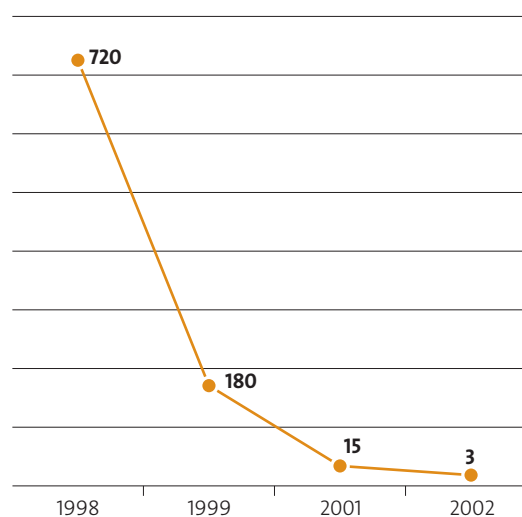
## Digitalisation of fixed networks in Latin America since Telefónica entered the market

(data in percentages)



## Evolution of average installation time for a line in TeleSP (Brazil)

(days)



## Service parameters. Basic telephone service

	Spain	Argentina	Brazil	Chile	Peru
Average installation time for telephone line (days)	5.2	11.61 <sup>(1)</sup>	2.9	4	8.16
Faults per 100 lines	1.42	2.2	2	3.4	2.6
Average time taken to repair faults (days)	0.625	6.29	0.46	1.7	0.3
Service availability (% time)	99.82	99.92	99.99	99.66	99.75

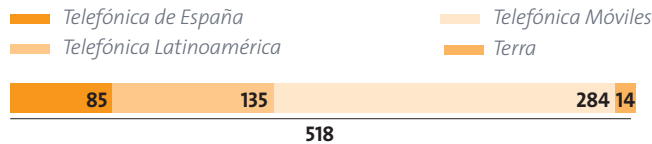
(1) The period for installing a telephone line in Argentina includes the average period for advance payment, as since 2002 customers have had to pay in advance to contract the service.

## Service parameters. ADSL

	Spain	Argentina	Brazil	Chile	Peru
Average provision time (days)	11.04	14.19	9	6	8
Average time taken to solve ADSL incidents (days)	0.32		1	1.5	0.85

## Calls received by Customer Attention Centres

(data in millions)



ging. It is gradually being implanted in fixed telephone operators in Latin America (Telefónica de Argentina, TeleSP in Brazil, Telefónica CTC Chile and Telefónica del Perú) as well as in Telefónica Data at worldwide level.

- **Hermes Project:** A distribution process to end-customers of Telefónica de España. Thanks to this project, developed in collaboration with the logistics department, customers are contacted immediately when incidents arise in the distribution process, thereby reducing incident-solving times by offering improved customer service.

## 2 ... based on its ability to listen to its customers

### 2.1 Through telephone customer helplines...

#### Fixed Telephony

Telefónica de España's customers mainly used the telephone (93.40% of all occasions) as a channel for consultations, information and incident reports («1004» and Business Customer Attention Centres).

More than 94.81% of calls received were picked up in less than 10 seconds (data for TASA, TeleSP, CTC, Telefónica del Perú). In Spain, this indication is given as the number of calls picked up in less than 20 seconds (84.4% in 2002).

#### Mobile telephony

In Spain, the percentage of incidents reported compared to all calls received in the Customer Relations Centres was 3% (average between September-December)

for business customers, 1.8% for «MoviStar Plus» customers, and 3% for «Activa» customers.

The number of incidents reported by operators of Telefónica Móviles in Latin America, from a monthly average of 15 million contacts with customers, was lower than 3%. 90% of incidents are resolved in less than five days.

#### Telefónica Publicidad e Información (TPI)

In 2002, TPI received 1.92 incident reports per 1000 customers, which were solved on first contact in 99.21% of all cases, with an average time of 1.53 days taken to resolve the situation.

### 2.2 Through Internet...

Telefónica presents its offer of services in an integral and co-ordinated manner using its local [www.telefonica.country](http://www.telefonica.country) portals in 8 countries (Spain, Argentina, Brazil, Chile, El Salvador, Guatemala, Mexico and Peru). A total of more than 45 million contacts were made with customers using these portals throughout 2002 (a 70% rate of growth compared to 2001).

