

GRUPPO TELECOM ITALIA

Università Cattolica – Corso Economia Aziendale

Milano, 26 novembre 2014

Definizione di un Piano Industriale

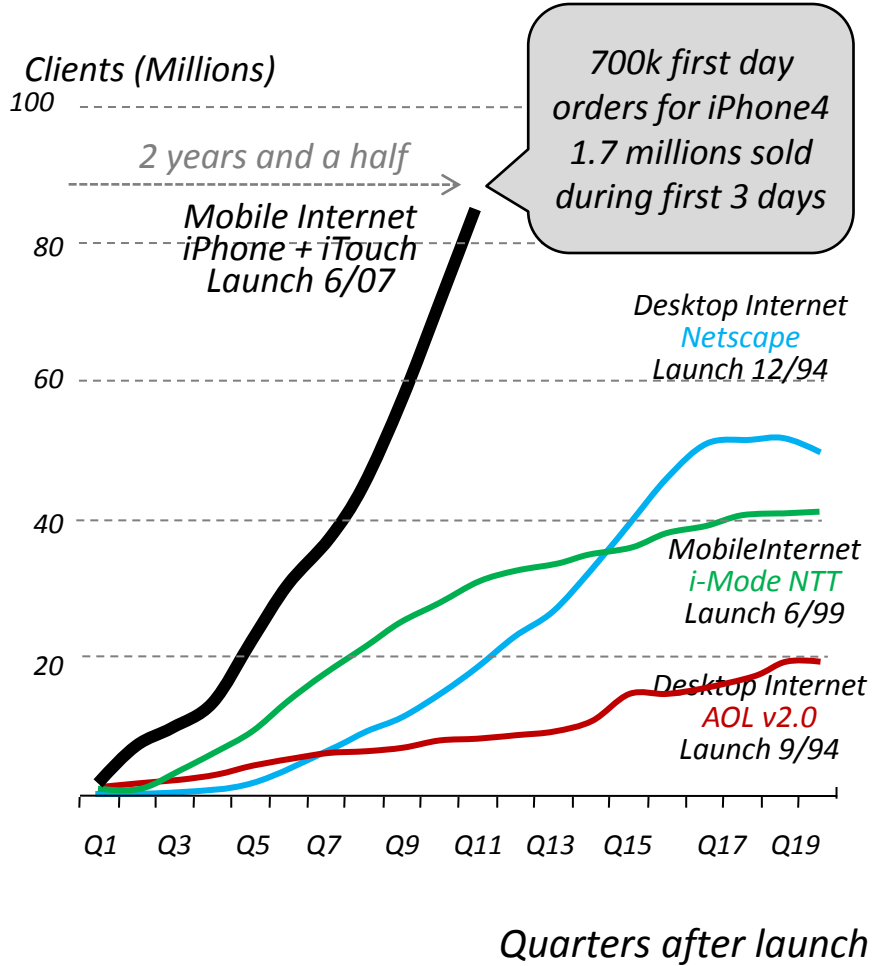
Claudio Contini

**Amministratore Delegato
Telecom Italia Digital Solutions**

Tutti i dati qui rappresentati sono illustrativi e non rispecchiano né la realtà di mercato né impegnano in alcun modo l'azienda. La loro illustrazione è unicamente finalizzata a illustrare concretamente i processi in oggetto

