Service Delivery and Consumer Cloud (Italy)

A Connected Life Market Watch Perspective

Cisco Internet Business Solutions Group

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Agenda

- Methodology
- Respondent Profiles and Demographics
- Key Findings (Italy)
- Topics
  1. Technology Usage
  2. Buying Behavior
  3. Pricing
  4. Service Provider Wi-Fi
  5. Consumer Cloud and Connected Life
  6. How To Expand Customer Potential

Methodology

Connected Life Market Watch
Service Delivery and Consumer Cloud (Italy)

Approach

Connected Life Market Watch (CLMW) Program

- Cisco IBSG's recurring primary research program
- Monitors changing consumer behavior to identify key market transitions
- Topics include mobile (2009), video (2008, 2010)
- 2011 focus: Service Delivery & Cloud Experiences

Methodology

- Broadband consumers
- 20-minute online survey, representative sample (500-1,000 respondents/country)
- Multiple segmentations (demographic, tech affinity)
- Italy field work: August 2011

Scope: 2011

Canada

France

Germany

Italy

United Kingdom

United States

Source: Cisco IBSG Connected Life Market Watch, 2011

Respondent Profiles and Demographics

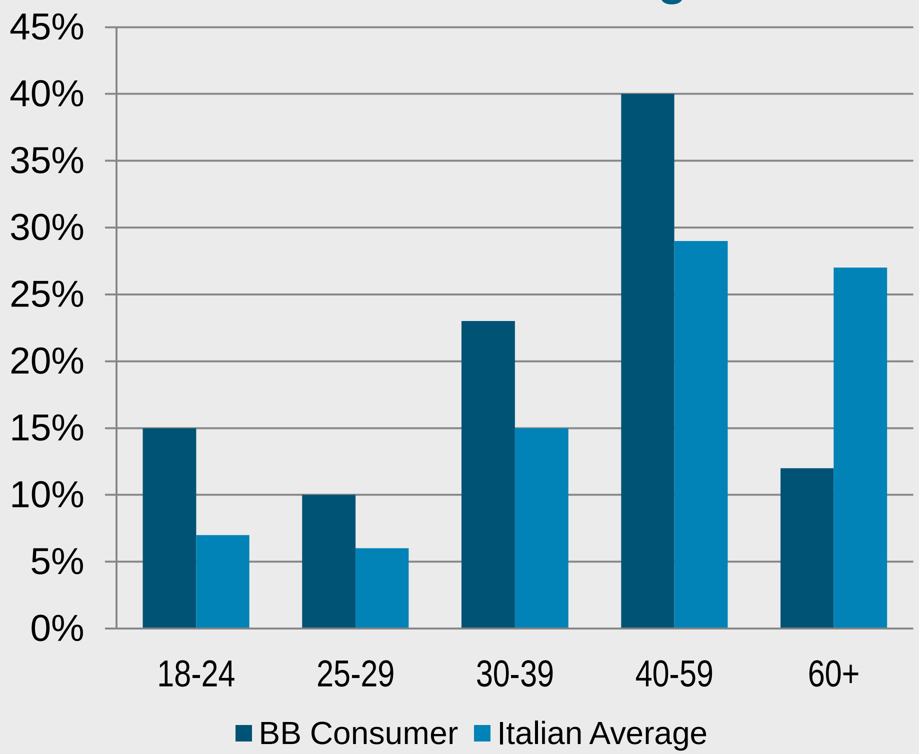
Demographics: Representative of Italian Broadband Population

Younger, Richer, More Employed, Have More Children than Average Italians

Broadband Respondents vs. Italian Average

	Broadband Consumers	Italian Average
Gender: male / female	49% / 51%	49% / 51%
Avg. household income	€37,000	€30,000
Have children in the home	45%	38%
Employed	61%	57%

Broadband Respondents' Ages vs. Italian Average



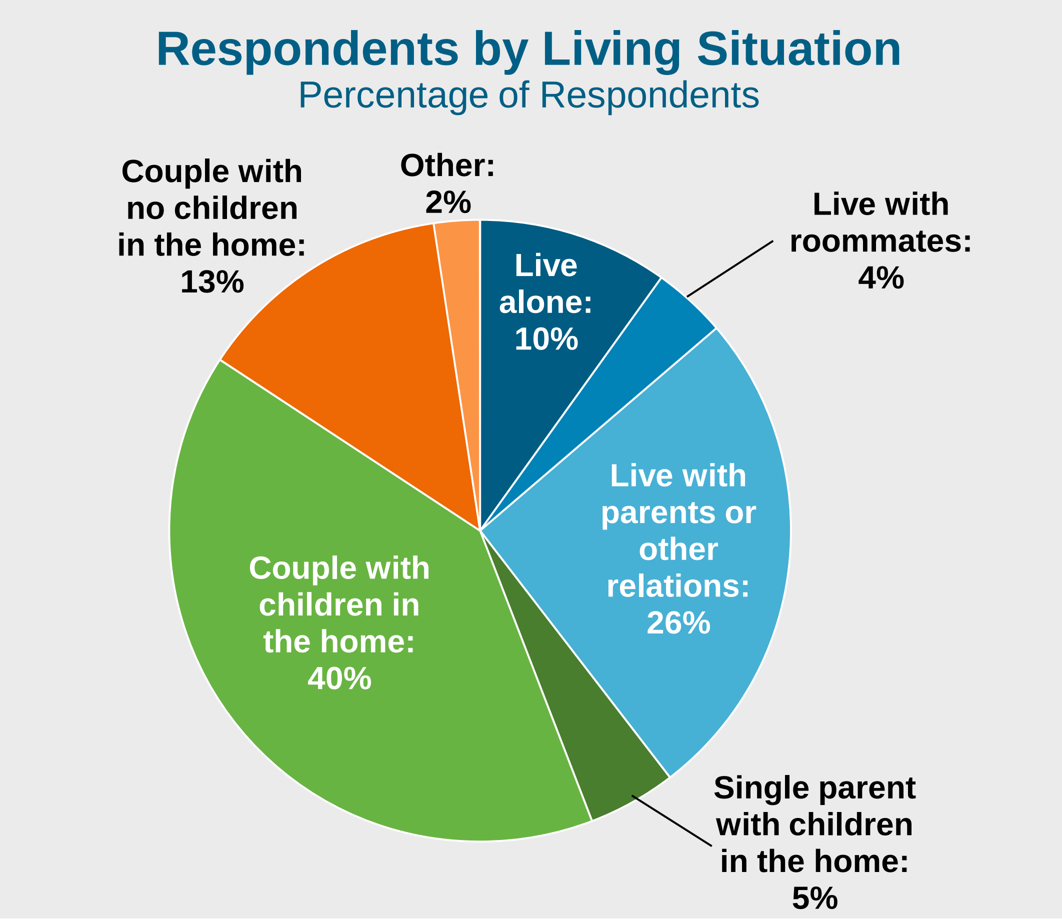
Sources: Cisco IBSG Connected Life Market Watch, 2011; ISTAT, 2011

Base: Italian broadband consumers

Respondents Represent a Variety of Living Situations

Include Single Parents, Roommates, Typical Families

- 45% of respondents have children in the home
- 53% are in a married /couple situation
- Single-person households make up 10% of respondents

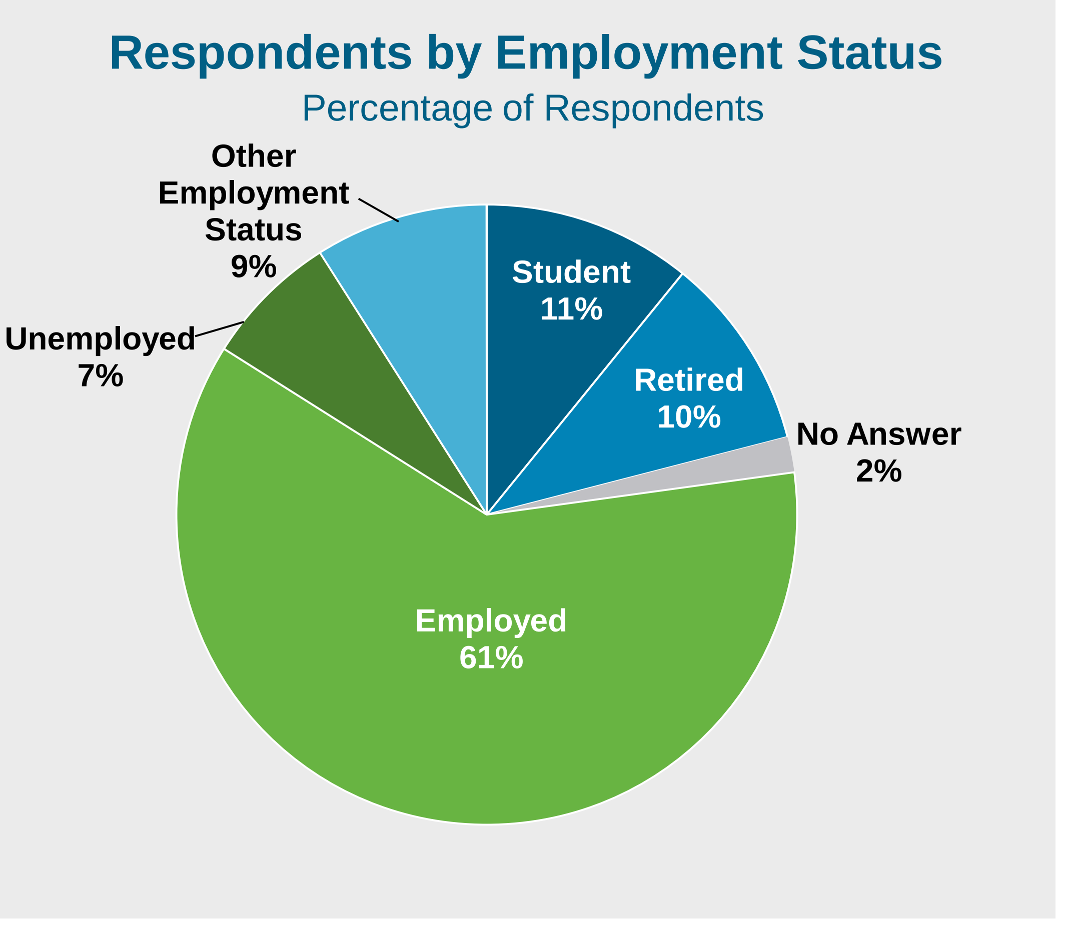


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Respondents Include Working, Nonworking, and Student Populations

- 61% of respondents are currently employed
- 7% are currently unemployed



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Key Findings (Italy)

Key Findings: Italy

Topics	Emerging Findings
Technology Use	• Traditional landline (broadband bundled) is the anchor service • Mobile video is still a “snacking” experience • TV-over-Internet challenges pay TV
Buying Behavior	• SPs have a clear lead in the most important decision criteria • SPs are consumers’ preferred provider for Internet-to-TV
Pricing	• Consumers do not want to move away from flat rates • SP strategies to drive tiered pricing are underwhelming
SP Wi-Fi	• Most mobile data / mobile video activity takes place in fixed locations • Wi-Fi is becoming pervasive among smartphone users; they would like to take better advantage of cheap Wi-Fi service • Users ready to accept compromises on quality and immediacy
Consumer Cloud & Connected Life	• Broadband consumers are interested in cloud enhancements • Experience *bundles* drive purchasing
Expanding Customer Potential	• SPs should target “In Play” consumers • “In Play” segment’s priority buying factors favor the SP channel

Source: Cisco IBSG Connected Life Market Watch, 2011

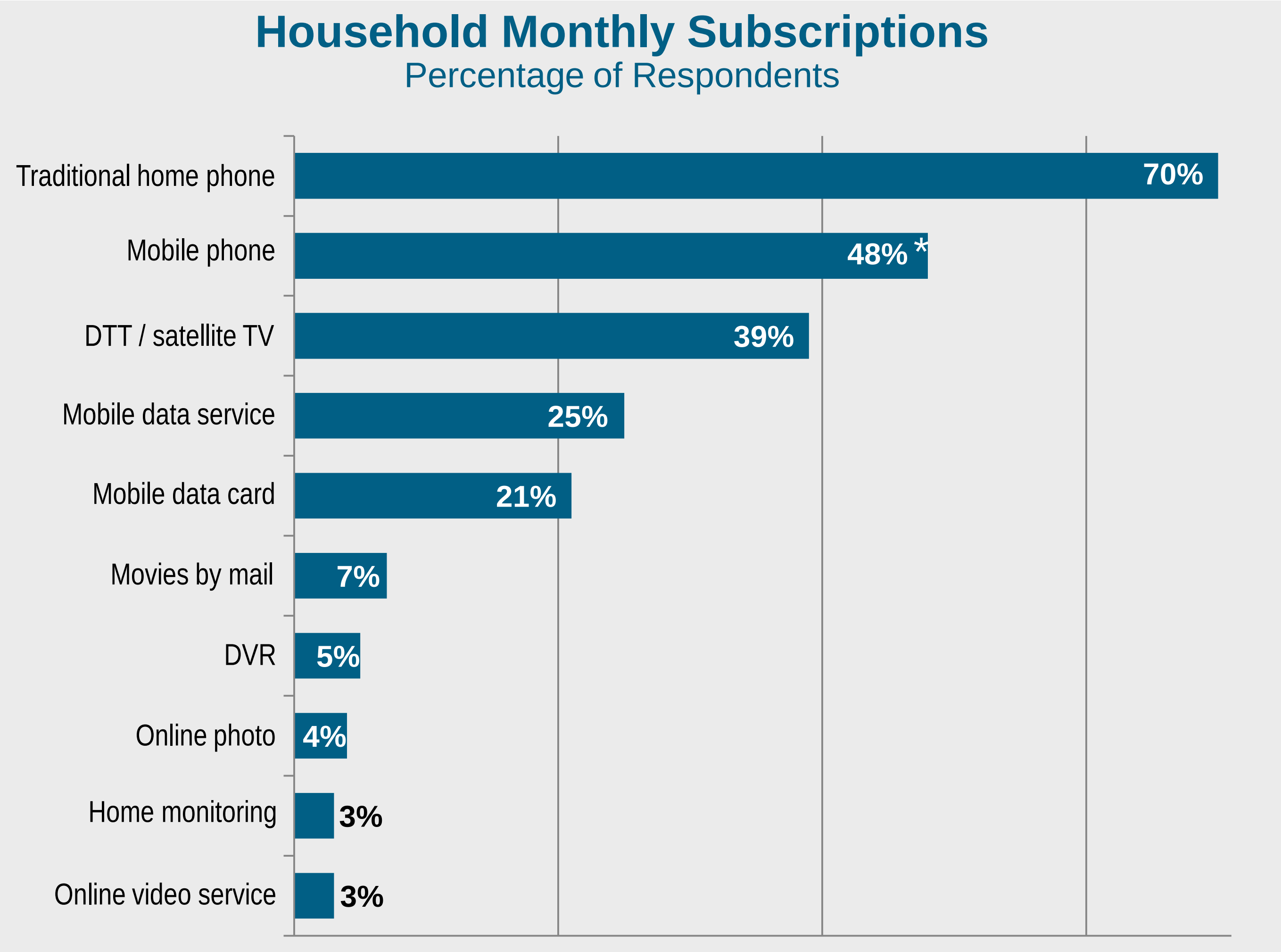
1 Technology Use

Technology Use: Key Takeaways

- Traditional landline is still the anchor service because it is bundled with broadband, the most critical service
- Broadband consumers widely use portable devices: mobile phones are now standard and smartphones have hit the mass market
- Most mobile Internet and mobile video activity takes place in fixed locations, and they have different trends
- Mobile video users are no longer just early adopters; however, mobile video is still a “snacking” experience
- VoIP solutions, mobile replacement, and TV-over-Internet challenge landlines and pay TV, while mobile data suffers from expensive tariff plans

Source: Cisco IBSG Connected Life Market Watch, 2011

Traditional Landline Is Still the Anchor Service



- Mobile data has significant presence
- Online entertainment (video, photo, storage) has limited household adoption to date

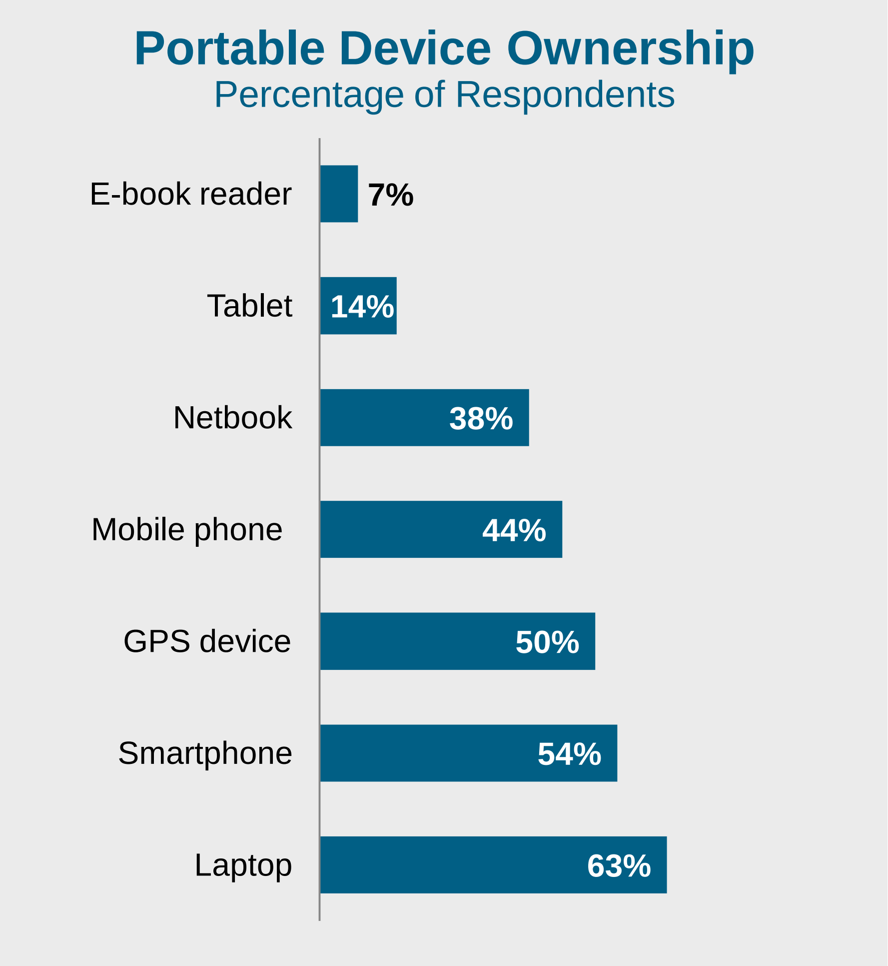
* "Mobile phone" does not include prepaid customers

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Mobility Is a Must: Broadband Consumers Widely Use Portable Devices

- Average broadband consumer owns 2.7 electronic portable devices
- Average early adopter owns 3.9 electronic portable devices
- Device ownership falls as expected across tech segments—more devices for early adopters and early majority, and fewer devices for late majority and laggards



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Sample of 545 BB Consumers Well Represents All Technology Segments

Early Adopters Are Younger, More Likely To Be Male, Currently Employed, and Have Higher Income than Other Respondents

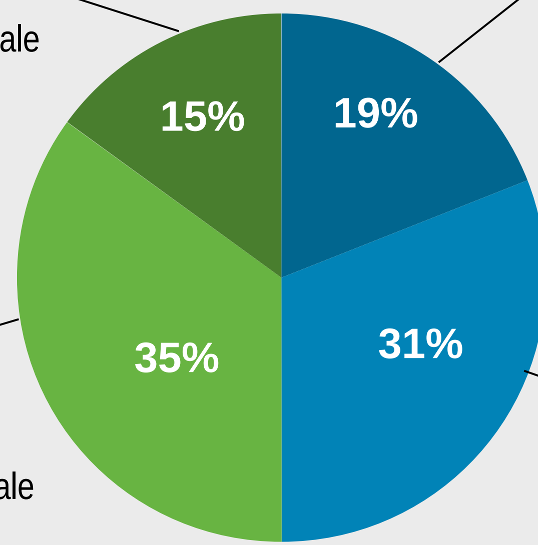
Average Across Base

Age:	41
Male / Female:	49% / 51%
Income:	€37K
Employed:	61%

Consumer Segmentation Based on Technology Profile

Laggard
47 years old (avg.)
39% male / 61% female
€29K HH income
44% employed

Early Adopter
36 years old (avg.)
51% male / 49% female
€45K HH income
74% employed



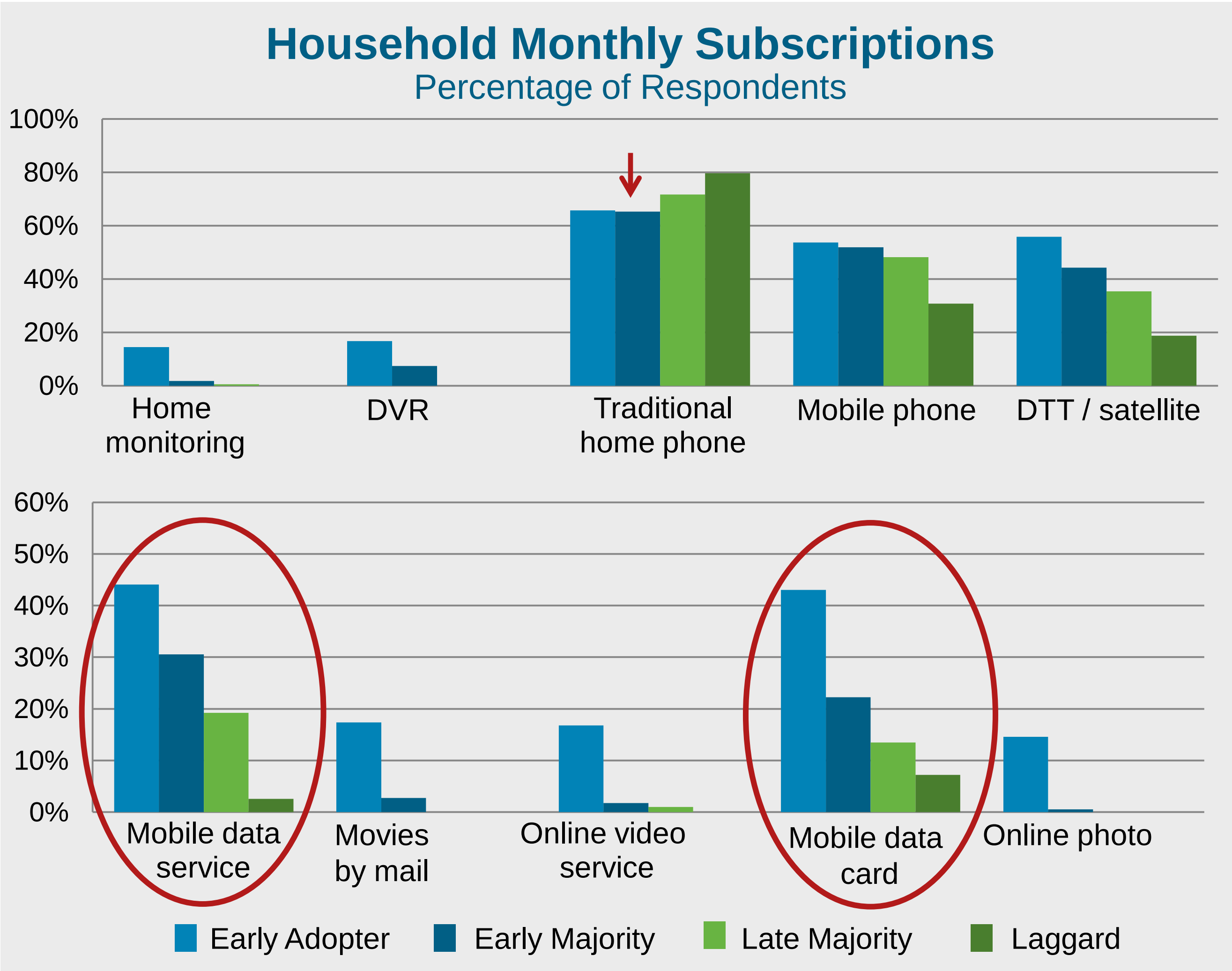
Late Majority
42 years old (avg.)
50% male / 50% female
€33K HH income
56% employed

Early Majority
40 years old (avg.)
51% male / 49% female
€38K HH income
66% employed

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Service Adoption by Segment Provides Insight into Lifecycle Stage

