

CONTACT

THE PUBLICATION FOR ERICSSON
EMPLOYEES AROUND THE WORLD

11 · 2004

▽ Photo: getty images, Serge Krouglikoff

A photograph of a man in a dark suit jacket with white stitching, standing in a tailor's shop. A tailor in a striped shirt and glasses is adjusting the jacket. The background shows a rack of clothes and a patterned curtain.

Tailoring
to the
customer

8-14

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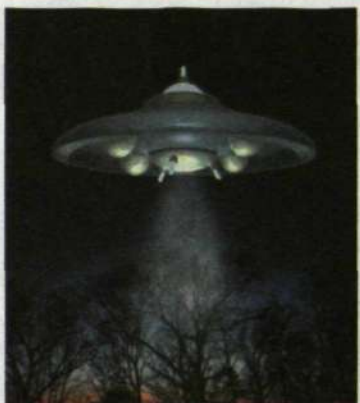
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CONTACT

editor-in-chief

Sara Morge, +46 8-588 331 36
sara.xx.morge@ericsson.com

publisher

Henry Sténson, +46 8-719 40 44
henry.stenson@ericsson.com

address

Kontakten
Box 1042
SE 164 21 Kista

fax +46 8-522 915 99

e-mail contact.a@ericsson.com

reporters in this edition

Mats Cato, 08-588 330 12
mats.cato@journalistgruppen.se

Lars Cederquist, 08-588 331 34
lars.cederquist@journalistgruppen.se

Debby P Elovsson, 08-588 33 007
debby.elovsson@journalistgruppen.se

Petra Malm, 08-588 330 68
petra.malm@journalistgruppen.se

Michael Masoliver, 08-588 330 16
michael.masoliver@journalistgruppen.se

Jesper Mott, 08-588 331 37
jesper.mott@journalistgruppen.se

Jenz Nilsson, 08-588 331 38
jenz.nilsson@journalistgruppen.se

Gunilla Tamm, 08-588 331 45
gunilla.tamm@journalistgruppen.se

project manager

Ingrid Bävsjö, 08-588 331 41
ingrid.bavsjo@journalistgruppen.se

assistant editor

Jenz Nilsson, 08-588 331 38
jenz.nilsson@journalistgruppen.se

unit editors

business units
Nicholas Claude, 08-588 330 73
nicholas.claude@journalistgruppen.se

development units

Mats Udikas, 08-588 330 54
mats.udikas@journalistgruppen.se

market units

Henrik Nygård, 08-588 331 39
henrik.xx.nygard@ericsson.com

layout

Citat, 08-506 108 70

printed at

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external advertising

Display AB, 090-71 15 00

distribution

PressData
Box 3263
SE-103 65 Stockholm
tel: +46 8-799 63 28
fax: +46 8-28 59 74
contact@pressdata.se

contact online

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column

Henry Sténson
head of group
function
communications
and publisher of
Contact

It's all falling into place

Early in 2003 we at last caught a glimpse of the end of the cutbacks. We could not be certain they would end but we now know that the market finally bottomed out towards the end of the same year. In April 2003, Carl-Henric Svanberg brought together his new Group Management Team, within which he initiated discussions on what the new Ericsson should look like once the crisis had passed.

Initially, the discussions largely dealt with the basic conditions for how we would recapture our position as the true market leader in our industry. Group Management spent a great deal of time ensuring there was unity on what are now our core values and management philosophy. No one was to leave the room until all were agreed.

During the same period, I had the opportunity to test our ideas as a speaker at our management-training seminars, where I encountered quite substantial skepticism. "We've heard it all before." Now, a year later, I hear "Wow, it wasn't just talk – it's actually happening!"

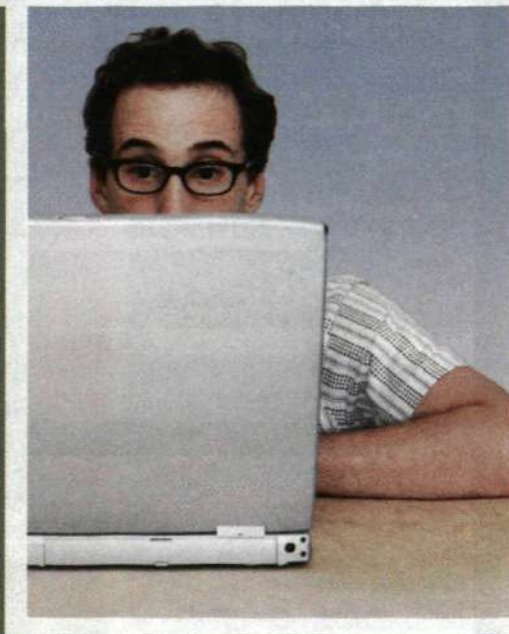
Gradually, the management discussions turned to the matter of how the Group should be organized – with simplicity, clarity and responsibility. We determined what this should entail in terms of who would be responsible for what.

The next stage, partly in parallel with the question of structure, was to test the strategy. Was it sufficiently clear? In preparation for the 2004 GMC, we invited a couple of hundred people to participate in the formulation of the strategy now being implemented. Now, everyone can actually get to know what this is about – and benefit from the consequences, particularly in terms of communications. Everyone needs to know. In this edition and the next, as well as in a special edition on the brand, further stages on our distinct course will be outlined. A new marketing strategy has been developed. Brand issues are crystallizing. Ways of working are being discussed.

It is all starting to fall into place – strategy, ways of working, and the brand. But it will take time and we must hold firm. Persevere!

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in the news: new group function

text: mats cato, mats.cato@journalistgruppen.se

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Extra lift for Operational Excellence

It is now time to give Ericsson's improvement process an extra boost. During December, a completely new Group function will be created. Operational Excellence, which will have the task of enhancing Ericsson's efficiency.

The head of the new unit will be aerobatic pilot Joakim Westh. As a management consultant, entrepreneur and former member of Assa Abloy's senior management, he has extensive experience in change processes. As an aerobatic pilot, he needs to have perfect navigational skills – when it comes to aerobatics, operational excellence is particularly important, since there is seldom the opportunity to correct a mistake.

In recent years, operational excellence has been one of Ericsson's most crucial areas. Now, this process of change will gain sharper focus through the new group function. With the establishment of the Operational Excellence group function, IS/IT & Sourcing will be split, with Sourcing being transferred to Operational Excellence alongside Operational Development and the Supply function, that currently belongs to the Business Unit Access. Westh's task, in addition to heading these units, will be to support prioritized areas and generate new initiatives within them. The group function's task will be to create a more comprehensive view of Operational Excellence within the company and work with cross-functional improvements. However, the responsibility for efficient operation will remain with the line managers.

"Operational Excellence deals with working in a simpler and smarter manner," he says. "But it is important to emphasize that, although this function has been established to support and power the process of change, the line managers are always responsible for implementing the decisions that are made."

Westh says it is not enough for a company to be good at just one thing these days. Today, companies must be strong in several dimensions to achieve success.

"Ericsson has always been a leader in technology and has many strong customer contacts. To that one must add higher operational excellence if Ericsson is to be able to secure a market-leading position in the future."

Westh is not a complete newcomer to Ericsson. He has been involved with the supply and strategy work during the past 18 months as a subcontracted consultant. His impression of the company is very positive, although he also sees opportunity for improvement.

"I believe additional leverage can be derived from operational efficiency. Ericsson is an extremely exciting company at an exciting stage of development, otherwise, I would not be sitting here," he says.

Westh has always worked with operational excel-

lence in various forms. In his own view, one of the strongest reasons he is right for the assignment is that, during his four years at Assa Abloy, he was responsible for the integration process derived from the company's acquisition strategy. He was also responsible for procurement coordination within the group. During slightly more than ten years, he has built up his own company, Absolent AB, which is the Nordic market leader in oil-mist filters. At the same time, he has worked as a management consultant and partner at the McKinsey consultancy firm. There, his responsibilities included the methodology surrounding operational improvement programs, working mainly with large, export-focused technology and manufacturing companies.

Facts: Joakim Westh

Age: 43

Education: Graduate Engineer in aeronautical technology from the Royal Institute of Technology in Stockholm. He also holds a Master of Science in aeronautics and astronautics from MIT in Boston, Massachusetts, in the US.

Resides: Arild, in the southern Swedish province of Skåne, but will be moving to Stockholm.

Family: Wife and two daughters, six and ten years old, and a Cairn terrier.

Place of birth: Strömstad, Sweden.

Leisure interests: All kinds of flying – and, when time allows, diving, swimming and skiing.

Favorite artist: Bruce Springsteen.

in the spotlight

Carl-Henric Svanberg

Ericsson has a clear strategy, guidelines on how the job should be done and a new brand platform that is about to be launched. In any company, these would be three important cornerstones. But **how does a company make sure these go together and that the employees also feel they do?** Contact met Ericsson President and CEO Carl-Henric Svanberg to find out how they all fit together.

He has been at the head of Ericsson for a year and a half. The legacy of former President Kurt Hellström is not so obvious anymore; a company is emerging characterized by Carl-Henric Svanberg's leadership. Ericsson shows stability and profit again. Despite this, Svanberg recently said: "Ericsson has many enemies and one of them is ourself."

Svanberg agrees the statement might sound dramatic, but is justified given Ericsson's situation at the moment. "We have survived a serious crisis and are stronger as a company than we have been for many years. At this stage, it is important that we don't start to take our success for granted. We must stay humble and continue to fight hard for our future success."

What are the cornerstones for Ericsson's advancement.

"There are three big parts. It is our strategy, which we started working on a year ago, and presented in a more concrete form at the GMC earlier this year. It is also our ways of working, which we have gone through and improved so that it helps us to reach global leadership in our industry. The third part is our new brand platform. The start for that came at the release of the third-quarter report, where we also presented our new tagline – Ericsson Taking You Forward. From now on, every external activity we undertake will be characterized by this message."

How do these parts fit together?

"They fit together because they answer our fundamental questions: where are we going, what do we want and how will we do it? The strategy explains what we will achieve and our general direction. Our ways of working is the way to make this possible. The brand is about how our customers and the rest of the world see us. If we are clear and coordinated with these three parts, we have a very solid foundation to start from."

How can these messages be something concrete for an Ericsson employee in, for example, Brazil or Poland?