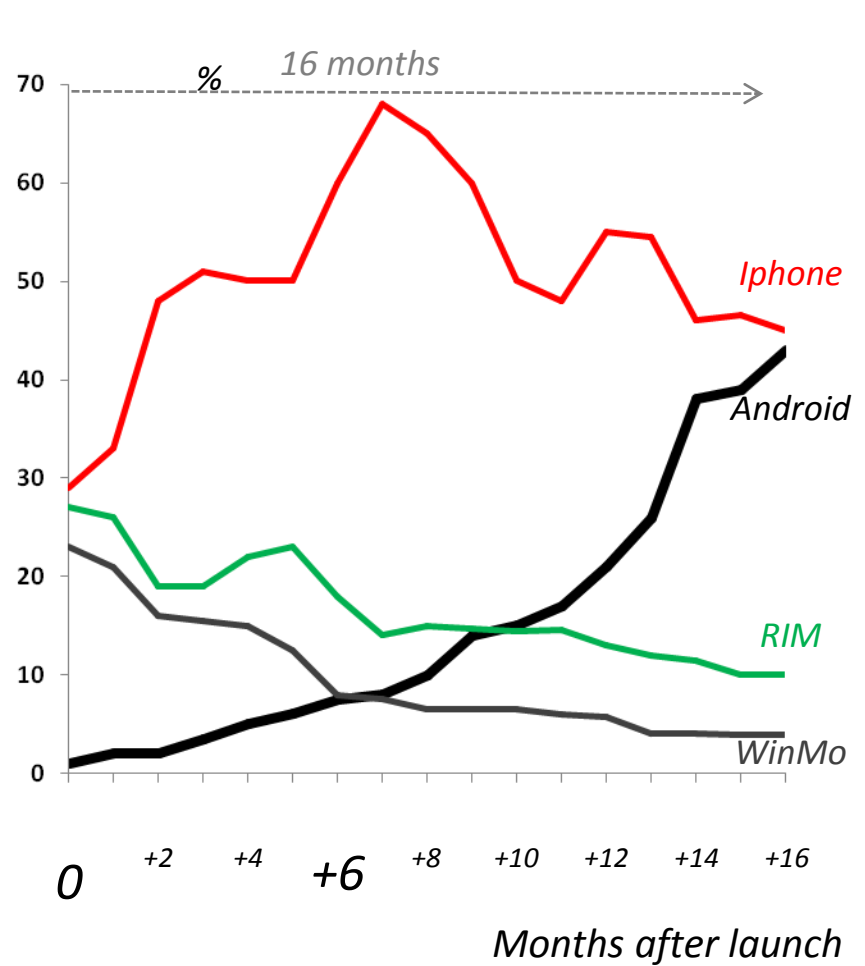
L'innovazione è sempre più veloce

Mobile Internet – Iphone + ITouch



Source: Morgan Stanley

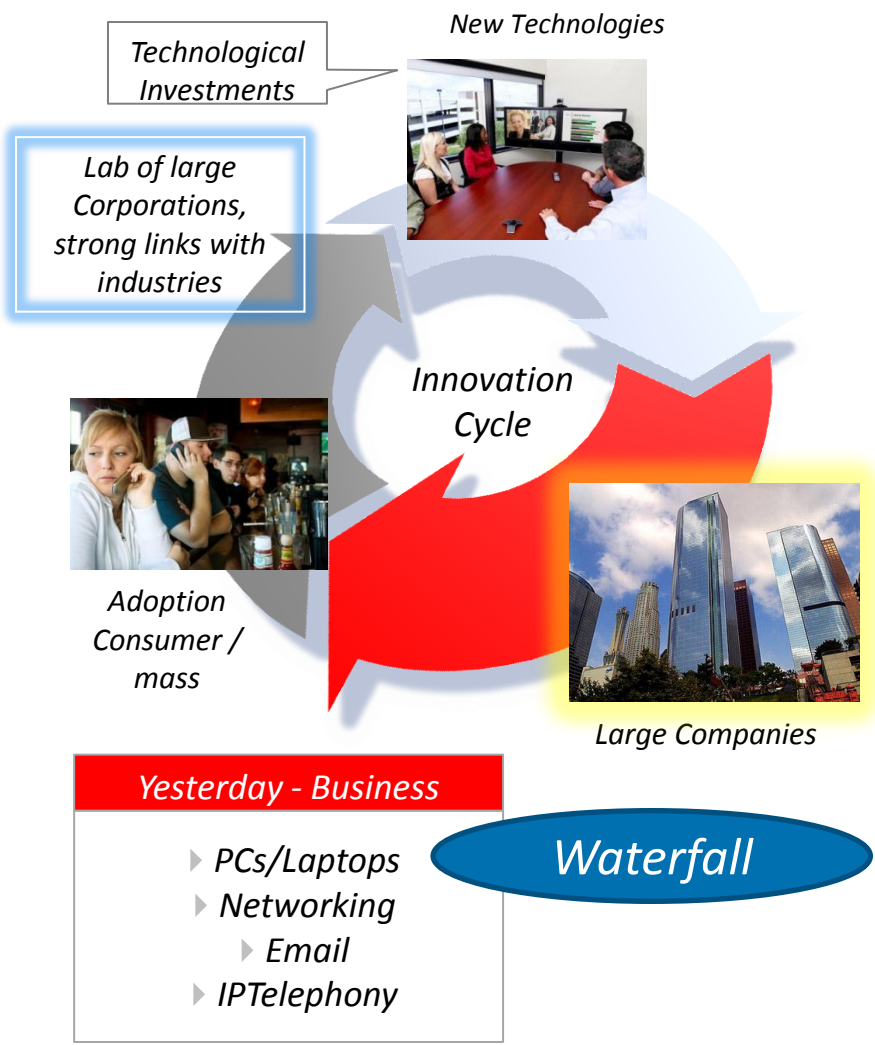
Mobile Data Traffic for OS (USA)



