

## Vodafone and Linksys 3G/Wireless Router Opens New Market and Demonstrates Strategic Collaboration

### Executive Summary

#### CUSTOMER NAME

Vodafone

#### INDUSTRY

Service Provider

#### BUSINESS CHALLENGES

- Open new markets for Vodafone—particularly small and medium-sized businesses
- Build new revenue streams around 3G services
- Develop early mobile products to substitute for fixed offers
- Further develop a direct sales channel to bring a business proposition to market quickly

#### SOLUTIONS

- Vodafone and Linksys collaborated to develop a new, market-leading product—a wireless hotspot with wide-area access, via Vodafone's 3G cellular networks.
- Local, in-country Vodafone operating companies have used Linksys' indirect channels to reach new markets.

#### BUSINESS RESULTS

- Created a new marketplace with a groundbreaking product innovation: the 3G/Wireless Router
- Accelerated Vodafone's internal processes for working with indirect channels by at least 18 months
- Developed a new model for successful collaboration between a mobile operator and the IT industry

Vodafone, Cisco Systems®, and Linksys®, a division of Cisco®, joined forces to create a widely available, low-cost solution for providing mobile broadband connectivity to workgroups, households, and communities. It enables group access—instant, convenient, and secure—to remote corporate networks, e-mail, and the Internet. It also brings affordable broadband communications to developing countries with limited fixed-line infrastructure.

#### BUSINESS CHALLENGES

Strategic collaboration is an objective to which many companies aspire but few achieve. While Vodafone and Cisco had long enjoyed a close relationship as customer and vendor, their mutual desire to develop joint projects at a higher level was thwarted by the lack of an appropriate vehicle to give it expression. In late 2004, the chance came when market research revealed a demand from laptop users for group connectivity. In 2002 Vodafone had launched the world's first PC data card; just three years later, it saw the huge potential of marrying the growing wireless and mobile data services markets.

Operating in 27 countries, and with a presence in 33 more through its partner networks, Vodafone is the world's largest mobile telecommunications operator. By March 31, 2005, it had more than 180 million registered proportionate customers and proportionate group turnover of more than \$79.5 billion. Yet a decade of explosive growth had brought Western European markets close to saturation. Vodafone's strategic response includes developing next-generation mobile data services to boost average revenue per user (ARPU).



Prepared by Cisco Systems, Inc.  
Internet Business Solutions Group

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**Stephen Noakes, global director of business propositions, Vodafone**

In 2004, Vodafone created the Product Innovation Group to identify and create new opportunities for groundbreaking services. One of the first opportunities confirmed by market research was that groups of workers—for example, consultants at a client’s premises—would welcome the ability to access e-mail, corporate resources, and the Internet, while collaborating more effectively over a temporary local network.

Vodafone engineers quickly put together a “concept prototype,” combining a Vodafone PC data card and a Linksys wireless router. Stephen Noakes, Vodafone’s global director of business propositions, explains: “It was clear that Linksys would be an ideal partner in terms of bringing this proposition to life. Not only did they have the technology expertise, but they also had the channels to market and brand that we felt were necessary for success.”

## **SOLUTIONS**

Vodafone first approached the Cisco [Internet Business Solutions Group \(IBSG\)](#), which coordinates the ongoing strategic relationship between the two companies’ executive boards. IBSG ensured that appropriate people from Cisco technology and marketing teams attended the meeting, along with a team from the recently acquired Linksys organization. The result was the birth of “Littlebox”—the code name for a product that went to market just eight months later as the 3G/Wireless Router.

Using Vodafone’s Mobile Connect 3G/UMTS (Universal Mobile Telecommunications System) data card in combination with the Linksys WRT54G3G Wireless-G Router, it is a “plug-and-go” solution that works wherever there is 3G/UMTS coverage (or the lower-bandwidth General Packet Radio Service [GPRS]) and a power supply. The technology enables wireless networking for up to five users and access to additional devices, such as printers, via Ethernet or wireless connections. Access to e-mail, remote corporate networks, and the Internet operates at up to 384 kbps over 3G/UMTS.

An early challenge was to set up an effective, three-way collaborative framework. A core team, led by Noakes and supported by IBSG and designated project managers, coordinated work-streams covering every facet of the project: product development, branding and promotions, channel, propositions, contracts, and legal implications.

Integration was a challenge for Linksys’ development engineers and its manufacturing resource. That meant close cooperation with Vodafone engineers, locally and globally, to ensure that any standards-based differences between countries were supported. Accelerating the normal time-to-market, the three organizations not only developed a new hardware and software product, but also the marketing and support infrastructure and processes to sell it via mass-distribution, third-party channels.

