

## Telecom Italia Steps Up to Next-Generation Television

### Executive Summary

#### CUSTOMER

Telecom Italia

#### INDUSTRY

Service Provider

#### CHALLENGES

- Faced growing challenge from free, over-the-top web video
- Network capability needed to meet customer demand for reliability, greater content offerings, and streaming to televisions, PCs, or handheld devices
- Needed support to implement new service that would satisfy consumer interest in accessing video on these devices
- Required improved billing system to ensure consumer loyalty and prevent customer churn

#### SOLUTIONS

- Cisco IBSG supported Telecom Italia throughout, identifying a comprehensive, end-to-end product/service strategy
- Telecom Italia adopted Cisco CDS-IS technology, offering multiscreen capabilities and high-quality video streaming to any device at any time, while enabling ample room for growth

#### RESULTS

- Telecom Italia has remained competitive and lessened customer churn
- Telecom Italia's broadband TV service enables thousands of concurrent streams and an on-demand offering

### Background

Telecom Italia is the largest telecommunications company in Italy, with a significant presence in expanding Latin American markets. The company's domestic leadership has been spurred by an expansive Internet television offer that is transforming traditional connections and entertainment into a next-generation digital experience. Telecom Italia's entry into IPTV—employing a “walled garden” approach to set-top TVs—dates back to 2004. But looking to the future, the company sought a bold initiative to gain the highest-quality, multiscreen video capabilities, promising consumers the best possible linear TV, live streaming, and video-on-demand services. A chief goal was to deliver an extensive variety of content offerings to customers' televisions, PCs, or handheld devices, and through virtually any streaming format, via its own network (on-net). All of this would be realized with the launch of a new branded service: Cubovision.

Telecom Italia—in collaboration with the Cisco® account team and the Cisco Internet Business Solutions Group (IBSG)—conducted a detailed study of business and technical challenges facing the company in its commitment to advanced Internet television, while seeking solutions for how best to monetize the new infrastructure and services for video delivery. With Cisco IBSG's support, Telecom Italia invested in a multifaceted approach centered on Cisco's state-of-the-art Content Delivery System-Internet Streaming technology, or CDS-IS.

The ultimate success of the project and additional value lay in the synergy that developed among the strategic, technology, and account teams of both companies.

### Challenges

Telecom Italia wanted to offer customers the newest, highest-quality Internet video experience, yet faced daunting challenges in adopting complex next-generation, multiscreen streaming technology. The company knew that to ensure future success, it needed to satisfy consumer interest in accessing video on televisions, PCs, or handheld devices. But



Cisco Internet Business Solutions Group (IBSG)

IBSG's support in identifying the best end-to-end strategy for Telecom Italia proved extremely valuable. A main focus was on market trends toward "viewer controlled" video and multiscreen delivery—including mobile devices. Together, Telecom Italia and the IBSG consultants built a detailed business model that clarified how best to monetize video traffic, thereby maximizing profits.

it also had to meet a growing threat from free, over-the-top web video offerings, which represent a great increase in web video traffic but contribute marginally to the revenue of service providers. In short, Telecom Italia needed to distinguish itself from such free services with the high quality of its delivery and content offerings, while creating new ways to monetize its own services—all without driving away consumers.

Therefore, Telecom Italia's primary concern was the need for complete consumer confidence in the reliability of its networks. The company had to ensure that its multiscreen video services would be received seamlessly and without interruption. Its on-net content delivery network (CDN) infrastructure, already in place, provided the foundation of an updated and expanded network for video delivery to end users.

To offer all of these upgraded services, Telecom Italia, in partnership with Cisco IBSG, sought the strategic advantages afforded by an accurate CDS-IS and caching network design.

## Strategy

Cisco IBSG met with Telecom Italia's strategy team to propose a comprehensive, end-to-end business strategy. Cisco IBSG and Telecom Italia then undertook an interdisciplinary analysis to determine which multiscreen technologies would best meet the company's needs.