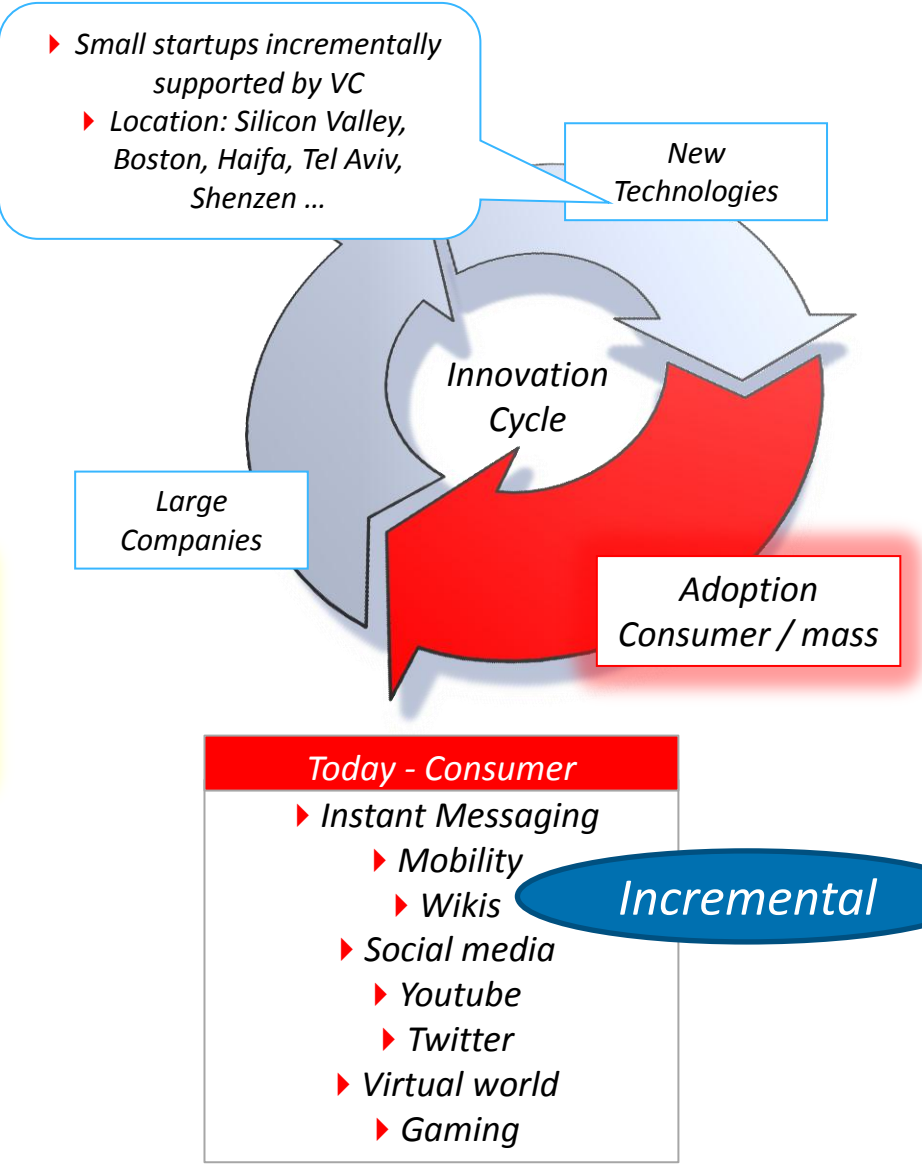
Source: AdMob

...e segue nuovi percorsi

Historical cycle – Large Companies



New cycle – Relevance of Consumer and “Internet” clients as a community



Telcos Innovation

Two Different Innovation Frameworks

Classic Telco Innovation Framework

*Technology-driven
Network-orientation
Quality & Performance
Reliability
Standard-led
Waterfall approach
High upfront investment
Telco manufacturers*

*Network-oriented
Business Model*

Agile Open Innovation Framework

*Customer-driven
Service-orientation
Speed & Agility
Go to market
"Open" paradigm
Incremental approach
Progressive cost
SW companies & startup*

*Application -oriented
Business Model*

The need for a two-tier approach

Classic Telco Innovation Framework

WATERFALL

- Requirements defined and stabilized in advance, based on standard «telco»
- Structured testing process
- Heavy dependence on network legacy
- Strong attention to assurance and effects on customer care

**Next Step:
continue to move
forward in the
process**

Agile Open Innovation Framework

INCREMENTAL

- Service penetration enhance the requirements and functionality (goal “client driven”)
- Progressive Testing (alfa, beta)
- Low reliance on legacy, at least in start up
- Typical assurance of OTT services, no customer care at low penetrations