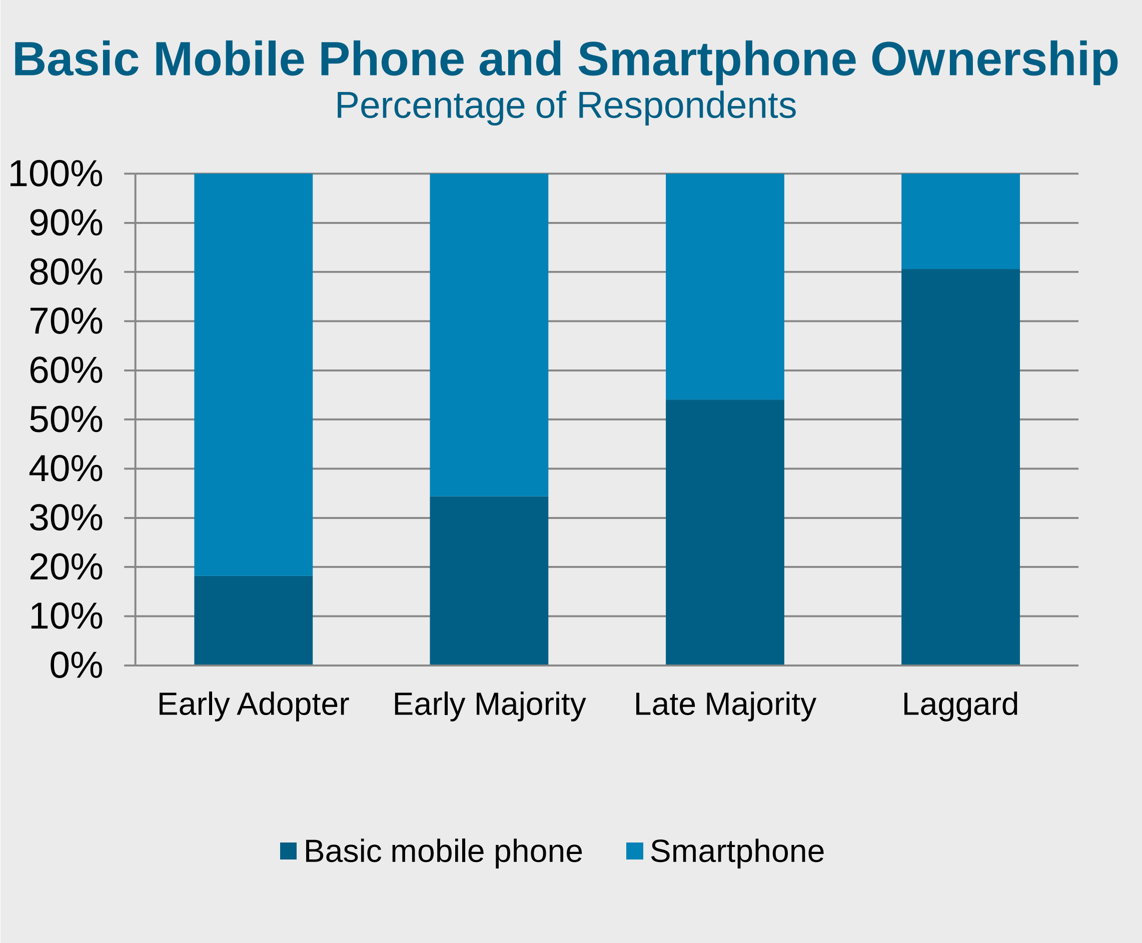


- Traditional home phone shows lower penetration among tech-savvy, indicating it is in decline
- Mobile data card and mobile data services have similar overall adoption rates, while online services are still in early-adopter phase
- DTT and satellite TV are well established

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Mobile Phones Are Now Standard; Smartphones Have Hit the Mass Market

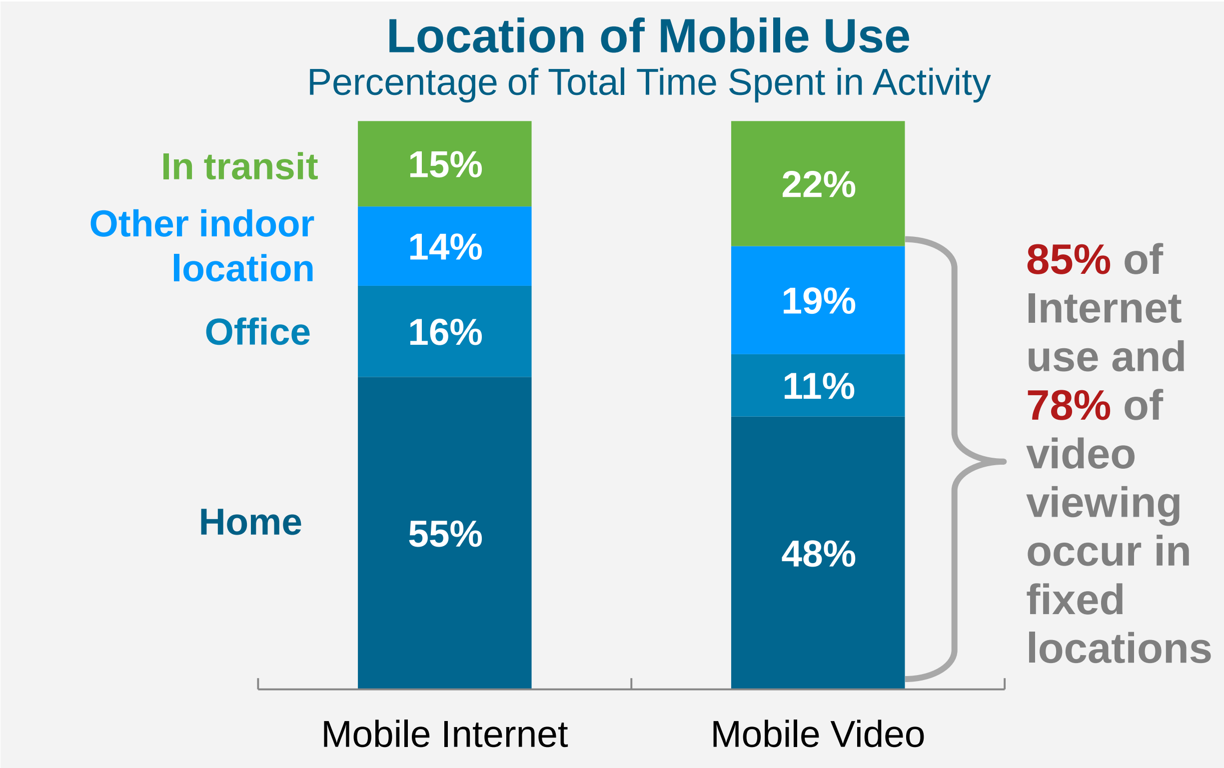


- 100% of broadband consumers own mobile phones
- Smartphones have moved beyond early adopters and early majority; they are starting to penetrate the late-majority segments and laggards
  - 54% of all broadband consumers own smartphones, including 19% of laggard consumers

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Most Mobile Internet & Mobile Video Activity Takes Place in Fixed Locations



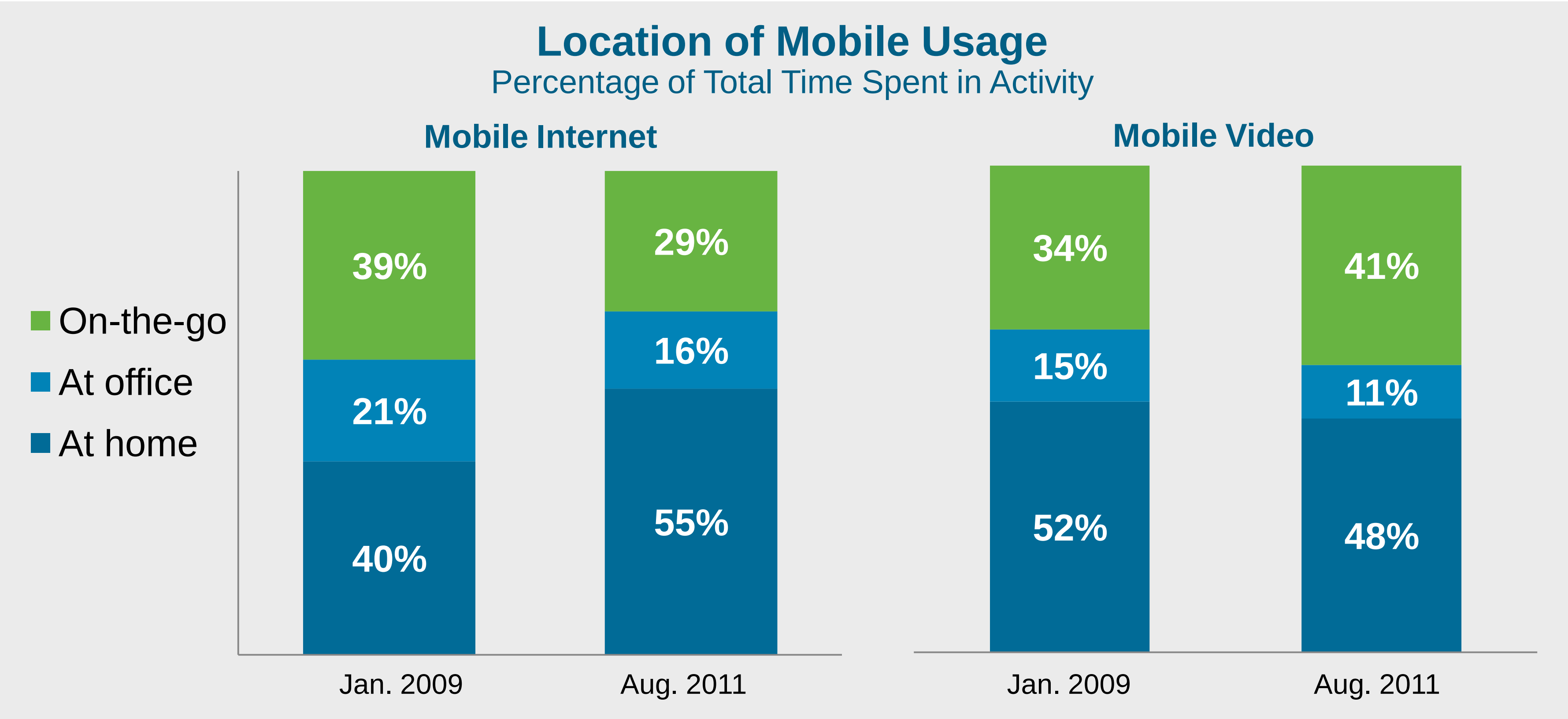
- About 80% of mobile video and mobile Internet use (via mobile device) is not mobile
- This usage takes place when the user is indoors and stationary, and could be supported by small cell solutions (Wi-Fi / femto / pico)

The few laggard consumers using mobile video are more likely to be at home than early adopters, so fixed-location usage could rise as market matures

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Respondents engaged in activity

Mobile Internet & Mobile Video Have Different Trends at Home

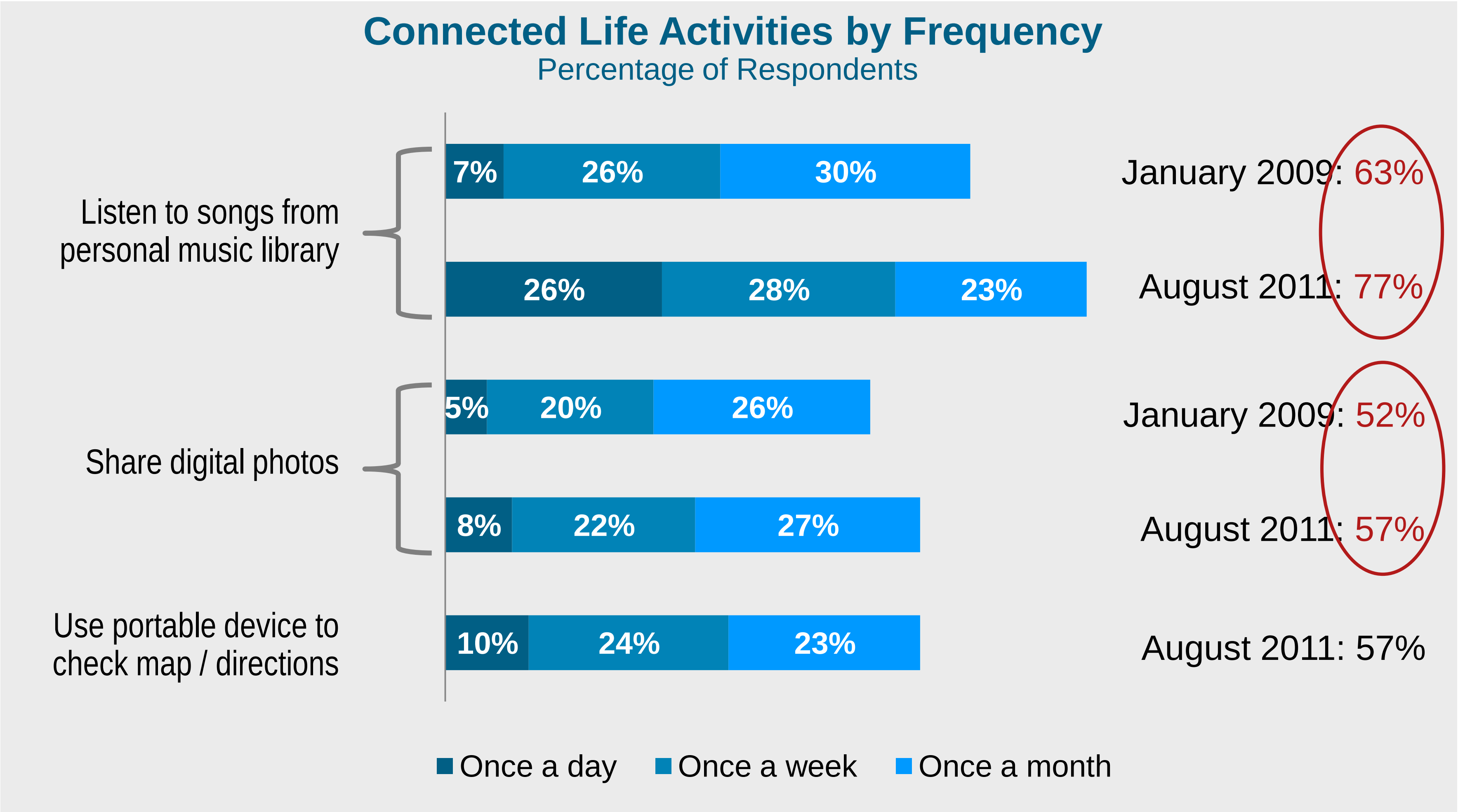


There is a rise in at-home use as percentage of total mobile Internet, while mobile video has decreased since 2009

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Respondents engaged in activity

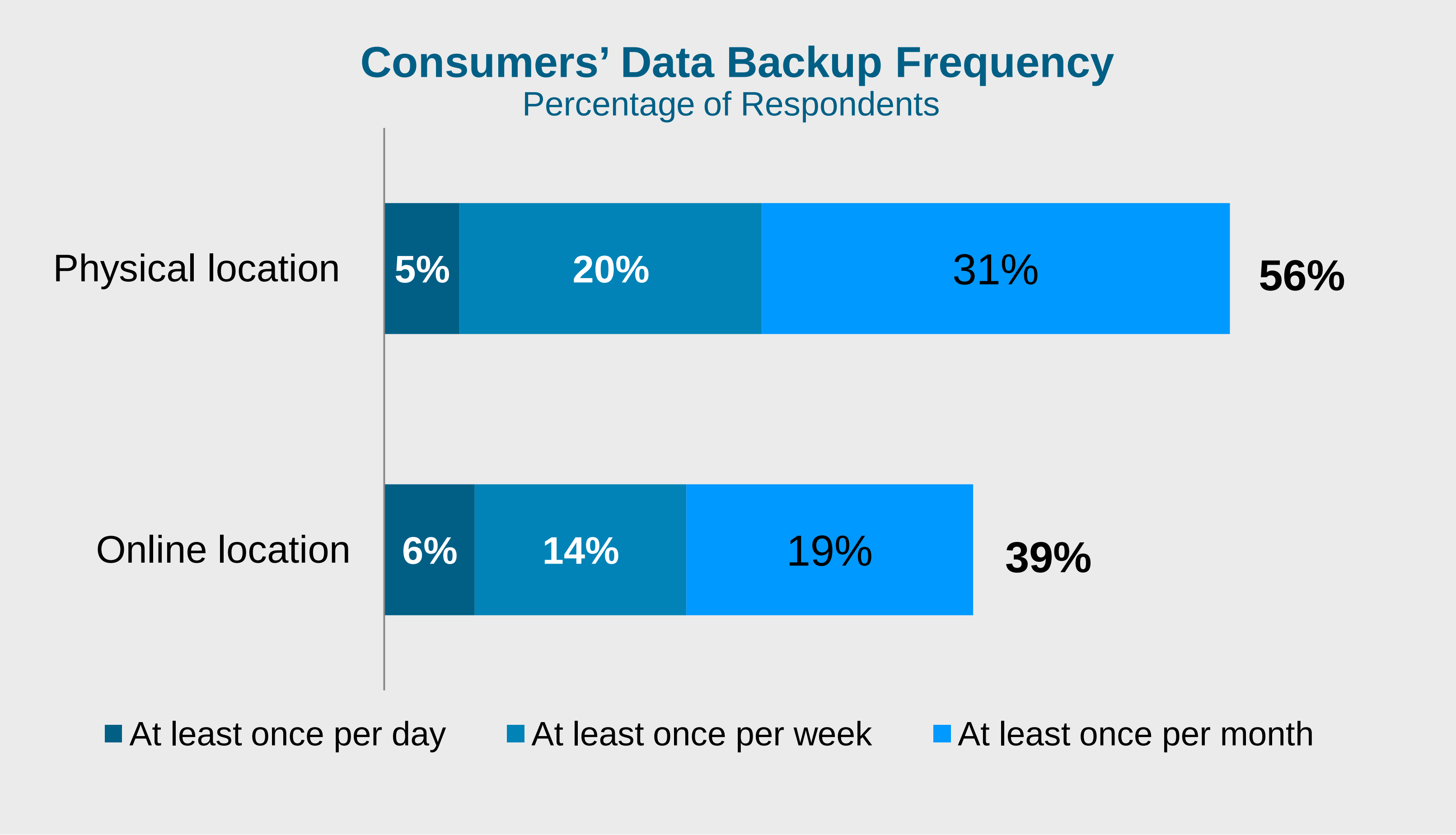
Consumers' Connected Life Activities Increased in 2009-2011



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

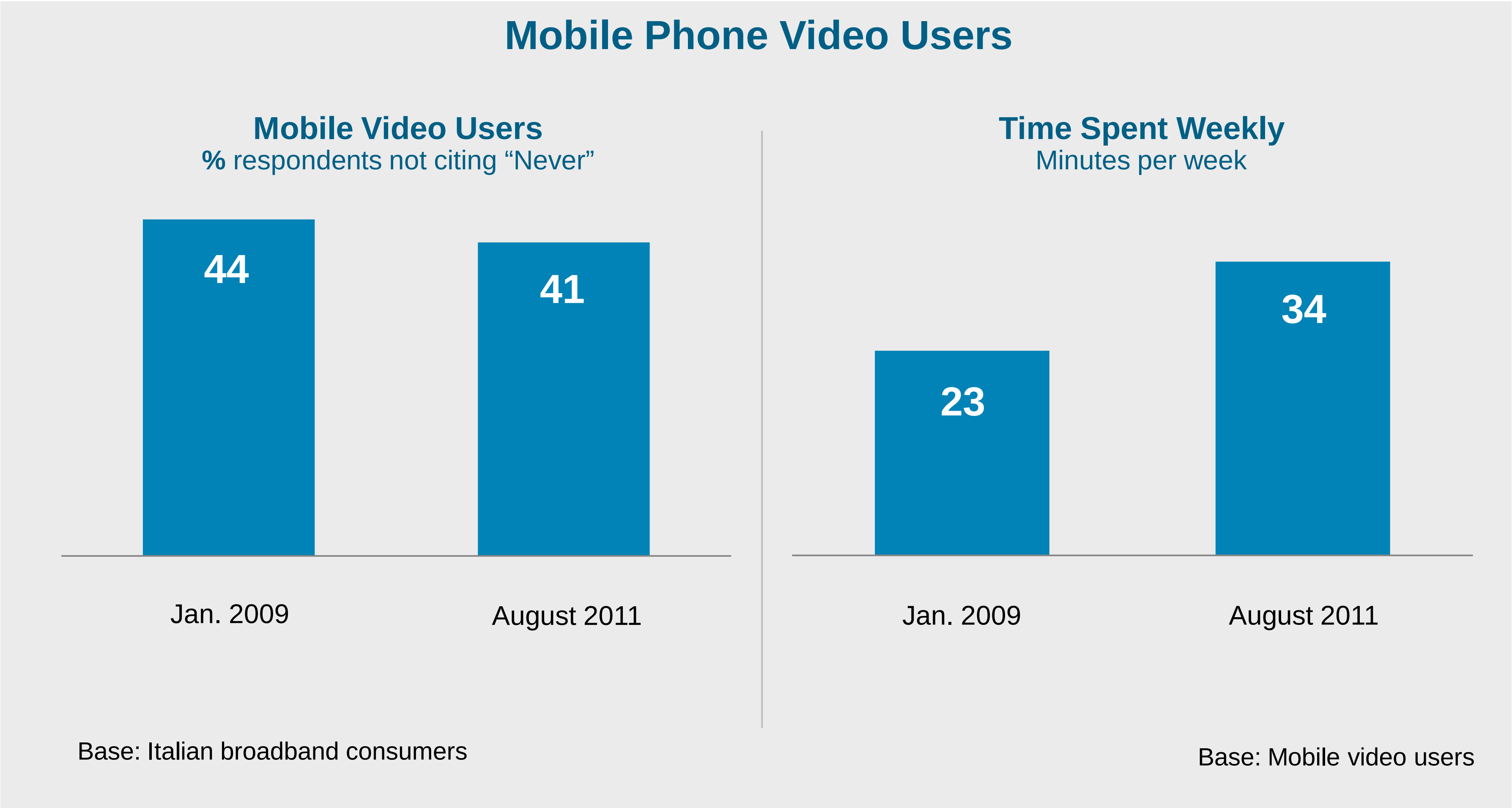
Not All Consumers Have a Diligent Practice for Data Protection



Source: Cisco IBSG Connected Life Market Watch, 2011

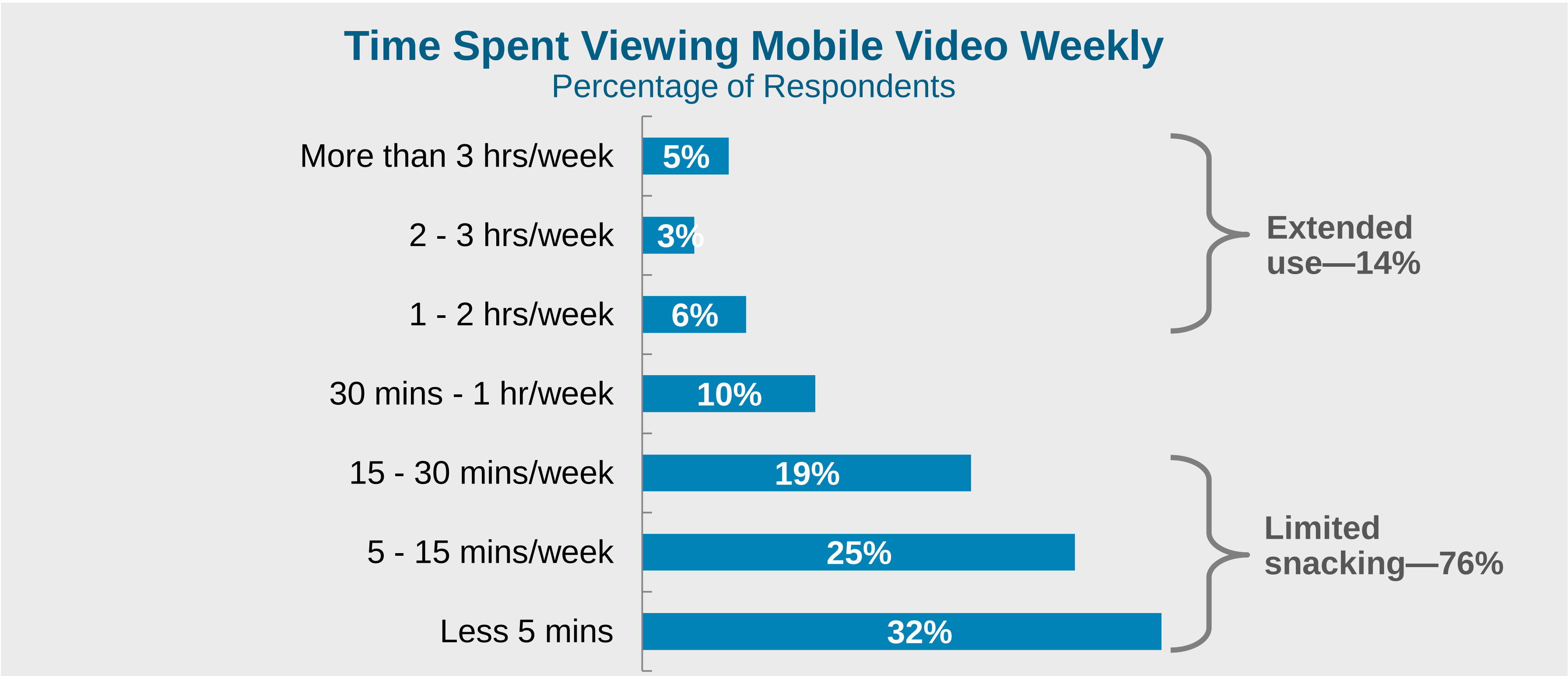
Base: Italian broadband consumers

Mobile Video Users Are Not Just Early Adopters: Usage Is Growing



Source: Cisco IBSG Connected Life Market Watch, 2011

Mobile Video Is Still a “Snacking” Experience



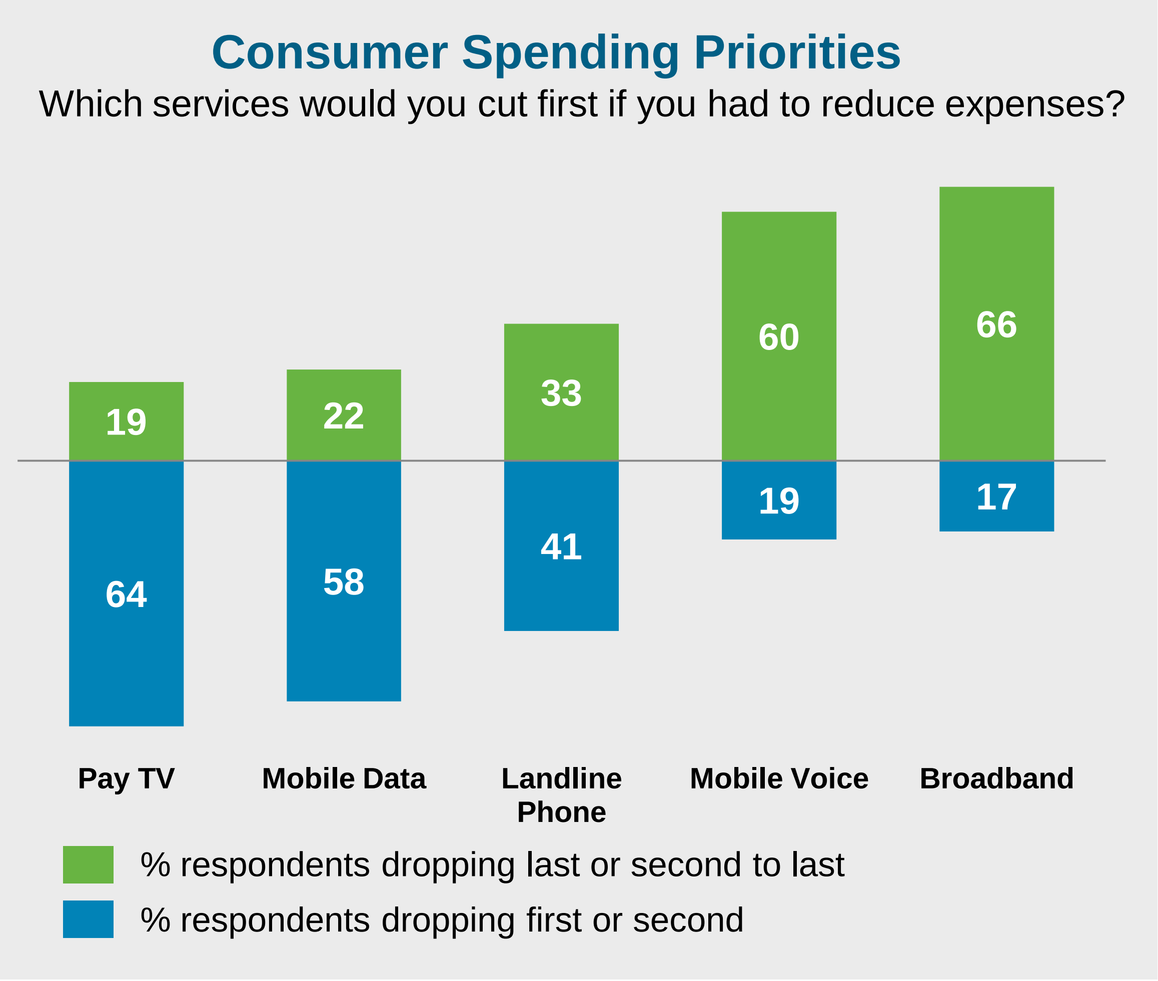
- A rough average is about 34 mins / week among mobile video users
- Only 14% of mobile video users watch more than 1 hour / week on their mobile phones and 59% of broadband consumers never use their mobile phone to watch videos

