

# Cutting a **bella** figura

If you fail to make a good first impression, media consumers will take their business elsewhere. In a bold move to entice the highly discerning Italian public, Telecom Italia has created a media powerhouse covering all platforms: TI Media.



**ITALIANS ARE SAID OFTEN TO BE GUIDED** by first impressions. In Italy, the concept of “bella figura” – or beautiful figure – is much more than fashionable clothes and a well-groomed exterior. It’s about how you carry yourself, how you approach others – in fact, your entire aura. It’s also true of Italy that, with a population of 60 million and with mobile penetration of nearly 130 percent, it is one of Europe’s core countries for multimedia services. And Italians are probably the most loyal pre-paid mobile-subscription customers in the world, making the demands on telecom operators for innovative multimedia capabilities that much higher. In Italy, telecom operators have a lot of first impressions to make. This is something that Telecom Italia has taken to heart. With its own media company, Telecom Italia Media (TI Media), Italy’s leading telecom operator has set up a one-stop shop for developing, planning and producing television content and multimedia services. Antonio Campo Dall’Orto is CEO of Telecom Italia Media. “Many players in the industry think content looks easy – it isn’t. Italian users are asking for more and more, and you get one chance to show them that your service will work. With Telecom Italia Media, we now have a unit that focuses 100 percent of its daily activities on media and multimedia services,” he says.

Italy’s telecom market was deregulated in 1998, a move that boosted the potential for telecom operators and content providers overnight. And with almost 90 percent of all subscriptions in Italy today being pre-paid accounts, operators have zeroed in on this category of customers. At the end of 2006, the Italian telecom market was worth nearly EUR 36 billion and had 74.5 million lines.

And whether it is a group of youth dining and comparing video clips in a traditional “trattoria” or grandparents on a bench in a cobbled alleyway wanting to see pictures of their grand children, Italians, more than anyone, want their services to work whenever they want them, wherever they are. Here, if the operator fails to make a good first impression, the users will take their business elsewhere – easily.

Furthermore, more than half of the population uses the internet, and although advanced technologies such as HSPA have been launched commercially, broadband is growing mainly as a result of fiber and ADSL2+. The growth of broadband is among the fastest

in the European Union, constantly smoothing the way for triple-play services such as triple play.

When it comes to television, the Italian market consists mainly of a large number of free-to-air television channels, mostly provided by public broadcaster RAI and private broadcaster Mediaset. Italy has no cable network, so satellite television is the main pay-TV platform.

With this as the background, Telecom Italia supplies more than 34.3 million mobile lines, almost 24 million landlines and 10.5 million broadband connections, of which 7.3 million are in Italy. It is the country’s leading information and communication technology operation, and has an international presence elsewhere in Europe and South America. And now, with Telecom Italia Media, it aims to position itself as the leading multimedia content provider. But Telecom Italia Media has also become the content competence center. Telecom Italia Group’s The idea is to have the relevant skills and resources under one roof to bring multimedia to Italians and to offer them television content over the new platforms: IPTV, DVB-H and digital terrestrial television.

## A tough market

Operating three digital terrestrial television channels and five satellite channels, Telecom Italia Media’s core business is in newswire output, television production, and content for television and the web through the brands LA7, the TI-controlled MTV Italia and TMnews (APCom). Business growth is dependent on advertising from TV and the access market – and the digital terrestrial TV market continues to expand in Italy. Also, following a non-exclusive deal between Telecom Italia and Telecom Italia Media, Italian users can view LA7 and MTV content on their small screens for the next five years through DVB-H technology.

“The objective of Telecom Italia Media is very clear,” Campo Dall’Orto says. “First of all, we want to become a relevant player in the Italian market. But establishing Telecom Italia Media is also part of the overall strategy for Telecom Italia. The goal is to reposition Telecom Italia when it comes to multimedia content.”

