

Innovative go-to-market alliance between Telecom Italia and Cisco Systems develops a value proposition for retail

Executive Summary

CUSTOMER NAME

- Telecom Italia

INDUSTRY

- Service Provider

CHALLENGE

- To develop and implement a value proposition for the retail vertical – encompassing leading edge in-store services and supply chain applications – that will enable major stores to attract more customers, increase customer spend per visit, reduce operational costs and enhance efficiency of supply

SOLUTION

- An ecosystem of solutions partners enables Telecom Italia and Cisco Systems to offer a complete integrated retail solution over an IP-based converged network platform – using fixed and wireless services including VoIP, mobile communication, video and content distribution

BUSINESS VALUE

- Bottom line benefits for the retail sector from a relevant value proposition – supported by a new culture, focus and approach – is enabling the Telecom Italia sales force to win new retail customers and generate millions of euros in new revenue. The partnership provides the infrastructure for rapidly developing similar value propositions aimed at other verticals

A unique partnership between Telecom Italia and Cisco Systems combines the resources of the foremost Italian service provider with the experience and technologies of the world leader in Internet-based communications. The result is a flexible and customised value proposition for the retail sector based on innovative and best-of-breed solutions from an ecosystem of partners – supported by a single IP network – forming the basis for similar offerings to other vertical industries in the future.

CHALLENGE

Telecom Italia is Italy's leading ICT (Information and Communications Technology) enterprise with consolidated revenues for 2004 of €31 billion. In the Italian corporate market its Wireline business unit holds a market share of around 80 per cent, providing telecommunication services with an annual value of some €4 billion to around 40,000 companies. With many three to five-year contracts expiring, and customers re-evaluating their connectivity platforms, Telecom Italia recognised that it would take more than traditional service provider offerings to grow its business in a highly competitive enterprise market.

In Italy, the retail industry is set to increase IT spending significantly, in line with retailers elsewhere in Europe. As a proving ground for an alliance between Telecom Italia and Cisco Systems, the retail sector therefore offered maximum opportunity for the development of a joint value proposition targeting the specific needs of hypermarket and supermarket chains – as well as major specialist stores – where retail growth is most pronounced.



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

SOLUTION

The alliance had its genesis in November 2003 when Claudio Contini, VP Marketing of Telecom Italia Wireline, was invited by Cisco representatives to visit the Metro ‘Future Store’ near Düsseldorf. Following that encounter, Telecom Italia held an introductory meeting with Cisco Systems’ Internet Business Solutions Group (IBSG) in Milan, to explore opportunities in the retail vertical. At the meeting, Cisco presented its vision for the retail vertical, triggering a formal decision to develop a joint Telecom Italia and Cisco Systems value proposition for the retail industry.

“I EXPECT THE PARTNERSHIP BETWEEN TELECOM ITALIA AND CISCO SYSTEMS TO ACCOUNT FOR AS MUCH AS 70 PER CENT OF OUR REVENUES FROM FUTURE PROJECTS TARGETING THE RETAIL VERTICAL SEGMENT.”

Claudio Contini, VP Marketing, Telecom Italia Wireline

“Our reason for starting by developing a concept for the retail industry was that this is the fastest growing segment in Italy with a growth rate double that of other industries,” explains Claudio Contini. “The retail industry is poised to invest considerable resources in both in-store and supply chain information technologies and Cisco was already involved in such projects elsewhere in Europe.”

Between November 2003 and April 2004, Cisco and Telecom Italia worked closely together to develop an in-store solution that would be jointly marketed by Telecom Italia and Cisco. In elevating the value proposition’s business relevance – taking it beyond just IP connectivity – the strategy adopted was to create an ecosystem of applications alliance partners who would co-operate to provide a modular and integrated retail vertical solution, customisable for individual requirements.

The partner ecosystem includes: **Datalogic** specialising in in-store automation, self-scanning and radio frequency identification (RFID) technology; **PSC** delivering in-store automation; **SONY** with applications for in-store communication and in-store observation; **Tecnonet** delivering IP-based remote monitoring and video surveillance; and **Wincor-Nixdorf** providing multimedia kiosk applications, electronic shelf labels, self-checkout and personal shopping assistant.