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian mobile video users

Consumer Spending Priorities: Broadband Is Most Critical

- Broadband and mobile voice are top priorities for broadband consumers in Italy
- VoIP solutions, mobile replacement, and TV-over-Internet challenge landlines and pay TV
- Mobile data suffers from expensive tariff plans and is expendable



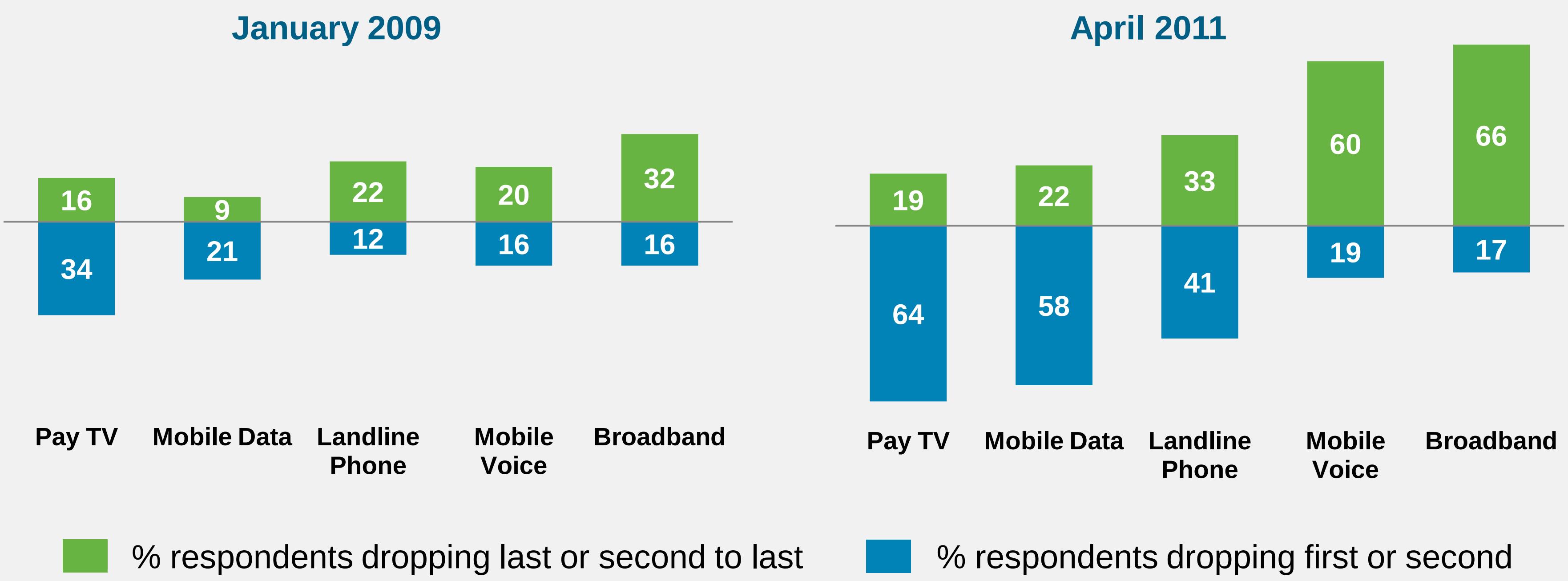
Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Video-over-Internet and VoIP Impact Pay TV and Landline Service

Consumer Spending Priorities Over Time

Which services would you cut first if you had to reduce expenses?



- Everything has increased in importance, most significantly broadband and mobile voice
- Mobile data and pay TV remain least important, and more people would be willing to let them go

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

2

Consumer Buying Behavior

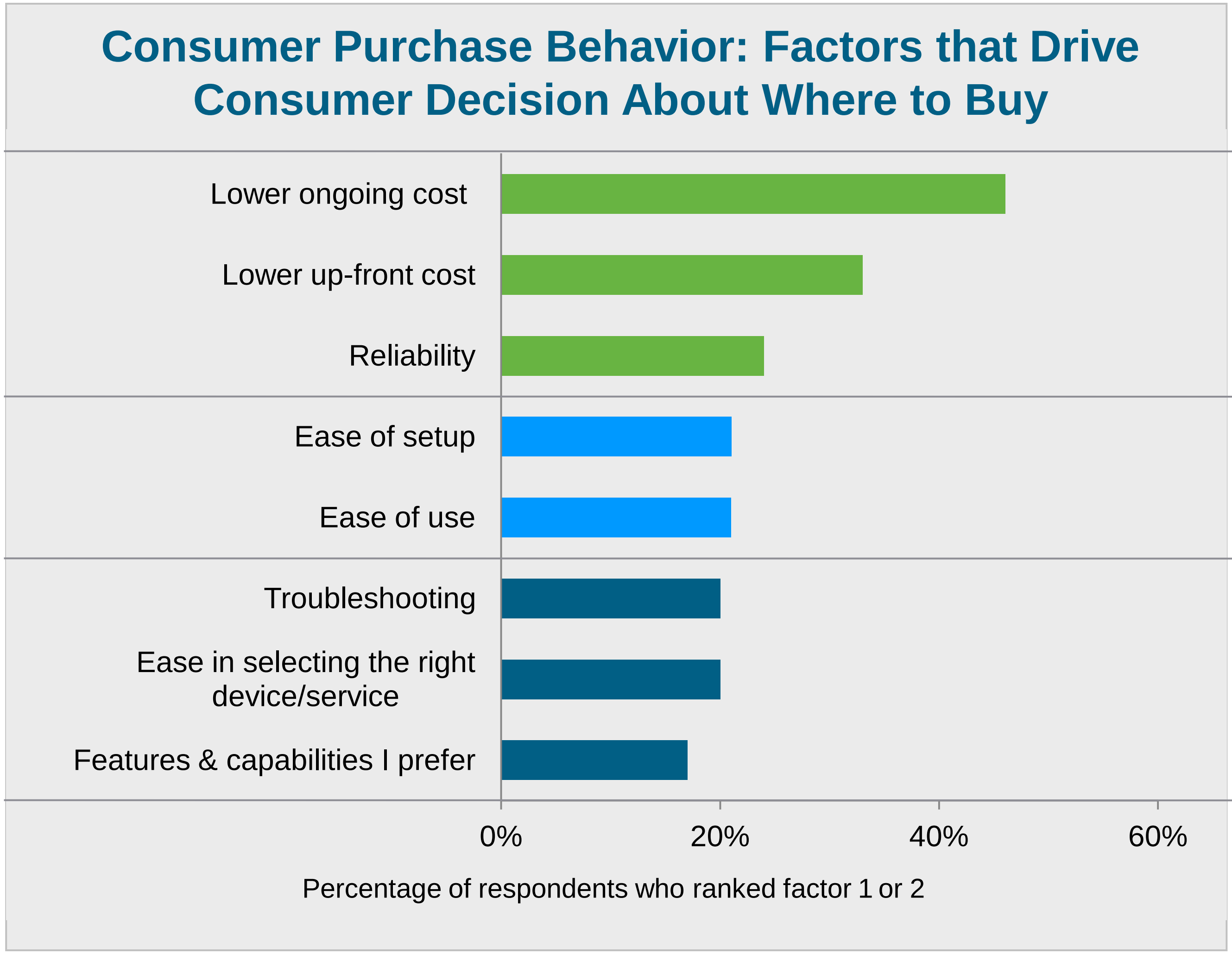
Factors Driving Where To Buy

Buying Behavior: Key Takeaways

- Cost and reliability are the most important factors in where to buy
- Ongoing cost concerns far outweigh concerns about up-front cost
- SPs are consumers' preferred provider for Internet-to-TV solutions
- Channel preference does not strongly influence buying decisions
- Purchase criteria varies somewhat by employment status and age group
- Early adopters have slightly different purchase criteria

Source: Cisco IBSG Connected Life Market Watch, 2011

Cost and Reliability Are the Most Important Factors in *Where To Buy*



Top considerations are cost and reliability

Time-saving factors are an important part of the evaluation

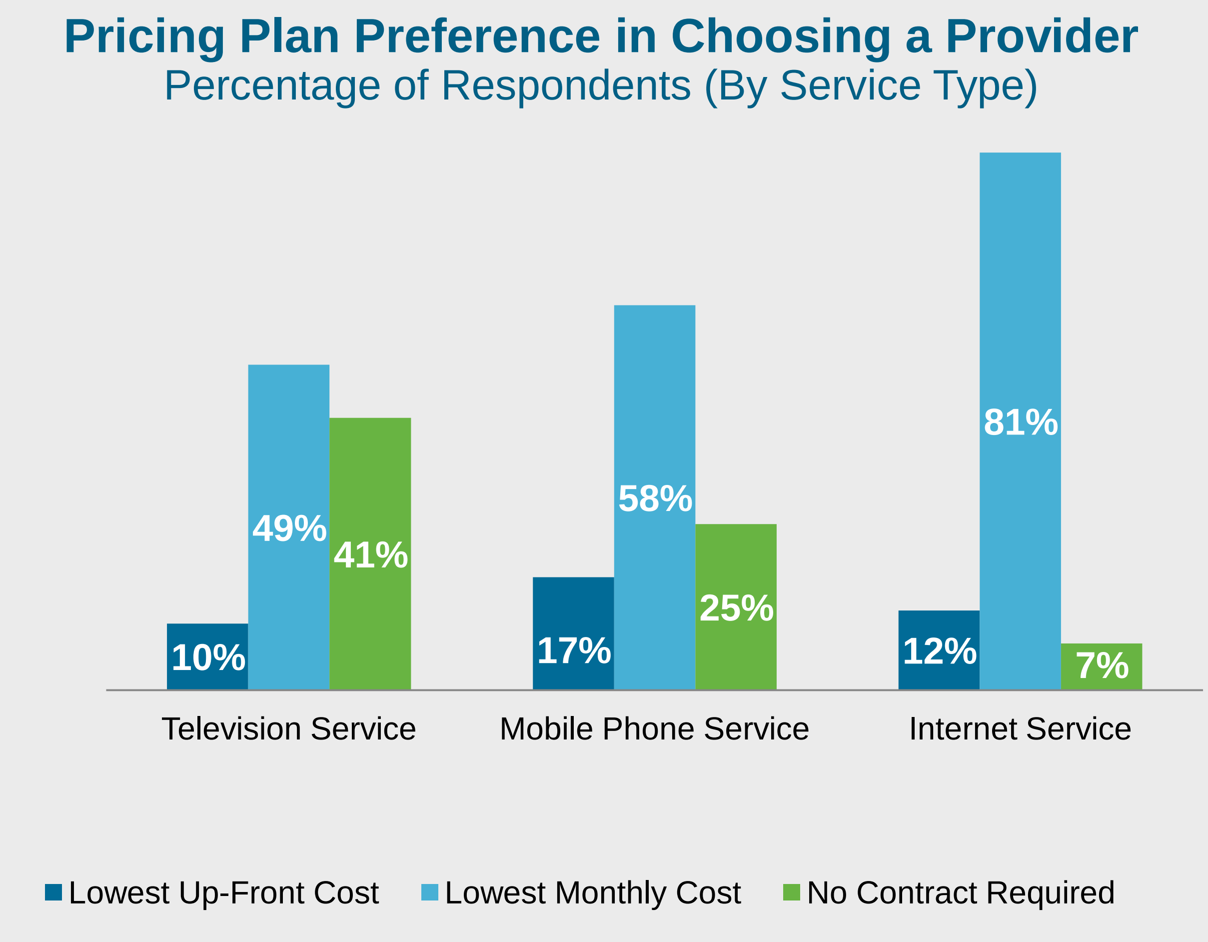
Features, support, and buying guidance do not play a major role in consumers' decision about where to buy

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Ongoing Cost Concerns Far Outweigh Worries About Up-Front Cost

- When pricing factors are isolated, concern about monthly cost **far exceeds** worries about up-front cost in all services
- For mobile services, **contract concerns** are very important



Source: Cisco IBSG Connected Life Market Watch, 2011

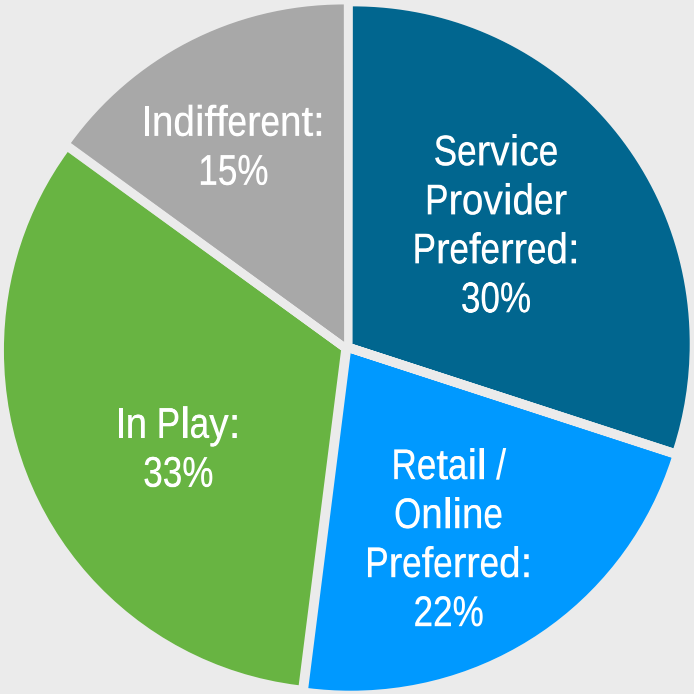
Base: Italian broadband consumers

Consumers' Preferred Provider for Internet-to-TV Solutions

For 8 different factors in the purchase process—from up-front cost to ease of use—consumers were asked which channel option best met their needs:

- **Strong SP:** These consumers believe SP provides a better experience in ALL factors
- **Strong Retail / Online:** These consumers believe retail / online provides a better experience in ALL factors
- **In Play:** These consumers' channel preference shifts from factor to factor; SP prevails in 3 areas, Retail in 2, and the remaining areas are quite balanced
- **Indifferent**: These consumers selected "don't know" for all 8 factors, likely due to lack of interest in Internet-to-TV solutions

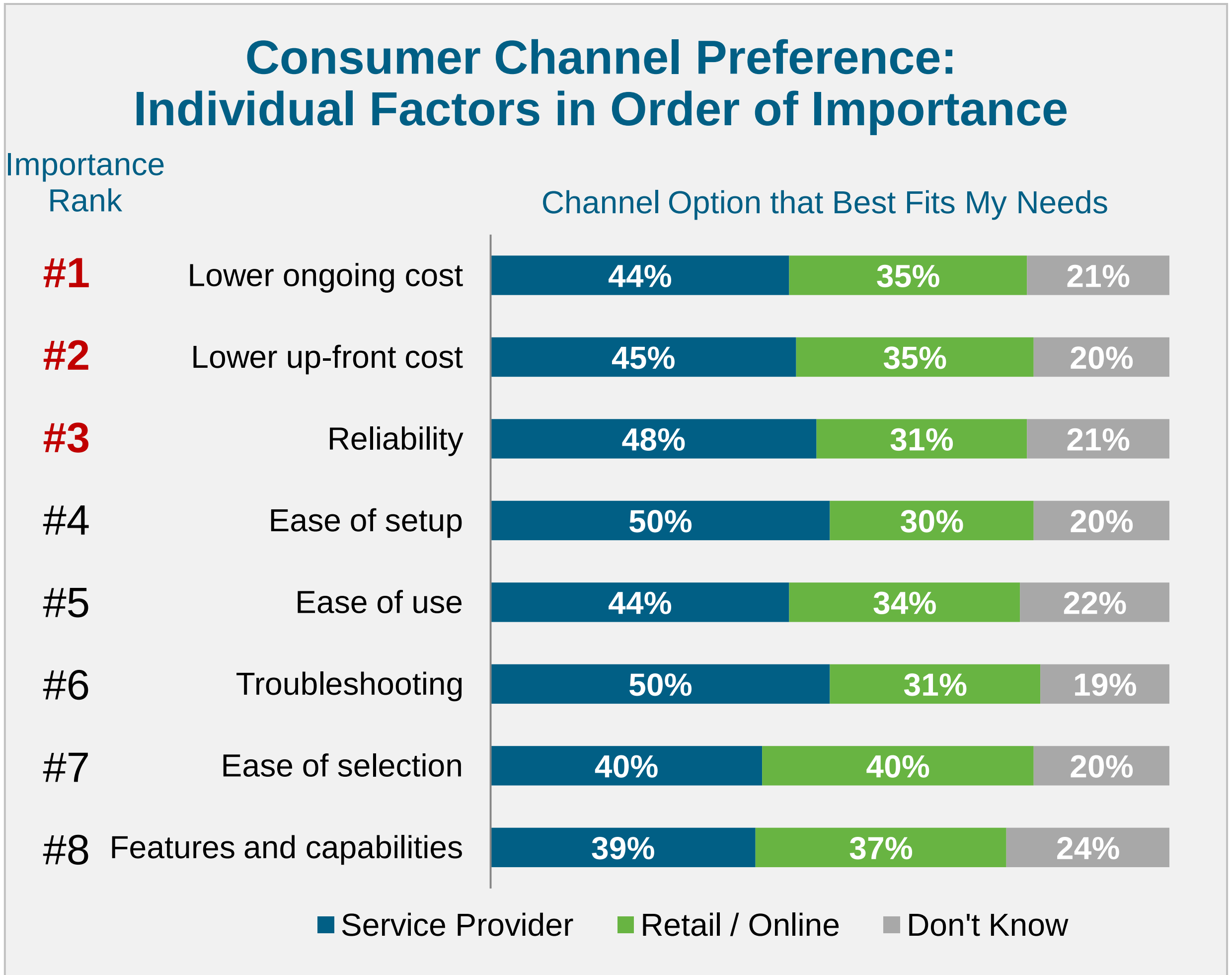
Consumers' Preferred Channel Experience
Percentage of Respondents



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

SPs Have Clear Lead in Most Important Decision Criteria



- Ongoing cost is the most important decision criterion for most consumers
- The lower-ranked factors are where SPs and retail / online preference are most evenly matched
- SPs have commanding lead in troubleshooting, ease of setup, reliability
- SPs still lead in up-front cost, ease of use, and ongoing cost, but by a smaller margin

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Purchase Criteria Vary Somewhat by Employment Status

Factors that Drive Decision of *Where to Buy*, by Employment Status

Average		Employed		Student		Retired	
#1	Ongoing Cost (45%)	#1	Ongoing Cost (47%)	#1	Ongoing Cost (50%)	#1	Up-front Cost (43%)
#2	Up-front Cost (33%)	#2	Up-front Cost (32%)	#2	Up-front Cost (38%)	#2	Ease of Use (42%)
#3	Reliability (23%)	#3	Ease of Setup (24%)	#3	Troubleshooting (24%)	#3	Ongoing Cost (37%)
#4	Ease of Use (21%)	#4	Reliability (22%)	#4	Reliability (20%)	#4	Reliability (26%)
#4	Ease of Setup (21%)	#5	Ease of Use (20%)	#4	Features (20%)	#5	Ease of Selection (17%)
#6	Troubleshooting (20%)	#6	Troubleshooting (19%)	#4	Ease of Selection (20%)	#5	Ease of Setup (17%)
#6	Ease of Selection (20%)	#6	Ease of Selection (19%)	#7	Ease of Setup (16%)	#7	Troubleshooting (13%)
#8	Features (17%)	#8	Features (17%)	#8	Ease of Use (11%)	#8	Features (5%)

Percentage of people who ranked each attribute as most important or second-most-important.
Red: Ranking is significantly different from average.

- For **students,** ease of use and setup are the last factors driving decisions
- For **retired** persons, ease of use is more important than concerns about ongoing cost, while up-front cost jumps to the first position

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Purchase Decision Factors Also Vary by Age Group

Factors that Drive Decision of *Where to Buy,* by Age Group

Average		Age 30-39		Age 40-59		Age 60+	
#1	Ongoing Cost (45%)	#1	Ongoing Cost (42%)	#1	Ongoing Cost (50%)	#1	Ease of Use (41%)
#2	Up-front Cost (33%)	#2	Up-front Cost (37%)	#2	Up-front Cost (36%)	#2	Ongoing Cost (37%)
#3	Reliability (23%)	#3	Reliability (26%)	#3	Ease of Selection (22%)	#3	Reliability (28%)
#4	Ease of Use (21%)	#4	Features (22%)	#4	Reliability (21%)	#4	Up-front Cost (32%)
#4	Ease of Setup (21%)	#5	Ease of Use (21%)	#4	Troubleshooting (21%)	#4	Ease of Setup (26%)
#6	Ease of Selection (20%)	#6	Ease of Setup (20%)	#6	Ease of Use (20%)	#6	Ease of Selection (18%)
#6	Troubleshooting (20%)	#7	Troubleshooting (18%)	#7	Ease of Setup (18%)	#7	Troubleshooting (8%)
#8	Features (17%)	#8	Ease of Selection (13%)	#8	Features (13%)	#8	Features (10%)

Percentage of people who ranked each attribute as most important or second-most-important.
Red: Ranking is significantly different from average.

- For **people 60 and older,** ease of use is a greater concern than up-front cost
- **30- to 39-year-olds** are most concerned about features, and less about ease of selection
- For those **65+,** reliability outweighs cost

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Early Adopters Have Slightly Different Purchase Criteria

Factors that Drive Decision of *Where to Buy* for Early Adopters

Average		Early Adopter	
#1	Ongoing Cost (45%)	**#1**	Ongoing Cost (40%)
#2	Up-front Cost (33%)	**#2**	Reliability (30%)
#3	Reliability (23%)	**#3**	Up-front Cost (26%)
#4	Ease of Use (21%)	**#4**	Troubleshooting (25%)
#4	Ease of Setup (21%)	**#5**	Ease of Selection (23%)
#6	Ease of Selection (20%)	**#6**	Ease of Use (20%)
#6	Troubleshooting (20%)	**#7**	Ease of Setup (18%)
#8	Features (17%)	**#8**	Features (18%)

Percentage of people who ranked each attribute as most important or second-most-important.