The most successful sections of Telefónica's website are the online directories «Páginas Blancas», online billing information requested, «Páginas Amarillas» online, control of the mobile reward point system, and stores.

Throughout 2002, Telefónica's companies have developed a series of novel initiatives to improve customer attention services, by taking advantage of the popularity of the Internet.

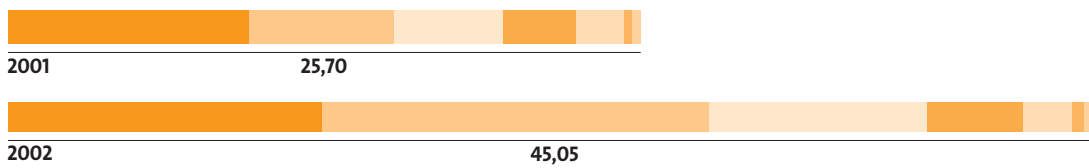
At the end of 2002, 18 companies within Telefónica Group had their own portals offering products and

**94,81%**  
calls picked up in  
less than 10 seconds,  
Telefónica Latinoamericana

## Contacts through telefonica.country

(data in million)

Spain Brazil Peru Chile Argentina  
Guatemala El Salvador Mexico



services to their customers. The website of Telefónica de España [www.telefonicaonline.com](http://www.telefonicaonline.com), with 1,339,062 registered users by the end of 2002 (a 53% increase over 2001) and 12,817,937 visitors, and TeleSP in Brazil, with a surge in sales over the Internet, were particularly important features.

In other countries, acceptance of the online service as a way of getting in touch with customers is still in its early stages; Argentina heads the list with 164,582 registered users, Peru with 54,830, and Chile 34,000.

Throughout 2002, different companies within Telefónica Group developed a series of new initiatives to improve customer attention, making use of Internet's popularity.

### 2.3 Through customers associations...

Telefónica Group constantly seeks to keep close and stable relations with customers associations and cybernauts in the countries in which it operates, to offer them collaboration and set up reciprocal information channels.

Telefónica considers that organisations of this type are an essential channel to complement information about customers' expectations, contribute to focusing on dealing with their demands, the attention given to them, and the information they are provided with.

### 2.4 Listening to its audience...

In 2002 Onda Cero Radio created an attractive and original proposal «Tema del día» interspersed throughout

# 286%

Surge in sales over the Internet  
TeleSP

# 1,339,062

registered users of  
[www.telefonicaonline.com](http://www.telefonicaonline.com)

### Initiatives to improve the quality of customer attention

Company	Initiative
Telefónica Data España	«e-Atención», making it possible to view and open reports incidents, complaints and consultations about the state of services offered, and statistics on the traffic of services already offered.
Telefónica Data Perú	Data Online, created so that our customers have access to detailed information about services contracted, billed, owing or in the process of being installed, as well as measurement of the quality offered.
Telefónica de Argentina	«E-CREA» interactive contact centre, aimed at residential customers who have an ISP service or who generally use the web to contact Telefónica.
Telefónica Unifón Argentina	Detailed information about telephone bills on its website, allowing users to consult detailed information about calls made throughout the month.



two radio shows («Protagonistas» and «La Brújula»), whereby listeners can participate and express their opinions about current events.

### 3 All of its actions should be aimed at responding to the confidence its customers place...

#### 3.1 Telefónica persuades customer satisfaction...

##### Fixed Telephony

Telefónica de España carries out regular studies on the levels of satisfaction amongst its customers. In December 2002, the levels of satisfaction measured were over 85%, both for Telefónica de España as a company, and for its ADSL service.

Telefónica del Perú also evaluates customer satisfaction, for its local and long-distance services.

In Brazil and Chile evaluations are carried out for different types of customers; general public, companies, satisfaction with public telephones, etc.

Telefónica Data, a company dedicated to offering integral communication and information services for large-scale businesses and institutions, evaluates customer satisfaction in every country where it is present.

##### Mobile Telephony

The majority of Telefónica Móviles' operators use satisfaction questionnaires to find out the opinions of its customers about the service they receive, their expectations and future needs.

