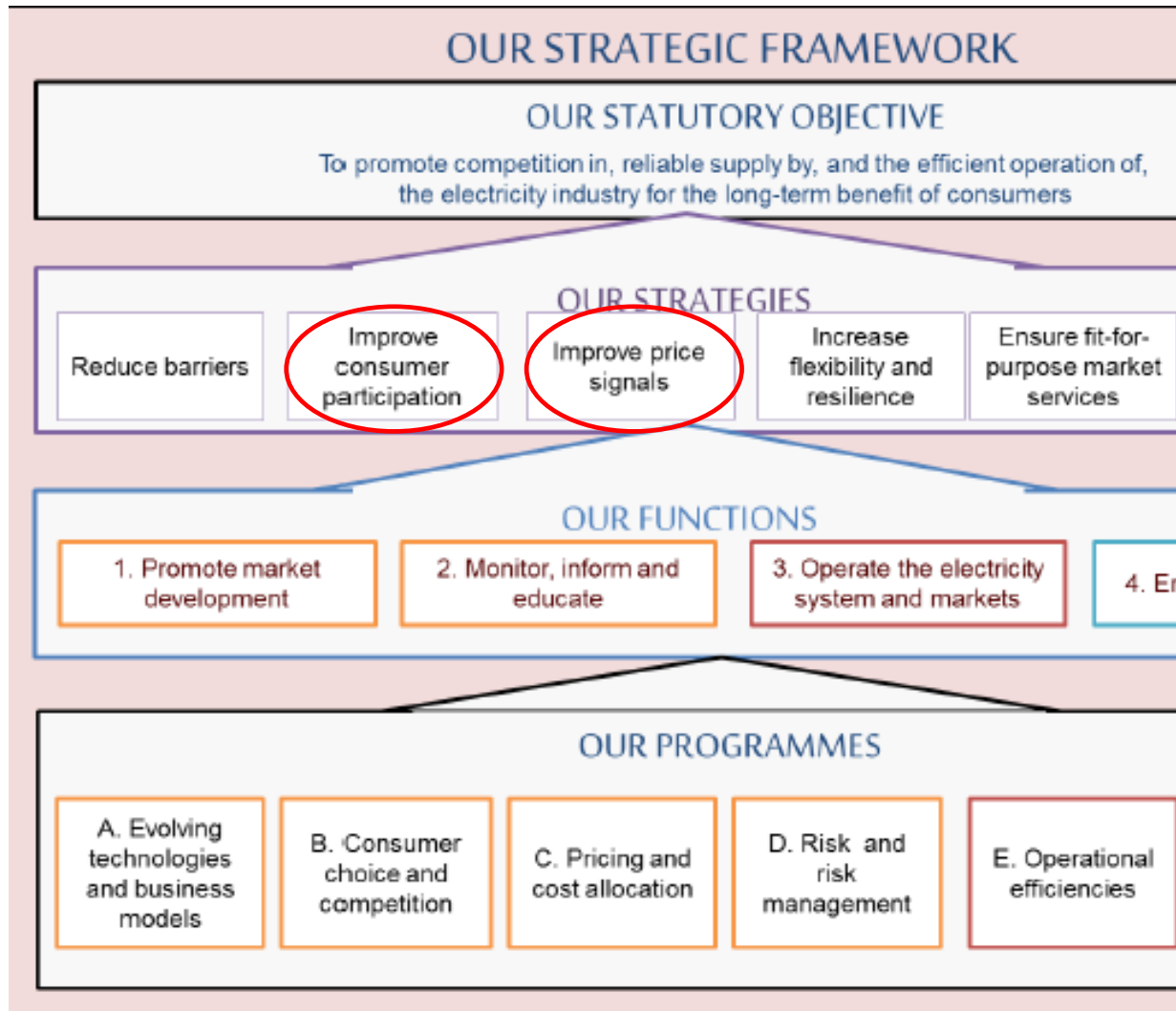




Distribution Pricing