- **Early adopters** are more concerned with reliability and troubleshooting
- They are less concerned with up-front cost
- Purchase criteria for the other technology segments — early majority, late majority, and laggards — closely follow those of the average consumer

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Channel Preference Does Not Strongly Influence Buying Decisions

Factors that Drive Decision of *Where to Buy* by Channel Preference

	Total	**SP** Believe SP provides a better experience	**Retail** Believe retail provides a better experience	**In Play** Shifts channel preference from factor to factor	**Indifferent** Lack of interest
#1	Ongoing Cost (45%)	Ongoing Cost (46%)	Ongoing Cost (48%)	Ongoing Cost (47%)	Ongoing Cost (33%)
#2	Up-front Cost (33%)	Up-front Cost (34%)	Up-front Cost (36%)	Up-front Cost (31%)	Up-front Cost (33%)
#3	Reliability (23%)	Ease of Setup (26%)	Reliability (24%)	Reliability (24%)	Troubleshooting (27%)
#4	Ease of Use (21%)	Reliability (22%)	Ease of Setup (23%)	Troubleshooting (22%)	Reliability (25%)
#5	Ease of Setup (21%)	Ease of Use (21%)	Ease of Use (22%)	Features (21%)	Ease of Selection (25%)
#6	Ease of Selection (20%)	Troubleshooting (18%)	Ease of Selection (19%)	Ease of Selection (20%)	Ease of Use (23%)
#7	Troubleshooting (20%)	Ease of Selection (17%)	Troubleshooting (16%)	Ease of Use (18%)	Ease of Setup (17%)
#8	Features (17%)	Features (15%)	Features (13%)	Ease of Setup (17%)	Features (16%)

Attributes rated as most important or second-most-important.

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

3 Pricing

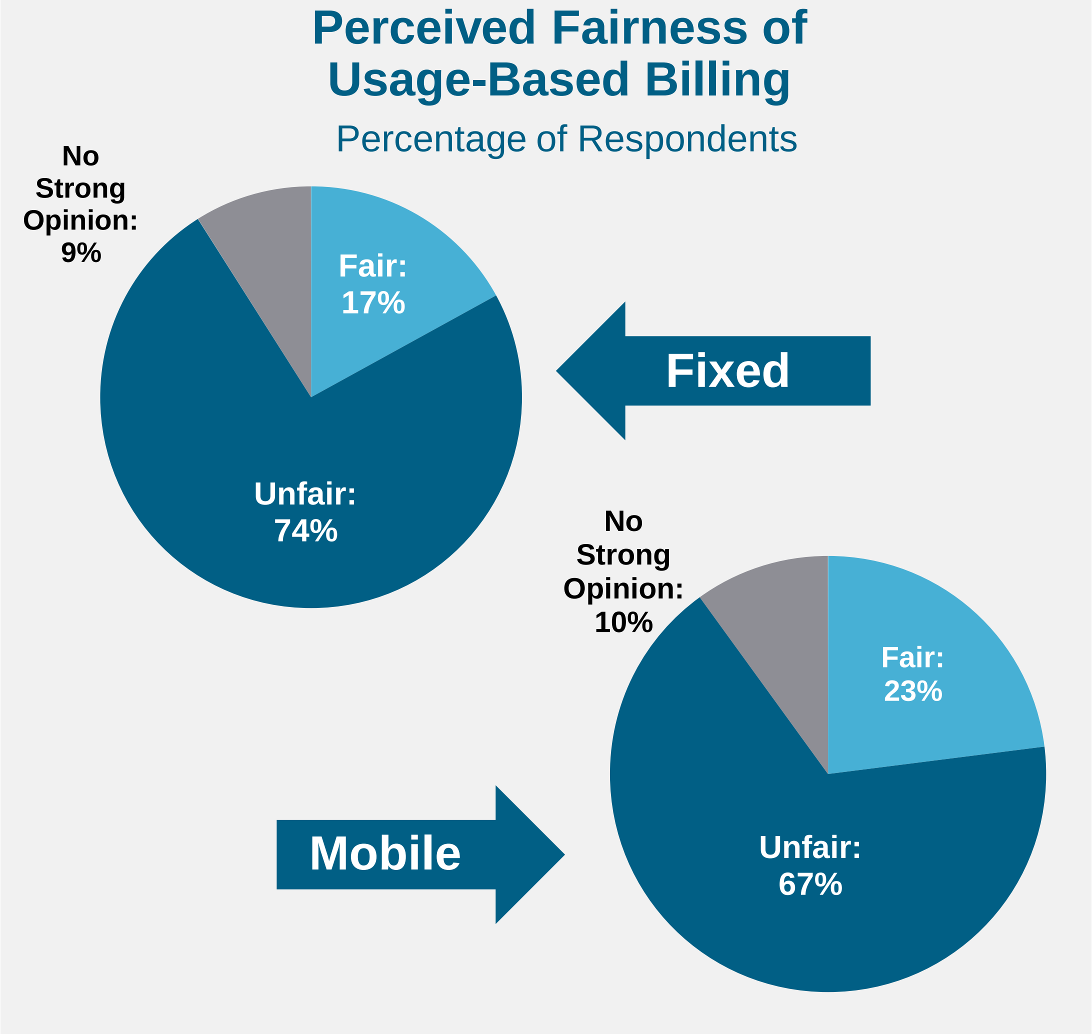
Pricing: Key Takeaways

- Consumers feel it is unfair to pay for broadband services based on use
- Only early adopters are more likely to view both wireline and mobile usage-based billing as fair
- Consumers hate the move away from flat rates: our research did not reveal compelling mitigation strategies

Source: Cisco IBSG Connected Life Market Watch, 2011

Consumers Feel It Is Unfair To Pay for Broadband Services Based on Use

- Tiered pricing for fixed broadband based on data usage is not widely practiced in the EU today
- SPs face increases in data usage (driven by video) that are not balanced by increased revenue
- SPs have adopted tiered mobile broadband pricing for years

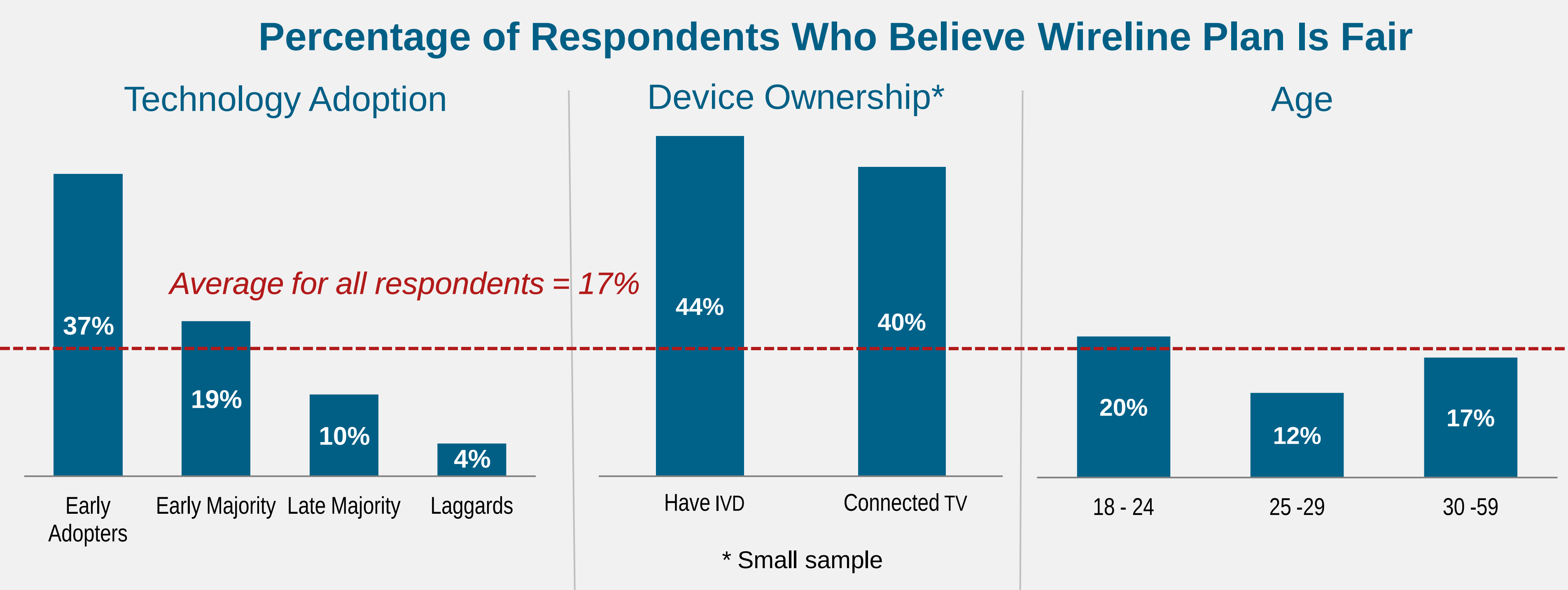


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Early Adopters Are More Likely To View Wireline Usage-Based Billing as Fair

Perceived Fairness of Wireline Usage-Based Billing, by Customer Segment



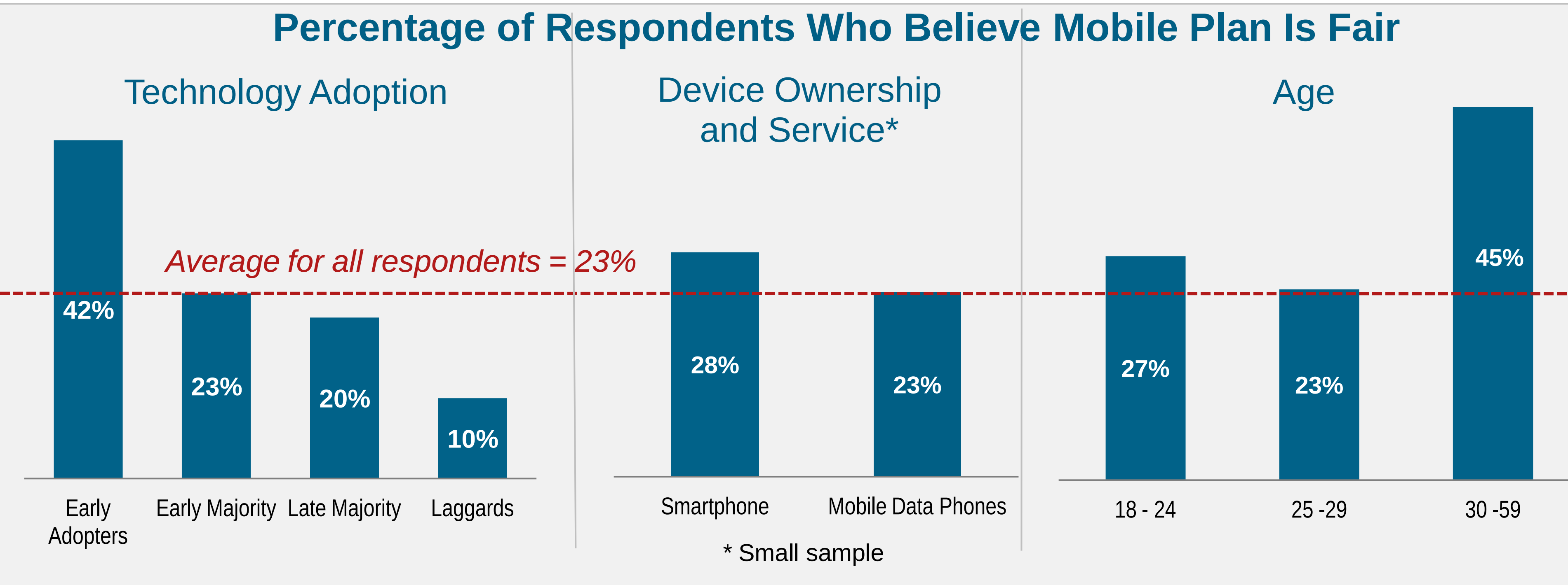
- Early adopters and connected TV or Internet video device (IVD) owners are **more likely** to consider usage-based billing fair
- Consumers aged 25-29 are **less likely** to consider usage-based billing fair

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Respondents believing usage-based billing is fair

Early Adopters Are More Likely To View Mobile Usage-Based Billing as Fair

Perceived Fairness of Mobile Usage-based Billing, by Customer Segment



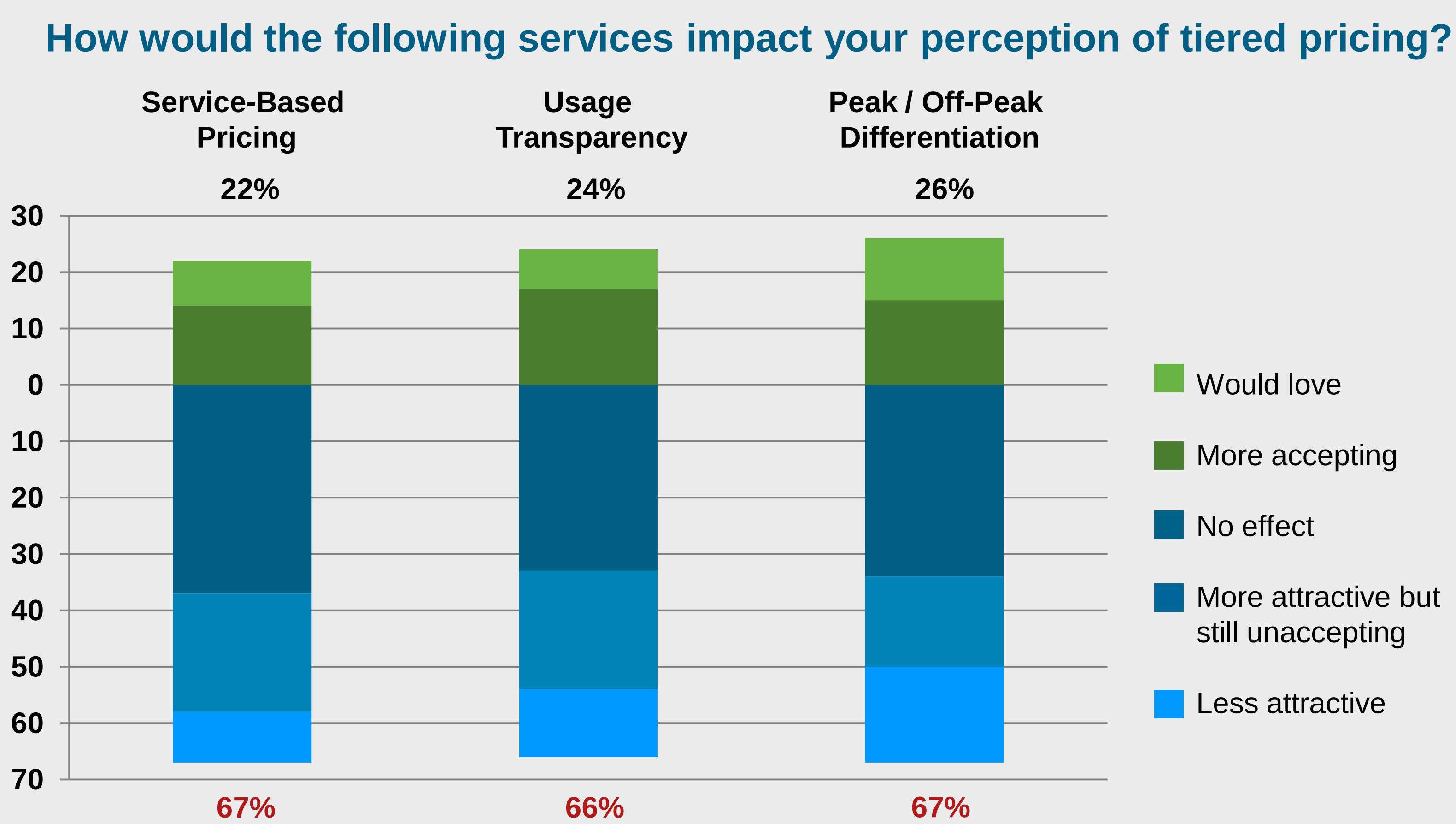
- Early adopters and smartphone users are **more likely** to consider mobile usage-based billing fair
- Consumers aged 30-59 are **more likely** to consider mobile usage-based billing fair

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Respondents believing usage-based billing is fair

SP Strategies To Drive Tiered Pricing Are Underwhelming

Consumers Hate the Move Away from Flat Rates



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

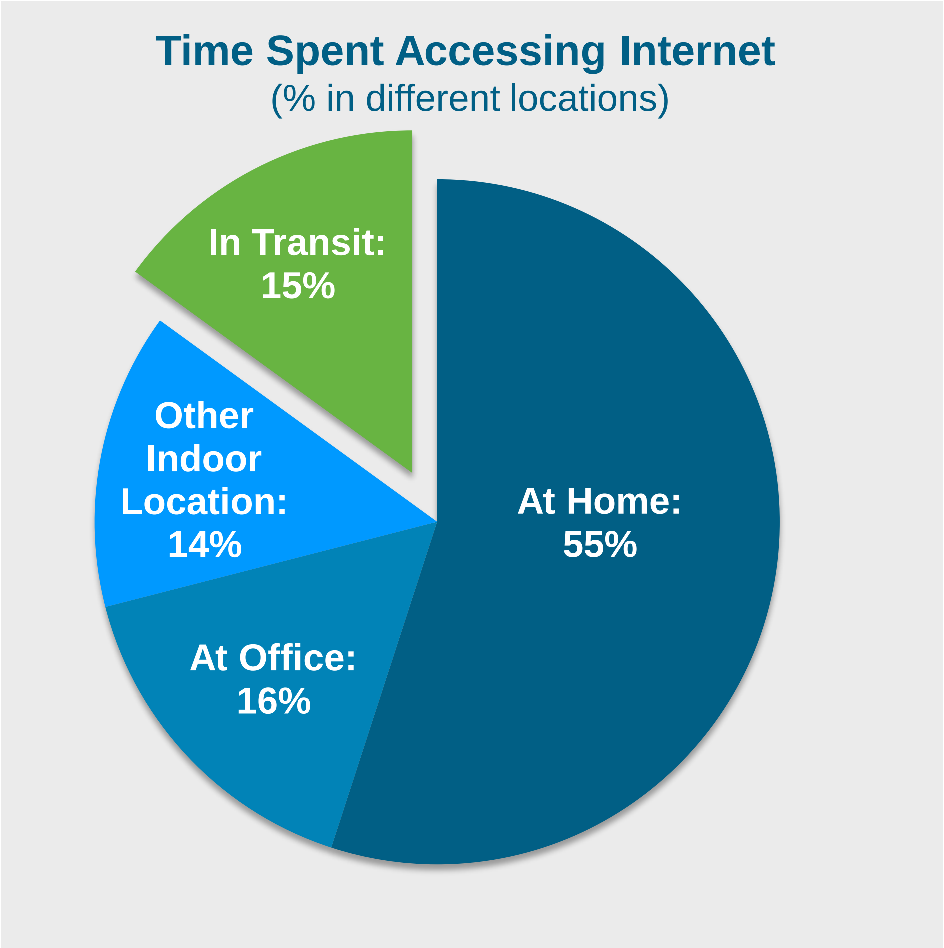
4 Service Provider Wi-Fi

Service Provider Wi-Fi: Key Takeaways

- Mobile users are more *nomadic* than truly mobile in the ways they access mobile data and Internet video
- Most mobile Internet and mobile video activity takes place in fixed locations, but we notice different trends at home
- Mobile video is still a “snacking” experience
- Wi-Fi is becoming pervasive among smartphone users; they would like to take better advantage of Wi-Fi for coverage and cheaper service
- Users are willing to compromise on mobile network benefits in favor of the Wi-Fi convenience
- Usage of Wi-Fi instead of cellular network is more common for heavy data usage

Source: Cisco IBSG Connected Life Market Watch, 2011

Mobile Data Access Is More Nomadic than Truly Mobile



- 35% of broadband consumers do NOT access mobile data via mobile phone
- Innovative services such as Wi-Fi offload and small-cell solutions can match this shift in how mobile phones are used and meet consumers' requirements for increased data speeds, coverage, and quality at reasonable prices

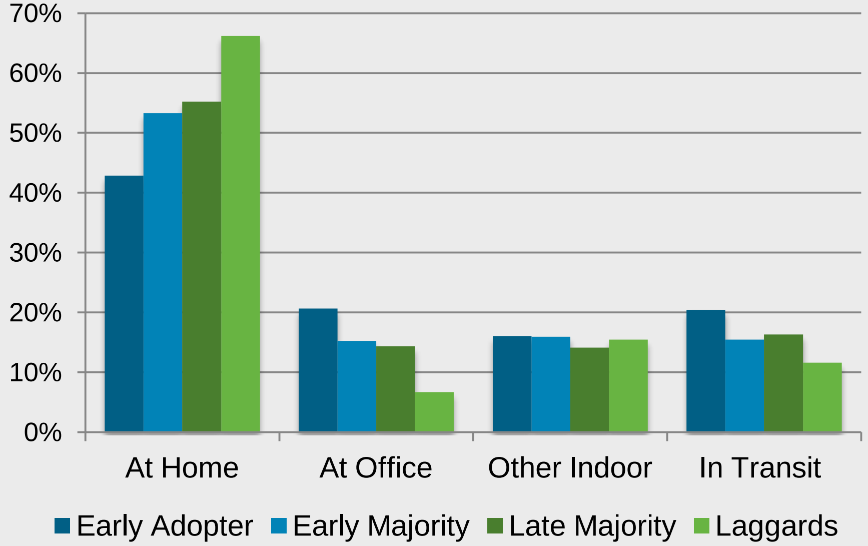
Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Respondents who access mobile data (n=353)

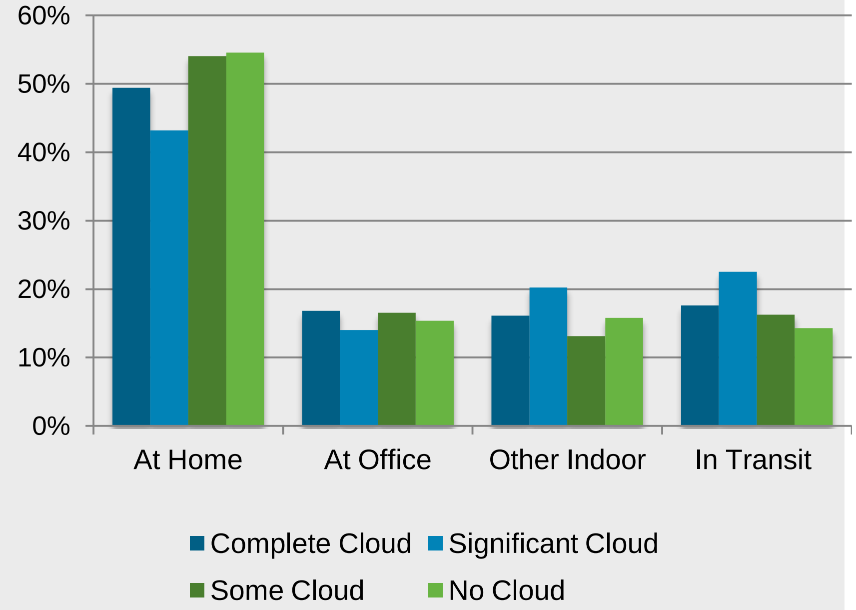
Nomadic Attitude About Mobile Internet Varies by Technology Segment . . .