But this is a major challenge. Italy is a concentrated media market with three main players in television: RAI, Mediaset and Sky. Dur-





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ing 2006, telecom-market competition in the wireline segment was driven by Telecom Italia and five other players – all with different business models and focusing on different market segments: Fastweb, with its focus on broadband and triple play; Albacom, which targets business customers and offers voice, data and IT solutions; Wind-Infostrada, a fixed, mobile and internet operator targeting retail customers; Tiscali, a narrowband and broadband internet operator; and Tele2, which offers voice, internet dial-up and broadband to retail customers.

In this scenario, Telecom Italia Media aims to strengthen the group's position by creating a solid – and complete – multimedia offering. It wants to cover all media platforms successfully. Telecom Italia needed Telecom Italia Media as a way to mobilizing all the relevant skill and experience across the entire organization so that Telecom Italia could also become a leader in content.

“Because the Italian market is so concentrated, it is not an easy objective,” Campo Dall’Orto says. “But the vision is clear and I think we are the fourth player in television in Italy, after RAI, Mediaset and Sky. I think our business model is more modern than those of the classic TV companies.

“And with MTV, Comedy Central and Nickelodeon, we have a leading position when it comes to music and comedy. As the only media-driven telecom company in Italy, we have committed ourselves to an attractive and complete multimedia offering.”

So while most traditional telecom players move away from owning their own content, Telecom Italia Media is moving upward – expanding the entire chain of production, packaging and distribution of content. With a traditional culture based on engineering and network infrastructure, most telecom players form partnerships to keep up with the evolution of content. Telecom Italia Media, on the other hand, wants to advance by owning its own.

“It is a matter of having the skills or not,” Campo Dall’Orto says. “Telecom Italia is different because of this investment, because of Telecom Italia Media. Here we have the expertise.”

And the company does have an advantage. MTV Italy is celebrating its 10th anniversary this year, demonstrating that Telecom Italia is an established player in the TV part of the multimedia age. Like most other players, it is still staking its territory on the digital side, but with the advantage of its core business, Campo Dall’Orto says Telecom Italia Media has built up competence and experience that often cannot be found elsewhere.

**The right content to the right screen**

In its other role, as the group's competence center, advises Telecom Italia Media on, for example, content packaging – today mainly for IPTV and mobile phones – and issues such as consumer behavior. The competence center runs several cognitive and qualitative research projects regarding trends and target audiences.

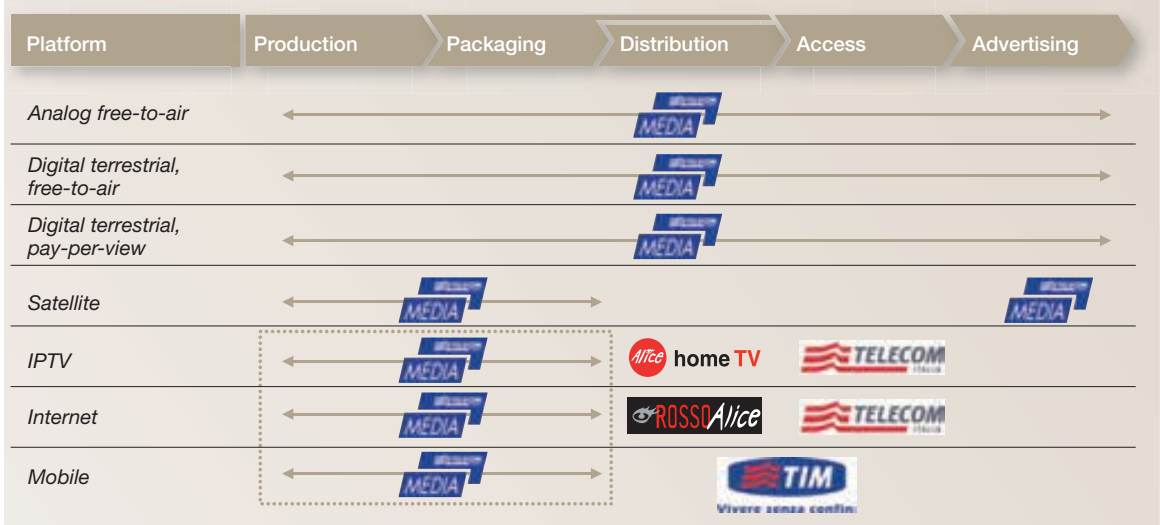
So is Telecom Italia, with Telecom Italia Media and its competence center, at the top of the food chain, or in other words, the value chain? If the multimedia age has brought partnerships and joint ventures between content providers, internet companies and telecom companies to accommodate the now-almighty consumer, is Telecom Italia's business model to operate as all three?