The strategy development efforts focused on:

- Understanding lessons learned from related case studies, including prior IBSG customer engagements and other relevant cases chronicled in business literature
- Evaluating and ranking the potential services in terms of economics, technological feasibility, and overall sustainability of Telecom Italia's business models
- Comprehending the market context, including customer expectations for multiscreen video services and potential partnerships with content providers

Synchronization of various Cisco teams was crucial to the overall process. Cisco account people, engineers, and strategists worked closely with their counterparts at Telecom Italia to find the best way forward for the telecommunications provider.

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## Solutions

The end-to-end strategy developed jointly by Cisco IBSG and Telecom Italia addressed several challenges presented by a rapidly evolving and highly competitive marketplace.

Telecom Italia's multiscreen Internet ambitions aligned with Cisco IBSG's forecasts for the industry, highlighted in a prior study.<sup>1</sup> In its own market assessment, Cisco concluded that online video is part of a broader, "viewer-controlled" video trend occurring in the television industry. The study predicted that content availability, quality of service, and Internet TV connectivity would release latent demand for Internet video content, whether accessed through PCs, televisions, or handheld devices.

Cisco IBSG and Telecom Italia focused on the implications associated with these challenges. Telecom Italia was interested in a scalable architecture that would accommodate these trends while also allowing for future growth. This would also address the increased need to access Internet video on mobile devices—especially tablets—and the rising interest in interactive experiences while watching video.

The expansive CDS-IS infrastructure can support multiple protocols, including linear TV and video on demand. In addition, the evolving network has a huge capacity, capable of accommodating tens of thousands of concurrent streams and three live channels. Together with Telecom Italia's immense library of video content offerings—enhanced by partnerships with outside content providers—these solutions promise a superior experience for Telecom Italia's consumers.

Cisco IBSG teamed with Telecom Italia to understand its unique network issues. With the migration from Telecom Italia's existing CDN network to Cisco's CDS-IS technology, the company adopted a step-by-step approach, evolving toward a series of main central switches, each of which offers a local point of access. This system greatly enhances network reliability.

## Results

With a comprehensively revamped strategy and upgraded technology, Cisco IBSG and Telecom Italia addressed three key issues that will enable the company to remain relevant and competitive in a rapidly evolving marketplace while lessening customer churn:

1. Telecom Italia has introduced an innovative business model to monetize its offerings and is meeting the challenge from over-the-top video by highlighting its superior quality of service.
2. The company has ensured that end users can enjoy its services on multiple screens, including video on mobile devices—anytime, anywhere, and via any streaming format.

<sup>1</sup> "Exploring Two-Sided Business Models for Service Providers: Creating Profitability Through Innovation," Cisco IBSG, August 2010, <http://bit.ly/zhcixM>

3. Telecom Italia has improved its network with room for future growth, including CDS-IS wholesale capabilities, which will enable the company to enrich the support of adaptive bit-rate protocols and additional client devices such as tablets and hybrid set-top boxes.

Telecom Italia's upgraded services are being enjoyed by 400,000 smart TV customers, 120,000 of them via the Cubovision platform. In the first 12 months since the rollout of its upgraded Cubovision service, Telecom Italia has further extended the Cubovision TV platform with its Cubovision Mobile app (available on Apple iOS and Android operating systems). It also launched a new subscription video-on-demand service offering 30 premium channels (including movies, TV series, children's content, music, and entertainment). The service is fully complemented by a vast video-on-demand library, including a huge catalog of movies—some available in high definition and 3D—provided by studios including Buena Vista-Disney, Sony, Dreamworks-Paramount, and 20th Century Fox/Warner Bros.

Telecom Italia's upgrade from a walled-garden configuration to Cisco's CDS-IS greatly expanded the company's video consumer strategy and enabled it to meet the challenge posed by over-the-top video.

## Next Steps

Telecom Italia's comprehensive, forward-looking strategy—developed jointly with Cisco IBSG's support and sustained by an upgraded network—has placed the company in an excellent position to evolve, grow, and adapt to the changing needs of its customers.

Thus, Telecom Italia can accommodate whatever consumer trends drive the marketplace. And, the company can easily meet mobile video demand, especially as mobile tablet devices grow in popularity.

Overall, one of Telecom Italia's strengths in facing the future is the quality of its products and services, supported by an expandable and highly reliable, state-of-the-art on-net CDS network featuring vast content offerings available on any device at any time.

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## More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology. Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.

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