

3 Italy Takes Its Innovation Strategy to a New Level with Collaborative Go-to-Market Plan for SMBs

Executive Summary

CUSTOMER NAME

3 Italy

INDUSTRY

Service Provider

BUSINESS CHALLENGES

- Realizing the tremendous potential of the small to medium-sized business market
- Creating a sustainable business model capable of generating and supporting niche business solutions

SOLUTIONS

- Simple and secure intranet access platform for mobile users
- Innovative collaboration with systems integrators and application developers

BUSINESS RESULTS

- Unrivaled growth in business customers, market penetration, and average revenue per user (ARPU)
- Reinforcement of 3 Italy's strategy of differentiation through innovation
- Shared revenue model that creates new channels and opportunities for application development

3 Italy has become the country's most successful new mobile operator through a strategy of innovation. Cisco Systems® helped deliver the technology that underpins this position. More recently, the two companies worked together to create a new business model—a revenue-sharing, collaborative framework with systems integrators and application developers—that promises to break the Italian small-business market wide open.

BUSINESS CHALLENGES

Since it entered the Italian mobile market in 2001, 3 Italy has become the country's most successful new operator.

The Universal Mobile Telecommunications System (UMTS) service was launched in March 2003, and just six months later, 3 Italy had acquired about 300,000 customers, almost all of them in the consumer segment. As the first operator to offer high-speed UMTS services, 3 Italy built on its position as the leading mobile video company in the Italian market.

The company also recognized, however, that Italy's small and medium-sized businesses (SMBs) were an important, untapped market. The sector had particular significance for 3 Italy, representing 85 percent of all businesses in the country. Yet the boundaries between professionals and consumers are not always well defined. An individual can be profiled in both segments, yielding rich potential rewards for operators.

Nevertheless, the difficulty of building and servicing meaningful relationships with so many small companies meant that incumbent operators had largely ignored that market, preferring to target larger, more easily managed companies. Edoardo Verduci, 3 Italy's marketing director



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Internet Business Solutions Group

at the time (he now heads 3 Italy's public sector business), explains: "The small and medium-sized business sector is a great potential market for simple, packaged solutions. The challenge is how to take them to market, and how to develop effective interaction between marketing and sales."

In November 2003, 3 Italy announced the launch of "Power," a flexible tariff package of data options for mobile business users. Access was provided via videophone and a laptop. It also introduced a service called *InAzienda* (In Company), providing intranet access, mail services, and connections to work applications, with performance comparable to that of fixed networks.

Realizing the need to target SMB customers with mobile data applications, 3 Italy turned to the [Cisco Internet Business Solutions Group \(IBSG\)](#) for help. Together, 3 Italy and Cisco worked to identify the value proposition for the business market and the go-to-market strategy for mobile data services, focusing on an innovative channel model.

SOLUTIONS

An Agent for Innovation

3 Italy's relationship with [Cisco](#) began in 2001, when the operator selected Cisco to provide networking technology for its IP backbone and data center infrastructures. It was a decision based on technology, a shared vision of the future of [IP](#), and on 3 Italy's need to collaborate with a company that could support its drive for innovation.

Verduci explains: "Our strategy is to be first to market with new offers for our customers and our competitors' customers. Creating new and innovative services is very important for us. Our collaboration with Cisco, therefore, is crucial because its technology provides the enabling foundation for such services."

Central to that strategy was 3 Italy's decision in February 2003 to use the Cisco Mobile Exchange (CMX) to support its UMTS 3G mobile services—a world first at the time, which gave 3 Italy unparalleled service control, scalability, and billing flexibility. Superior customer profiling and flexible tariff plans were seen as an important differentiator, giving customers a real choice in terms of pay-per-use, bundled megabytes per day or per month, and so on.

In November 2003, Verduci met with IBSG to discuss how best to approach the SMB market. 3 Italy had created a new division called the Innovation Channel to provide a better focus on mobile data solutions for the SMB market, with its own portal to create and support a community of application developers through an "ecosystem" of mobile data users, suppliers, and partners.