"That's the responsibility of our managers. They must ensure all our co-workers act according to our strategies and values and that employees can also

relate to them. All employees has the right to expect that their manager is committed to Ericsson's guiding principles and can explain what they mean to them as individuals and how they can contribute to the result. The seminar we are now running throughout Ericsson, based on the Our Ways of Working booklet, is one concrete way they can translate our overall guidelines into a local context."

How do you at top management level ensure every manager is doing this?

"The Dialog survey is now more important than ever in measuring how successful every manager has been. As well, a small part of the managers' STI (Short Term Incentive) will from next year be directly connected to the Dialog survey and how well they have worked with these questions. Also, we are doing regular customer surveys that give us a clear picture of how well we have managed to live up to our customers' expectations and how our company image has been received in different parts of the world."

You say that the culture always beats the strategy. What do you mean by that?

"A strategy is never stronger than the people behind it. If people want something else, then the strategy is useless. I feel that we are now, more than ever, in a position where a majority of employees within Ericsson are moving in the same direction. It is wonderful to feel that power."

Ericsson has undertaken a number of initiatives around the brand before. What is different this time?

"It is solidly anchored in our work, both internally and externally, this time. This is a long-term project, and it's about a brand that is going to live with relevance for many years. But we can't wait to show our customers that we are serious about this brand. We must live up to what we say we are. That means we must do it in every meeting, every day."

The new tag line Ericsson Taking You Forward – who does that mean and to who?

"It means that Ericsson is a company that is moving forward in close partnership with customers. Eric-

son is not a company that has all the answers, but we always have ideas and suggestions. So by working with us, operators and their customers can develop their business and take their activities forward. But this message also concerns our own employees, they should feel that Ericsson supports them and helps them develop in their daily work."

Our vision and values are described in the booklet Our Ways of Working. Aren't these just empty words that will soon be forgotten?

"They will become empty words if we don't start living up to what we have written in the book. The philosophies around our ways of working are the result of many months' hard work with Ericsson's top management. We believe in this and I will do everything I can to make sure this becomes a reality for as many as possible in this company. I have complete trust that my colleagues will do the same."

Ericsson's core values are professionalism, respect and perseverance. At the same time, there are employees who have had a number of different managers in recent years. How do these go together?

"The big reductions and changes in the company during recent years have led to the changes in managers. It is important now that we reach stability again, but this is a balancing act. We must become better at making our managers stay longer at their post. On the other hand, we are sometimes forced to move people because the world around us is changing. From a general point of view, I think one should stay at a post until one has learnt something from the job, not least from mistakes. I know from my own experience earlier in my career that offers appear which might seem more attractive. At these moments, I think every manager should ask themselves the question, am I satisfied with the state of the project I'm leaving behind for somebody else to take over."

Do you have questions for Carl-Henric Svanberg?

Send them to spotlight@ericsson.com by December 7. He will answer some of them in a video-interview to be published on Inside.

text: jenz nilsson, jenz.nilsson@journalistgruppen.se

photo: frida hedberg





Marketing is more than glossy ads and cool campaigns. Effective marketing is about making the ultimate effort to determine what customers want. To succeed, **Ericsson must be better at getting to know its customers and the markets** in which they are active. It is also about being able to see new opportunities, now and in the future. While this may be very self-evident, the company that helps customers grow will also prosper and grow itself.

What the customer wants



To create interest, Ericsson must package its offers and present combinations and possibilities the customer has never thought of.

>> **Johan Bergendahl**, head of Marketing at Ericsson, says: "We have said that we want to be an engine for growth and to grow faster than the market. To succeed, operators must also grow. Our own success is dependent on our customers' success."

The days are gone when demand for Ericsson's products was so great that the company could do without with a well-conceived marketing strategy.

"Ericsson has never had to market its products. We have lived on the market's constant demand for new technology, and customers have always known that our products help make their net faster, simpler and more efficient," Bergendahl notes.

Indeed, it was Ericsson's technical leadership that guaranteed its strong position in the telecom market. Customers always came back because they trusted Ericsson. But the world has changed and technical leadership is no longer sufficient. Today, Ericsson must



Johan Bergendahl

be able to show customers how the company can help them grow and earn money in existing and new markets.

Ericsson's latest international launch of mobile broadband has resulted from this new marketing strategy. As part of this strategy, each offering to be launched must contribute to the customer's business, be in demand among consumers and clearly demonstrate that Ericsson is the market leader.

A launch may take different forms, depending on the market and the situation. One method, as in this case, is to begin with leading Ericsson executives who will convey the overall message to opinion makers, therefore creating a basis for more in-depth discussions with customers and decision makers.

The message must be simple. With mobile broadband, for example, customers will be able to increase ARPU (Average Revenue Per User), by combining mobile telephony and mobile broadband. In certain customer segments the mobile operators' ARPU will be more than doubled by mobile broadband.

The overall message must be the same for all mar-

kets over a period of six to 12 months, but each local company must receive sufficient information to be able to adapt the message to local conditions. Most important, however, is that Ericsson is able to show in what way the company can contribute to the operator's growth.

"It is no longer sufficient just to present new products. We must now help operators to make money," Bergendahl says.

The frenetic advances in technology in recent years have blurred the lines between data and telecom, attracted new players to the telecom market, thwarted standardization and given rise to new, fierce competition. Today, players cannot afford to neglect strategic marketing. There is too much at stake. Companies that gain a lead on their competitors have a unique opportunity to grow faster than the rest of the market, which is a prerequisite for Ericsson to be able to achieve its ambitious targets.

Peder Asplund, who is responsible for launches within Sales and Marketing, believes that it is a question of reaching out to the market in the best manner.

“When we launch new products, customers should be interested and curious.”

Bert Nordberg



“We have thousands of products and services and are constantly working to improve our offering,” he says. “The challenge for us is to package them in attractive offers that are based on customer requirements and not simply on a product perspective. The most relevant of what we call ‘winning propositions’ will then be introduced in the market through our launches.”

Tremendous response

The launch of mobile broadband will be similar to the launch of Expander, which targeted the telecom world's growth markets. With Expander, operators were, for the first time, able to increase the coverage of existing base stations at a reasonable cost. Also in that launch, Ericsson presented a specific winning proposition: Ericsson could make four-dollar subscribers profitable.

The market's response was tremendous. Not only did Expander help operators to win customers in rural areas without having to put up expensive infrastructure, it also gave people who lacked access to fixed telep-

hony an opportunity to communicate wirelessly.

The unique aspect of Expander was not the technology itself, which was available previously, but the manner in which Ericsson elected to package and present existing hardware, software and services. Ericsson showed that it could help operators to make profit even with very small revenues. The launch also served notice to the industry that Ericsson was focusing exactly on those markets that were expected to grow the fastest during the coming years. For once, Ericsson succeeded in presenting an offering that even the average person could understand.

Ericsson put across several strategic messages in a single stroke. “When I say that we can make a four-dollar subscriber profitable, customers listen to what I have to say. I am able to get their attention,” Johan Bergendahl says.

In the best case, Expander could be an illustrative example of how Ericsson works with marketing. Unfortunately, this successful launch was an exception.

“There is a widespread perception that Ericsson as a technology company is usually late to market but

that everything normally works well once we get started. Our customers have always liked us. Perhaps we have not shown enough concern for all of those who do not know us,” Bergendahl says.

More improvement needed

Tuesday, September 7, 2004 was the kick-off for the Marketing Transformation Program, an initiative that will establish operational excellence within Ericsson's marketing organization. Group Function Sales and Marketing is managing the change program that will contribute to long-term growth for Ericsson. The marketing work that was previously so sorely neglected has become mission-critical.

During the first, internal presentation of the program, Head of Sales and Marketing Bert Nordberg explained: “This is about how Ericsson will increase efficiency in its marketing organization. It is about how we will



Bert Nordberg



Those who meet the customers must really believe what they say and know their offerings. Ericsson is the expert on Ericsson's products.

>> become the world leader in terms of our brand, the way we handle launches, how we market products and how we communicate. When we launch new products, customers should be interested and curious."

While Ericsson is in fact the world leader in several areas, increasing growth in accordance with corporate targets will require increasing sales to both existing and new customers in established and new markets.

Patrik Rehgårdh, who is responsible for strategic marketing issues at the corporate level, speaks about two time perspectives for marketing. To create growth over the short term, Ericsson must become better at packaging existing products and services into a number of offerings, or winning propositions, which clearly and unmistakably show in what ways Ericsson is faster and better than the competition and able to help customers expand their business and hence make more money.

To ensure growth over the long term, Ericsson must become better at identifying future markets.



Patrik
Rehgårdh

Players that are best able to anticipate future trends have a unique opportunity to choose market positions, shape the market's development, produce competitive offerings and secure demand.

New markets can emerge through different forces. One force may be revolutionary advances in technology, as those that once took place with the internet or mobile telephony. New markets may also emerge when technologies mature, and other completely new players see business opportunities as a logical development in their industries. In addition, there is continuous development as a result of business and technical evolution or convergence of existing offerings.

"Customers prefer us to guide them and to be active in identifying and creating future markets and business opportunities, but unfortunately, we are not currently perceived as visionary or inspiring," Rehgårdh says. "In my eyes, Ericsson has all the expertise required to be able to show clearer leadership while becoming more aggressive towards the rest of the industry."

A number of marketing themes will focus attention on the future markets in which Ericsson and its customers have an opportunity to grow over the

longer term. With better planning, Ericsson will be better prepared.

The first rallying cry will be the theme "broadband everywhere."

"There is tremendous potential here. Over time, consumers will want access to broadband, regardless of where they are, both via the fixed network and with mobile access. We want to be the leader in this market," Rehgårdh says.

Aggressive targets

The Marketing Transformation Program will exclusively use networks and projects that link various units within the organization in a manner similar to that applied for the launch of Expander earlier this year.

Ove Wedsjö leads the program's network for change, which over time will involve more than 200 people who primarily work in marketing.

"Ericsson has always had some form of product leadership. That will not change," Wedsjö says. "However, we must now become better at increasing demand for our offering and generating more publicity in conjunction with launches.

"A company that identifies a structured method



Strong support from the market units

Marketing is an important factor that Ericsson can no longer ignore, according to Hans-Erhard Reiter from the Iberia market unit and Martin Wiktorin from China.