**Next Step:
understand what
customers want and
offer it**

The need for a two-tier approach

Classic Telco Innovation Framework

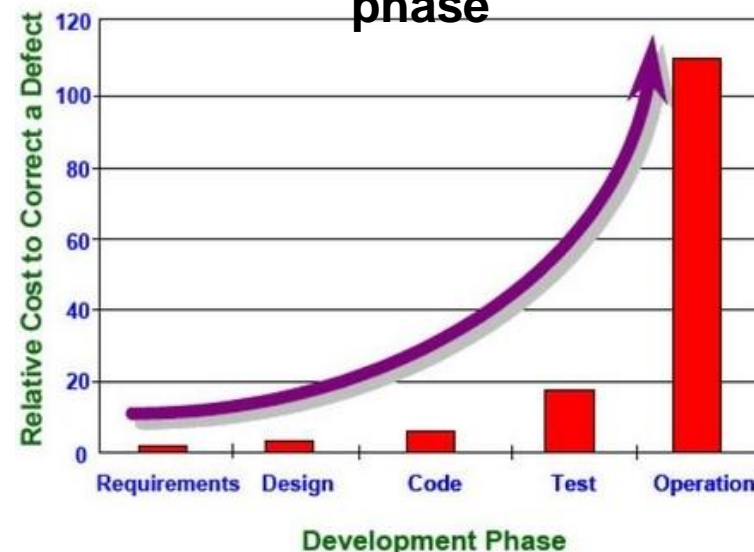
Impacts:

- ▶ **Very complex Go/No Go process**
- ▶ «Infinite» time to market
- ▶ Long time even for customer feedback, and difficulty to incorporate that feedback
- ▶ *Good Money follows Bad Money:* tough/impossible to «reverse» a bad decision

“Basically an RFQ will always bring you **yesterday’s technology**. After integration, when you launch you will be working with the day-before-yesterday’s technology. Google and others are working on tomorrow’s technology. Launching an innovative service via an RFQ process is as such impossible”

“It takes 3 months from idea to an RFQ. 1,5 month to get a reply. 1,5 month to do procurement. Half a year in total. Not counting the deployment which is likely to be another 6 months. The result is that **Telcos take 12 months for any “new” system.**”

Cost of adding a new feature vs. process phase



The need for a two-tier approach

Agile Open Innovation Framework

Impacts:

- ▶ Easy Go/No Go process
- ▶ Alfa/Beta Time to market
- ▶ Short time for customer feedback, easy to incorporate that feedback
- ▶ Good Money follows only Good Money: easy to «reverse» a bad decision

Several Ideas and Application...

... in a Darwinian



Incremental approach, low development cost barriers at the start, costs growing with penetration of the service

<h3>Infrastructure</h3> <p>NoSQL Databases </p> <p>Hadoop On Prem </p> <p>Big Data </p>	<h3>Analytics</h3> <p>Analytics Platforms </p> <p>For Business Analysts </p> <p>Data Science Platforms / Tools </p>	<h3>Applications</h3> <p>Ad Optimization </p> <p>Marketing </p> <p>Finance </p>	<p>Unstructured Data </p> <p>Data Visualization </p> <p>BI Platforms </p> <p>Machine Learning </p>	<p>Cluster Service </p> <p>Management / Monitoring </p> <p>Security </p>	<p>Government / Regulation </p> <p>Security </p> <p>Educational Learning </p>	<p>Industries </p>
<p>NewSQL Databases </p> <p>MPP </p> <p>Graph Databases </p> <p>Crowd-sourcing </p>	<p>Cluster Service </p> <p>Management / Monitoring </p> <p>Security </p>	<p>Unstructured Data </p> <p>Data Visualization </p> <p>BI Platforms </p> <p>Machine Learning </p>	<p>Unstructured Data </p> <p>Data Visualization </p> <p>BI Platforms </p> <p>Machine Learning </p>	<p>Unstructured Data </p> <p>Data Visualization </p> <p>BI Platforms </p> <p>Machine Learning </p>	<p>Government / Regulation </p> <p>Security </p> <p>Educational Learning </p>	<p>Industries </p>
<p>App Dev </p>	<p>App Dev </p>	<p>Location / People / Events </p> <p>Big Data Search </p> <p>Crowd-Sourced </p>	<p>Location / People / Events </p> <p>Big Data Search </p> <p>Crowd-Sourced </p>	<p>Location / People / Events </p> <p>Big Data Search </p> <p>Crowd-Sourced </p>	<p>Government / Regulation </p> <p>Security </p> <p>Educational Learning </p>	<p>Industries </p>
<p>Cross Infrastructure / </p>						

Open Source

<p>Framework </p>	<p>Query / Data Flow </p>	<p>Data Access </p>	<p>Coordination / Work-flow </p>	<p>Real-Time </p>	<p>Stat Tools </p>	<p>Machine Learning </p>	<p>Cloud Deploy </p>	<p>Search </p>
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Data Sources