Time Spent Accessing Mobile Internet by Segment
(% in different locations)

By Adoption Cycle



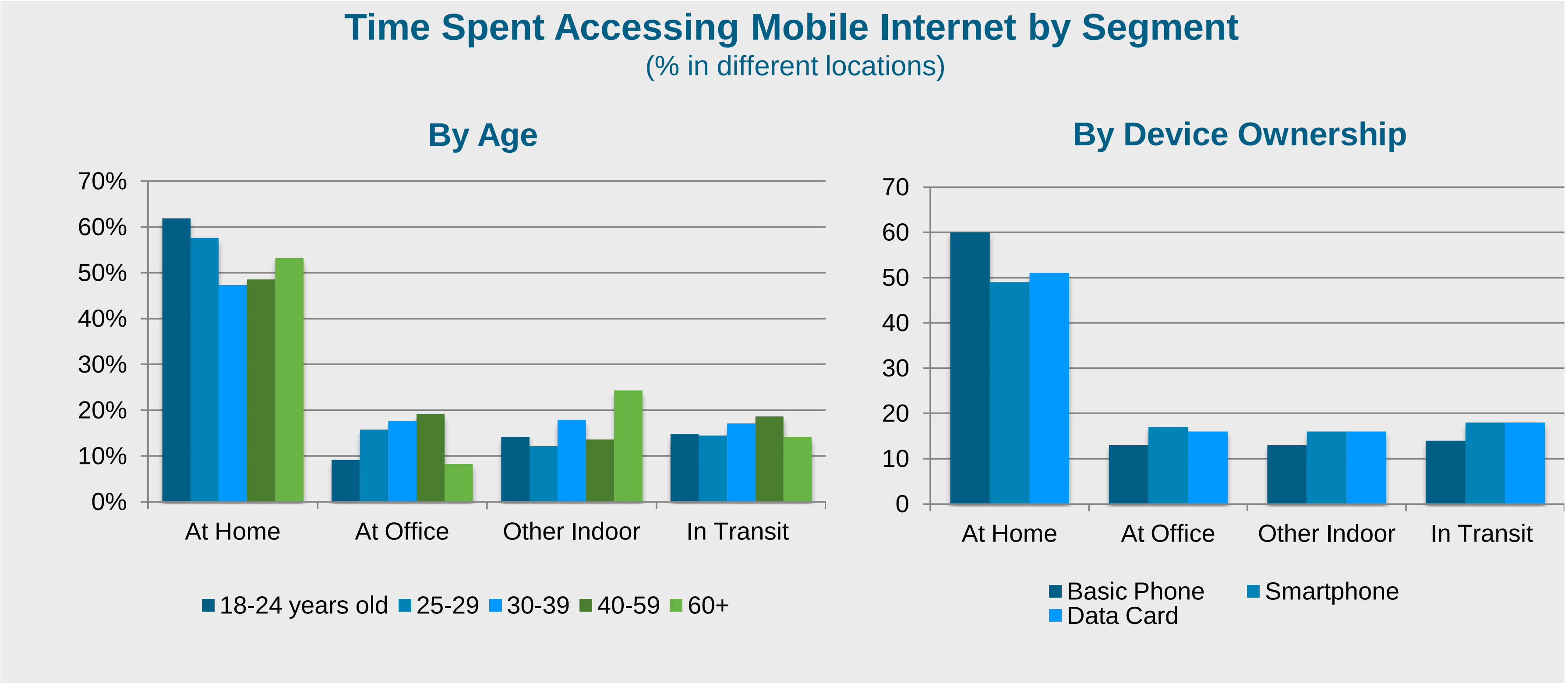
By Interest in Cloud Services



Consider: 40% of Late Majority and 74% of Laggards do not access mobile Internet via mobile phones

Source: Cisco IBSG Connected Life Market Watch, 2011 Base: Italian respondents who access mobile data (n=353)

. . .And by Age and Device Adoption

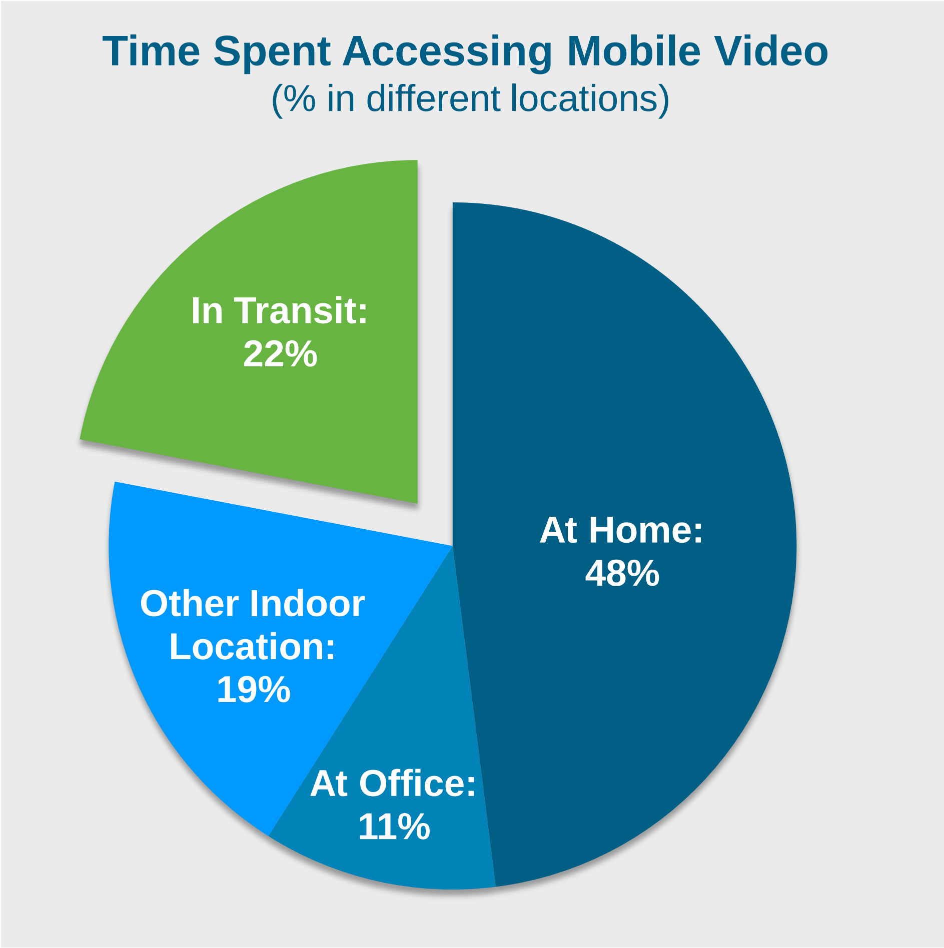


Consider: 60% of basic mobile phone users do not access mobile Internet via mobile phones

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents who access mobile data (n=353)

About Half of Broadband Consumers Access Mobile Video at Home

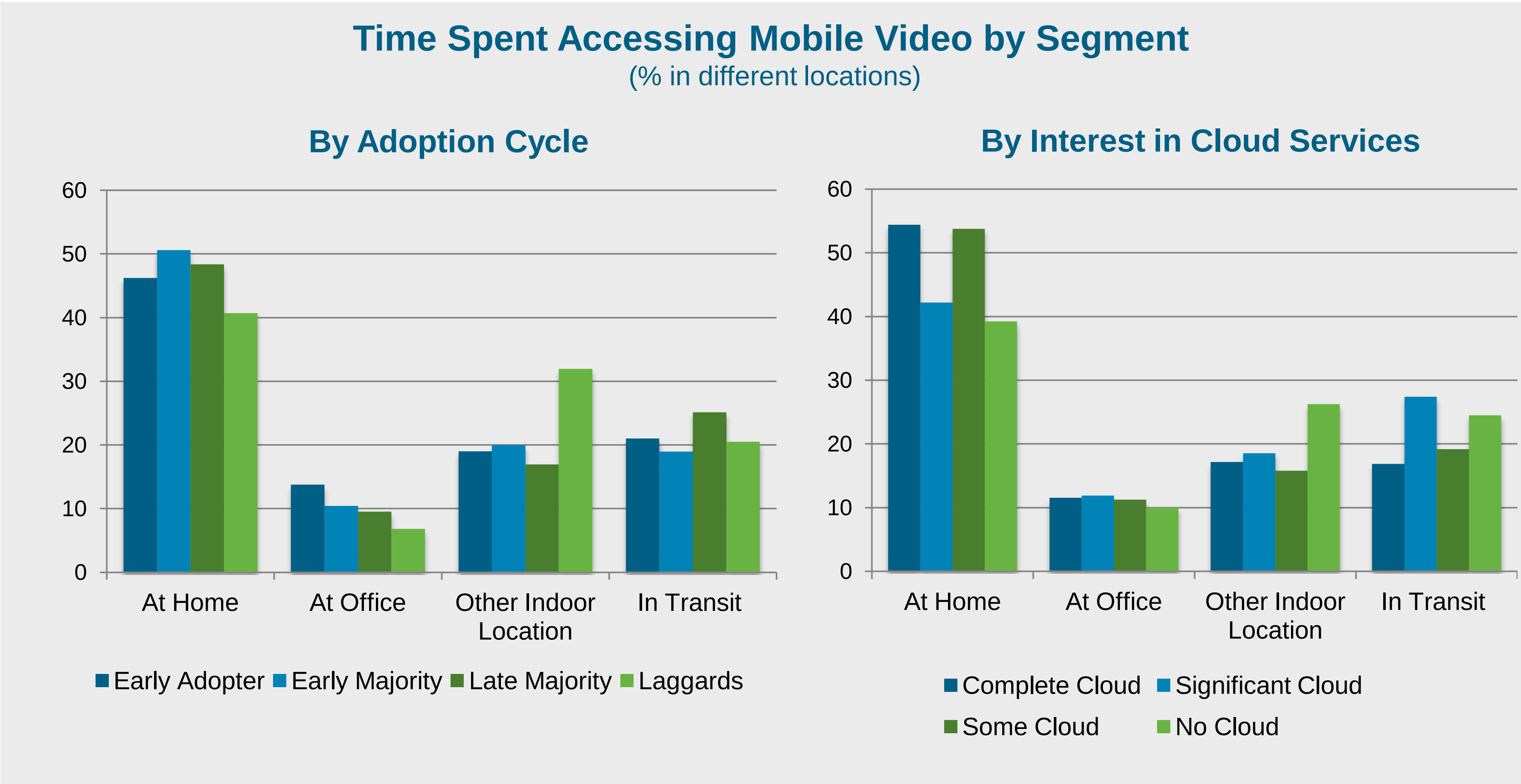


- The nomadic attitude is even clearer among Italian broadband consumers accessing mobile video services

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents who use the service (n=225)

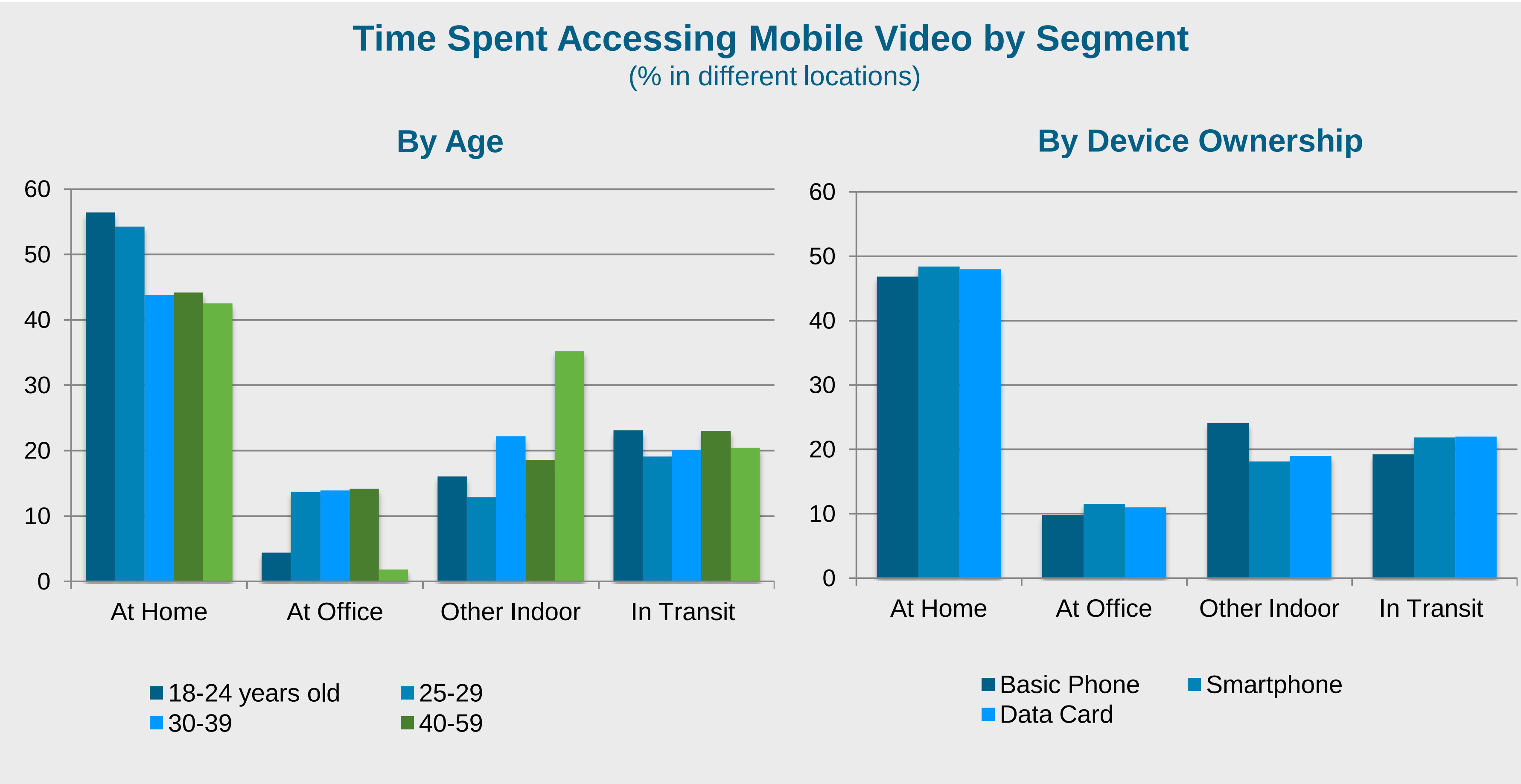
Nomadic Attitude about Mobile Video Varies by Technology Segment . . .



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents who use the service (n=225)

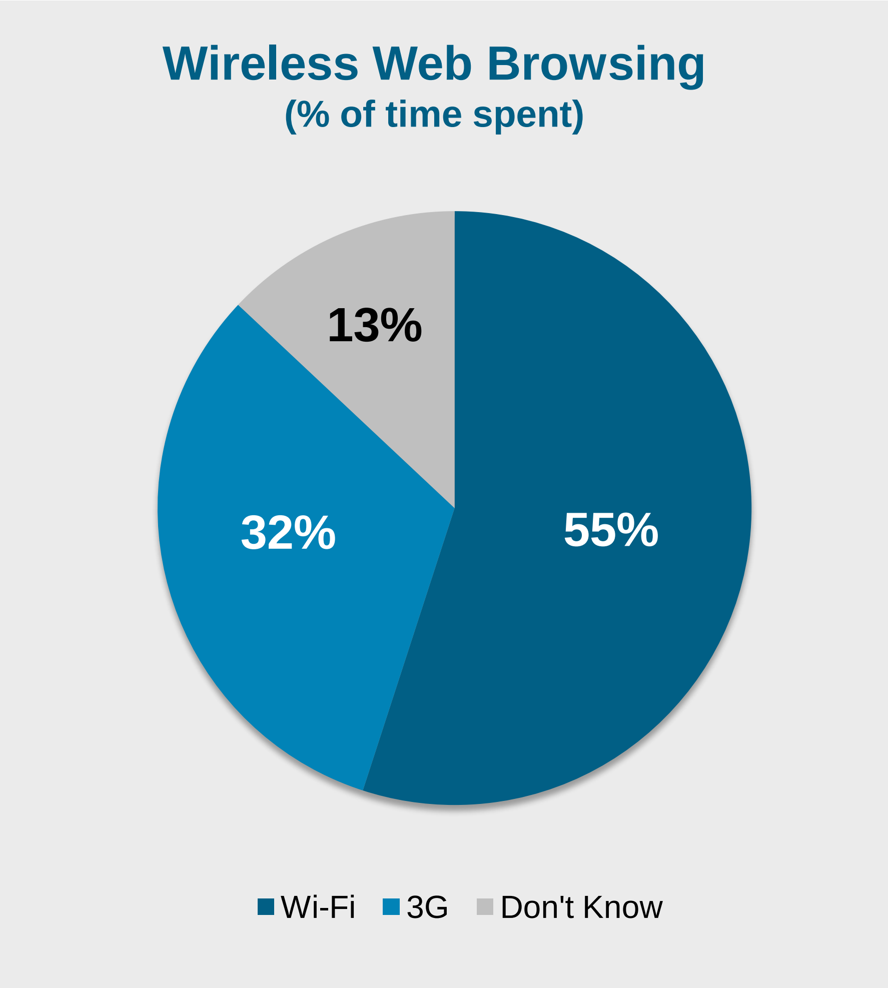
. . .And by Age, but Not by Device Adoption



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italy respondents who use the service; n=225

High Acceptance of Wi-Fi for Wireless Web Browsing



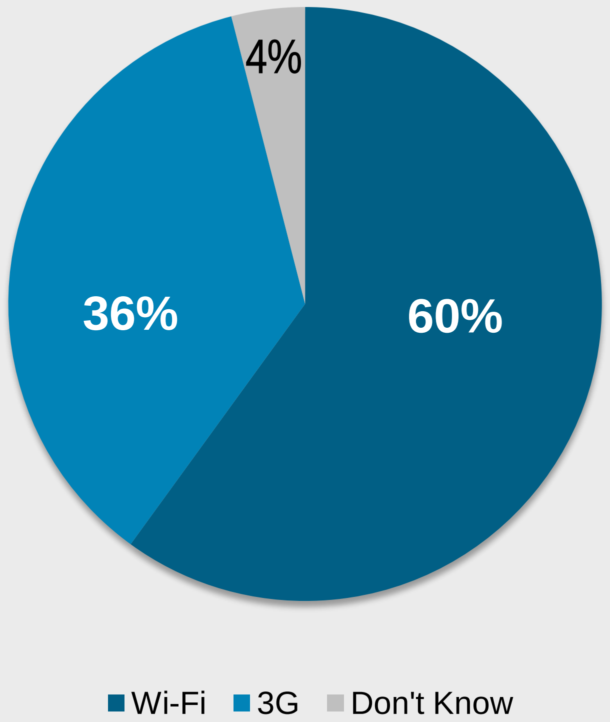
- Wi-Fi has become pervasive among smartphone users, who want to take better advantage of Wi-Fi for coverage and cheaper service
- We see market opportunities for mobile operators who can develop subscriber-friendly services that drive mobile data offload
- Use of Wi-Fi:
  - Can increase loyalty by addressing in-building coverage and increasing data offload
  - Can improve application performance (particularly video)
  - Can eliminate expensive international roaming fees

Source: Cisco IBSG Connected Life Market Watch, 2011

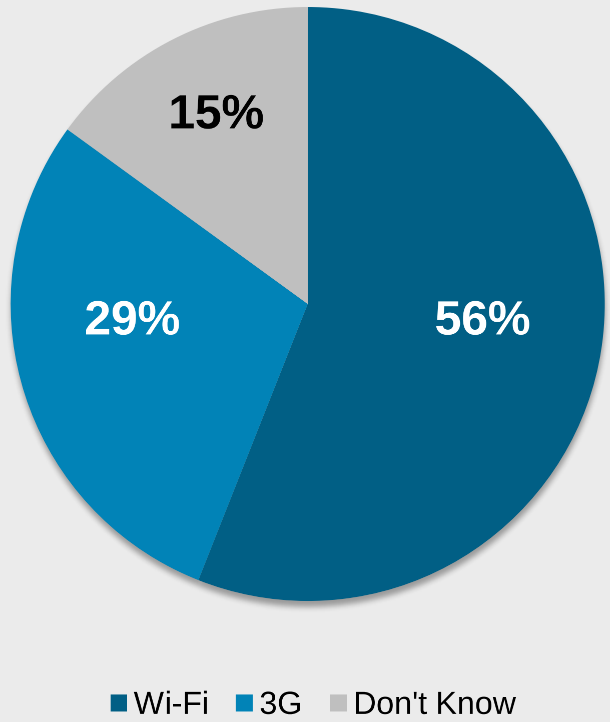
Base: Italian respondents using smartphones (n=293)

Easier GUI / Solutions Extend Heavy Smartphone Wi-Fi Use to Late Majority

Early Adopters' Wireless Web Browsing (% of time spent)



Late Majority's Wireless Web Browsing (% of time spent)

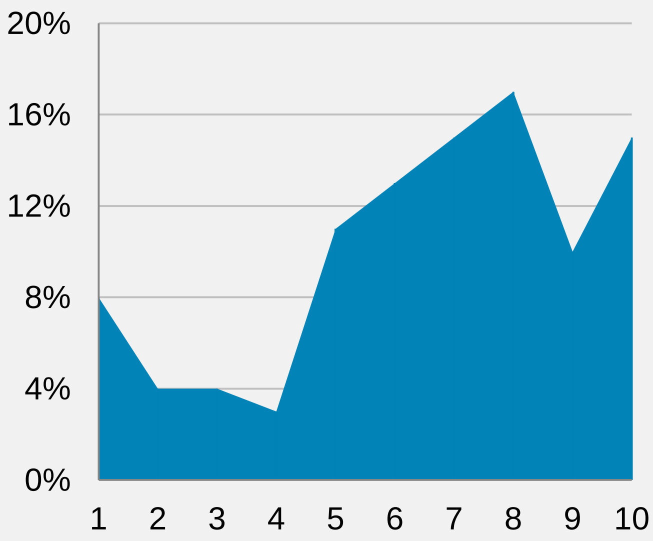


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers from each segment

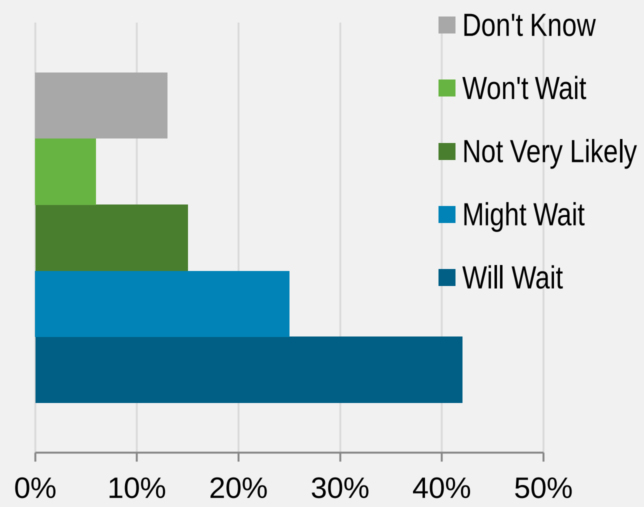
Users Willing To Compromise on Mobile Benefits for Lower Wi-Fi Cost

Willingness To Compromise On Quality To Avoid Mobile Data Charges
(% of vote of mobile data users)



1 is “not at all willing” and
10 is “extremely willing”

Willingness To Compromise on Immediacy
(% of mobile data users)

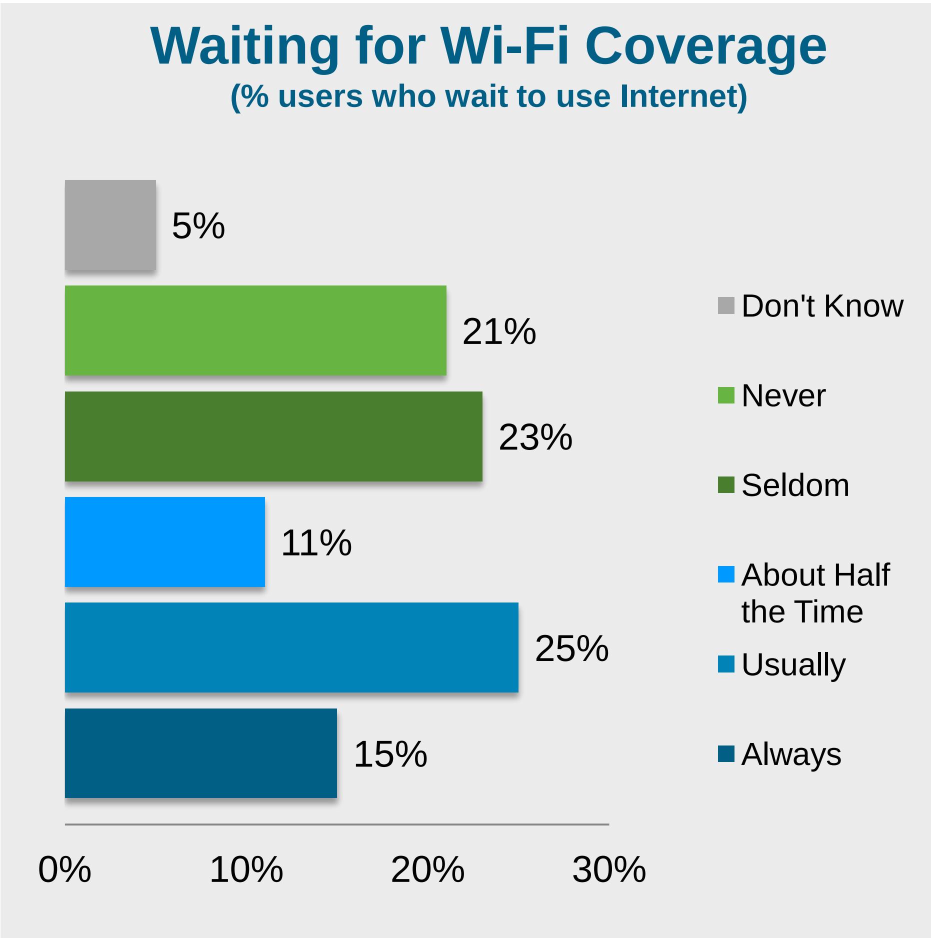


- Price reduction is top priority for broadband consumers; they will accept compromises to avoid breaking tiered plans and keep low bills
- They will embrace innovative solutions for traffic offload at reasonable prices

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents using smartphones (n=293)

Smartphone Users Wait for Wi-Fi Availability To Access Internet

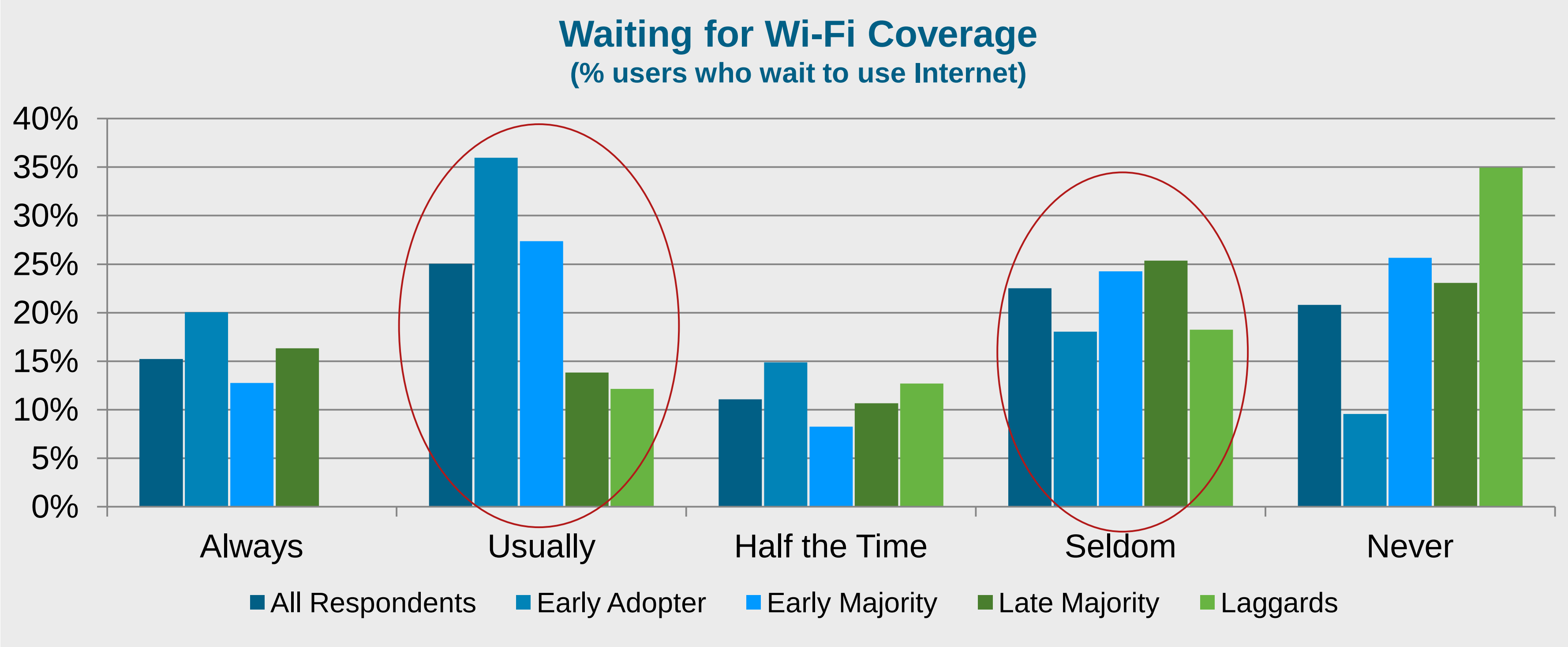


- Heavy data users will likely start limiting their use of expensive 3G data packages with tiered pricing models in favor of Wi-Fi networks providing unlimited access
- Smartphone users plan their access to data-heavy, media-rich programs via Wi-Fi