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Edoardo Verduci, marketing director, 3 Italy

The outcome was a mobile solution branded as *InAzienda Light*, which employs a UMTS video-phone and data card to provide a secure connection to a company's intranet via a 3 Italy Web portal. Within the company, the turnkey solution comprised Cisco technology enabling secure mobile access to the intranet.

This relatively simple solution would be the first of a portfolio of offerings designed to make it easy for channel partners to understand and sell to customers, while presenting partners with further opportunities to upsell other services. Systems integrators were identified as potential partners because in Italy's fragmented SMB market, they alone owned existing relationships with end customers.

“THESE COLLABORATIONS—WITH CISCO AND WITH SYSTEMS INTEGRATORS AND DEVELOPERS—ARE VERY IMPORTANT BECAUSE THEY ENABLE US TO EXTERNALIZE THE DEVELOPMENT OF NEW SERVICES AND BRING THEM TO MARKET VERY QUICKLY.”

Edoardo Verduci, marketing director, 3 Italy

3 Italy hosted technical seminars for systems integrators, supported by Cisco, to raise awareness of the Innovation Channel, portal, and value proposition. As the go-to-market plan continued to roll out, 3 Italy and Cisco sought closer ties with systems integrators. They developed an innovative revenue-sharing model, creating a unique win-win strategy for 3 Italy, its channel partners, and customers.

Systems integrators would be rewarded for driving customers to 3 Italy's network, with an opportunity to upsell additional, higher-margin services and products. Developers could port applications to the mobile environment and create new vertical applications. More traffic on the UMTS network would provide a sustainable revenue stream, with the customer at the center.

The new business model was launched with a co-branded business event that attracted more than 700 businesses, 40 integration partners (systems integrators), and 30 solution partners (application developers), showcasing the largest selection of UMTS applications ever seen in Italy. More than 40 solutions—from location-based services and video surveillance to telemedicine, mobile office, workforce automation, and workflow management—powerfully demonstrated the Italian market's great interest in UMTS applications.

BUSINESS RESULTS

Unrivaled Growth in Mobile Business Customers

Having refined its offer and developed its channel business model, 3 Italy launched a major television advertising campaign geared to business customers. In addition to tariff plans and handsets, the campaign promoted the Web portal and new data services, including intranet access and infotainment.

SMBs now represent about 10 percent of 3 Italy's total customer base, which compares favorably with its rivals' SMB-customer levels of approximately 6 to 7 percent. ARPU for 3 Italy's typical business customers is considerably much higher than that of its consumer customers, and the company has a goal to lead the business-customer market in Italy.

Verduci comments: "This model is the future. We need to develop services as fast as we can. These collaborations—with Cisco and with systems integrators and developers—are very important because they enable us to externalize the development of new services and bring them to market very quickly. We share part of the start-up costs and have a revenue-sharing model for services that are used by the customer."

The business application services are provided via the Service Delivery Center, part of the business portal, which is underpinned by the network foundation and the intelligence and flexibility of the Cisco CMX platform.

"Cisco is very good at sharing with us technological developments that we can explore to create new service scenarios," says Verduci. "IBSG provides us with 'strategy support,' helping us to refine our service concepts, scope the potential market, and generate early go-to-market ideas. They have become part of our service development process."

NEXT STEPS

Looking to the future, 3 Italy is focusing on the mobile penetration of IP. With greater understanding from Cisco on the technologies driving unified mobile access, 3 Italy is able to see the implications that IP-driven mobile data services can have on its business. Whatever 3 Italy's response, it is likely to bear the company's hallmark of innovation.

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG) is a global consulting team that helps customers transform their organizations by strategically applying business process innovation and advanced technologies. A unique combination of industry experience and business and technical knowledge enables IBSG consultants to serve as trusted advisers to many of the world's top organizations.

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



Corporate Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 526-4100

European Headquarters

Cisco Systems International BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com
Tel: 31 0 20 357 1000
Fax: 31 0 20 357 1100

Americas Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-7660
Fax: 408 527-0883

Asia Pacific Headquarters

Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com
Tel: +65 6317 7777
Fax: +65 6317 7799

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