<p>Data Mkts </p>	<p>Data Source </p>	<p>Sensor Data </p>	<p>Incubators & School </p>
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INSANE Graphic Shows How Ludicrously Complicated Social Media Marketing Is...

www.businessinsider.com/social-media-marketing-landscape-complicated-2012-5



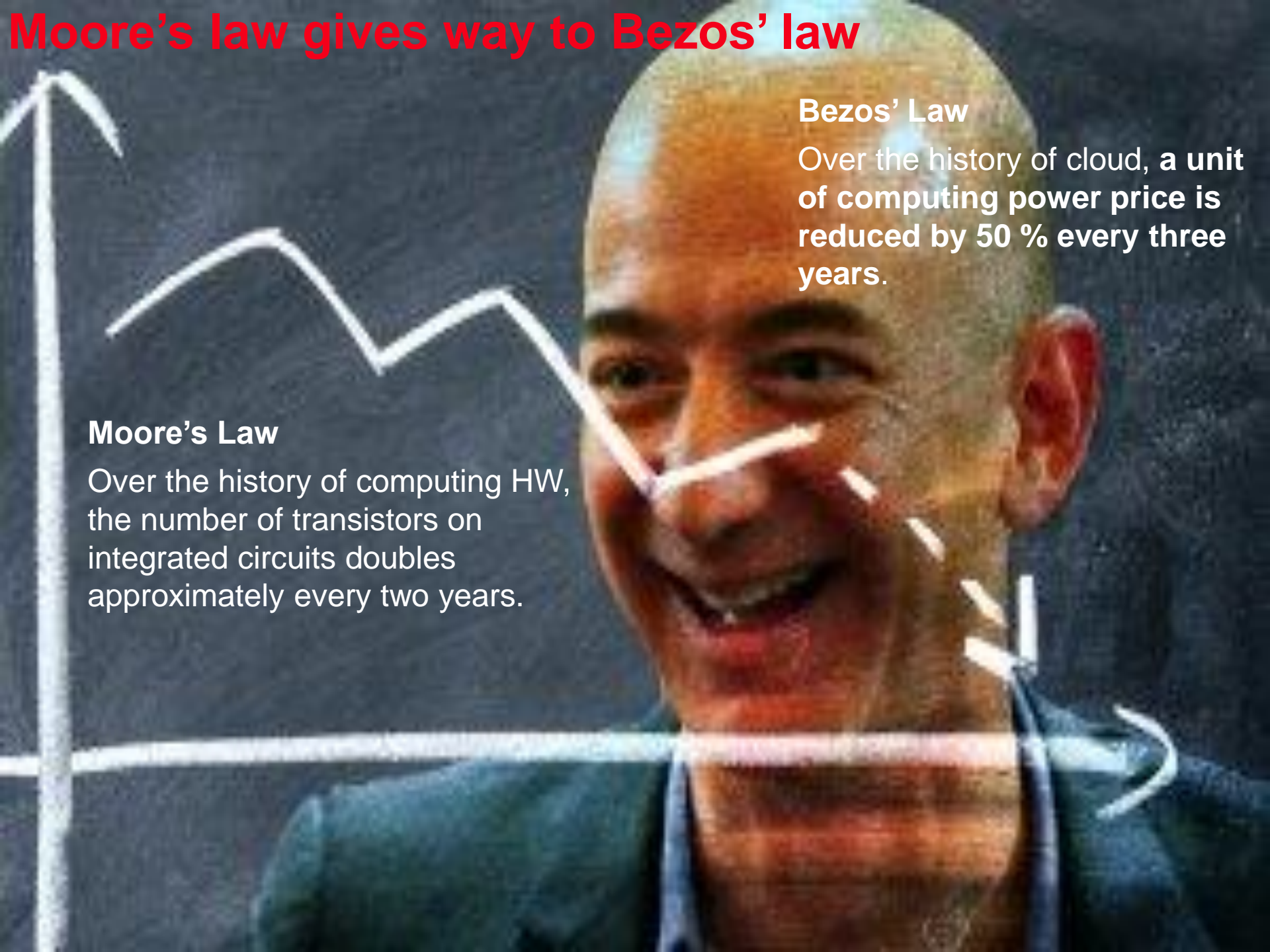
Moore's law gives way to Bezos' law

Bezos' Law

