

Telecom Italia-Virgilio Portal Strategy

Residential Connected Life Experiences



EXECUTIVE SUMMARY

COMPANY PROFILE

Telecom Italia (TI) is an Italy-based telecommunications provider with operations in Europe and Latin America. In Italy, Telecom Italia has 16 million fixed access lines. The company supports nearly 9 million broadband connections, and its domestic wireless business serves 32 million subscribers. Internationally, its wireline broadband network serves France, Germany, and the Netherlands, as well as wholesale network access in Europe and South America. Its TIM Brasil subsidiary is a leader in the Brazilian wireless market.

COMPANY HISTORY

Telecom Italia was founded in 1994 by the merger of several state-owned telecommunications companies, including Società Italiana per l'Esercizio Telefonico p.A. (known as SIP), the monopoly telephone operator in Italy. Telecom Italia was privatized in 1997.

Challenge/Opportunity

In order to strengthen its online presence, Telecom Italia (TI) acquired Virgilio, a well-known Italian Internet brand. TI retained the Virgilio brand after purchase. Virgilio is not a standalone business unit, but rather part of Matrix, which is 100 percent owned by Telecom Italia. Also within Matrix is iopubblicità, a business unit specializing in local advertising over integrated platforms, and Niumidia Adv, a sales agency unit. Together, the three units are responsible for developing all of Telecom Italia's advertising business over its Internet portals, mobile devices, and IPTV services.

TI's Virgilio portal is faced with following challenges:

- Like all Internet portals, Virgilio faces the threat of the ever-increasing dominance of online companies such as Google, Yahoo! and Facebook. Such companies will not only affect

Virgilio's efforts on the Internet, but over mobile and TV devices as well. With the number of users visiting Virgilio largely static, it will have to work harder to differentiate against these big brand competitors.

- After some initial success, Telecom Italia faced greater competition for its IPTV customers. Advertisers became cautious about investing in Telco TV platforms, and a reduction in subscribers made it difficult for Virgilio and Telecom Italia to attract potential advertising clients.
- Virgilio has ambitious plans for more localized advertising using TIM's mobile platform. However, location-based services and applications are still in a nascent stage. Virgilio will have to work hard to convince end users of the value of such services/applications to create the critical mass that get advertisers to buy into the concept.

However, Virgilio has also provided TI with the following opportunities:

- Virgilio has been a leading Internet brand in the Italian market since 1994. In spite of competition from global brands such as Google and Yahoo!, it is still ranked in the top 10 websites in Italy and well known for its local content.
- Virgilio has built on its brand to create a more local feel to its services, including the launch of services such as Virgilio Community, Yalp! (a TV and UGC video service that allows users to create their own TV channel), and SingRing that adds user-generated karaoke videos to Virgilio's Music service. This more local feel to its services differentiates it in the Italian market from more global brands. Telecom Italia can exploit this to appeal to local businesses and generate more advertising revenue.
- Virgilio can leverage the extensive advertising expertise and services provided by Matrix. The unit iopubblicità (also part of the Matrix group) is a specialist in providing localized advertising to medium-sized businesses. Such in-house expertise and capabilities allow TI to explore new revenue opportunities without as much reliance on, and revenue share with, third-party ad solution companies
- TI can leverage Virgilio to create additional value for its existing service platforms such as TIM and IPTV. Virgilio would be very useful to develop location-based services and applications for its mobile arm (TIM) as well as to develop Internet widgets to be used on TI's IPTV platform. Also, combined with TV and multiscreen opportunities, Virgilio opens up new advertising channels for TI.

"The evolution of mobile broadband is proof that capital expenditure by operators lays the foundations for the growth of an entire ecosystem."

— Franco Bernabè, CEO, Telecom Italia

[See quote source](#)

Alliances/Partnerships

- TI and Virgilio have a number of alliances and partnerships:
- Virgilio uses a number of companies within the TI group to develop its content/service portfolio and advertising services:
 - Yalp!, provides local and community TV and video content.
 - iopubblicità brings advertising expertise.
 - TIM is the largest mobile platform in the country.
- Virgilio partners with Digital Magics, which owns Digital Bees, a specialist in the production of social networks and electronic content platforms. Digital Magics SingRing product now features in Virgilio Music, both online and mobile.
- TI uses a number of technology partners to help it develop its overall 'connected home' strategy. One of the most interesting of TI's technology partners is MeeGo, which provides support for TI's CuboVision service. MeeGo was created by Intel and Nokia and represents the first concerted technology industry effort to create a complete, robust, and scalable device and application platform that can also span an array of different device categories, both current and emerging, while offering OEMs and service providers complete freedom to modify the platform and user experience.

Strategy

- Virgilio has developed a range of mobile applications for the leading smartphone platforms. The applications are designed specifically for Italian nationals, whether living in Italy or abroad. The content is Italian focused and delivered in the Italian language. Features include:
 - Browsing photos
 - Latest Italian news and photos of the day
 - Live football matches from Serie A and Champions League
 - News and results of Italian major sports
 - Italy's weather forecasts
 - Daily horoscope in Italian
 - Main stock market news with focus on Italian stocks
- TI has also combined Virgilio's widgets with its CuboVision's offer. CuboVision provides a range of content types: TV, Web TV, VoD, and user-generated content. A scrolling news bar offers access to a range of widgets from TI's Virgilio portal, including real-time weather for a user-selected city, general and business news, and a daily horoscope. According to TI, "net viewers" can hop between widgets and services, using an "ad hoc" electronic program guide that appears over the program they are watching.
- TI's web offerings combine Italy's Virgilio portal with new Web 2.0 ventures, such as Yalp!, a TV community where users publish their own content and create their own TV channels.
- In partnership with Digital Magics, Virgilio launched SingRing on its music portal in 2009. With more than one million lyrics and more than 500 vocal and instrumental tracks, users can perform their favorite songs, singing, recording, and sharing their performances with friends and the SingRing community.

Success Factors/Metrics/Monetization

TI is monetizing Virgilio primarily through three advertising tactics:

- Maximize its user base to attract advertising revenue from traditional products and generic campaigns
- Develop more targeted and localized advertising, particularly around mobile content and applications
- Stretch the Virgilio brand over a multiscreen environment, including mobile and TV devices

Despite competition from global brands such as Google and Facebook, Virgilio has managed to stave off a decline in its user base. It has maintained approximately 45 million page views per quarter and an average of 3.0 to 3.5 million daily visitors. TI does not split out its content (mainly IPTV) and portal revenues separately, but Virgilio certainly contributes a significant proportion of this revenue, which has been steadily growing for the past 12 months. Content and portal revenues accounted for just over 9 percent of total Internet revenues as of March 2010, an increase of 1.1 percent year over year.

Company Background

- Read [Telecom Italia overview](#)



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV Amsterdam,
The Netherlands

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