##### Telefónica Publicidad e Información (TPI)

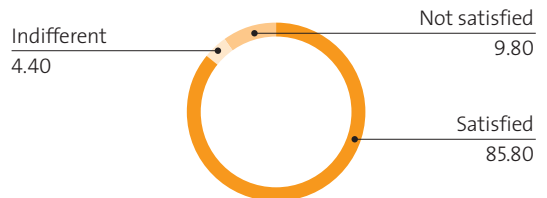
TPI evaluates customer satisfaction about the quality of the basic service offered, obtaining a level of 74% in 2002. Other aspects measured included service provision (84%) and technical assistance (79%).

##### Atento

Atento, as a company specialised in customer relationship, is responsible for managing customer care for numerous companies within Telefónica Group and other businesses, as well as for creating mechanisms to measure and monitor the satisfaction of its own customers in relation to the service provided. It has carried out polls about satisfaction in its services in Argentina,

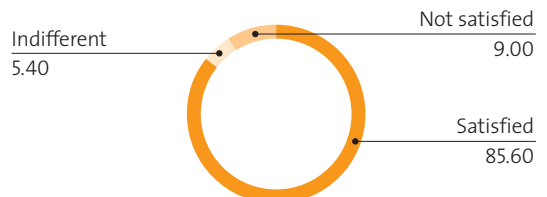
##### Satisfaction of Telefónica de España's customers

(data in percentages)



##### Satisfaction of Telefónica de España's ADSL customers

(data in percentages)



Brazil, Central America, Chile, Colombia, Spain, Morocco, Peru, Puerto Rico and Venezuela, in all cases being given a score of over 3.7 on a scale of 0 to 5.

Atento has been recognised for the quality of its services in managing customer relations.

- **Atento Brazil**

Atento Brazil was awarded the «Top de Qualidade» prize in 2001 and 2002, given by the Institute of Quality Studies and Questionnaires. In May 2002 it was awarded five prizes by the magazine «Consumidor Moderno».

- **Atento Peru**

The company was recognised by the industrial development centre of the National Industrial Society in 2002 for being at the forefront of quality investigations, published in the magazine «Calidad y Excelencia». It was awarded the prize for Creativity in Business awarded by the Peruvian University of Applied Sciences (UPC).

- **Atento Colombia**

Award for Continual Improvement awarded by McDonald's for the continuous modernization and handling of its order-taking and delivery service (November 2001).

### 3.2 Added Value Services

#### Fixed Telephony

Telefónica offers its customers additional value services including automatic network answering services, call identity services, call waiting or call diverting. In Spain in 2002 a total of 2,008,000 customers requested the call identity service, whereas the answerphone service increased by 1,112,000 customers.

### Initiatives for measuring customer satisfaction with Telefónica Data

Country	Satisfaction measurement
Argentina	Global satisfaction study jointly co-ordinated with Tasa to determine global satisfaction amongst large-scale customers and Small and Medium sized businesses.
Brazil	Six-monthly customer satisfaction questionnaire, with a result of 64% satisfied customers in the second half of 2002.
Chile	Carrying out evaluations using a scale of 1 to 7, with 7 representing «Excellent», 22% of our customers qualify Telefónica Data's service as a whole with a 7.
Mexico	Satisfaction with the general aspects of the company rated at 8.5 on a scale of 5 to 10, with customer attention and service rated at 8.67 on the same scale.
USA	Two-monthly customer satisfaction questionnaire measuring tangible parameters (compliance with quality promises) and intangible parameters (customer's perception of the service offered).
Spain	Telefónica Sistemas. 85% of the questionnaires at the end of the projects carried out gave an average score of above 3 (on a scale of 1 to 5).

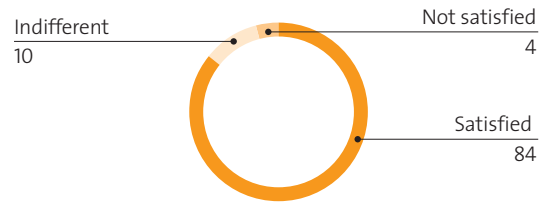
### Percentage of users who recommend Terra channels

Country	Home	Work	Mail
Argentina	66.20	78.50	73.20
Brazil	Home	Radio	Invertia
	77.30	81.30	78.00
Chile	Home		
	71.50		
Spain	Home	Invertia	Education
	58.90	71.30	66.20
Mexico	Home	Work	Mail
	70.30	74.20	78.90



## Satisfaction amongst TeleSP long-distance customers

(data in percentages)



### Network answering service

(new users 2002)

1,112,000

Spain

1,062,424

Latin America

An important new service in Latin America was the «Servipack», a package of services including call waiting, party lines, call blocking and transfer, speed dialing or call barring. At present the «Servipack» has an average penetration of 67.8% in the total number of fixed telephone lines for customers in Argentina, Brazil, Chile and Peru. Other services that are highly appreciated by customers include the automatic network answering service (with a penetration of 40.8% in Latin America) and call identifying (15%).