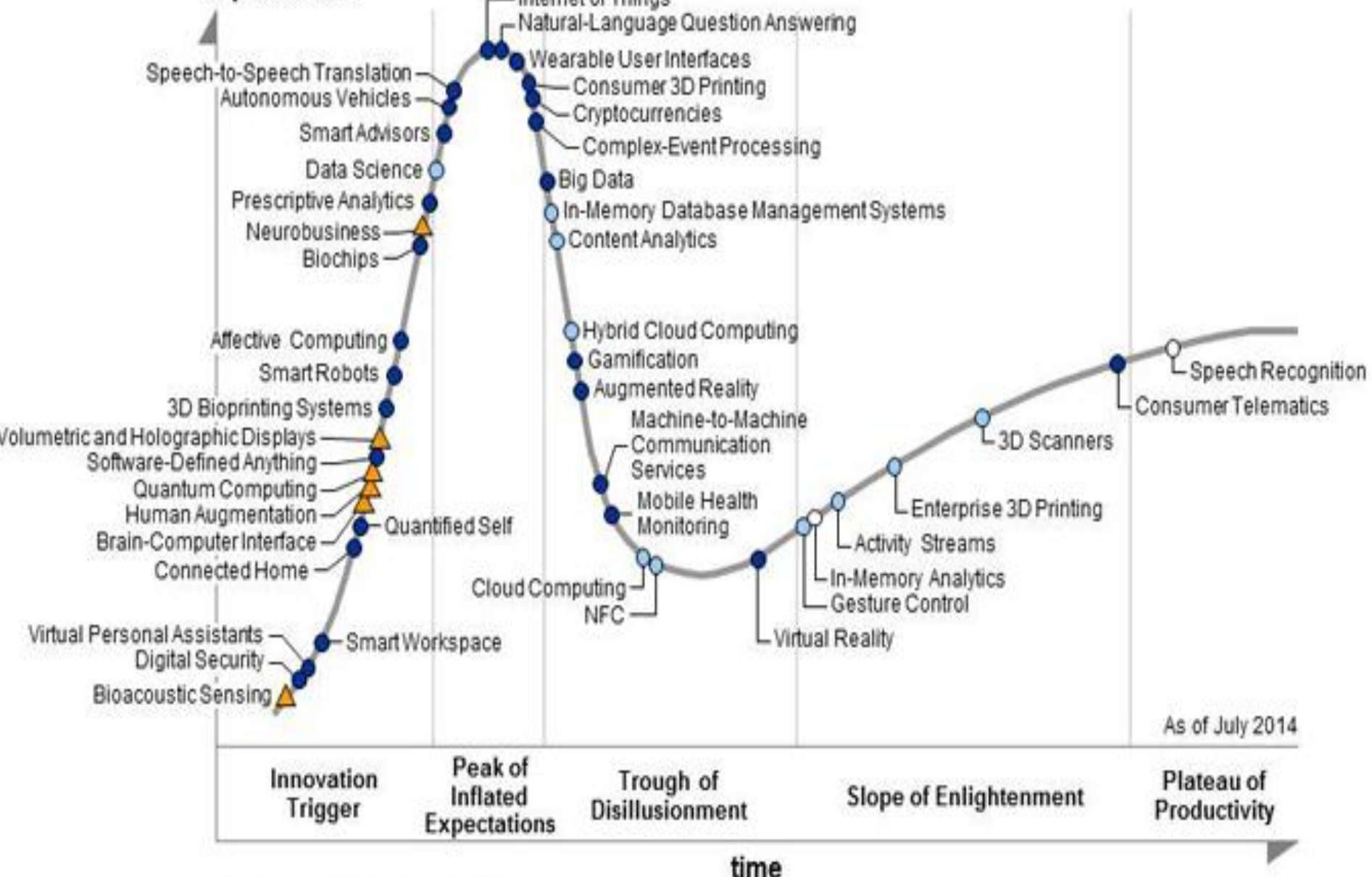
Over the history of cloud, a **unit of computing power price** is reduced by 50 % every three years.

Moore's Law

Over the history of computing HW, the number of transistors on integrated circuits doubles approximately every two years.



expectations



Plateau will be reached in:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years
- ⊗ obsolete before plateau

So What?