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents using smartphones (n=293)

Easier GUI Boosts the Wi-Fi Waiting Phenomenon



Smartphone interfaces have become easier to navigate for non-tech-savvy users, making the process of locating and logging on to Wi-Fi much simpler; this is boosting willingness to wait for Wi-Fi coverage

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents using smartphones (n=293)

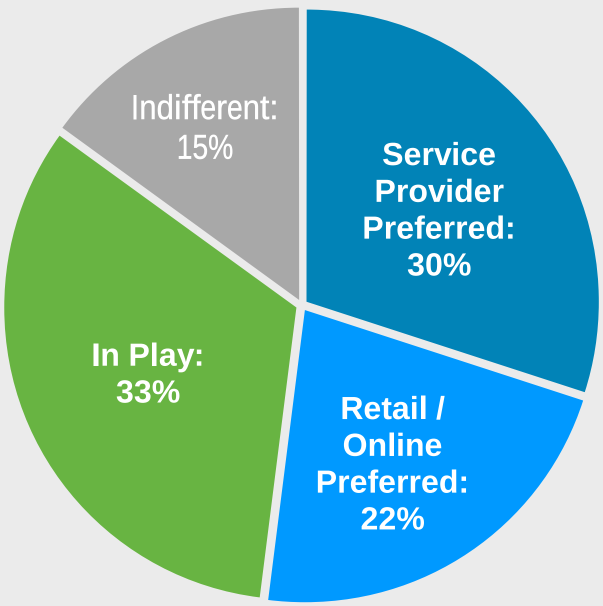
No Clear Preferred Provider for Internet-to-TV Solution

For 8 different factors in the purchase process—from up-front cost to ease of use—consumers were asked which channel option best met their needs:

- **Strong SP:** These consumers believe SP provides a better experience in 6 or more factors
- **Strong Retail / Online:** These consumers believe retail / online provides a better experience in 6 or more factors
- **In Play:** These consumers' channel preference shifted significantly from factor to factor
- **Indifferent**: These consumers selected "don't know" for all 8 factors, likely due to lack of interest in Internet-to-TV solutions

Consumers' Preferred Channel Experience

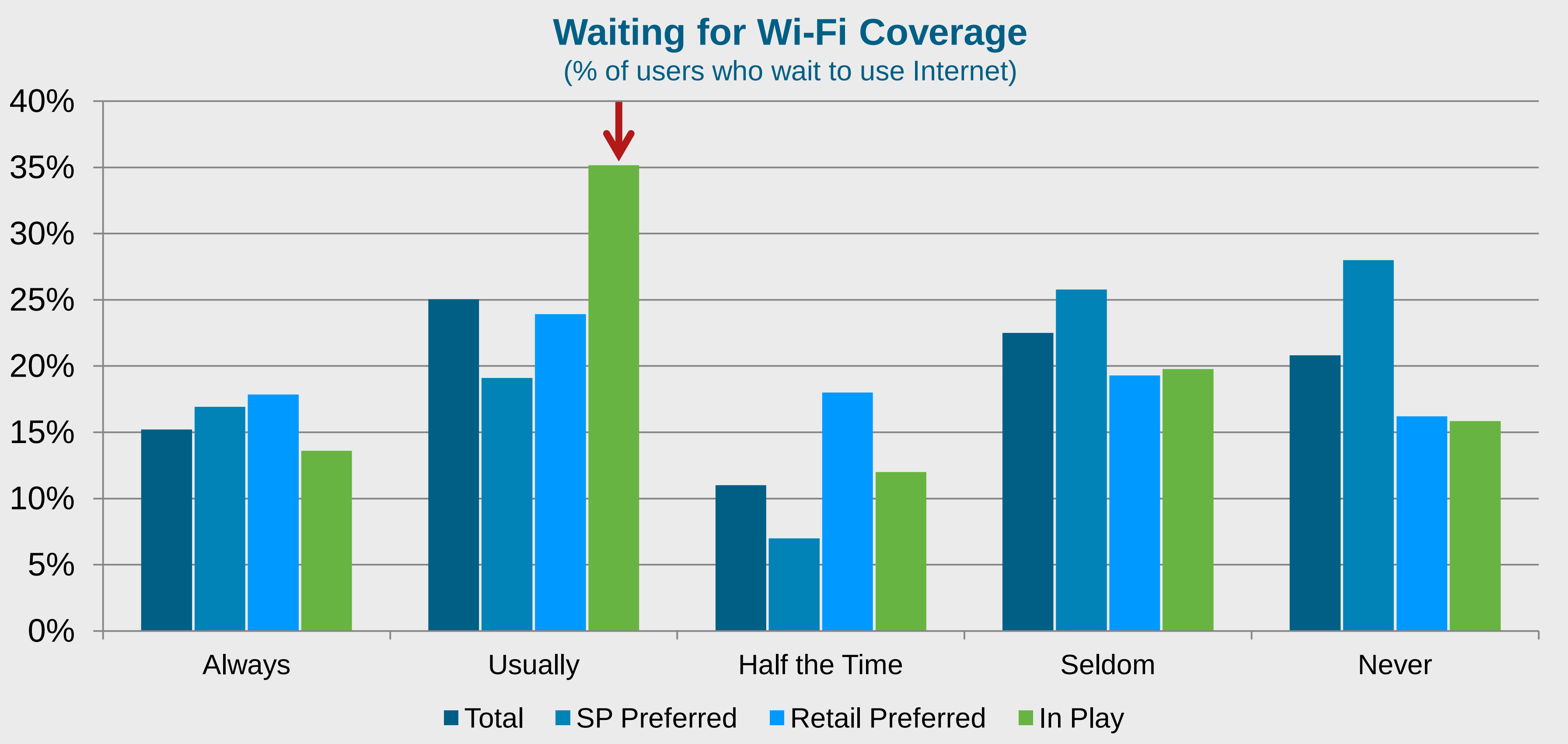
Percentage of Respondents



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

"In Play" Consumers Show Stronger Orientation To Wait for Wi-Fi Coverage

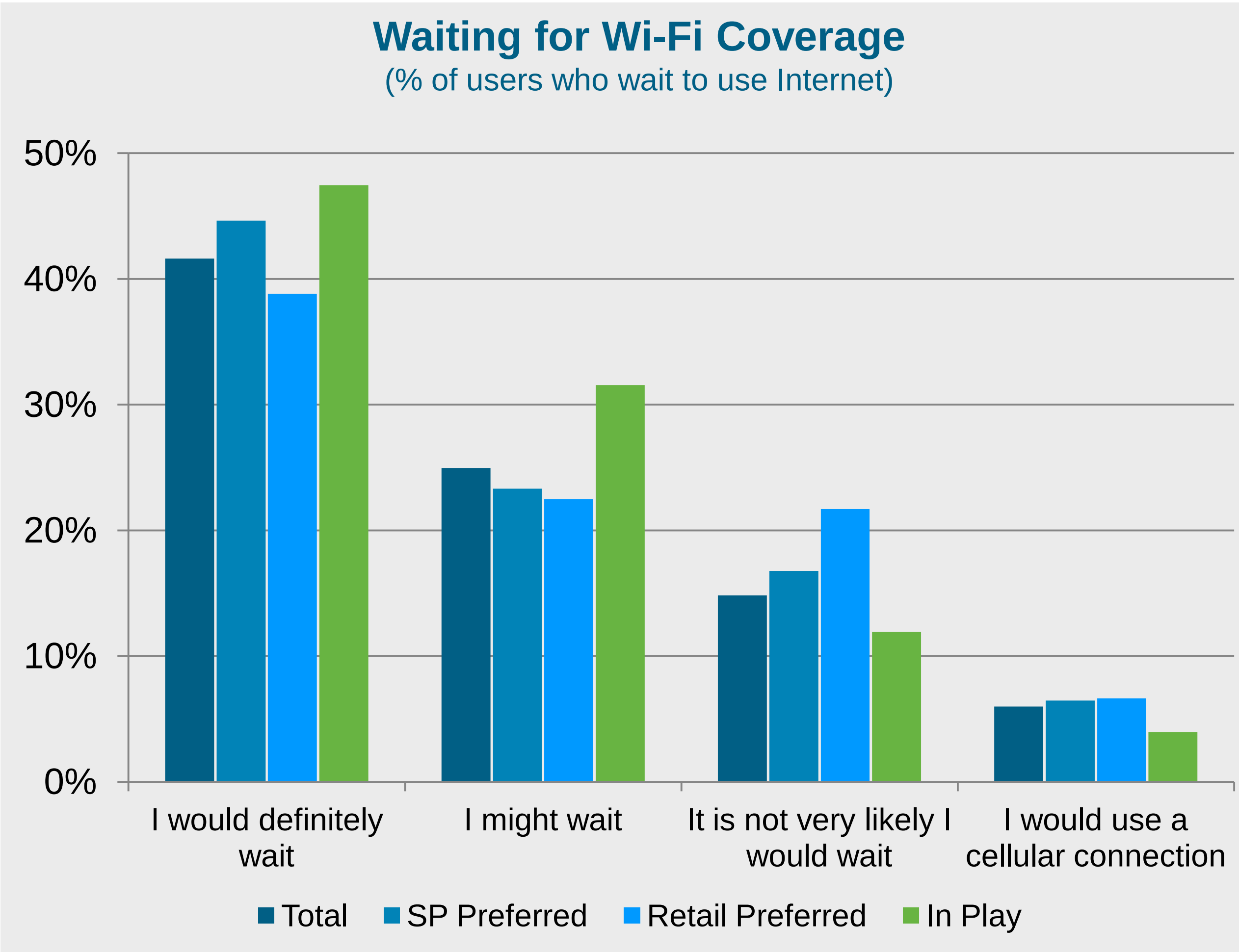


The "In Play" segment represents 33% of the market, showing openness to considering both SP and retail / online solutions

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents using smartphones (n=293)

Planning Mobile Data Activities Is Even More Common for “In Play” Segment

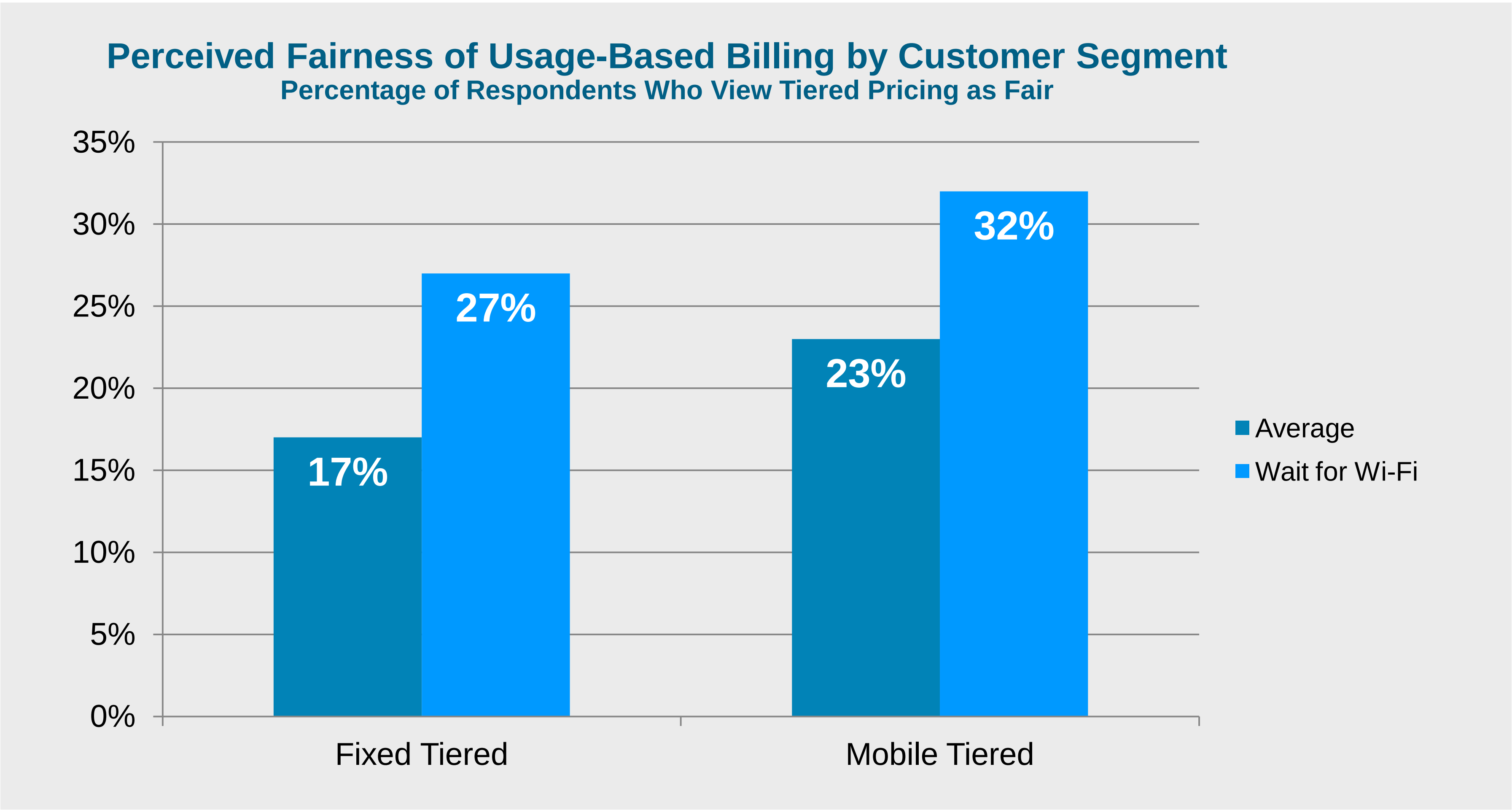


- Planning to use Wi-Fi instead of a cellular network is more common for heavy data users on their smart-phones (for example, downloading a video file)
- “In Play” consumers show higher tendency to do so

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents using smartphones (n=293)

“Wi-Fi Waiters” Vary in Attitude Toward Fixed and Mobile Tiered Pricing



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian respondents waiting for Wi-Fi (n=150)

5 Consumer Cloud and Connected Life

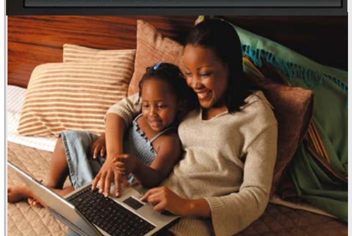
Consumer Cloud and Connected Life: Key Takeaways

- Cloud services offer consumers an enhanced Connected Life experience
- Each cloud enhancement positively impacts about one-quarter of respondents' reactions
- 15% to 20% of Italian consumers are already starting to expect their Connected Life services to include the top three cloud enhancements:
  - Remote monitor / auto fix, single menu, any-device access
- Cloud enhancements impact Connected Life buying behavior: consumers more likely to buy when cloud enhancements are included

Source: Cisco IBSG Connected Life Market Watch, 2011

Cloud Offers Consumers an Enhanced Connected Life Experience

Cloud-Enabled Enhancements Can Be Applied Horizontally Across Connected Life Services

Connected Life	Cloud Enhancements	Answer Consumer Needs
	▪ Unified data management ▪ Automatic backup ▪ Automatic data sync	Make my data management easy
	▪ Any device / location ▪ Immediate access ▪ Seamless switching	Let me access and move my stuff easily across my devices, from anywhere
	▪ One-time payment ▪ Single-menu access ▪ Intelligent personalization	Let me choose what I want across all services, but pay only once
	▪ Add new capabilities automatically ▪ Remote monitor / automatic fix	Make it easy for me to get Connected Life services
	▪ Advanced sharing ▪ See peer recommendations ▪ Companion device	Help me match my online social behavior to my real-life social behavior

Source: Cisco IBSG Connected Life Market Watch, 2011

Cloud Impact on Consumers' Buying Behavior Using Kano Methodology

How Each Cloud Enhancement Influences Consumers' Assessment of a Connected Life Service

Consumer Attitude Toward a Particular Cloud Enhancement	Critical	Differentiating	Mandatory	Neutral	Negative
	Consumers are happy when it's present and dissatisfied when it's not	Consumers don't expect it to be included, but thrilled when it is	Consumers expect it to be there. Not thrilled when it is, but very displeased when it is not.	Consumers are indifferent to its presence	Consumers are displeased when this enhancement is present
Enhancement included with your service?	Positive	Positive	Neutral	Neutral	Negative
Enhancement NOT included with your service?	Negative	Neutral	Negative	Neutral	Neutral

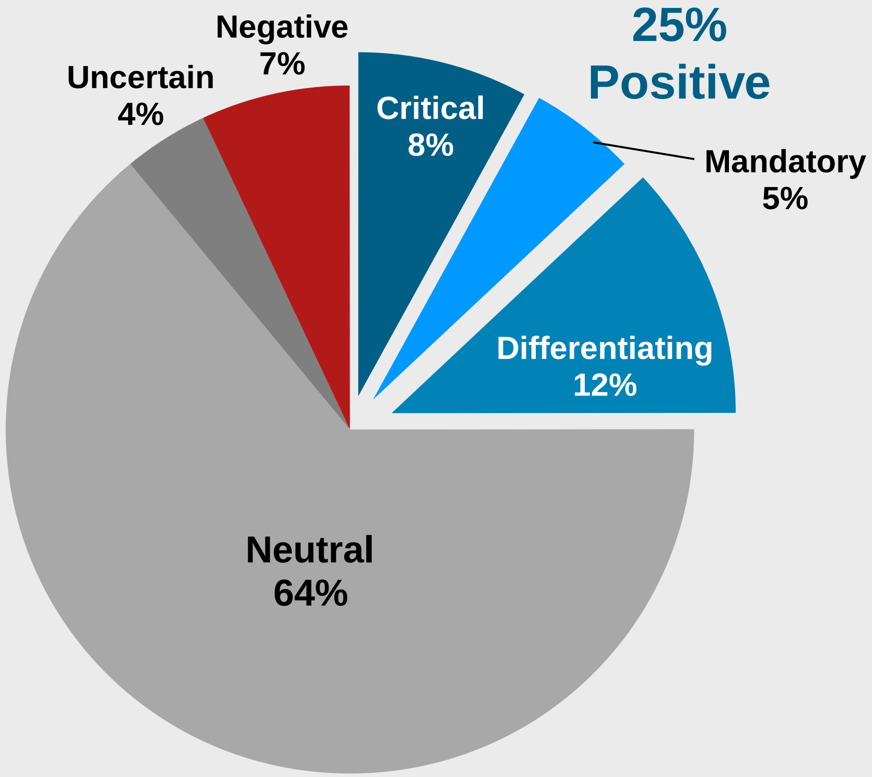
Sources: ASQ, 2005; Cisco IBSG, 2012

Each Cloud Enhancement Positively Impacts 25% of Respondents' Reactions

Kano methodology shows how each enhancement influences consumers' assessment of the Connected Life service:

- **Differentiating:** 12% are surprised and delighted when cloud enhancements are present
- **Critical**: 8% react very positively when the attribute is present and react negatively when it's not
- **Mandatory:** 5% already expect cloud enhancements as an integral part of the experience

Average Response to Individual Cloud Enhancements
(Percentage of Respondents)

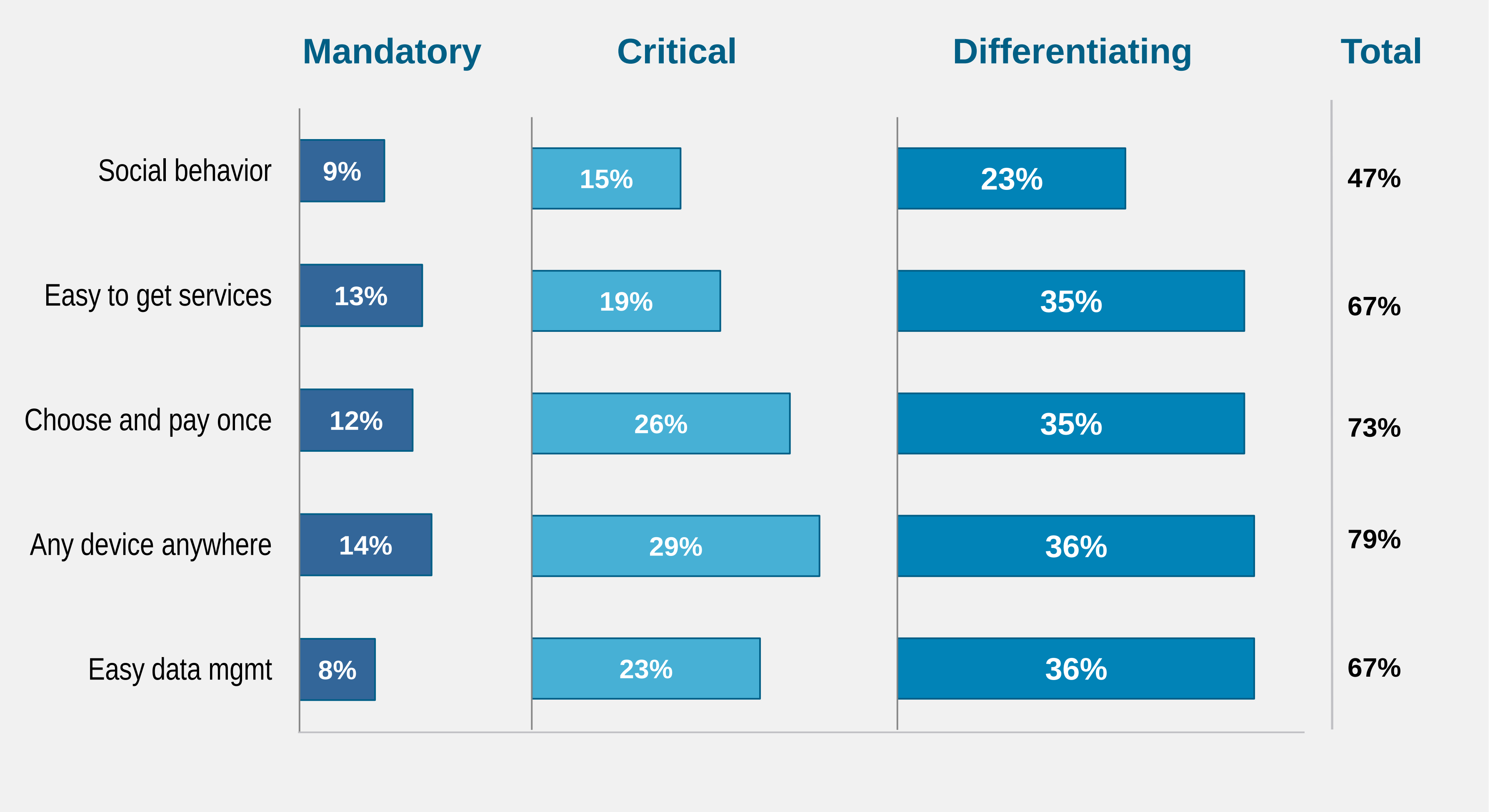


Sources: Cisco IBSG, based on Kano methodology, 2011

Base: Italian broadband consumers

Cloud-Enabled Enhancements Spread Uniformly Across Consumer Needs

Impact of Cloud Enhancement Grouped by Consumer Needs

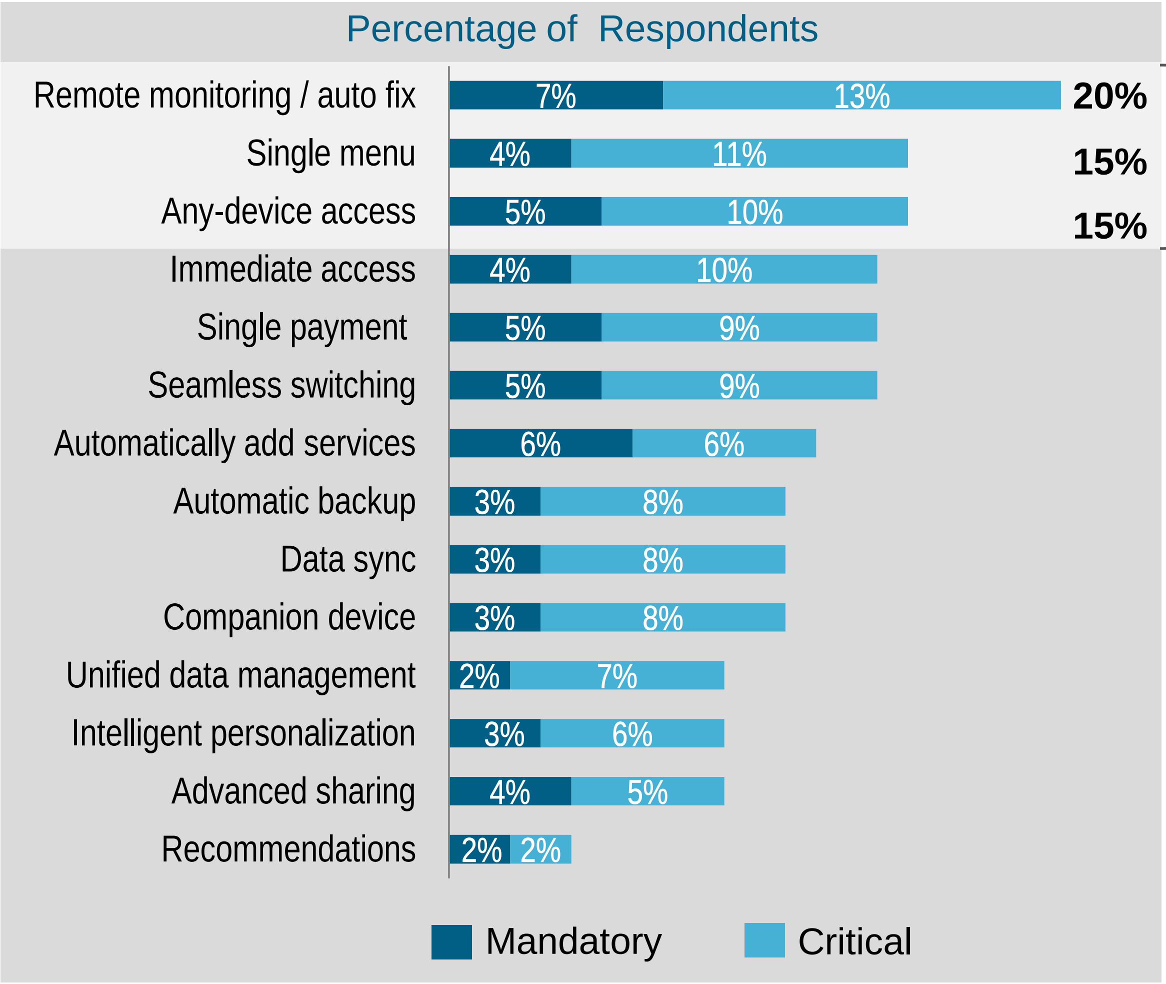


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Some Cloud Experiences Have Stronger Impact than Others