"The Marketing Transformation Program is not just an interesting change project, in today's market, it is also absolutely necessary," says Reiter, the head of marketing and business development in Iberia.

He believes that Ericsson's organization for sales and marketing is skilled at looking ahead six months and perhaps even a year into the future, but the perspective needs to be significantly longer than that.

"We have come to realize that our sales process must produce a greater effect. That means that the market must both see and understand our offering at an earlier stage. We must begin the process at an early stage, preferably two to three years before the actual sale," Reiter says.



Hans-Erhard Reiter

"Marketing has never been one of Ericsson's strengths. Today, however, I believe that marketing can make a big difference in the telecom sector, in part, due to the increased competition. Now, unfortunately, we only look at how the market is today. We must become better at anticipating how conditions

may be in a year or two. Here, the Marketing Transformation Program is a step in the right direction."

Wiktorin, who is responsible for systems solutions in China, believes that the importance of marketing has increased in recent years. Only a few years ago, it was sufficient for Ericsson to position itself as the leader in infrastructure. Since then, the company's ambitions have increased dramatically, in part through service layer, systems integration, IMS and managed services.



Martin Wiktorin

It is therefore necessary for Ericsson to be able to package its offering in the same manner as it did with Expander and is now doing with mobile broadband.

"It makes it easier to convey our message than if we only talk about services and products," Wiktorin says. "In addition, we must naturally become better at identifying the business value in our offerings and emphasizing what makes us better than the competition."

Like Reiter, Wiktorin has been involved in the Marketing Transformation Program from the start. In discussions within the project, he has found it remarkable that conditions are similar in the various markets.

"This is one reason why we should be able to consolidate our efforts behind uniform messages," Wiktorin says. "When we have succeeded in creating attention and interest, we can then begin discussing specific offerings together with individual customers."



Ove Wedsjö

for handling marketing issues has much to gain. Such a company becomes better at studying the market, understanding customer values, identifying customer segments, scrutinizing competitors, managing launches, creating demand, developing products and caring for the brand."

In the final analysis, it is naturally a question of increasing sales and therefore profits.

"There is a tremendous amount of knowledge within Ericsson. Employees work hard and efficiently. Unfortunately, the result of our collective efforts is not as effective," Wedsjö says.

"If we could only focus our efforts and work in the same direction, much would be gained. We would then create greater interest for our launches and be able to show a more coherent product portfolio."

The change program targets are ambitious or, as Wedsjö expresses it, aggressive. The targets must also be measurable.

For example, the network must be able to measure

how customers perceive Ericsson and its brand or how long it takes from the launch of an offering until sales really pick up (time to volume).

Demonstrating future technology

Ericsson was the first in the market to show customers that it was possible to transfer information at speeds as high as 10Mbps over existing WCDMA networks. For Mikael Bäck, head of the WCDMA product area, the demonstration was an excellent example of successful marketing.

"We were able to demonstrate tomorrow's technology instead of just talking about it. That creates a unique credibility," he says. "We show the market that we are on the leading edge today and that we will maintain that position in the future as well, since our smaller competitors do not have sufficient resources to duplicate these kinds of services." Bäck adds that the example also shows that Ericsson must let technical messages be the foundation of the business messages, to build trust in the marketing.

"It may sound a little unexciting when we constantly talk about our technical leadership, but that is nonetheless where we are coming from. Technol-

ogy is also the reason why our customers want to talk business with us," Bäck says.

While Bäck welcomes a more strategic approach to marketing, he feels that Ericsson is already very advanced in many areas of marketing, such as customer relations and business intelligence.

Bäck hopes that as a first priority the organization will become better at coordinating its initiatives.

It is particularly important that contacts between head office and the local companies function smoothly, he says.



Mikael Bäck

"Launches and other marketing activities must be better anchored internally before they are sent out externally. It is important to let people know what is being released, when it will be released and why, so that everyone involved will be familiar with the

offering," Bäck says.

"Those who speak directly with customers must really believe in what they are promoting and feel that they can stand behind it."



A strong brand is as valuable as gold.

The value of a strong brand

Ericsson's strength in remaining at the forefront of technology will always be important. **At least as important, however, will be the company's experience in long-term partnerships,** particularly at a time when an increasing number of customers are seeking partners who not only deliver products, but help their clients to become more profitable, too.

An increasing number of companies in the industry use their products to sell related services, such as operations and maintenance – services that were previously used to sell the product itself. Major partnerships are now appearing on the horizon.

A supplier has much to gain from long-term partnerships. Suppliers that move closer to customers gain excellent insight into the customer's business. Opportunities to influence the customer increase, revenues can be guaranteed for a long time to come and it becomes easier to identify future threats and opportunities.

If several suppliers have similar offerings, or if their offerings are difficult to compare, the customer chooses the supplier that is perceived as the most trustworthy. The supplier with the strongest brand often does not need to compete on price and is assured of winning the largest contracts. A respected brand is some-

thing to trust. In large part, it is thus a question of the Ericsson name, or brand. It is the Ericsson name that opens doors in new markets and it is the Ericsson name that deepens partnerships with existing customers.

A company that wishes to strengthen its brand must first and foremost select a market position. A company may excel at delivering products in a simple and efficient manner, such as Dell or Amazon.com. Another alternative is to exploit technical leadership, as IBM and BMW do. The third choice is to seek closeness, or customer intimacy. Companies that strive for intimacy must be responsive to customer needs and wishes in the same manner as British Airways or IBM.

Ericsson's strength lies in the first two areas, efficiency and technical leadership. However, surveys show that many customers do not perceive Ericsson as a

strong partner. This seems somewhat ironic, since partnership is something that Ericsson employees see as one of the company's strengths. If Ericsson employees, capable of offering them help and aware of end-user needs, the company would not have been the success it has been since starting in 1876. In this respect, Ericsson possesses a competitive advantage that, to date, it has failed to utilize fully.

In September Dusyant Patel, who is responsible for Ericsson's market communication and branding, presented a new branding platform and creative strategy that reflects Ericsson's identity. Somewhat simplified, he asserts that the principles Ericsson wishes to show to the world can be condensed to a number of key words and core values.



Dusyant Patel

Ericsson is a partner for progress, meaning in part that Ericsson should be supportive, consultative, insightful, proactive, innovative and credible. Ericsson must be able to define and deliver advances. To convey the most important message – that Ericsson actually sells business value and thus profitability – the project formulated the following: Your partner for progress – "Ericsson – Taking You Forward".

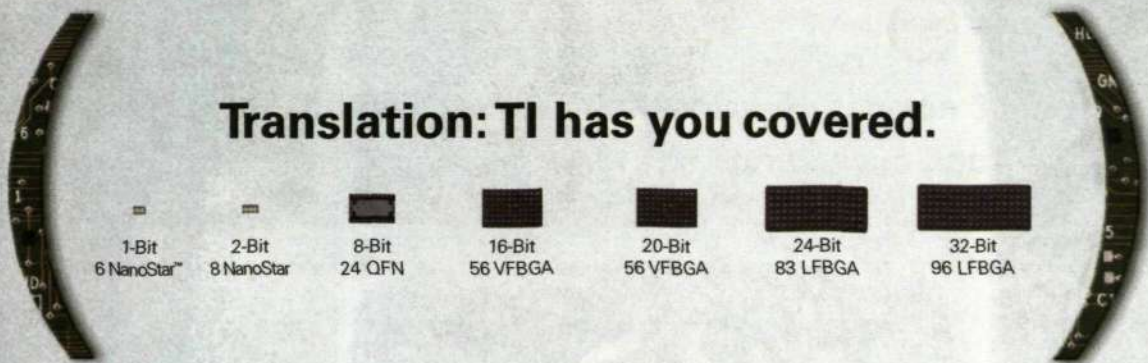
"If we want to win the really big contracts and partnership agreements, we must become much better at showing the market that Ericsson is a strong partner," Patel says. "This project comes at a very appropriate time: as we leave the difficult years behind us, it is time to tell the world exactly who we are and what we stand for."

Read more about Ericsson's new brand platform in the Contact Brand special issue that will be available in the last week of November.



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Device	VCCA	VCCB	Bit Width
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SN74AVC1T45	1.4 to 3.6 V	1.4 to 3.6 V	1
SN74AVC2T45	1.4 to 3.6 V	1.4 to 3.6 V	2
SN74AVC8T245*	1.4 to 3.6 V	1.4 to 3.6 V	8
SN74AVC16T245	1.4 to 3.6 V	1.4 to 3.6 V	16
SN74AVC20T245*	1.4 to 3.6 V	1.4 to 3.6 V	20
SN74AVC24T245	1.4 to 3.6 V	1.4 to 3.6 V	24
SN74AVC32T245	1.4 to 3.6 V	1.4 to 3.6 V	32