**"THE PROJECT WAS VERY IMPORTANT IN ENABLING US TO EXPLORE HOW BEST TO WORK WITH THE IT INDUSTRY THROUGH INDIRECT SALES CHANNELS."**

**Jessi Yi, senior manager, data channel, Vodafone**

One of the most significant later challenges was to harness the companies' heterogeneous sales channels to sell the new data service. [Linksys](#) has a well-developed, IT-oriented, third-party channel of distributors and resellers; Vodafone's experience was predominantly in selling voice services through its own direct sales force and retail outlets. Working with the Linksys channel meant accelerating Vodafone's embryonic third-party plans by around 18 months, and creating the required back-office systems.

Gaining the support of the Vodafone operating companies in each country was also crucial. Jessi Yi, senior manager in Vodafone's data channel organization, was responsible for validating the product's proposition and potential in each market, aided by a marketing expert from the Cisco mobile team. Together they presented the opportunity, country by country, to each Vodafone operating company (OpCo).

"The project was very important in enabling us to explore how best to work with the IT industry through indirect sales channels," comments Yi. "It is strategically important to us because it opens up a new way of reaching the market. It meant that our OpCos had to broaden their thinking in terms of the benefits they can bring their customers in collaboration with other organizations and channels."

An umbrella promotional campaign was developed, under which in-country plans were formed. Linksys introduced each OpCo to its local distributors and resellers to build the necessary relationships to create an effective channel for taking the 3G/Wireless Router to market.

## **BUSINESS RESULTS**

Launched in Spain in September 2005, the Vodafone and Linksys 3G/Wireless Router is now available in Australia, Austria, Germany, Greece, Ireland, Italy, the Netherlands, New Zealand, Portugal, Spain, South Africa, and the UK. It is the first solution of its kind to be widely available through established third-party distributors and resellers, supported by an extensive customer service infrastructure. The team believes it is at least 12 months ahead of competitors.

Niche applications are now emerging in vertical markets, creating a "mass-niche" product. The solution is in demand in Spain, for instance, to avoid extended lead times for DSL access among construction companies and hospitality organizers needing broadband access at a new site. Airlines are exploring use of the 3G/Wireless Router in airport terminals, and taxi companies and train operators see its potential for improving new passenger services and day-to-day operations. It can also be used to provide workers with the immediate data communications infrastructure needed at a disaster scene or relief site.

Early customers such as the consultancy firm [Accenture](#) are helping to drive the success of the product. Project teams working at customer premises have used the Vodafone and Linksys 3G/Wireless Router extensively as their primary link back to the office. Accenture Project Manager John Cassidy comments: "The Vodafone and Linksys 3G/Wireless Router has reduced

the time taken for the project team to reach its full efficiency. Typically, it takes two to three days to get adequate connectivity infrastructure in place at a client site. Now we just plug in the box and the project team is ready to go. It has also helped us maximize the value of our 3G spend as consultants can share a single 3G card.”

The Vodafone and Linksys 3G/Wireless Router can bring secure broadband connectivity to private homes and developing nations. For example, South Africa’s population—about 60 million—has a relatively low installed ADSL base. Now schoolchildren in remote parts of countries like these can access teaching resources and share experiences with peers around the world, while their governments are able to support farming or other industries with a flow of improved information. Small groups can support electronic payment transactions from visitors or sell their goods online into the global marketplace.

**“WE HAVE PROVEN THAT TWO OF THE WORLD’S BIGGEST PLAYERS CAN ACTUALLY DEVELOP SOMETHING TOGETHER AND DO IT SUCCESSFULLY. THAT DOES NOT JUST OPEN SALES DOORS—IT OPENS PEOPLE’S MINDS INTERNALLY ABOUT THE WAY PRODUCTS AND PROPOSITIONS ARE TAKEN TO MARKET.”**

**David Morris, global product manager, Vodafone**

In developed nations, the Vodafone and Linksys 3G/Wireless Router not only provides broadband services to homes without fixed-line access. It also points the way toward fixed /mobile substitution, offering greater consumer choice and service flexibility.

The project has brought other important business benefits to Vodafone. Vodafone is reaching new markets through closer collaboration with the IT industry, speeding up its plans to work with indirect channels and, at the same time, gaining a better understanding of the support required by those channels—for example, product education. The commission model used in the IT world is different from that used by telcos such as Vodafone. A commission-based model, as opposed to revenue sharing, was developed to give each country some flexibility and avoid differential pricing across channels.

The three organizations have also created a role model for joint marketing activity and its many challenges, from project planning and go-to-market plans to managing strong brand identities in joint promotions and packaging. Commenting on the value to Vodafone, David Morris, Vodafone global product manager, says, “We have proven that two of the world’s biggest players can actually develop something together and do it successfully. That does not just open sales doors—it opens people’s minds internally about the way products and propositions are taken to market.”

## NEXT STEPS

The solution has been designed to be “future proof” by allowing users to take advantage of developments in access technology via a different plug-in data card and a simple software upgrade. This includes access to the next generation of mobile broadband high-speed downlink packet access (HSDPA).

The Vodafone and Linksys 3G/Wireless Router brings together two tried-and-tested technologies to create a solution that crosses traditional fixed/mobile boundaries, born of the growing user demand for fixed/mobile substitution and convergence.

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## 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>

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