### Call identification Service

(new users 2002)

2,008,000

Spain

877,450

Latin America

In May 2002 Telefónica launched its international Long-Distance service from São Paulo, complemented by the arrival in July of the Long-Distance National interstate service, also from São Paulo. The service was widely accepted by TeleSP customers, reaching levels of 40% in the residential interstate service.

In general, the offer of products and services for businesses by the four main operators of fixed telephony in Latin America is very similar, covering all of the possible communications needs of businesses.

### Servipack

(new users 2002)

3,550,129

Latin America

#### Mobile telephony

The main novelties introduced during 2002 aimed at increasing the value of services for mobile telephone customers throughout the world were:

- **Multimedia Messaging Service in Spain.** The main novelty incorporated within Telefónica Movistar's MMS service, from a technological point of view, is the possibility that customers, regardless of the type of telephone they own, may send and receive multimedia messages.
- **Launch of Generation 2.5 of mobile telephony in Brazil,** by Telefónica Celular de Rio de Janeiro and Espiritu Santo with CDMA 1xRTT technology.

- **Java incorporated into mobile telephone networks in Spain.** Telefónica Móviles España was the first Spanish operator to make the first versions of Java 2 Micro Edition (J2ME) available. These services allow Telefónica Movistar customers to download and execute different applications for mobile telephones that include the Java standard.

- **The launch of SMS in Mexico** in January 2002, the first operator on the market to offer this service.

- **Voice access to «e-moción».** Telefónica Móviles España incorporated voice access into e-moción by calling 404.

- **«Oficin@ Movistar».** Telefónica Móviles España has developed a new data service for businesses jointly with IBM and Microsoft, that allows PDA users to access applications for organizing personal information.

- **Services for business customers.** Several companies within the Group launched services aimed at facilitating the organization of communications by business customers; «Movistar Gestion» and «Escritorio Móvil» in Brazil, «Servicio Asistente» in Argentina, «Servicio Movistar Data Corporativo» and «Corporativo Milenio» in Guatemala, and the «Néo Service» in Morocco.

### 3.3 Customer loyalty reward

Most of Telefónica Móviles' operators have fidelity programs based on reinforcing their relations with their customer base, and laying the foundations for the future growth of traffic and the unveiling of new services, which take the shape of reward point programs and others, referred to as «soft benefits».

These programs offer customers the opportunity to change their terminal according to the amount of time used, or agreements with other entities offering services of general interest.

#### Telefónica Móviles España

The success of the loyalty and price policies that Telefónica Móviles España has developed throughout 2002 is reflected in a monthly «churn rate» (number of customers who cancel their contracts) of around one percent (one of the European region's lowest).

- Reward points program allowing customers to obtain a new terminal by giving points depending on the amount of their telephone bill.
- «MoviStar Activa Plan Estrena» allows customers of over one year to get a terminal with special conditions.
- Reward program 2001-2002: indirect recharging promotion, in which points are awarded that may be exchanged for prizes.

#### Telefónica Móviles El Salvador

- Multi-brand program entitled «Puntos Club», to reward postpaid customers for usage with points that can be exchanged for a range of products and services.

#### Telefónica Móviles Argentina

- Reward Program for contract customers who accumulate points for usage, payment history and length of time as a customer.

#### Other «soft benefits» programs from Telefónica Móviles

- In Chile the reward program presently covers almost 250,000 users, with approximately 200 outlets with discount offers.
- All customers who sign for a prepaid plan with Telefónica Móviles México «Plan Weekend» are given dis-