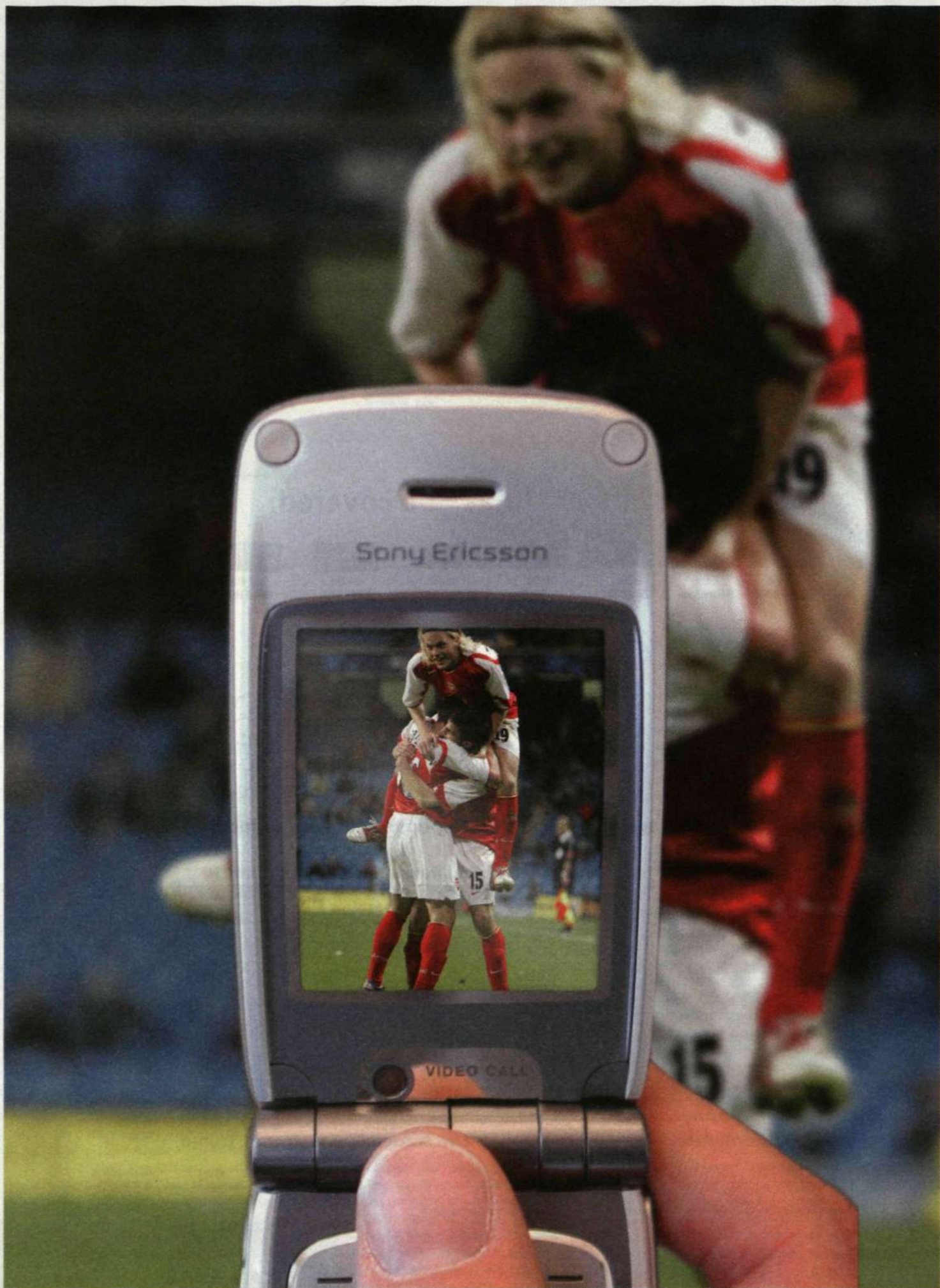
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It takes 3 to succeed with video telephony... at least that is what the operator says and it looks promising in the countries where 3 has networks today. During an important match in the English Premier League earlier this year, there were 470,000 downloads in 3's network in the UK.

Video telephony can make a winner

With more than 3.2 million users in seven markets, Hutchison 3G, with its brand 3, is the largest 3G operator outside Japan. The company is hoping to show a profit after a rocky start. **3 is not a traditional mobile operator**, but a multi-media operator, where video telephony plays an important role.

Canning Fok, managing director of 3's parent company Hutchison Whampoa, says the next two years will be important for 3. "We have gone from a start-up phase to an expansion phase. It is now a growth business on its way to profitability," Fok says.

"We expect the company to be EBITDA (earnings before interest, taxes, depreciation and amortization) breakeven next year (2005) and making bottom-line profits in 2006," he says.



Canning Fok

Hutchison has 3G systems in commercial use in seven markets and a further three in the pipeline. Italy and the United Kingdom were first and continue to show the greatest growth, but the number of users is also growing in Sweden, Australia, Hong Kong, Denmark and Austria. Hutchison expects to roll out 3G services in Israel at the end of this year, with Norway and Ireland to follow, although official launch plans have not yet been made.

"We are now focusing on those markets where the number of users is growing fastest. On a daily basis, we are adding more than 20,000 customers to our portfolio," Fok says.

Italians are interested in new technology, a fact reflected by the interest in 3 when it launched commercially in Italy in March 2003. Right from the start, video calls, news and sports content were among the most popular services. In early 2004, mobile TV was launched and is now one of the top services with two million minutes of video streaming consumed in October alone.

Users in the UK were a little more cautious to begin with, but interest has now picked up dramatically. An important match in the English Premier League earlier this year led to 470,000 downloads in a single day, a good indicator of growing British demand.

Ericsson is a major supplier for 3 worldwide. It

started working with the operator in Italy back in 1999, before Hutchison had even won its Italian 3G license. Kinson Loo, head of Global Customer Account Hutchison at Ericsson in Hong Kong, says Ericsson has delivered the complete core and radio networks for 3's systems in Australia, Sweden and Denmark. "In Italy, we delivered the entire core network and half the radio network, with the other half coming from Siemens and NEC," he says.

For Ericsson, 3 is not just an important reference customer, it also plays an important role when it comes to First Office Applications (FOA) testing at the customer's site. Ericsson's biggest competitors in 3G equipment are NEC and Siemens, while Nokia is a little behind. Apart from these, 3 has also bought equipment from Nortel.

"Our ambition is naturally to be the biggest 3G supplier for 3, but there is room for competition," Loo says.

Fok says cooperation between Ericsson and 3 is working well. "It has gone through different stages and we have learnt a lot from each other," he says.

"It has sometimes been difficult for Ericsson to understand our demands and why we need certain services, but now we both understand each other better."

Loo agrees that the cooperation works well and that each side has learnt from the experience.

"We experienced considerable difficulties at the start and 3 put pressure on us that Ericsson was not really used to. We were working with both a new customer and new technology, so we had a lot of challenges. We have learnt a lot, not least how important it is for a greenfield operator to have a stable network," he says.

Dropped calls and poor network stability requir-

ing many reconnections were early problems. But Fok says that the stability of the Ericsson-supplied network now is good and that 3 is pleased with its supplier. "Now we hope that the company continues to develop what the market wants," he says.

Access to 3G handsets has been vital in getting the 3G market moving. The rapid growth in user numbers that 3 has experienced in recent months is partly attributable to new video mobile phones from LG. These are built on platforms from Ericsson Mobile Platforms.

Fok says one of Ericsson's strengths as a supplier is having this kind of competence within the company. "It possesses good understanding of the big picture," he says.

Ericsson and 3 have recently started discussing increasing their cooperation for messaging solutions. Loo says this is convincing evidence of the strength of the relationship. "But it does not mean that we can relax," he says. "The customer will not see the value of its investment for two or three years. It is only then that we can talk about 3G being a success. But we are already well on the way."



Kinson Loo

fact: hutchison whampoa and 3

Hutchison Whampoa Ltd is an international group with activities in 42 countries and more than 170,000 employees.

Hutchison is active in five key areas: ports and port services, telecommunications, real estate and hotels, sales and manufacturing and energy and infrastructure.

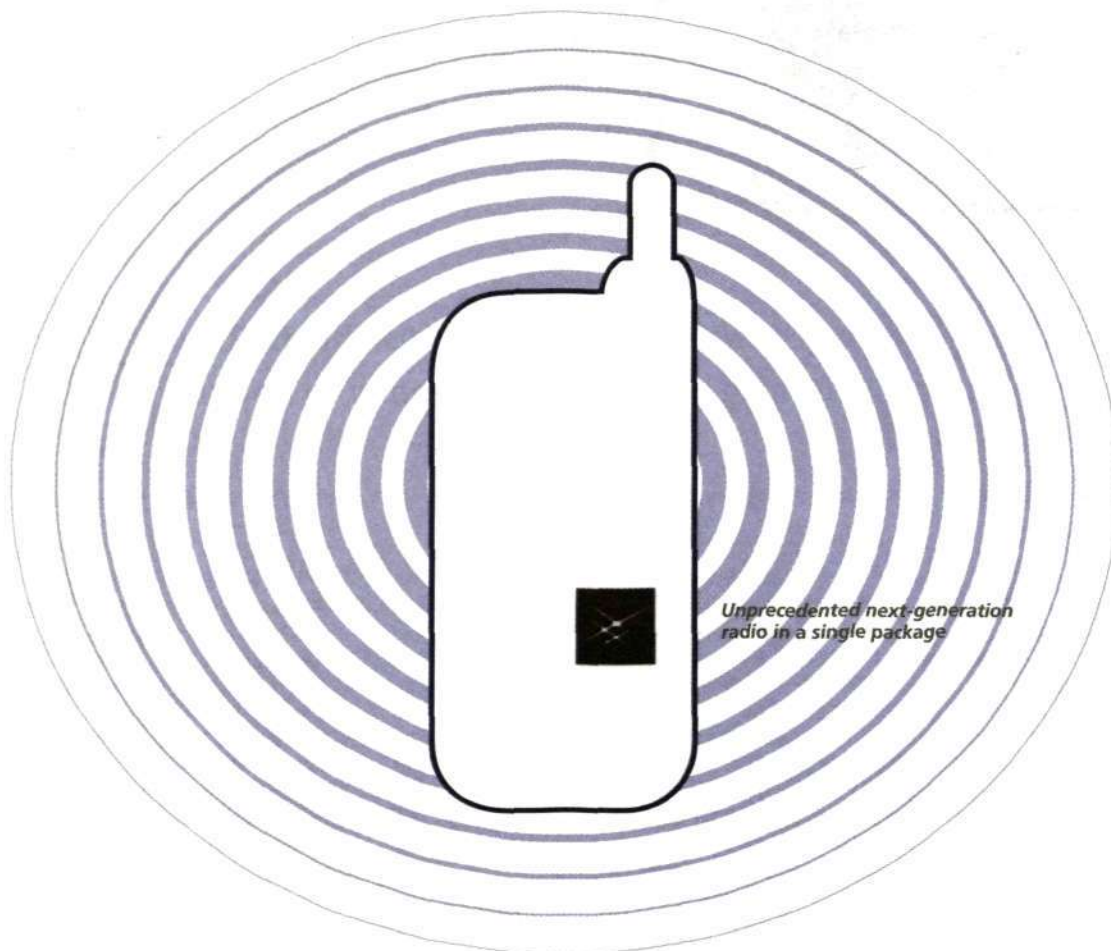
Hutchison 3G has licenses in 10 markets with populations totaling 175 million people.

The operator had more than 3.2 million 3G users in August 2004.

More information is available at www.hutchison-whampoa.com



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Caribbean island Grenada suffered severe damage from Hurricane Ivan.

photo: pressens bild

Fast help for hurricane victims

It took a private jet, cooperation above and beyond expectation and a metric ton of MINI-LINK equipment from Ericsson for operator Digicel to get back on track after Hurricane Ivan's destruction in September.