Impact of Mandatory and Critical Enhancements on Connected Life Services



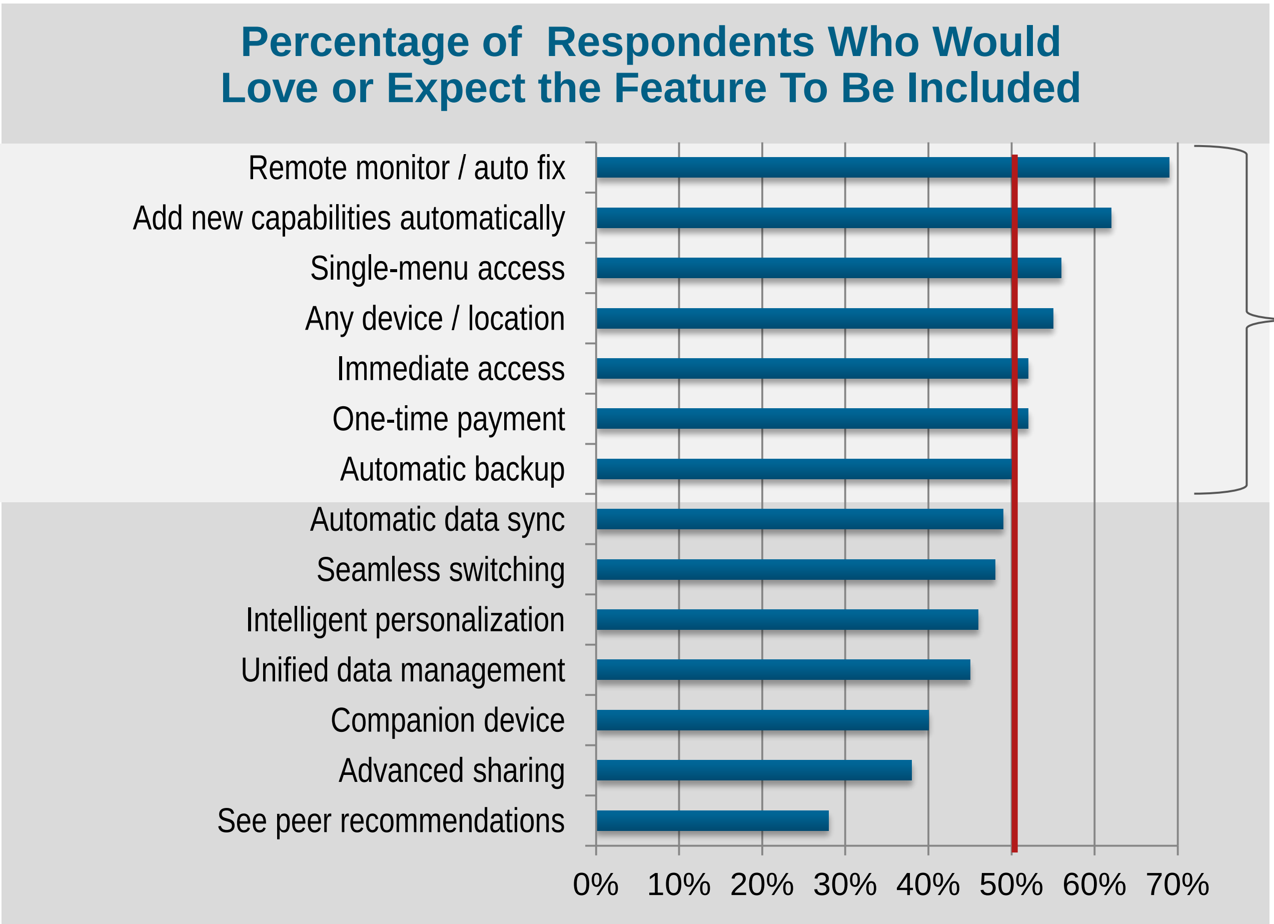
- 15% to 20% of consumers are already starting to expect their Connected Life services to include certain cloud enhancements:
  - Remote monitor / auto fix
  - Single menu
  - Any-device access
- These consumers will react negatively to a Connected Life service if these cloud enhance-ments are not present

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Cloud Enhancements Have Broad Appeal with Consumers

On Average, 49% of Broadband Consumers Expressed Interest in Individual Cloud Enhancements

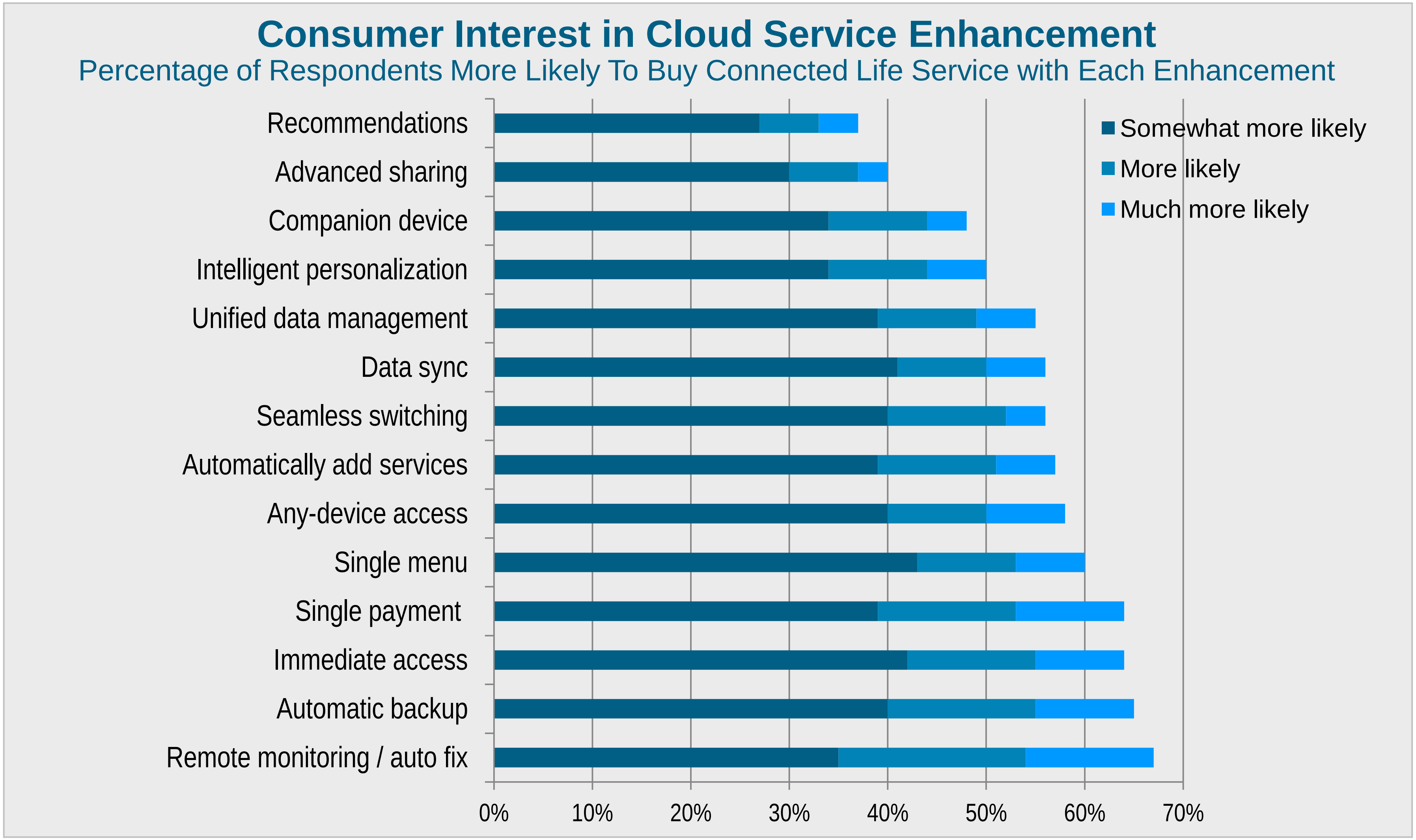


- Cloud-based, "hassle-free" features further enhance the experience
- For 7 of 14 cloud enhancements, 50% or more of Italian broadband consumers expressed strong interest

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

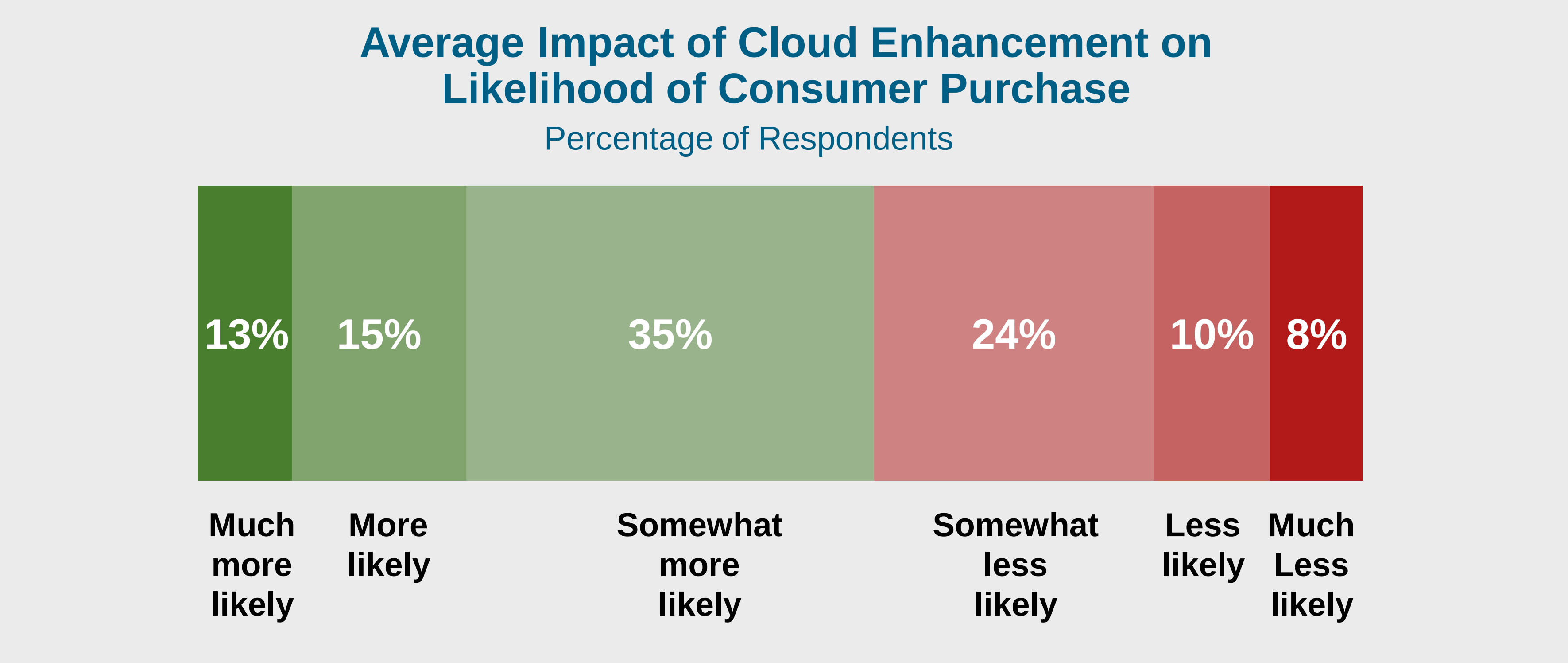
Even One Cloud Enhancement Makes Consumers More Likely To Buy



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Cloud Enhancements Impact Connected Life Buying Behavior

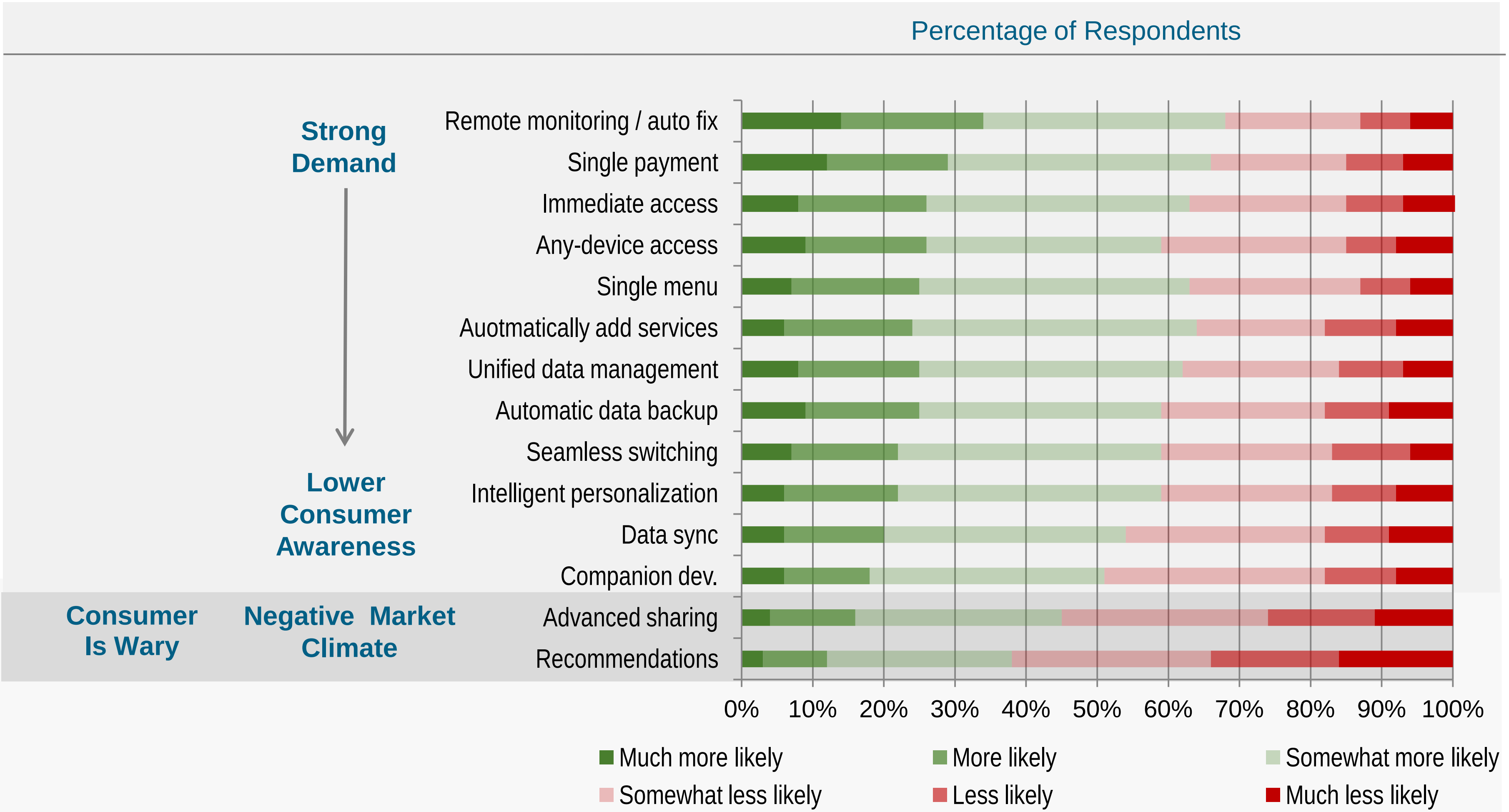


- On average, 63% of respondents have increased likelihood of buying Connected Life service if it has a single cloud enhancement
- 28% are “more likely” or “much more likely,” further validating Kano methodology

Source: Cisco IBSG Connected Life Market Watch, 2011 Base: Italian broadband consumers

Consumers More Likely To Buy When Cloud Enhancements Are Included

Cloud Enhancements Impact Buyer Behavior

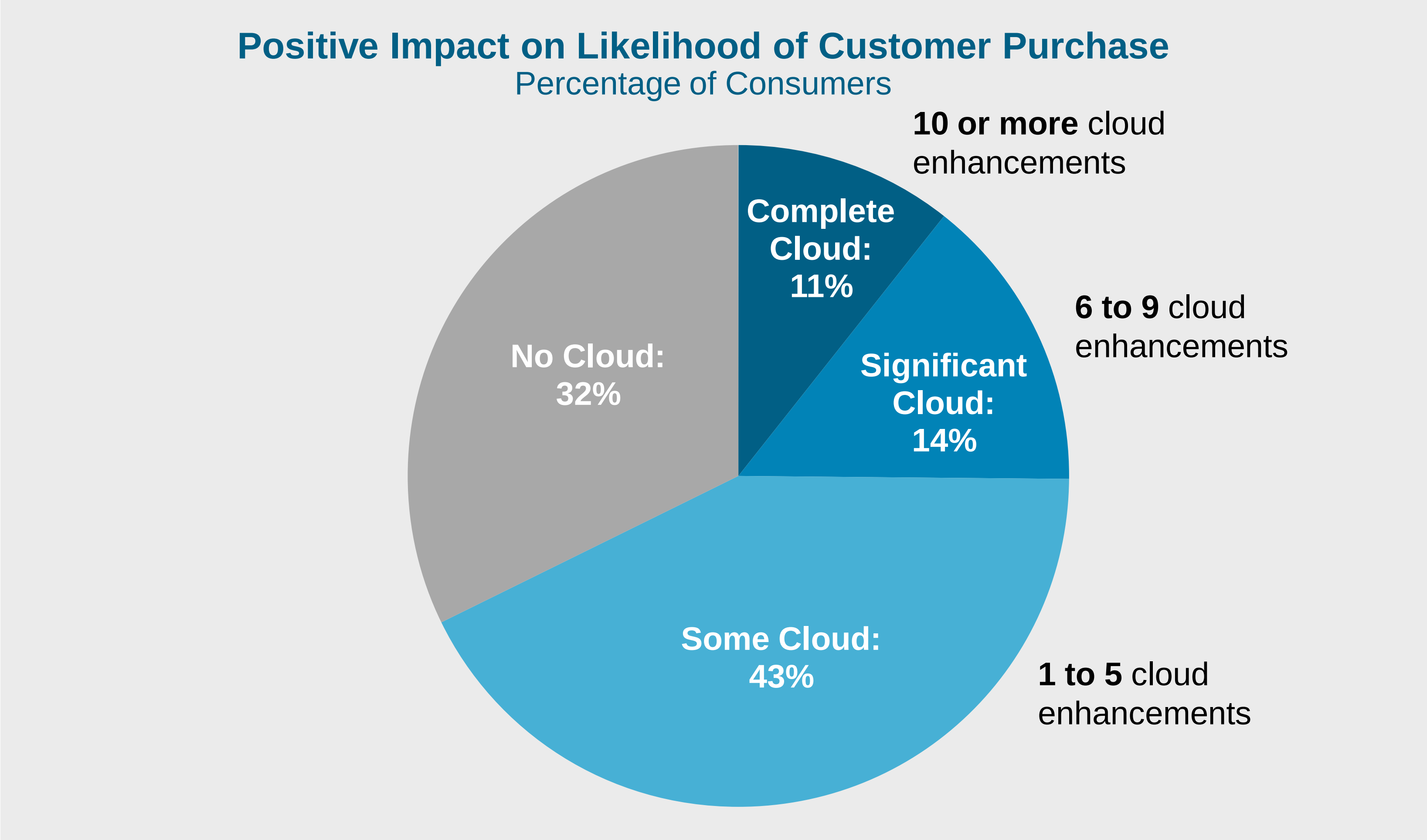


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

25% of Consumers Are Looking for a Broad Cloud Experience

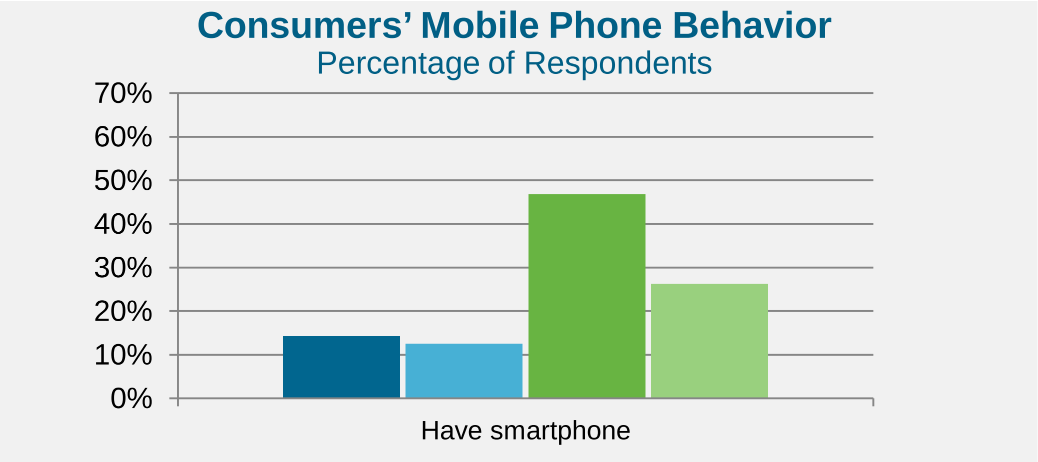
Majority Is Looking for Single / Few Enhancements

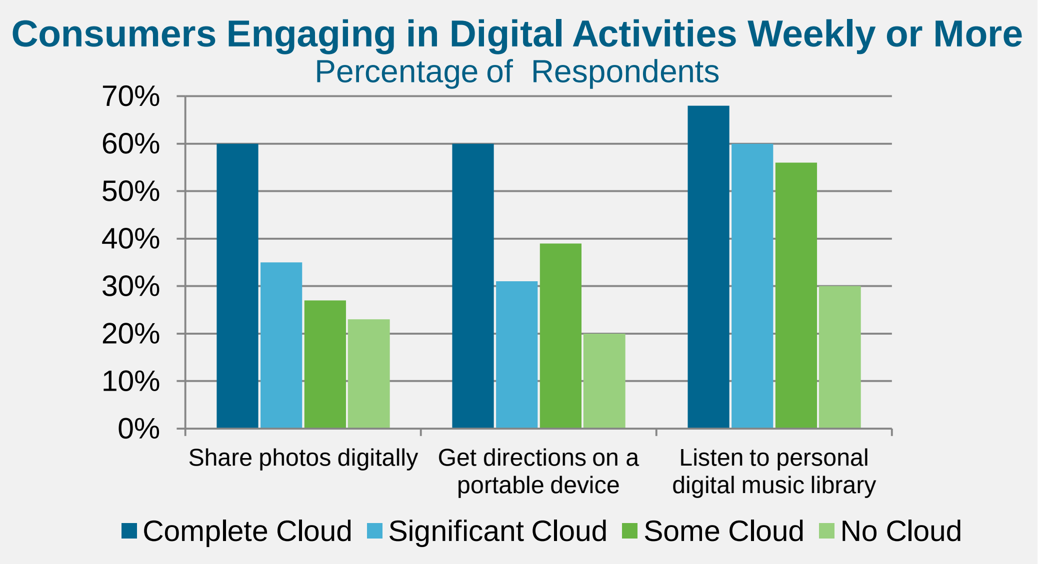


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

Which Consumers Are Seeking a Complete Cloud Experience?