Build a new Cloud Based Innovation Framework

**Ecosystem
Third Parties
Open Innovation**

Applications

Web & Cloud

Network

UBB & IP

Device

**Wireless
Revolution**

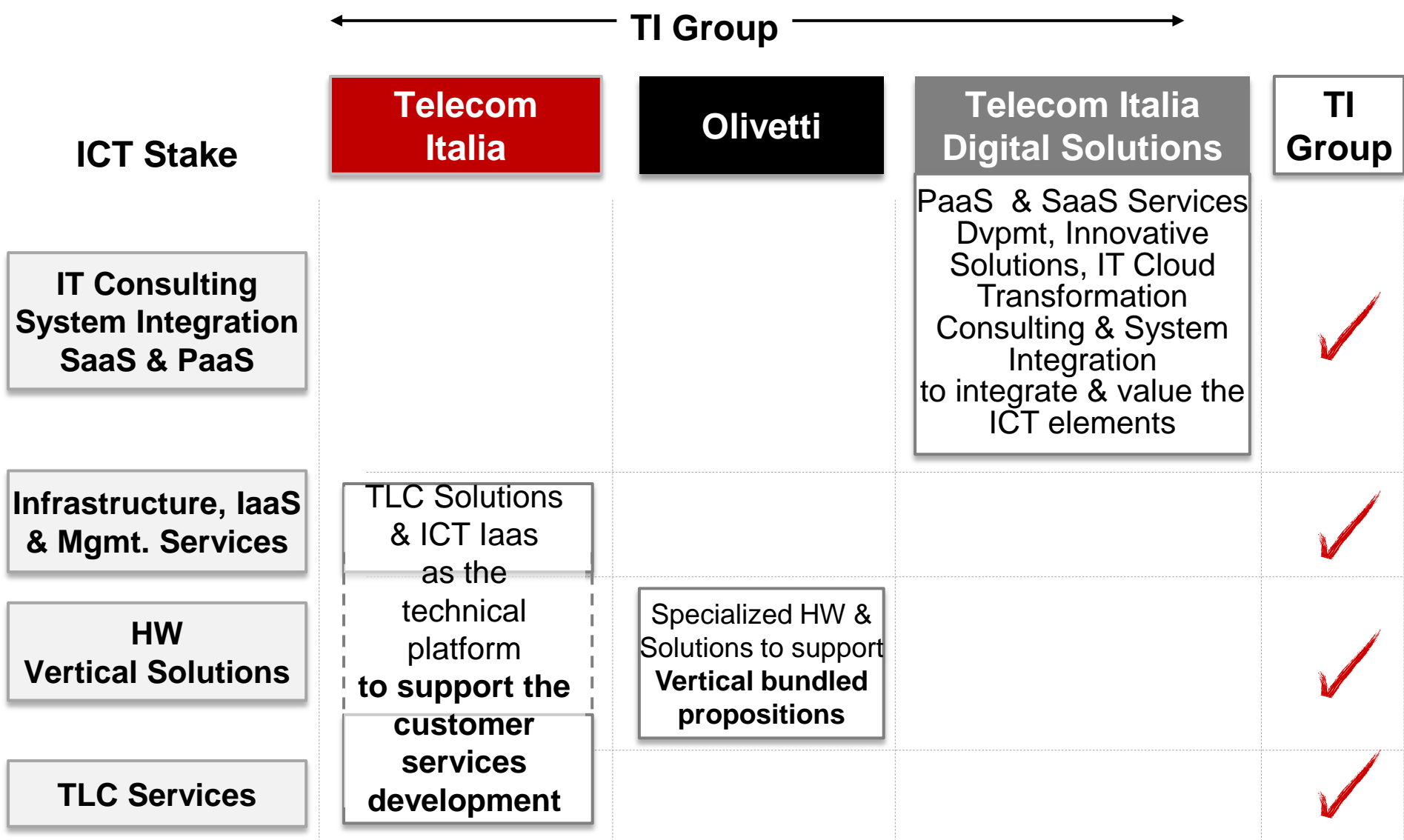
Innovation and
Application
Development
on Cloud and API
Innovation and
Infrastructure
Investment

- ▶ Abstracting and virtualize the control layer (standard HW)
- ▶ Connect network software with the Data Center/ Cloud software
- ▶ API as a new way to create “over the Telco” services, both internally and with partners
- ▶ Use Big Data, both external and extracted from the network
- ▶ Develop quickly and incremental applications either directly or through partners (Open Innovation)

Telecom Italia Digital Solutions at a glance

- ▶ **Missione:** fornisce servizi e **soluzioni digitali innovative** che indirizzano aree di **business adiacenti** al core business di Telecom Italia, in Italia e all'estero.
- ▶ **Approccio:** opera in logica di **mini «holding industriale»** avviando, sviluppando e consolidando le diverse business unit/entità organizzative finalizzate ad indirizzare le singole opportunità di business
- ▶ **Clientela target primaria:** indirizza primariamente le società del Gruppo Telecom Italia, gli altri operatori ICT, le utilities, i soggetti privati aggregatori, e tutti i soggetti business che hanno necessità di servizi e soluzioni digitali innovative per raggiungere le loro communities
- ▶ **Go to market:**
 1. commercializza prevalentemente grazie ai canali del Gruppo Telecom Italia, in particolare attraverso la FdV Business.
 2. Fornisce un supporto di presale commerciale dedicato che affianca la Progettazione Business.
 3. sviluppa direttamente nuovi mercati ed opportunità con una sua presenza diretta sui mercati nativamente digitali

TI Digital Solutions nel Gruppo Telecom Italia



Le Linee di Business (LoB) di Digital Solutions



ICT Security Solutions

soluzioni e servizi di sicurezza nelle reti ICT



Identity Management

soluzioni e servizi di certificazione dell'identità digitale e della gestione delle informazioni