Digicel is the largest operator on the Caribbean island nation of Grenada and 90 percent of its equipment was destroyed when Ivan swept over the island in September. Henrik Johansson, sales manager for the Caribbean in Business Unit Transmission and Transport (BTTN), was contacted three days after the hurricane to find out how long it would take to deliver ten MINI-LINK hops to Grenada.

"That started a race against the clock," Johansson says. "BTTN in Borås, Sweden, had ten MINI-LINK hops available, but they were not the same frequency that Digicel used. Digicel accepted the deal when we promised they would receive equipment with the right frequency at a later date. Then we had to get the mobile network running as quickly as possible."

Ericsson's Iron Man

Glenn Mengerig, who works with Ericsson at Boulder in the US, became an "iron man" a few weeks ago when he took part in the world triathlon championships in Hawaii. He finished the race in 11 hours and 40 minutes of swimming, cycling and running.

"It was two hours more than I'd hoped for," he says. "But the strong headwind made the cycling really tough. It was blowing so hard I couldn't let go of the handlebars to drink and replace some salt."

Despite the tough conditions, he says simply taking part was a real experience.

"When I crossed the finish line, crowds of people cheered, called my name and commented on my Ericsson shirt," he says.

Glenn's wife Kerrie, who also took part in the competition, came in ninth in her age group. So we probably should be talking about an iron family.



Glenn Mengerig



Successful demo in Finland

Ericsson has successfully demonstrated CDMA 2000 running at 450MHz. The demo was in Finland, watched by Scandinavian operator Nordisk, Norwegian justice minister, media representatives and other groups interesting in seeing how CDMA450 can be used. The demonstration covered voice, push-to-talk and iEV-DO, the new version with significantly faster data transfer.

CDMA450 is well suited to Northern, Eastern and Central Europe, Central Asia, Africa and certain areas of Latin America.

from the archive



The rules in Oman state that base stations have to melt into the landscape. That explains this "antique" base station from 1988.

KARIN HANSON

karin.xk.hanson@ericsson.com

report: latin america

Welcoming GSM

The Latin American market is at the crest of a growth wave, with 31 percent subscriber growth expected this year. The three dominant operators are fighting for market share with aggressive marketing and rapid network expansion. **The big attraction is GSM.**

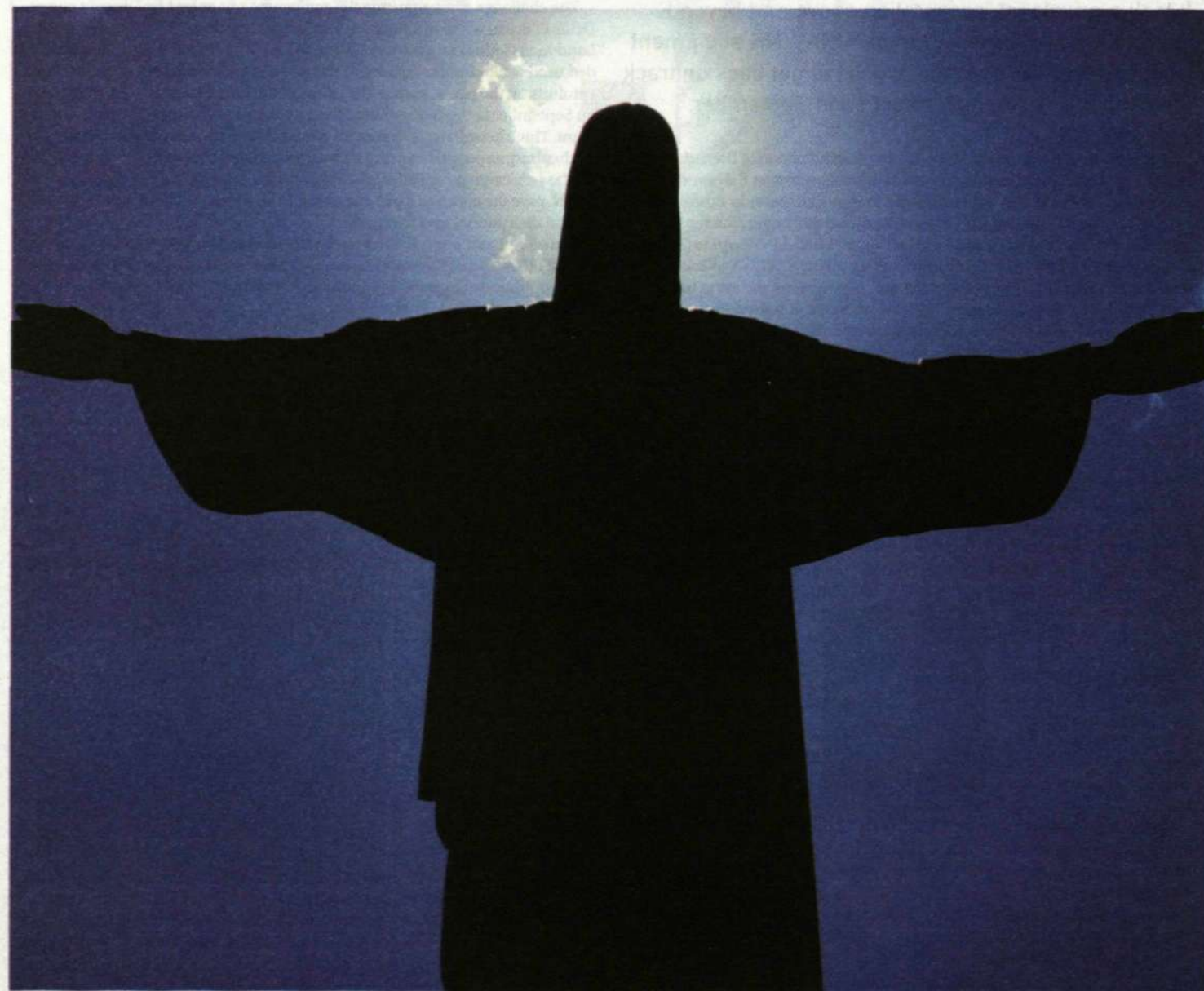
Rio de Janeiro in Brazil has shanty towns and up-market neighborhoods just a block from each other. The contrasts between rich and poor, city and country are a defining feature across Latin America. This means that mobile operators need to find the right segmentation models if they want to reach the maximum number of customers.

And if you look at the figures, they are succeeding. Well-built communications infrastructure is also

something that benefits the entire economy. Latin America was a region in crisis just a few years ago. In the telecom market, both operators and vendors had to fight for survival. But you cannot find a trace of that crisis today. Three operators have taken control in the region through acquisitions and aggressive marketing. Mexico's América Móvil, Spain's Telefónica and Italian-based TIM together have about 75 percent of the region's estimated 157 million subscribers.

Ericsson is a major supplier to all three. As part of its acquisition strategy, América Móvil has bought several smaller local players in Brazil and brought them together under the name Claro.

Rogelio Viesca is the head of Claro's regional operations. He worked previously in Mexico and, when the operator started its expansion in the region in 2000, was the first employee assigned to an international contract.



with open arms

text: jesper mott, jesper.mott@journalistgruppen.se

photo: pressens bild

"América Móvil has more than 50 million subscribers in Latin America," he says. "We have operations in Mexico, Guatemala, Nicaragua, El Salvador, Honduras, Colombia, Ecuador, Argentina and Brazil."

The operator has taken a leading position in a short time. Viesca says this required the company to expand into new markets at the right time.

"We had a really strong position in Mexico when the Latin American market dropped off. Our strategy was based on buying financially troubled companies in the region and returning them to profitability. It is a successful strategy. If you can come in with a plan to solve the problem, the employees will welcome you," he says.

Dennis Burke, an analyst with Pyramid Research, says subscriber growth was noticeable even during the crisis years. The number of subscribers grew by 23 percent in 2003, and was up by 19 percent even in 2002.

"You could say that the operators have started investing at a rate that matches that growth," Burke says.

This year has been a great one for GSM, and the success looks like continuing. Last year, 17 percent of subscribers were GSM customers: this year, the figure is 31 percent. And it is expected to reach 61 percent by 2009.

"That means GSM growth of 22 percent year on year until 2009, pretty impressive numbers. Telefónica, which has both GSM and CDMA networks, is likely to transition some of its Bell South operations to GSM and thus this figure is a conservative one," Burke says.

There are several explanations for GSM's rapid growth, he says. The operators have been clever with their marketing, and the new standard allows them to offer mobile phones with lots of functions at low prices.

"The economies of scale are more a function of handsets over systems, but there are advantages for the networks as well," he says.

Claro is in the middle of rolling out GSM over its old TDMA network. It is an enormous project: Brazil has large stretches of rough terrain, and is as large as the US without Alaska. Viesca confirms that GSM is helping América Móvil become more cost efficient.

"We have an advantage entering these markets with GSM technology that we can overlay over the old networks, because it is a very good technology with low costs thanks to the economics of scale. That formula is working very well," he says.

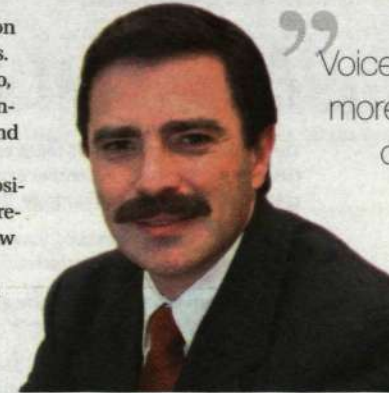
Pyramid Research expects TDMA to remain in place for at least five years because the overlay of new standards takes time. It does not cost the operators much to keep the systems in operation, but they will not invest more in them.

Burke believes we have seen the peak of the growth curve for TDMA for the moment.

Growth is expected to slow from now until 2009. After 2009 it is difficult to forecast what will happen.

There continues to be room for additional mergers and acquisitions, Burke says: "But it will not involve deals of the size of Telefónica's acquisition of Bell South."

There are smaller players in strategic markets that remain interesting. América Móvil does not have any operations in Chile, for example. Small operators will face prob-



"Voice traffic represents more than 90 percent of our income, so we still need to do a lot of work in terms of voice and market growth."