- Complete cloud experience is demanded by connected consumers who regularly engage in Connected Life activities
- Consumers with strong demand for complete cloud:
  - – Younger (48% under 40)
  - – More likely to be female (54%)
  - – More likely to be early adopter
- Consumers with no demand for cloud are less engaged in Connected Life
  - – No strong channel preferences
  - – Likely to be concerned about service contracts

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

6 How To Expand Customer Potential

How To Expand Customer Potential: Key Takeaways

- To expand customer potential, SPs in Italy should target “In Play” consumers
- “In Play” segment’s priority buying factors favor SP channel
- “In Play” segment: young, tech-savvy, with significant / some cloud interest

Source: Cisco IBSG Connected Life Market Watch, 2011

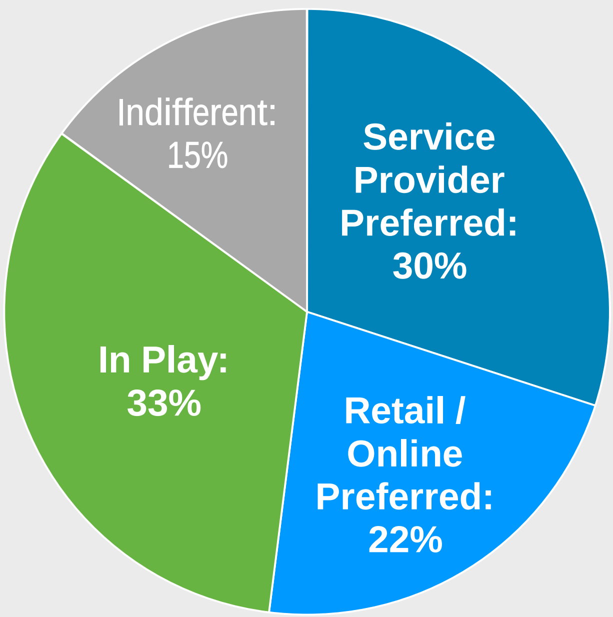
"In Play" Consumers Represent Best Segment To Target

To increase SPs' customer potential, "In Play" consumers represent best segment to target:

- 15% of consumers are highly indifferent and will be difficult to draw into any Internet / TV purchase
- Another 22% show a strong preference for retail / online experience and may be difficult to attract
- However, a sizable 33% of the market shows openness to considering both SP and retail / online solutions

Consumers' Preferred Channel Experience

Percentage of Respondents

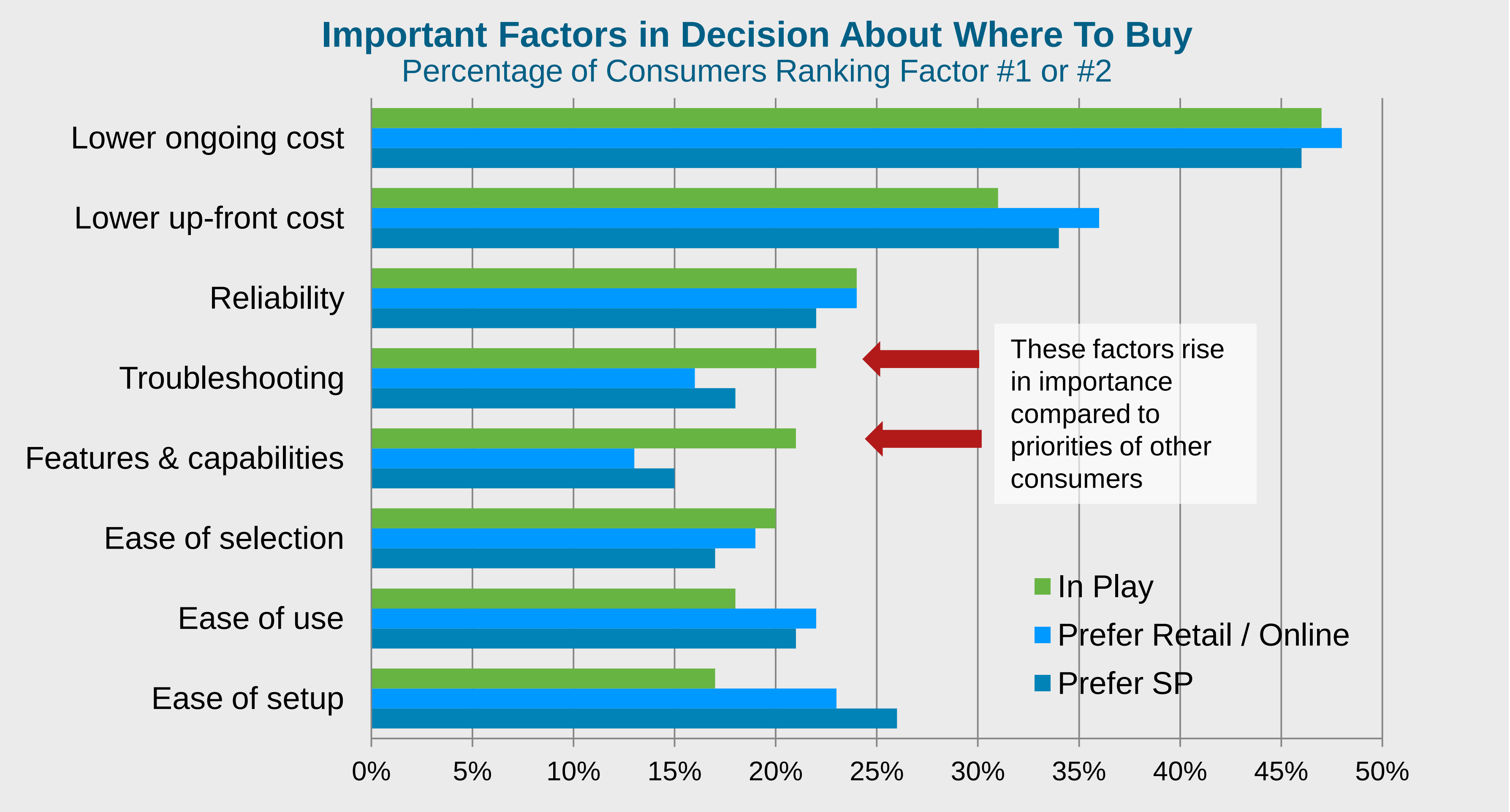


Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

For "In Play" Segment, *Features* and *Troubleshooting* Rise in Importance

Top Factors—Cost & Reliability—Are Similar to Other Consumer Segments



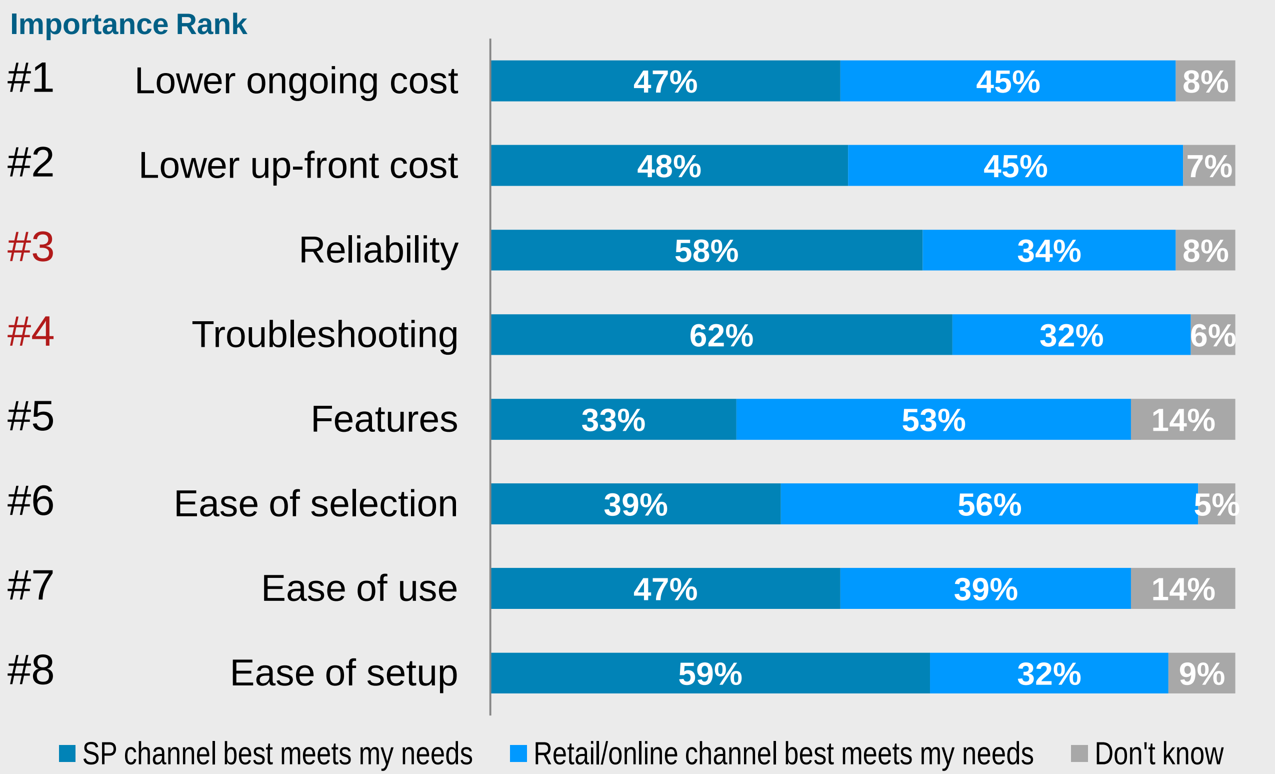
Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italian broadband consumers

“In Play” Segment’s Priority Buying Factors Favor the SP Channel

Channel Preference of “In Play” Consumers

Based on Individual Factors in Consumers’ End-to-End Experience



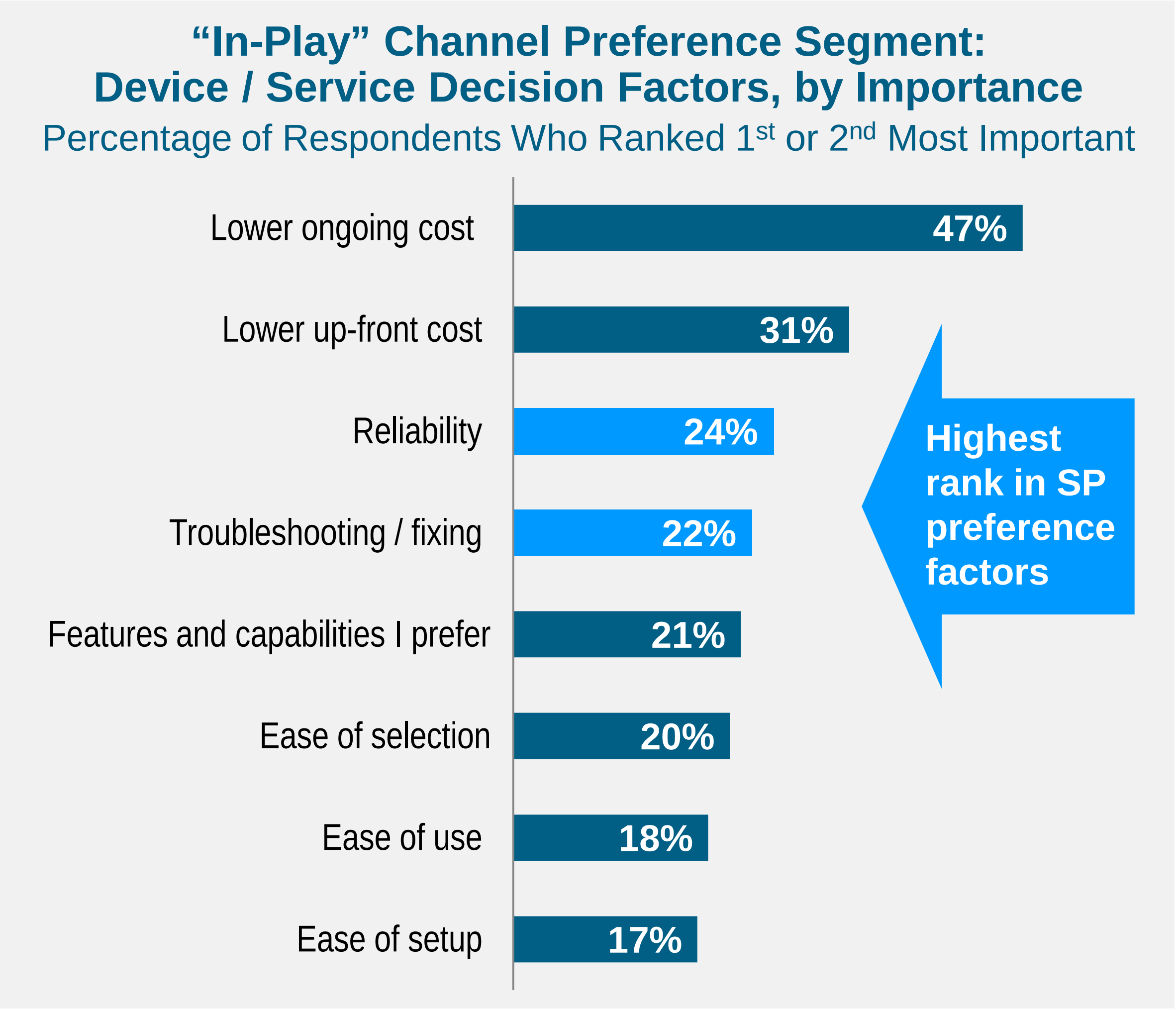
Red: Criteria ranked higher than for average consumer

- SP and Retail channels demonstrate similar strength on cost factors but SP have strong lead in the Reliability and Troubleshooting, factors that strongly influence “In Play” consumers’ decision about where to buy
- Retail can take advantage of lead in Features and Ease of Selection but these factors have a lower rank

Source: Cisco IBSG Connected Life Market Watch, 2011

Base: Italy broadband consumers

How To Capture the 33% of "In Play" Consumers Who Are Up for Grabs



To win over the "In Play" segment (33% of BB consumers), service providers need to:

- Attend to the key basics of cost
- Maintain leadership in reliability
- Further differentiate in troubleshooting or reliability of device / service
- SPs should simplify and help "In Play" customers in selecting the right device / service for their needs

Source: Cisco IBSG Connected Life Market Watch, 2011

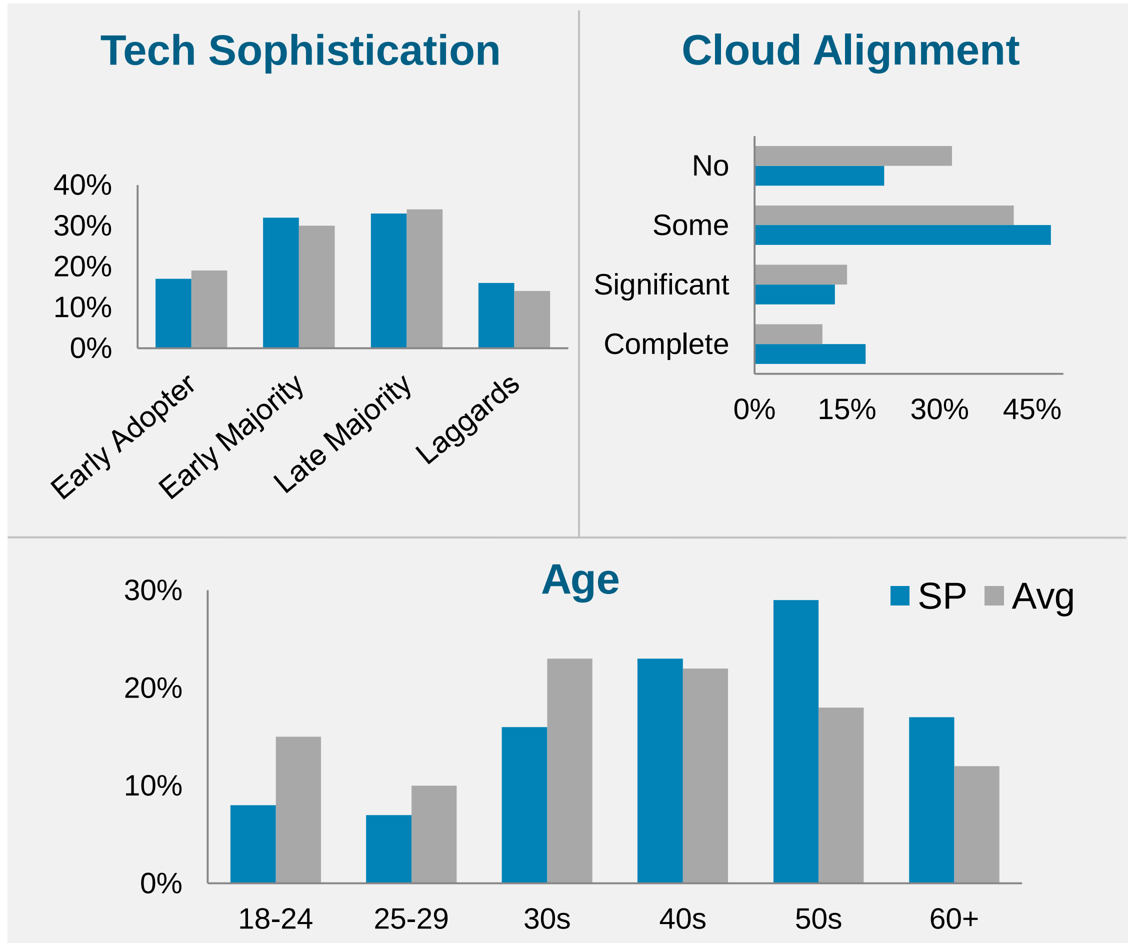
Base: "In Play" Italian broadband consumers

SP Segment: Older, Technology-Aligned, Attracted to Cloud

SP Segment: 30% of Respondents Who Show Strong Preference for SPs

The SP segment:

- Is older
- Aligned with average in technology adoption
- Cloud Alignment: over-indexed on "Some" and "Complete"
- Is more likely to be employed and have children, middle income



Source: Cisco IBSG Connected Life Market Watch, 2011

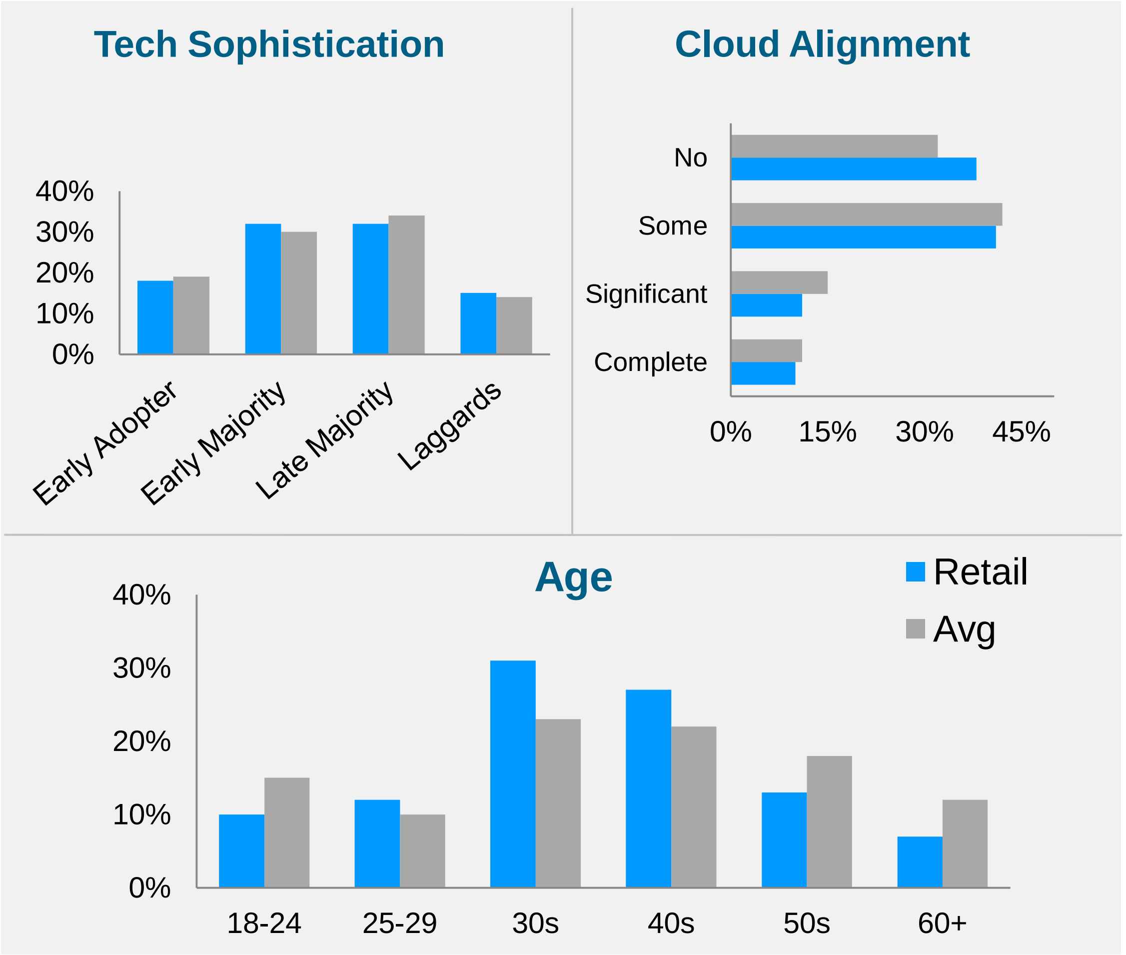
Base: Italian consumers with strong SP preference

Retail Segment: Slightly More Mature, No Cloud, Overall Tech Alignment

Retail Segment: 22% Respondents Who Show Strong Preference for Retail

The Retail segment:

- Is slightly over-indexed among respondents in their late 20s, 30s, and 40s
- Is over-indexed on "No Cloud"
- It has strong Tech Sophistication alignment
- Shows strong alignment for remaining characteristics



Source: Cisco IBSG Connected Life Market Watch, 2011

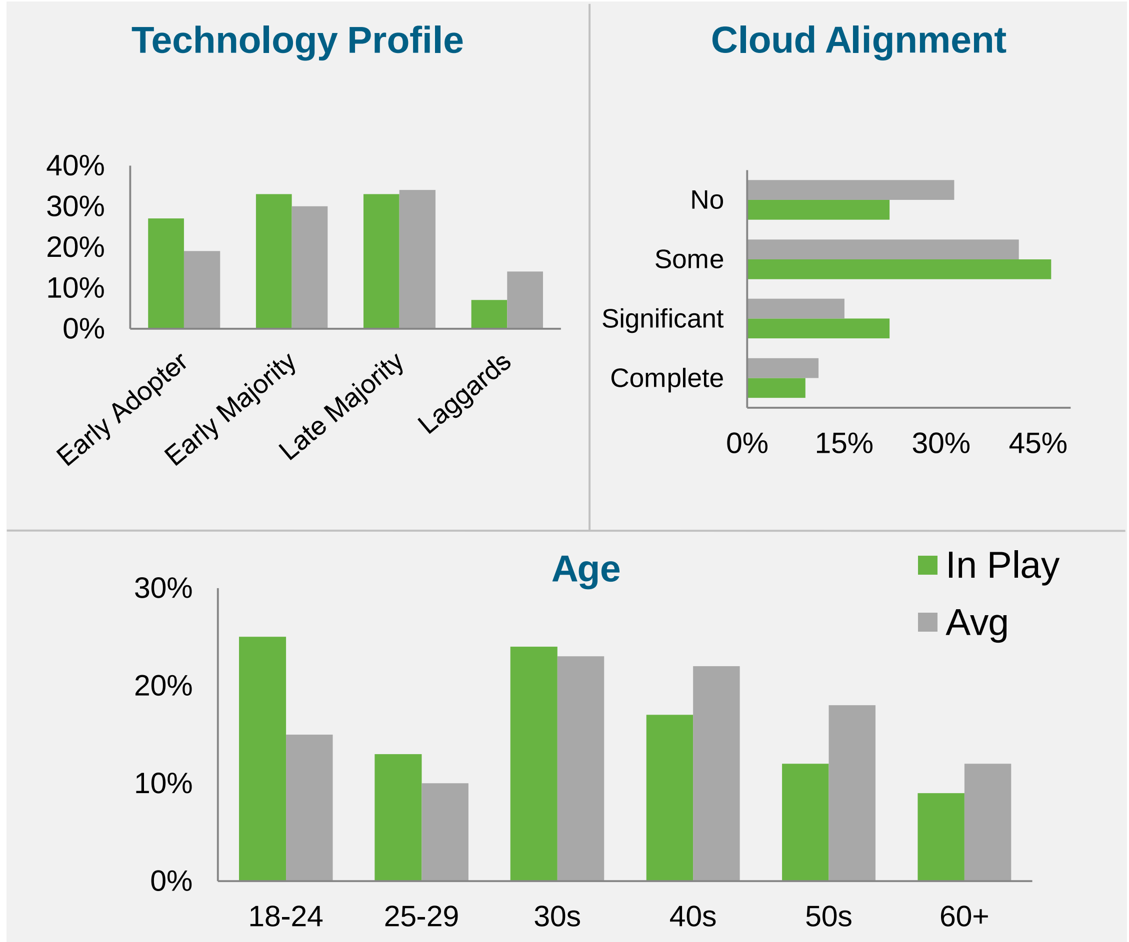
Base: Italian consumers with strong retail preference

“In Play” Segment: Young, Tech-Savvy, with Significant / Some Cloud Interest

“In Play” Segment: 33% of Respondents Who Show No Strong Channel Preference

The “In Play” segment:

- Is younger
- Has greatest proportion of early adopters
- Is over-indexed on “Significant” and “Some” cloud alignment: willingness for a wider cloud experience
- Is over-indexed on high income (41%), students (41%)
- Is over-indexed on DVR, online video service, Internet video device, mobile data card, and connected TV



Source: Cisco IBSG Connected Life Market Watch, 2011

Base: “In Play” Italian broadband consumers

CISCO