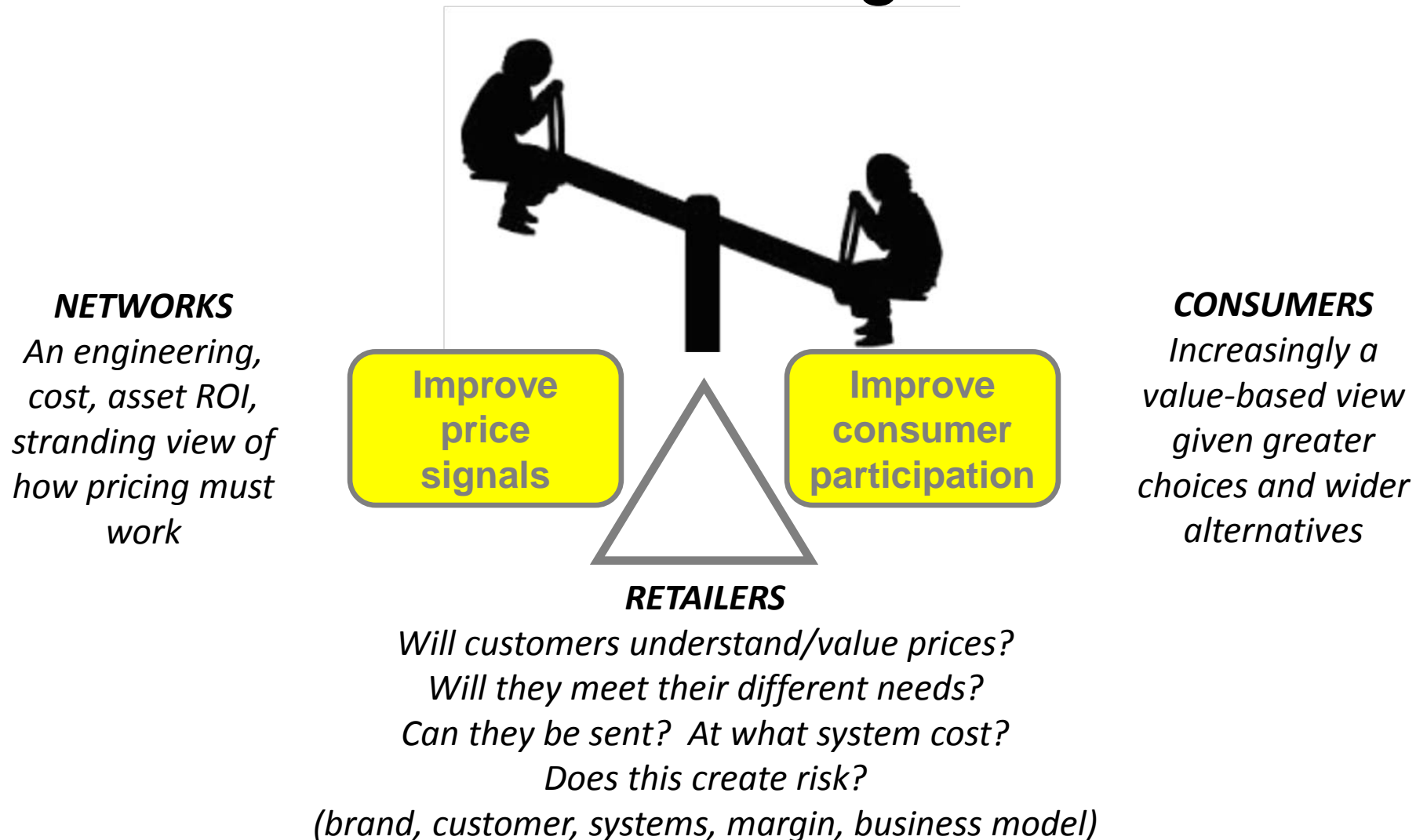
Transition, communication & managing customer impact