Rogelio Viesca

lems competing against the pan-regional operators," he says.

Viesca confirms that América Móvil will continue evaluating opportunities in the market: "Yes, it is a permanent strategy. Our group is always looking for good opportunities, and we look at them in terms of potential market growth, price and synergies."

Latin American subscribers tend to generate small amounts of revenue for the operators. The three big Ericsson customers are looking primarily for solutions that can help them keep operational expenditure down.

Burke says: "The operators are looking for example in IP switching. It hasn't taken off yet but it is an area of interest. They are also coming around to the conclusion that maintenance and certain areas of operations can be outsourced in managed-service agreements. They have chosen their technology paths and they want to focus on their core business, which is marketing and selling voice and data traffic. Vendors must of course show good business cases to convince them."

Services beyond voice are still marginal, but they are growing. Pyramid Research expects them to represent 12 to 13 percent of operator income by 2009, and even more in Mexico, Brazil and some other markets.

Use of SMS is growing rapidly in a number of countries, while ring-signal downloads are becoming increasingly popular.

Burke says the corporate sector is important and that Push to Talk could be interesting for small and medium-sized enterprises. And the youth segment is just as important as it is in more mature markets.

Viesca agrees: "Of course we are investing in mobile data services – we know that it is coming – but voice is our reality right now, so we need to settle down and get a stable network with good quality."

Large segments of the population have neither the disposable income to pay for advanced mobile terminals nor the interest in mobile data services, yet. It will take some time before services beyond voice reach large volumes.

"Voice traffic represents more than 90 percent of our income so we still need to do a lot of work in terms of voice and market growth," Viesca says.

Burke says Ericsson has a very strong position in the Latin American market. "It was strong in TDMA and the company has leveraged that well in the GSM migration. While Ericsson has not been as active on the CDMA front in Latin America, its relationship with Telefónica provides a window of opportunity to grow the practice," he says. •

Ericsson voices on Latin America

"Ericsson's focus is primarily on rolling out radio networks for voice traffic, on delivering high-quality products with precision and on time. Parallel to that, we are building up our service organization. Latin America is a very interesting market for different outsourcing arrangements."

Johan Gyllenswärd,
Group Function Sales & Marketing,
in charge of Latin America

"The most important thing for us this year has been winning market share in GSM. We are doing that by expanding our existing contracts and by winning new customers. There will be 16 million [new subscribers] in Brazil this year, and 70 to 80 percent of those will be GSM subscribers."

Anders Runevad,
head of Ericsson Brazil.

"The market has been very good in recent years. Competition creates pricing pressure, which attracts new subscribers, and we at Ericsson get the opportunity to sell more equipment. We are focusing on building out the voice network, but are also preparing our EDGE offering, which is the next step for the Mexican operators."

Gerhard Weise,
head of Ericsson Mexico.



Both the number of mobile users and Ericsson are expanding in Latin America.

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Ulf Lilja

Strengthening Ericsson's own operations

Previous Contact follow-ups of this year's GMC have described the products that attract customers and how Ericsson wants to be perceived in the market. Now it's time to follow-up on what the GMC established regarding Ericsson's operations.

1. Establish operational excellence and cost leadership.

Ericsson CEO and President Carl-Henric Svanberg says operational excellence will be achieved by living and working according to the values and work methods outlined in *Our Ways of Working*.

"Operational capitalize applies to all work that we do with respect to realizing strategies and living up to customer expectations," Svanberg says. "When it comes to cost leadership, it is a question of being efficient in everything that we do.

This includes reducing lead times, delivering on time and learning from the best practices, of which there are so many within the company."

2. Develop strategic products internally. Outsource non-strategic parts of the supply chain.

Christer Öhlén, manager for group Supply, says Ericsson's strategy is to produce its core products within the company as much as possible. "Node production is one example of a strategic area that Ericsson has chosen to retain internally," Öhlén says.

"The need for external partners for our products varies depending on the product's characteristics, capacity utilization and cost levels. As an example of how this work is progressing, it can be noted that a large portion of our previous production of GSM modules has now been outsourced."

3. Differentiate and reduce lead time in the supply chain.

Öhlén says reducing lead times and dividing products up into different lead times is important for fulfilling customers' needs while at the same time avoiding unnecessary costs. "The basic rule on which we operate is that products in high demand must have short lead times, while products that are seldom requested may have longer lead times," he says.

"To succeed in this, every part of the delivery chain must make a contribution. As early as in the design phase, we must adapt our products to the demand pattern, how they work with other products and what the process is like throughout the rest of the delivery chain," Öhlén says.

4. Deploy a common platform for service delivery and invest in low-cost sites.

A basic prerequisite for Global Services' work is that the business unit's delivery organization is based on a uniform organizational platform and takes advantage of common products, solutions and expertise.

Roger Orrstenius, manager for Global Services Supply, northern EMEA region, says work on this is in an intensive phase that involves all product offerings.

To increase competitiveness in the market and keep costs down, Global Services is investing resources in what are called low-cost sites for service deliveries.

"This is not a question of relocating employees," Orrstenius says. "We are expanding our delivery base with additional centers in geographical locations where skilled employees are available and where it is profitable for us to operate.

The ambition is to have a low-cost site in every time zone. We are therefore working to establish operations in Hungary, Brazil and India."

5. Consolidate supplier base, use a clear tier structure.

It is important that Ericsson has a well-balanced base of sub-suppliers with the right competence and who offer favorable business terms if the demands for efficiency in the supply chain, minimization of risks and delivery precision are to be met.

Martin Johansson, who is responsible for common sourcing in the newly established Operational

Excellence corporate function, says production units within Ericsson, as well as the local companies, are currently working with a review and optimization of the supplier base. "A limited number of sub-suppliers enables better management and gives us greater control over the delivery chain," Johansson says. "At the same time, having too few suppliers makes us vulnerable, so this work requires careful consideration."

A well-defined level structure means that suppliers have greater and clearer responsibility for individual product components.

"There should be no doubt as to who is responsible for what," Johansson says. "If something goes wrong, we can correct the problem faster. We also avoid having questions and decisions that fall between different areas of responsibility."

6. Focus IT investments to support critical business needs.

Ulf Lilja, IT manager within the Corporate Function Finance, says Ericsson's IT infrastructure and continued IT investments must be well balanced against the strategies and goals for various businesses. "This is an area in which work is intensive now that Ericsson's corporate strategy has been established," Lilja says.

"We have made significant investments in our internal IT infrastructure to improve working conditions for users. The server environment for Ericsson's global SAP system has been strengthened, resulting in shorter response times, for example, in order and invoicing departments. We have also reviewed the work processes related to the customer service function that was outsourced to Ericsson's IT partner HP and found that additional resources are needed for customer service. This work will continue with a high priority," Lilja says.

While corporate theft is serious, information theft is even worse. Customers can lose confidence, it can delay or even stop delivery of a product to the market on time, and can lead to loss of earnings. The answer is to be aware of the risks and take precautions.



Keeping information

secure

Losses because of information theft can be enormous. A recent study by the Information Security Forum (ISF), an organization made up of large international companies, found that losses to their members amounted to USD 95 million during 2003, most of which involved a loss of availability.

To avoid such losses for Ericsson, management, employees and partners need to understand the value of information and what this means for the company's business. This can only be achieved through risk assessments and classification of information, to ensure that information is given the appropriate protection.

Information security manager at Ericsson Security Office, Siobhan O'Brien Thulin says the delivery of the right information at the right time to the right people is a deciding factor in every deal that Ericsson makes. "If that doesn't happen, or the information is stolen, leaked or not available, we can suffer enormous losses," she says.



Because of the heightened concerns and increase in threats to valuable information, organizations such as Ericsson, which operate around the world, need to focus more of their attention on information security.

"It may sound obvious, but doing that requires everyone to remind all their colleagues about the importance of how Ericsson classifies and deals with information," O'Brien Thulin says.

Stolen information can be adversely used, among other things, to give competitors an advantage. It can also damage the brand, as well as concern investors if the lost information had an impact on earnings.

If Confidential information ends up in the wrong hands, Ericsson immediately begins an investigation. Security Office Manager Sölve Turesson says this covers everything from petty theft to corporate espionage. "If a stolen computer contains confidential information, we put a lot of effort into finding it. It can even be a threat to national security," he says.

Investigating theft can take anything from an hour to several years; normally it takes a few days. Turesson stresses the importance of encrypting hard disks to protect sensitive information and sending such information via secure mail.

He says people should not be fooled into thinking that leaking just a small amount of information on a deal or product would not hurt. "Every little bit helps solve the puzzle. That's why you should never give out anything," he says.

Those responsible for information must classify it according to its value. This classification can involve,

for example, protection of intellectual property information at Research and Development. Marketing has to consider protection of customer information. Finance has to consider who should have access to information when financial reports are consolidated and so on.

Ericsson is already working with classification of information, but it is important to re-evaluate and make improvements as new threats and vulnerabilities arise.

Recently, two new group directives were released, addressing information classification and authorizing access to information. The purpose of these directives is to provide management direction and support for the protection of the business.

"Our knowledge is important for us, and dangerous if it falls into the wrong hands," O'Brien Thulin says. "We must know that confidential information stays confidential and that public information is not altered without proper authorization. It is about taking responsibility and being accountable for the protection of company assets."

Footnote: Security and risk management is a unit with group responsibility. Operational risk is the focus area.

How to classify information

Information can exist in many forms. It can be printed or written on paper, stored electronically, transmitted by post or electronic means, or spoken in conversation.

Classification of Information Asset, CIA, is the identification of information assets that need protection within an organization. It is characterized as the preservation of Confidentiality – ensuring that information is accessible only to those authorized to have access, Integrity – safeguarding the accuracy and completeness of information and processing methods, and Availability – ensuring that authorized users have access to information and asso-

ciated assets when required. (The information is taken from REF: ISO17799)

Classification has more than one business benefit. It provides assurance that information assets are assigned the adequate protection level. It ensures that the cost of protection is in proportion to the value of the information asset. Finally, it provides reasonable assurance that financial reports are accurate.

Information security at Ericsson classifies documents in three classes: Ericsson Confidential, Internal and Public. They replace the former Strictly Confidential, Confidential, Limited Internal, Ericsson-wide Internal and Open.

