

CHUNGHWA TELECOM RECEIVES THE 2023 CUSTOMER VALUE LEADERSHIP AWARD

*Identified as best in class in the Taiwan
5G services industry*



Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Chunghwa Telecom excels in many of the criteria in the Taiwan 5G services space.

AWARD CRITERIA	
<i>Business Impact</i>	<i>Customer Impact</i>
Financial Performance	Price/Performance Value
Customer Acquisition	Customer Purchase Experience
Operational Efficiency	Customer Ownership Experience
Growth Potential	Customer Service Experience
Human Capital	Brand Equity

Financial Performance

Established in 1996, Chunghwa Telecom is the largest mobile operator in Taiwan. With 12.42 million mobile subscribers as of September 2022, Chunghwa Telecom wins market share organically despite the ongoing market consolidation. With regulatory approval in January 2023 for mergers between Taiwan Mobile and Taiwan Star Telecom and the pairing of Far EasTone and Asia Pacific Telecom, industry competition will be between three major players from the second half (H2) of 2023.

Chunghwa Telecom’s total revenue reached NT\$216.74 billion (\$7.05 billion) in 2022, increasing by 3.0% year-on-year (YoY) from NT\$210.48 billion (\$6.85 billion).¹ Net income was NT\$36.52 billion (\$1.19 billion), rising by 2.0% YoY from NT\$35.75 billion (\$1.16 billion). Earnings per share (EPS) was NT\$4.71 (\$0.15), which exceeded the high end of its EPS forecast. The revenues of consumer and enterprise segments showed promising growth in 2022 with healthy YoY increases. The outlook for subscriber growth is also positive, having achieved YoY growth in 2022. Chunghwa Telecom’s mobile subscriber market share was 36.6% in 2022, increasing 0.5% YoY from 36.1% in 2021.

The execution of its customer-centric business strategy, service innovations employed, and customer service application deployed drove the company’s financial performance and growth in 2022. These results demonstrate a successful strategy implementation from 2021. Chunghwa Telecom is now well-

¹ On 31 December 2022, NT\$1 TWD = \$0.0326 according to <https://www.exchangerates.org.uk/TWD-USD-spot-exchange-rates-history-2022.html>

positioned to benefit from positive mobile market developments and growing 5G adoption in Taiwan.

Customer Acquisition

Chunghwa Telecom's mobile service consumers appreciate the bundles offered with high-end smartphones. The popularity of its 5G bundle plan has driven the company to enhance the ongoing 5G migration program in Taiwan. Chunghwa Telecom is conscious of not entering a price war to migrate customers from 4G to 5G. The company will instead maintain pricing but offer customers value-added services, such as fast streaming services and exclusive content. For example, the company exclusively broadcasted the FIFA World Cup games in 2022. This increased the adoption numbers of Hami Video—Taiwan's largest mobile over-the-top platform—and internet protocol television (IPTV) service. Chunghwa

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Director, ICT Research*

Telecom has the largest video platform in Taiwan, with subscribers exceeding 2.79 million in 2022. The company is willing to invest in content acquisition to provide the best viewing experience for customers, which helps customer acquisition rates.

Among competitors, Chunghwa Telecom has the most artificial intelligence (AI), blockchain, big data analysis, and ICT technology talent for enterprises. It works with enterprises to co-create creative and cutting-edge applications for different verticals' use cases. Launched in 2021, Chunghwa Telecom's 5G private network solutions have been implemented abroad, including in the United States and Thailand. In Thailand, the company works particularly with manufacturing and healthcare companies to implement high-performance 5G applications integrated with the internet of things (IoT), AI, and big data.

Chunghwa Telecom also has a data development department that analyzes stored data to aid marketing strategy development and site deployment planning. For this purpose, the company leverages big data analysis and analytics solutions. It initiated a data governance initiative in 2022 to achieve more control and better management of data to improve marketing results and operational performance. These efforts support efficient and consistent new customer acquisition while enhancing customer retention.