Context



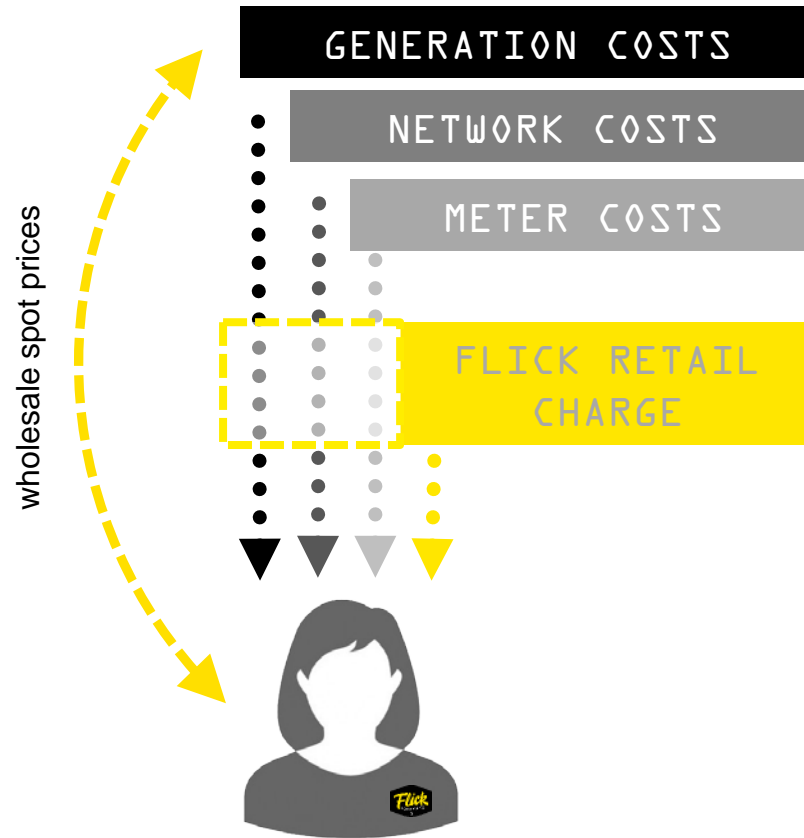
- These are closely related strategies and work programmes.
- There are risks considering one in isolation of the other.

The challenge



Major risk of misalignment between Network Cos, Retailers and Consumers.

Flick pass-through model = cant ignore network prices!



What we've learned at Flickr about consumers & pricing

- Consumers are more sophisticated than we might think!
- The majority are hungry for more transparency & choice
- Strong communication backed by information tools key
- The right price structure + level = strong price DR
- Consumer benefits from price DR are significant
- But fully variable pricing is probably not for every consumer

What we've learned at Flick about Network pricing

- We're all learning!
- Network Cos have limited understanding of price DR elasticity
- Network Cos don't seem to measure full benefits of price DR
- Some network price structures or levels are meaningless and/or confusing, or are plain bad for nearly all consumers
- Some network price structures (e.g. demand charges) actually disadvantage consumers
- Retailers don't (won't?) pass-through 'daft' price structures/levels

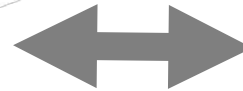
Any solution requires balance



*Lots of focus,
thinking
assessment*

**Improve
price
signals**

- Cost reflective
- Service based
- Price structures
- Price levels
- Asset ROI



**Improve
consumer
participation**

- Relevant?
- Understandable?
- Valuable?
- Actionable?
- Traceable?
- A choice?

*Any real
focus, thinking,
understanding?*

Improving price signals AND consumer engagement should be the objective.

Transition, communication & managing customer impact

- The process for implementation, communication & customer management is critical to the success of any change
- A broad framework can be defined in advance
- But specific activities and the level of effort will be dictated by final pricing decisions to be implemented
- *If we get the WHAT right, then the HOW will go well*