A theft like this will always be tracked down. Ericsson Security Office Manager Sölve Turesson explains how:

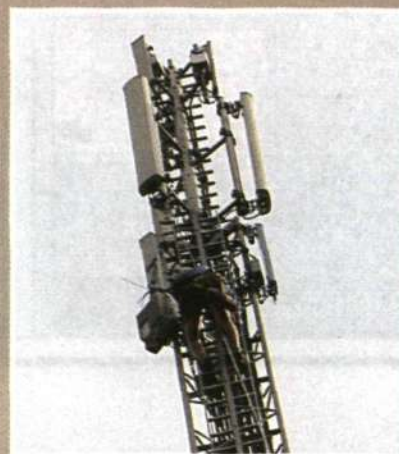
The entry at the newspaper's chat site has an IP address (the computer's address, which ensures that information sent over the web goes to the correct PC) from the sender's PC. In this situation, the IP address indicates the entry has come from a school in Bonn. A quick check of the computer in Bonn shows that it is a proxy (a machine that sends traffic on, a common method of hiding your identity on the internet). Armed with information from the school, the real sender is tracked down to an internet café in Stockholm.

A forensic analysis of the internet café's computer reveals that the sender, as well as writing to the newspaper's chat forum, has also used his private e-mail address, where he is registered under his real name. Analysis of the person's work PC shows that he has access to a lot of the leaked information about the contracts.

This is a realistic scenario, and for Ericsson it means:

- The customer's faith in Ericsson is put at risk.
- Prices and discounts are revealed to potential Ericsson customers.
- Other customers lose faith in how Ericsson handles information.
- Confidence in Ericsson is lost on the stock market.

Ericsson has developed a WCDMA base station that marks the start of a **completely new product family**. The design of the new base station splits it into a main unit and up to three radio units, which are placed on the masts near the antennas.



Mobilcom in Austria is the first operator in the world to install Ericsson's new RBS 3402 WCDMA base station in its network. The new base station makes it easier for a customer to quickly provide mobile coverage in, for example, an urban environment.

New base station splits for new gains

The new RBS 3402 base station is now operating in the leading Austrian operator Mobilcom's network in Austria. But while Mobilcom may be the first operator with a live base station, there has also been great interest shown from other parts of Europe and in Asia.

The greatest advantage of the new concept is that operators can find sites for base stations faster. The customer can place the Main Unit (MU) in the most suitable location and then link the Radio Remote Units (RRUs) to the MU via optic fiber, thus allowing them to be spread out as needed.

Typical locations where rapid coverage is possible are highways or, as in Austria, city blocks where masts with RRUs are placed on roof corners.

Ken Walther, project manager for the RBS 3402 at

Ericsson's development office in Beijing, China, says there are also other benefits.

"The substantial power losses that normally occur between the base station and the antenna are eliminated, since the RRUs are located on the mast, only slightly more than one meter from the antenna. The distance between the MU and an RRU may be up to 1.5 km, and in the first version, the MU can be connected to three RRUs," Walther says.

The MU is an indoor unit that is significantly smaller than earlier base stations and, in fact, smaller than each of the remote units. It contains control and baseband signal processing, while the RRU, which is an outdoor unit, contains the RF-related functions.

Mikael Wahlén, who is project manager for development of WCDMA base stations, says the new base

station has undergone unusually rigorous testing.

"Because their placement makes them so inaccessible for service, we have made it a high priority they should continue to function under the most extreme weather conditions," Wahlén explains.

The Chinese market has provided the impetus for production of the base station, which was largely developed by the R&D unit in Beijing. This unit was responsible for hardware development, as well as node verification and the industrialization phase.

This is also the first WCDMA base station that was developed outside Sweden, but all work was conducted in close collaboration with the Swedish units in Kista, Kumla and Gothenburg, which were responsible for system design and software development.

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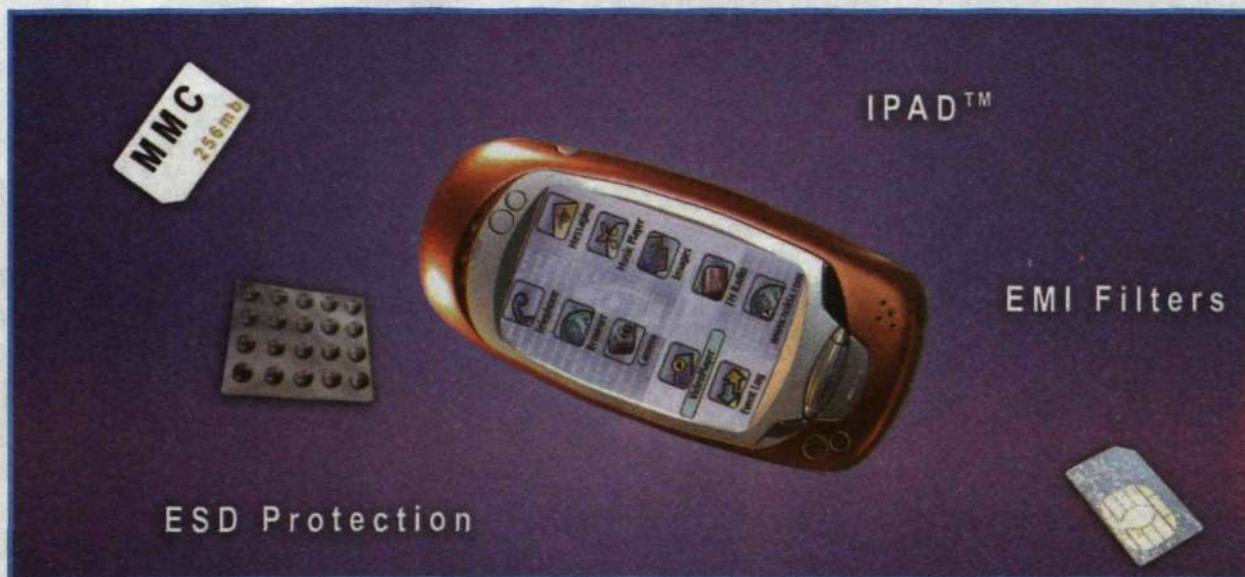
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Helping lead the way

Friendship and respect the keys to business

Welcome to **Sudan, Algeria and Tunisia:** three countries where history has a major influence on everyday life. The most important aspect of business relationships in this region is that you show each other friendship, honesty and respect.

Contact continues its series of articles about what it is like to work in a different country.

When Kevin Murphy moved to Sudan two years ago, he faced a major challenge: living and working in a new country. He was the first Ericsson representative based there and had to build up a functioning company, establish contacts with clients and recruit employees.

"There aren't too many places in the world where we have to build up a company from scratch. It has been tough, but I'd be happy to do it again," he says.

Murphy expects Ericsson's operation in Sudan to comprise 20 people, in a totally self-driven unit, by the end of the year.

"Ninety-five percent of business here is based on

personal relationships. To succeed, you have to establish a relationship with your customers based on friendship, honesty, respect and performance. You also need to have an understanding of the country's culture," he says.

Sudan is a large country with widespread poverty. Literacy levels are low. War and uncertainty are a part of everyday existence.

"The infrastructure is bad. There are few roads, few restaurants and great poverty. But the people here are great. They are humble, show respect and have a genuine interest in other people. They make it easy to live here," Murphy says.

The Sudanese market is a special one. Major oil discoveries have helped the economy grow strongly in recent years leading to big business opportunities for Ericsson.

"Two years ago, there were about 140,000 subscribers active on our customer's network. Now there are close to a million, and that figure is expected to double next year," Murphy says.

On a private level, it took a while for Murphy to connect with the expatriate community. Many expatriates in Sudan are diplomats and have an established social network. Nowadays, Murphy and his family often get together with their new friends, usually over dinner at someone's home.

"The capital Khartoum has few restaurants that live up to European hygiene standards and, as alcohol is forbidden, there are no bars at all. There is only minimal access to groceries of a western quality and limited fresh fruit and vegetables. Khartoum has more than 6 million inhabitants but only a few, small food shops that expatriates will shop in. One new supermarket has recently opened, but it mainly stocks Turkish goods," Murphy says of the practicalities of life.

"To make it here, you should have a sense of humor and be social. You can't be frightened of getting to grips with things, because there is nobody else to do that for you."

The troubles in the country do not scare him.

Tommy Comstedt, who works for Ericsson in Algeria, is likewise not afraid for his or his family's safety.



Kevin Murphy



Tommy Comstedt

Algeria has a troubled history of terror and attacks against foreigners, especially during the 1990s. These days, the government says that terrorism is no longer a problem and prefers to speak in terms of criminal activity when something happens.

In previous years, the high security risk to foreigners meant Ericsson employees were not allowed to take their families to Algeria. People were forbidden from driving their own cars and had to use local drivers. The restrictions, however, were eased in January this year to allow families to live in-country, and those with contracts of more than 12 months to drive themselves. Despite this, it is still difficult to recruit staff to the country.

"Algeria has a really bad reputation. People say it is dangerous, but you have to use your common sense, and give going up into the mountains or out into the countryside a miss," Comstedt says.

Comstedt left Sweden 25 years ago and has worked in 15 different countries around the world. He moved from New Delhi in India in February, choosing Algeria from several other African countries.

"I chose Algeria. My home is in the south of France so I have never actually lived as close to home as I do now. The capital Algiers is a pleasant city. It is a fairly open and permissive climate. You see women on the street in everything from the latest fashion to full-length coverings," he says.

A large part of Algeria is desert, but the landscape is varied: there are winter sports in the north and the Sahara in the south. Oil is the largest source of income. The country was a French colony until it became independent in 1962.

"There is so much to see: many historical sites and archaeological excavations from the Roman times," Comstedt says.

Ericsson has been a fixed-network supplier to the government-owned telecom operator Algérie Telecom for 30 years. The subsidiary Algérie Telecom Mobile, also known as Mobilis, was created last year and won one of three licenses for mobile telephony, the other two going to Orascom and Wataniya.

Ericsson is by far the biggest supplier to Mobilis and also supplies to Wataniya.

"We have a large share of the market, but have to battle with many other global companies that are represented here," Comstedt explains.

To the north-east is the border with Tunisia, a much smaller country. As in Sudan, personal relationships are vital when it comes to doing business in the country.