Growth Potential

Taiwan is one of the most advanced and saturated markets for telecom services. The country's mobile penetration reached more than 120% in 2021, indicating market saturation. The 5G penetration rate was 24.5% in June 2022, up from 20.0% in 2021. However, 5G enablers, such as devices and applications, are not widely available. Mobile operators in Taiwan cited the biggest challenge in the 5G services market as the ability to introduce more innovative applications that will attract customers to adopt 5G services.

Nevertheless, the effectiveness of Chunghwa Telecom's 5G growth strategy has resulted in an impressive increase in its 5G business, positioning the company to lead the 5G services market in Taiwan with about 1 million 5G subscribers and more than 12,000 5G sites in 2021. Chunghwa Telecom deploys its 5G network in high-traffic locations and tourist hotspots.

The company has also pioneered private 5G network solutions for enterprises. In particular, it uses 5G technology to develop innovative 5G applications and smart city services to enhance customer experience and drive the future growth of smart cities in Taiwan. Chunghwa Telecom maintains its growth momentum by disrupting existing markets through strategic partnerships and implementing new business models based on 5G and edge computing. While 5G AI and IoT applications are still at a nascent stage of development in the consumer and enterprise segments, there is room to develop new applications further.

The company sees great potential with private network solutions as adoption in this area will also drive 5G adoption. For the enterprise segment, Chunghwa Telecom can co-develop tailored 5G solutions across multiple verticals to meet the needs of each. So far, there have been some promising developments in the semiconductor industry, especially in the printed circuit board segment.

Customer Service

Chunghwa Telecom has online and physical channels to reach customers for communications and sales purposes. The company also developed an application in its telco research and development lab as a smart solution to enhance its customer service experience. Noting that an increasing number of young people

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in Taiwan are concerned with environmental, social, and governance (ESG) issues, Chunghwa Telecom set up a net-zero physical service center in the north of Taiwan and allocated resources toward achieving ESG best practices.

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customer value. Chunghwa Telecom places high importance on customer satisfaction and experience. As such, it undertook an organizational transformation exercise in 2021 to move from a product-centric to a customer-centric structure.

Customer Purchase and Ownership Experience

Chunghwa Telecom prioritizes developing new experiences and interactive services for customers. With its 5G technology, the company can support 4K and high-definition image quality for a multi-viewing experience, providing high-resolution image quality from all viewing angles. Focusing on 5G migration, it has rolled out many 5G-related innovative products or services. These include multi-angle video broadcasting of football and baseball games, ultra-high-quality music, and metaverse-related services that use augmented reality (AR) to enhance the experience at home while exercising or playing sports. It also provides AR applications powered by 5G at cultural events, music concerts, and galleries.

Chunghwa Telecom has the most extensive 5G network deployment to attract customers and drive 5G adoption. Opensignal recognized the company as the Fastest Mobile/5G network in Taiwan in H2 2022, while Ookla's SPEEDTEST® awarded it the triple crown for Fastest 5G network, Best Mobile Coverage, and Best Mobile/5G network in 2021–2022.

Conclusion

Against the odds, Chunghwa Telecom achieved exceptional operational and financial performance in 2022 by focusing on the customer and adding value to their experience. Leveraging in-house talent and strategic partnerships, Chunghwa works hard to co-develop applications that can meet the needs of industry verticals with beyond-telecoms solutions based on 5G and supplemented by emerging technology. Its strength in private networks will be useful in addressing the needs of the post-pandemic era.

With its strong overall performance, Chunghwa Telecom earns Frost & Sullivan's 2023 Taiwan Customer Value Leadership Award in the 5G services industry.

What You Need to Know about the Customer Value Leadership Recognition

Frost & Sullivan's Customer Value Leadership Award recognizes the company that offers products or services customers find superior for the overall price, performance, and quality.

Best Practices Award Analysis

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

