**ICT has become our economy’s central nervous system. Internet and fixed and mobile telephony have become a basic requirement of modern life, and for millions of people social media such as Facebook and Twitter are now a perfectly normal and accepted means of communication. Consumers are becoming increasingly demanding; they want products and services of the best quality for the best price. They expect personal service and a reliable, secure and fault-free network. The challenges are considerable, particularly in economically tough times, that are also affecting the telecom and ICT sector. The economies of the Netherlands, Germany and Belgium, the countries in which KPN operates, are relatively strong. But even here the number of bankruptcies, redundancies and unemployed people is rising. Bankruptcies lead to a contraction of the business telecom market; companies disappear or delay their investments. Growing unemployment and a decrease in purchasing power and consumer confidence influence expenditure. For instance, more and more consumers are opting for a single fixed connection (with a cable or telecom company). Competition and declining revenues are encouraging telecom and other companies to operate more efficiently. Specific activities are being outsourced to specialist companies domestically or abroad that can do the work more cheaply without any loss of quality.

Market dynamics are changing as mobile providers enter the fixed consumer market and they and cable service providers increase their focus on the business market.**
From 3G to 4G
The unrelenting growth of smartphone and tablet use and associated new forms of communication, both free and paid, are pushing mobile data traffic to new heights. That places high demands on the quality and security of the mobile infrastructure. The transition from a 3G to a 4G LTE network will change the mobile market radically: 4G LTE will level the playing field between mobile and fixed internet in terms of speed. The impact of this modernization is hard to estimate, but will offer big opportunities for all parties involved. Among other things, it could simplify and accelerate the implementation of The New Way of Living & Working and innovations in the healthcare sector. In the field of fixed telephony, optimal utilization of the copper network and the rollout of fiber are on-going.

Dutch and European legislation affect the developments in the telecom and ICT market, especially with regard to pricing policies. Telecom companies are being forced to lower their mobile termination rates (MTR) and roaming tariffs. In addition, an increasing number of strict rules are meant to create a level playing field for new entrants and incumbents alike. Similar rules for cable service providers are virtually non-existent. This situation has changed the balance of power in favor of the latter.

CSR
The New Way of Living & Working, which facilitates working irrespective of time and place, has gained a firm foothold in society. Now that the facilities are becoming more widely available and quality continues to improve, the next challenge is to solve intangible issues such as striking an appropriate work-life balance.

A relative scarcity of raw materials such as iron and copper and social concerns about “conflict minerals”, such as tin and coltan, are encouraging the telecom sector to conduct a more environmentally aware procurement and processing policy. Lease propositions, recycling of obsolete peripherals and other equipment, and the quest for alternative materials are therefore becoming more important.

While the growth in data traffic is pushing up energy consumption, our aim is nevertheless to reduce our total energy consumption and CO₂ emissions. For several years, the rise in energy prices has made the trend towards more sustainable energy consumption apparent. But growing environmental awareness is a contributory factor as well: more and more consumers are generating their own renewable energy. The sustainability trend among businesses and consumers is expected to grow in the years ahead.