Moncef Mettiji, key account manager for Tunisie Telecom in Tunisia, says: "I invite customers to my home for dinner so that our wives can meet each other. My wife could speak only English at the beginning, which made it difficult for her to make contact with other people. Now she speaks almost perfect French and we have a busy social life. I am from Tunisia originally, which probably makes it easier."

About 60 percent of Tunisians speak Arabic and 40 percent French, but most business discussions are conducted in French.

"It is difficult to do business in Tunisia, but so far we have succeeded," Mettiji says. "It is important to be proficient in the language of the country; it makes it easier to have contact with people."

Mettiji returned to his home country, after several years abroad, slightly more than four years ago. The initial plan was that he and his family would live there for one year, but they enjoyed it so much they decided to stay on.

"The food is good, it is relatively cheap, and the weather is excellent. Tunisia is fairly small and you can get everywhere quickly. You have everything you need," he says.

There is a lot to offer for those interested in history and culture. Different festivals are organized in the coastal cities throughout the summer, with guest performers and theater performances in the ancient amphitheaters.

Mettiji feels he received a very friendly welcome from the people of Tunisia and has developed good customer contacts.

"Humble is a good word for the people here. Everyone is considered to be of equal worth, whether rich or poor. They help you to feel welcome and fit into the cultural environment," he says.



Tunisians like to talk, at length. "You bargain because it is fun to bargain, and on top of that, you get a better price," says Moncef Mettiji (pictured right), key account manager for Tunisie Telecom.



facts



TUNISIA
Form of government: republic
Population: 9.7 million (2003)
Capital: Tunis
Languages: Arabic, French
GDP per person: USD 2162



ALGERIA
Form of government: republic
Population: 32.8 million (2003)
Capital: Algiers
Languages: Arabic, French
GDP per person: USD 1677



SUDAN
Form of government: republic
Population: 33.6 million (2003)

Capital: Khartoum
Languages: Arabic and hundreds of native languages
GDP per person: USD 416

update



Carl-Henric Svanberg presented solid third-quarter results, and a new Ericsson tag line, to the media on October 22.

photo: hanna telemat

Results stronger than expected

– analysts focus on orders booked

Ericsson once again exceeded preliminary market expectations and reported an income before tax of SEK 7 billion for the third quarter. Company President and CEO Carl-Henric Svanberg said he was proud to report continued solid performance and also presented the company's new tag line, Ericsson - Taking You Forward, at a press conference.

Income for the third quarter of SEK 7 billion (net result 4.8 billion), although lower than the second quarter, was still SEK 100 million more than market expectations. It was also a considerable jump on the same period last year, when Ericsson reported a net result of SEK -3.9 billion.

Net sales (SEK 31.8 billion) were slightly down from the second quarter, partly because the effect

of catch-up spending this year has tapered off. But net sales were still higher, at nearly SEK 4 billion, than the third quarter 2003.

"We're proud of the result we are reporting. It's pleasing to be able to maintain high growth," Svanberg said at the release of the figures on October 22.

However, several analysts reacted negatively to the figures reported for orders booked of SEK 29 billion. The figure was higher than that reported last year, but did not live up to the expectations analysts have had since the second quarter report.

Analyst Martin Nilsson, from Carnegie Investment Bank, said the report was pretty much as expected. "The exception was orders booked, where we expected a higher result," he said.

Svanberg said during the press conference: "Don't read too much into orders booked, they fluctuate over quarters, and we're the only ones in the industry who report this. We have a stable margin and are debt-free."

"It's still a growth industry. We are well-positioned for profitability and growth, but we will continue our cost-efficiency focus," he said.

The release of the report also provided an opportunity for Ericsson to unveil its new brand platform and tag line, Ericsson - Taking You Forward, to media and analysts. "It sends a strong signal that Ericsson is working in close partnerships with customers to secure their business going forward," Svanberg said.

DEBBY ELOVSSON
debby.elovsson@journalistgruppen.se

Royal witness to world premier



HRH Crown Princess Victoria of Sweden was in Budapest and witnessed the seamless handover demonstration with Bert Lundborg, Swedish ambassador in Hungary. photo: janos szamosi

Ericsson Hungary has demonstrated an IP-based multi-access system which links UMTS (3G), EDGE (Enhanced Data for GSM Evolution) and **ericsson** WLAN (Wireless Local Area Network). A mobile node received live streaming video while at the same time performing seamless communication with the two other accesses.

HRH Crown Princess Victoria of Sweden, who was on an official visit to Hungary on October 18 and 19, took the opportunity to visit the conference and witness the historic demonstration.

The live pictures were broadcast from a room at Ericsson in Budapest that was temporarily used as a day-care center for the children of Ericsson employees. The conference wrapped up with Victoria receiving an album of drawings of her by the children. •

US merger officially approved

The merger that will create the largest wireless carrier in the US has received official approval. The U.S Department of Justice and the Federal Communications Commission were among the regulatory authorities to give the go-ahead to the deal between American operators Cingular Wireless and AT&T Wireless. The new company will have the largest digital voice and data network in the country, with more than 46 million customers. Angel Ruiz, head of market area North America, feels relieved the deal has been approved, even if it is too early to say what it will mean for Ericsson.

"Ericsson is very well positioned with Cingular," Ruiz says. "And if we continue to act professionally towards our customers and deliver what we promise, on time, this partnership will be extremely successful and beneficial for both Cingular and Ericsson." •

Enterprise makes UK breakthrough

Enterprise has had a major breakthrough in the UK, winning a three-year contract with operator Global Crossing. The deal, worth more than USD 14 million, is the first since the internal restructuring and followed four months of intense negotiations. Under the agreement, Ericsson will upgrade Global Crossing's telephony estate of 231 MD110 systems with software release BC12. This will provide about 66,000 end users with a platform capable of supporting IP telephony and other enhanced functionality.

Jonathan Smith, Enterprise KAM for Market Unit North West Europe, says: "By working with Global Crossing, we have already established a list of further potential customers, which we will push to win together. And working with the KAMs in the MU, we are hoping to win other business similar to Global Crossing's." •



Jonathan Smith.

MMS is gaining ground in the Caribbean

Ericsson has been awarded an MMS contract by Verizon Dominicana, in the Dominican Republic, serving 1 million mobile subscribers.

ericsson Robert Rudin, key account manager for Ericsson Dominicana, says the contract represents a breakthrough with Verizon in the Dominican Republic.

"The reason why Verizon chose Ericsson as a partner was our good track record with our MMS solution for Verizon in the US and our local presence in the respective markets. This is also the first contract with the operator, which has a nationwide CDMA2000 1X network."

At the same time Ericsson has helped Orange to bring MMS services to an additional 1.4 million Caribbeans. In September, Orange launched



Important MMS-contract in the Caribbean.

its MMS services according to plan in seven Caribbean islands, and contracted Ericsson to supply a single MMS platform to serve all of these markets. •

Credit and debt ratings upgraded

Standard & Poor's Rating Services raised its rating of Ericsson from BB to BB+, following the third-quarter results. The rating is based on long-term corporate credit and senior unsecured debt.

ericsson In a press release, Leandro de Torres Zabala, Standard & Poor's credit analyst, said: "The upgrade reflects Standard & Poor's view that the wireless

telecom equipment market is set to continue growing in 2005, although this is likely to be at a more modest pace than in 2004, under continued expansion of mobile communications worldwide."

The upgrade also reflects Ericsson's position in growth areas of the telecom equipment industry, and guidance on sustainable operating margins in the high teens. •

We apologize

An unfortunate error appeared in Update in Contact's issue 10. The notice "New Zealand gets satellite broadband" stated that Ericsson Satellite System had signed a five-year agreement to supply satellite-broadband equipment and services to provider Bay-City New Zealand.

It was the colleagues within ANZA in New Zealand who signed the contract with BayCity. We apologize for this. •

JENZ NILSSON, EDITOR FOR UPDATE.

Chiff takes demos on the road

Live demonstrations are one of the best ways to win a customer's confidence. Chiff Welander, project manager at Ericsson Demos & Events, is constantly on the road setting up demo equipment.

Chiff Welander has returned from Turkey overnight and this morning has to go to a quarterly meeting with son Max's teachers. He should be tired and a little preoccupied, but he speaks enthusiastically about his work as a project manager for demonstrations and customer activities.

He belongs to a group within Demos & Events that organizes demonstrations at various events, including trade fairs and tailored events for specific customers. He works mostly with a presentation called Telecom Incubator, directed towards and adapted for specific customers.

"The business units decide which markets are strategically important for us to visit," Welander says. "The content of every presentation promotes the business units as well as the actual market unit that knows the local customers best."

Ericsson can demonstrate its wireline, GSM, GPRS, EDGE and WCDMA solutions at each presentation. CDMA has also been included at a couple of events and Welander says the team is working on including CDMA as a permanent part of the presentation.

"Being able to take all of this to the customers and show our applications live over all the different standards is fantastic strength for Ericsson," he says.

The demonstration requires access to a 64-ampere, 380-volt, three-phase electricity network, as well as ISDN or E1 access and a virtual private network over the internet. An internet connection is also required to give control over the nodes based in Stockholm.

"We also need permission to use the spectrum for the mobile systems. We take only the radio network along; the core network is at the Ericsson Experience Center in Kista, Sweden."

Welander points out that it is important for customers to see the entire system working with their own eyes. They want to see applications that are



Everything has to work when the customers are there. Chiff Welander, project manager with Ericsson Demos & Events, describes his job as stressful and exciting.

working today, and that are interesting for their own customers, the end users.

When the Incubator studio is full, the trick is keeping everything going. If a problem arises, the team has to find a solution on the fly. It is especially important that the project manager keeps a cool head; that helps the rest of the team keep control as well. Welander has worked out his procedures during his five years as project manager.

"I have been involved in 50 or 60 different customer events, so I don't get quite as many butterflies these days. But it is still fun. I expect to still be doing this in five more years, in one form or another. It feels fantastic to work together with all our

facts: chiff welander

Age: 35
Family: Partner Britta and children Maja, 8, Max, 6, and Elliott, 1
Lives: In Sigtuna
Background: Unix and network technician
Interests: Wakeboarding, rock-climbing, flying (has pilot's license) and family

colleagues at the market units and hopefully contribute to new business and greater success for Ericsson," he says. •