

TIM Fiber Brazil

Disruptive Broadband and Video Service Provider



EXECUTIVE SUMMARY

COMPANY OVERVIEW

- **Customer Name:** TIM Fiber
- **Industry:** Telecommunications
- **Location:** Brazil

BUSINESS CHALLENGE/OPPORTUNITY

- Deliver ultrafast broadband access and scale TV services in a highly competitive market.
- Launch innovative value-added bundles for pay TV and over-the-top content (OTT) services.

NETWORK SOLUTION

- TIM Fiber is the only Brazil-based service provider that allows users access to superfast broadband connections with unbundled plans, which form the base for innovative video services combining pay TV, subscription video-on-demand (SVOD) and OTT in a single set-top box (STB).

BUSINESS RESULTS

- Blue box is still a beta service, but its addressable market (that is, Live TIM broadband connections) is ramping up with 130,000 Live TIM subscriptions in Sao Paulo and Rio de Janeiro.

Overview

The latest development in TIM Fiber's disruptive broadband strategy delivers ultra-fast broadband access which forms the foundation for a unique video service. This Blue Box video service offers its customers a platform that bundles pay-TV and over-the-top (OTT) services in the same set-top box (STB), which is unique in Brazil.

Service Innovation

TIM Fiber's innovative broadband strategy is very different from its rivals and is characterized by three phases that have built on each other with a cumulative effect:

- Deployment of an innovative broadband network architecture that has enabled superfast speeds of up to 70 Mbps in Sao Paulo and Rio de Janeiro
- Focus on key markets where 55 percent of those connected had sluggish speeds of 2 Mbps or lower (at the time Live TIM was launched)
- Provision of "naked," unbundled broadband plans, the opposite to the approach taken by TIM Fiber's rivals, which

rely on more standard multiplay bundles and simplifies communications with customers and focuses on the best element of its offer—high speeds

The delivery of the Live TIM Blue Box video service has a unique user interface and rather than go to market with another pay-TV service, the Blue Box STB is being positioned as a content aggregation platform for any content owner who wants to use it as a new distribution channel. It combines free-to-air digital TV, OTT video services from YouTube and Netflix, plus linear pay-TV from TV Alphaville (see Figure 1). TIM Fiber expects more TV content partners to follow. Content partners will manage billing for their own services. No other TV service provider offers OTT services together with linear pay-tv channels in a single user interface.

Figure 1. Live TIM Blue Box—Unique Content Aggregation Platform Combined with Ultra-Fast Broadband Access



Opportunities

TIM Fiber benefits from the following opportunities in launching this service innovation:

- Blue Box will boost Live TIM, the broadband value proposition. TIM Fiber envisages that its video offering will boost the value proposition of its broadband service. The company has thought carefully about how to drive the need for superfast broadband access among consumers and believes that video services are the most effective means to do this. TIM Fiber broadband plans are 35 Mbps, 50 Mbps, 70 Mbps, 90 Mbps and even 1Gbps, with prices ranging from US\$28 to US\$519.
- Blue Box positions TIM Fiber for future growth in pay-TV. The pay-TV market in Brazil still offers significant growth opportunities. Despite being the largest country in Latin America, the country's pay-TV penetration rate of 29 percent is lower than Latin America's average of 43 percent.
- Blue Box will also be made available to non-TIM Fiber customers; albeit with a few restrictions such as TV Alphaville (pay-TV) will not be available because regulations do not allow pay-TV to be delivered over a third-party connection. TIM Fiber also states that the best experience will be when using its own network.

Challenges

Competing Effectively in a Crowded Pay-TV Market

TIM fiber network is present in the two most important urban areas in Brazil—Sao Paulo and Rio de Janeiro. This is clearly a key advantage for TIM Fiber but one that needs to be maximized going forward, which is where video services come into play.

The challenge for TIM was to deliver TV services that would stand out from the crowd. The traditional pay-TV market in Brazil is very concentrated and competitive. Sky (part of DIRECTV) and America Movil together have a 78 percent share of the pay-TV market, while Vivo, GVT, and Oi are all investing in this segment. TIM Fiber lacks the scale of any of these companies, which makes it hard to compete on the same level. Had TIM launched with a traditional pay-TV proposition, it would have struggled to achieve any clear differentiation.

This is where the Blue Box comes into play. Bundling pay-TV and OTT services in the same box is unique and therefore a meaningful way to differentiate its offer from traditional pay-TV service rivals.

“Our challenge is to make consumers understand that the Blue Box is neither an Apple TV look-alike nor another pay-TV service. It is a new concept that unifies various services under one interface and makes customers’ lives easier.”

— Alessandro Barbosa, Head of Product Marketing, TIM Fiber

Strategic Partnerships

Content partners:

- YouTube and Netflix for OTT video services
- TV Alphaville for linear pay-TV

Technology partners:

- Minerva supplies the platform for Blue Box.
- ContentWise is providing the recommendation engine that TIM Fiber believes will bring a better customer experience when it comes to content discovery.
- Entone is the supplier of video delivery software.
- Local IT company Mtel is the solution integrator.
- TV OEMs—An agreement with Philips Brazil will have Blue Box integrated with smart TVs produced by the consumer electronics manufacturer, by the end of 2015.

Monetization

TIM Fiber is taking a flexible approach when it comes to the monetization of Blue Box and will use multiple business models. These include revenue sharing with subscription-based content services, such as TV Alphaville or Netflix, along with advertising in the case of YouTube.

“Currently, the pay-TV market in Brazil is tough, margins in this business are low, and it would be very hard and time-consuming for TIM Fiber to build yet another pay-TV service. It was unclear what would be the value proposition to the market. Blue Box allows the company to once again launch an innovative service.”

— Alessandro Barbosa, Head of Product Marketing, TIM Fiber

Success Metrics

TIM Fiber grew its customer base for Live TIM from 60,000 to 130,000 subscribers over the 12 months ending in December 2014. In the same period, average revenue per user (ARPU) grew by 24%. TIM Fiber was able to recoup their customer acquisition cost of a Live TIM subscriber within 14 months of them subscribing to the service. Independent measurements, such as Netflix ISP speed ranking, shows that it is the fastest broadband in Brazil.

For More Information

To find out more about TIM Brazil, go to www.tim.com.br/sp/para-voce.



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