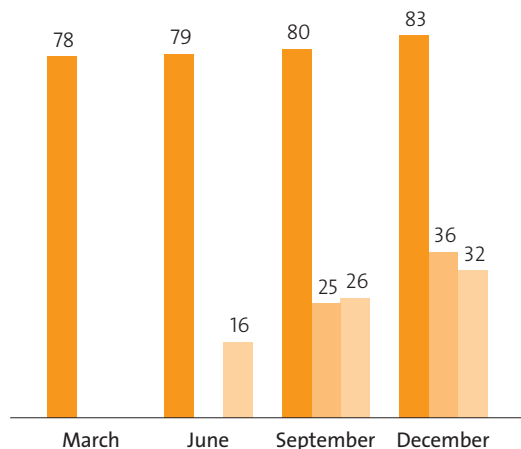
#### Telefónica Móviles España

1%

monthly churn rate

#### Long distance service market cuota in São Paulo (data in percentages)

- Intrastate long distance
- Interstate long distance (beginning 26 of July)
- International long distance (beginning 7 of May)



## Terra audience in different countries

	Brazil	Chile	Spain
Single users (data in thousands)*	5,065	989	3,275
Reach (data in percentages)	33,7	n.d	42,0

(\*) Source: «TGI» in Brazil, «Certifica» in Chile and «Estudio General de Medios» in Spain.

counts of up to 15% in a number of restaurants, shops and hotels.

- In Peru, postpaid customers who are holders of the «Club Movistar Plus» card receive discounts and may take advantage of exclusive promotions in more than 350 establishments throughout the country.

Other business lines of Telefónica Group reward their customers' fidelity using programs with points that may be exchanged for services. For example, Telefónica de Argentina offers the following programs:

- «Teleplus»: based on the usage charged to the customer (500,000 users), points are given that may be exchanged for prizes.
- «Alcancia Telefónica»: money is accumulated in a special account when long-distance calls are made, with up to 60% of the amount accumulated allowed to be spent on a new long-distance call (200,000 users).

## 4 ... in a leading communications group like Telefónica

Telefónica Group has won the trust of more than 80 million customers in the areas of mobile and fixed telephony.

At the end of December 2002, the Joint Venture between Telefónica Móviles and Portugal Telecom in Brazil (Brasice) was formed, dealing with a total of 13.7 million customers.

The acquisition of Pegaso in Mexico made Telefónica Móviles the second largest mobile telephony operator in the country, with more than 2.4 million customers.

Terra has firmly taken root as one of the most frequently visited Internet portals in the world, and is the leading portal in 3 countries.

Antena 3 TV had an average of 1,171,000 viewers, representing 20.35% of the market share. The football World Cup, The Simpsons (now in its eighth year) and «Betty La Fea» are some of the channel's most popular programs, and Antena 3 News is the leading program of its kind amongst private networks.

Telefe was the channel with most viewers in 2002, maintaining an annual average of 10.8 rating points (31% of the share.)

In the final quarter of 2002, the Onda Cero radio station's audience was 3,145,000 listeners (a 5.7% increase over the third quarter of 2001). It is second in the share ratings (18.5%), and has the highest average listening period (172 minutes) amongst the main general content radio stations.

## Number of Telefónica Group customers throughout the world

(data in thousands)

### Latin America

#### Mexico

Cellular Customers	
T. Móviles México	2.419

#### Guatemala

Cellular Customers	
T. Guatemala	97

#### El Salvador

Cellular Customers	
T. El Salvador	231

#### Peru

Lines in service	
TdP	1.816
Cellular Customers	
T. Móviles	1.239
Pay TV Customers	
Cable Mágico	340

#### Venezuela

Lines in service	
CANTV	2.705
Cellular Customers	
CANTV	2.561

#### Brazil

Lines in service	
Telesp	12.506

#### Cellular Customers

Brasicele	13.742
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#### Chile

Lines in service	
CTC	2.687

#### Cellular Customers

T. Móviles	1.849
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#### Argentina

Lines in service	
TASA	4.419

#### Cellular Customers

TCP	1.617
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#### Puerto Rico

Cellular Customers	
New Com Wireless Puerto Rico	169

### Europe

#### España

Lines in service	
T. de España	20.804

#### Cellular Customers

T. Móviles	18.412
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#### Pay TV Customers

Vía Digital	775
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### Africa

#### Morocco

Cellular Customers	
Medi Telecom	1.601

Telefónica Group will introduce a change in the calculation of Equivalent Lines in Service beginning with the 2003 fiscal year. This new criterion introduces a different treatment of ISDN Primary accesses and 2/6 accesses for PBX and Ibercom. This will be restated by accounting the number of channels per access instead of the extensions making use of them, as was used before.