In addition, **SCS Consulting** has been chosen as the alliance’s consulting partner. SCS Consulting will support customers in transforming business processes to gain maximum business benefit from the new application environment, while Telecom Italia’s Learning Services division is responsible for the development of e-learning applications. Cisco will be responsible not only for the overall IP infrastructure but also for in-store Wi-Fi applications and IP Telephony.

Together, the partner ecosystem is providing customised solutions comprising some, or all, of the following technologies running over the IP platform:

In-store communication solutions, allowing retailers to address their customers with targeted multimedia messages delivered while they are shopping

Multimedia kiosks, enabling retailers to support their customers with additional information when those customers require it

In-store automation solutions, driving improvements in the efficiency of in-store operations, leading to better customer service

Electronic shelf labels, giving retailers flexibility in their price management as well as the implementation of better promotions

Video surveillance and remote monitoring over IP, allowing retailers to implement such services on the same network infrastructure used for data transmission, with lower deployment costs and higher flexibility than traditional video surveillance and remote monitoring

Self-scanning solutions, helping the final customer to speed up their checkout procedures and offer retailers a solution for one-to-one marketing offered to the customer on the display of the self-scanning device

Personal shopping assistant solutions, letting retailers offer a set of innovative services to their customers including personal shopping lists, information on promotions, and location of products

In-store observation solutions, offering retailers the opportunity to monitor and analyse the behaviour of their customers while shopping, and providing information to improve the physical layout of the stores, marketing and promotional campaigns, and customer support

Self-checkout solutions, allowing the retailer, via an automated self-service machine, to speed-up check-out processes and reduce queuing times

Radio Frequency Identification (RFID) solutions, enabling the automatic identification and tracking of goods moving within the supply chain, reducing both errors and management and inventory costs

“DIFFERENT MARKETS IN DIFFERENT COUNTRIES HAVE MULTIPLE APPROACHES TO INNOVATION. CISCO’S ABILITY TO UNDERSTAND AND ADAPT TO THE ITALIAN MARKET HAS BEEN INVALUABLE IN ESTABLISHING A RAPID COMMON UNDERSTANDING BETWEEN OUR TWO ORGANISATIONS AND ENABLING US TO MOVE FORWARD QUICKLY AND EFFICIENTLY.”

Alessandra Cerri, Marketing Manager, Telecom Italia Wireline

A phased approach to the market was adopted. The first phase comprises a single Cisco IP network infrastructure supporting IP store connectivity, Wi-Fi-based store mobility, network outsourcing and IP telephony. The second phase adds advanced retail functionality, based upon applications from Telecom Italia, Cisco Systems and the ecosystem partners over the shared IP platform – providing support at every link of the value chain from receipt of goods to the moment shoppers leave the store.

The announcement of the Cisco and Telecom Italia partnership in April 2004 generated enormous press coverage in Italy and beyond, with more than 40 articles appearing in the national press and trade publications.

“Cisco and Telecom Italia have worked as a single team from day one, learning from each other and pooling our knowledge to develop a joint, world-class value proposition for retailers in Italy,” says Claudio Contini. “The partnership is extremely valuable for us, not least because of its openness and spirit of collaboration. It has helped us to become a sharply customer-focused organisation that is in a position to increase business revenues.”

BUSINESS VALUE

The simple keys to success in a high-volume low-margin market – such as retail – are increased revenues and lower costs. Sales are driven by a satisfying shopping experience with friendly and informed service from store staff to ensure increased customer loyalty and spend per visit. Cost reductions are driven by tools and workflows that enable more efficient employee activities and communication, and more efficient inventory and procurement processes.

The estimated market potential for the Telecom Italia and Cisco retail value proposition runs into hundreds of millions of euros. Projects involving an integrated IP infrastructure supporting customised, best-of-breed applications are already underway with a number of leading Italian retail and hospitality chains.

“CISCO AND TELECOM ITALIA HAVE WORKED AS A SINGLE TEAM FROM DAY ONE, LEARNING FROM EACH OTHER AND POOLING OUR KNOWLEDGE TO DEVELOP A JOINT, WORLD-CLASS VALUE PROPOSITION FOR RETAILERS IN ITALY.”