The multimedia age is about content – on television, in PC and in mobile phones. It means not only cramming the mobile phone full of content, but giving consumers a consistent user experience. That means adapting the content to the relevant screen, making it interactive and, above all, making it available at all times – regardless of what device a consumer may be using at any given time.

“That is what we do,” Campo Dall’Orto says. “The key point of Telecom Italia Media is to provide people with what they can really use on different devices – such as an IPTV solution that makes content available whenever the user wants it. You can target audiences, but in one way they are all the same: if they see that they can use your service, they will. We are making that happen.”

He says the pressures on Italians in everyday life are increasing and

**TI Media and Telecom Italia evolution in the media value chain**



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## quote

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that people feel that they have less time to do what they want. It is therefore Telecom Italia Media's task to give them new services that they can benefit from. For Telecom Italia Media, it is first and foremost about entertainment and information, but the company will eventually develop services for banking and public administration. And it all comes down to repackaging and adapting content services to the appropriate device.

As an example of a successful service, Campo Dall'Orto explains how Telecom Italia Media acquired and exploited the broadcasting rights for the America's Cup 2007 sailing competition. The company broadcast the race over IPTV on its channel LA7, on mobile phones and on the digital terrestrial channel LA7 Cartapiù. Campo Dall'Orto says that, with 300 hours of coverage including more than 150 hours of live broadcast, this was the first time such a big event reached beyond television.

"We were able to do something that was widely noticed in the market, and we used the event appropriately for every platform. With that, we were able to make an impression," he says.

On the other hand, he says that some DVB-H services were launched without a clear understanding of the alignment of TV and the mobile phones. The expectation at the time was that mobile phone would be used as a small television screen, not something that is essentially used when on the move. Campo Dall'Orto explains:

"A football match between Italy and France on a Saturday night is important to people. But mobile phone are not the perfect device for watching it. If you can't reach a television during the game, you might watch it on your mobile. But phones are really is more useful for peer-to-peer communication and you will never watch 'normal' content on them. There must always be a strong interest."

Examples of the right kinds of mobile-TV content are three-minute, self-contained, entertainment clips, interactive TV, video sharing and uploads.

When it comes to the relationship between Telecom Italia, its media company and traditional telecom vendors, Campo Dall'Orto thinks the latter have an important role in making it possible to deliver content and services.

"What we will ask of traditional telecom vendors is to make it even easier for us to put out our offerings. Telecom Italia Media always needs to know what the users will be able to do – not just what we want them to be able to do," he says.

And, he adds: "Success depends on how quickly traditional



telecom vendors can change their culture. If they want to provide what we need, they have to stop thinking about providing a small box or a machine – they have to do much more. If vendors don't want to be just a big bit-pipe, they need to know who is on the receiving end."

### Media brokers are needed

Campo Dall'Orto believes that, for a while, and especially in mobile services, traditional telecom vendors may assume somewhat of a broker position between the different players. As the push for bandwidth and acceleration of internet access using mobile phones pick up, someone will have to be the organizer. But this will not last long, Campo Dall'Orto believes, because again, it all comes down to consumers wanting to access the internet with their mobile phones, straightaway, regardless of where they are. So the role of telecom vendors should involve filtering, providing their operator-customers with the features they want to offer.

"It comes back to answering a question that is both simple and difficult," Campo Dall'Orto says. "It is a question that the users ask us: how can we give them what they want, when they want it, where they want it? If Telecom Italia Media can demonstrate that, then we have made a good first impression. Then we will be seen as a bella figura."