Claudio Contini, VP Marketing, Telecom Italia Wireline

Claudio Contini says: “Our partnership with Cisco has made a significant strategic and cultural impact on Telecom Italia by helping to move our focus from traditional service provider products and services towards a system integrator with a flexible package of services targeting a specific customer segment. I expect the partnership between Telecom Italia and Cisco Systems to account for as much as 70 per cent of our revenues from future projects targeting the retail vertical segment.”

People from both sides co-operated closely to develop the partnership infrastructure and the Telecom Italia and Cisco sales forces have been jointly communicating the initial value proposition to retail industry target customers since the internal launch at the end of April 2004. Ongoing operational sales activities directed at selected targets are co-ordinated by joint Cisco/Telecom Italia sales meetings and have already generated millions of euros in revenues.

One of the lessons learnt is that setting up a strategic partnership of this nature is a time-consuming exercise. It takes up to 24 months to develop an open collaboration and knowledge-sharing platform for the development of innovative commercial propositions. Now that joint processes have been established and rooted firmly in both organisations, Telecom Italia and Cisco can use the platform – together with a broadening alliance of best-of-breed applications partners – to design new solutions for new vertical segments with a significantly shorter time to market.

Alessandra Cerri, Telecom Italia Wireline Marketing Manager, concludes: “Different markets in different countries have multiple approaches to innovation. Cisco’s ability to understand and adapt to the Italian market has been invaluable in establishing a rapid common understanding between our two organisations and enabling us to move forward quickly and efficiently.”

IN THE STORE OF THE FUTURE...

Every feature of the store is dedicated to improving the customer experience, with informed customers navigating the aisles quickly – assisted by an electronic shopping assistant – seeing the amount of goods and value in the trolley at any given time, and being rapidly processed through the checkouts. Shoppers holding a loyalty card are recognised as they enter the store and get immediately reminded of special offers that are relevant to their purchasing preferences. Alert messages are sent to the store manager when a particularly valuable customer appears and a personal greeting and superior service are subtly offered.

“OUR PARTNERSHIP WITH CISCO HAS MADE A SIGNIFICANT STRATEGIC AND CULTURAL IMPACT ON TELECOM ITALIA BY HELPING TO MOVE OUR FOCUS FROM TRADITIONAL SERVICE PROVIDER PRODUCTS AND SERVICES TOWARDS A SYSTEM INTEGRATOR WITH A FLEXIBLE PACKAGE OF SERVICES TARGETING A SPECIFIC CUSTOMER SEGMENT.”

Claudio Contini, VP Marketing, Telecom Italia Wireline

Individual communications drive a significant increase in sales. Information and advertising is directed individually to shoppers as they move around the store, via relevant channels. Plasma screens allow product promotion to be changed at a moment's notice and by time of day. Shoppers see and hear video and audio spots that are relevant to their preferences and location in the store, and can use in-store kiosks to actively obtain information. The electronic shopping assistant allows customers to scan products while they shop and pay via an automatic checkout, avoiding checkout queues. For account customers, the shopper's account is debited automatically.

Back office management systems are built around RFID technologies. Smart shelves hold RFID-tagged products, improving stock management and avoiding out-of-stock situations by prompting timely re-ordering. Electronic shelf price labels require no labour and are always up to date, ensuring that the displayed price is identical to the one at the checkout. Digital camera-equipped intelligent scales instantly tell the customer the weight and price of a product, and automatically prints out a price label.

Central systems provide business intelligence to help store management make informed decisions. Video surveillance and monitoring not only improves security but also enables the mapping of traffic and purchases throughout the store and optimisation of store layout and display placements. Checkouts, PDAs, back office systems and central systems work in harmony, integrated together by the LAN and wireless technology. Loyalty systems enable instant reward redemption and innovative prize schemes at the checkout.

The store's people are empowered. PDAs connected to a Cisco wireless LAN give them instant access to appropriate store-based information, helping them to serve customers better. E-learning kiosks, leveraging centrally distributed content, help them to understand marketing promotions and product innovations. Self-service HR applications release store management time to focus on customers and sales.

Many retailers are already implementing point solutions from among the above possibilities, but the unique Telecom Italia and Cisco difference is that the partnership offers a fully integrated retail solution using best-of-breed applications over a single IP network infrastructure.

MORE INFORMATION

For further information on Internet business solutions, visit <http://www.cisco.com/go/ibsg>



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(0406R) 07/05
Printed in UK