Professional Services

Sviluppo e gestione dei servizi professionali innovativi di Digital CRM, Web e dell'offerta SPC

M2M & Internet of Things

Governo e sviluppo delle piattaforme e relative soluzioni di offerta, gestione delle partnership tecnologiche e di business

Cloud & OTT Services

Sviluppo offerta IT cloud based white label per le società del Gruppo TI e altri clienti nazionali ed internazionali

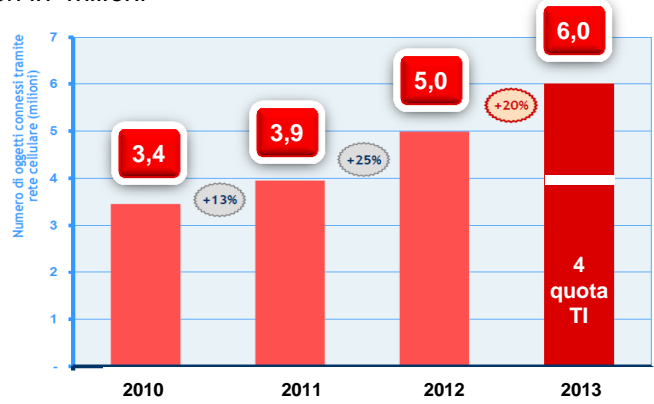


Clientela Target Primaria: PA, Utilities, Grandi Aziende, Operatori Verticali

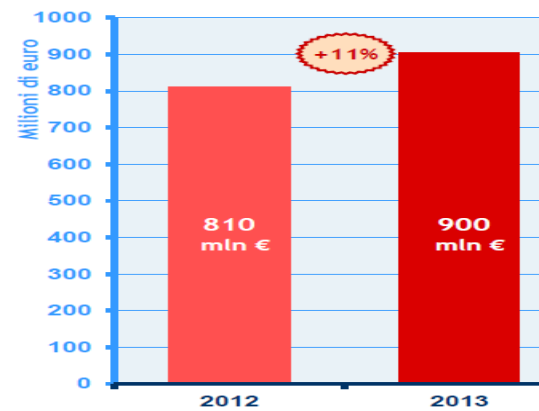
IoT: Il mercato del M2M & IoT in Italia

MERCATO SIM (1)

Valori in milioni

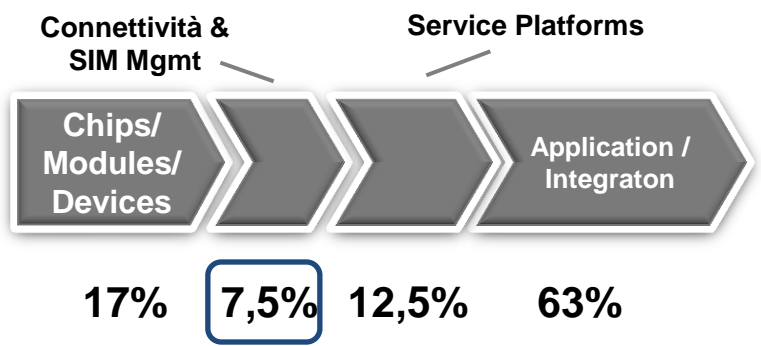


VALORE MERCATO M2M Cellular (1)



Di cui **415 € Mln** (2013) da nuovi progetti

CATENA DEL VALORE (2)



La connettività rappresenta una quota minoritaria rispetto alla catena del valore dell'M2M & IoT

Attività TIDS in corso

- Connectivity
- SIM Management
- M2M Priority Solutions
- M2M Priority Partners

(1) Fonte: report MIP per soluzioni basate solo su rete cellulare
 (2) Fonte : elaborazione TIDS da dati NetConsulting

IoT - Linee di sviluppo

Business footprint

International footprint; possible expansion in markets outside the domain of the Group



Value chain control

Extension of the weight in the M2M value chain, controlling a greater proportion of the value created along the supply chain



Horizontal and verticals mgmt

Control ecosystem and SP verticals



TIDS E2E Solution Provider



Platform

Continuous technological evolution of the M2M platform to support a distinctive positioning (eg exclusive features TI)

Partnership network

Integrated action with module vendors (competence center, catalog offer, partnership) and ASP (e2e solutions)



Integrated approach

Unified management of the business (Global SIM, unique platform ...)

Goldman Sachs best-positioned IoT stocks

COMPANY	TICKER	GS RATING	POSITIONING
ARM Holdings	UK:ARM	Buy	Low-power chip designs
Atmel Corp.	ATML	Neutral	Exposure to microcontroller growth
Broadcom Corp.	BRCM	Neutral	Well-positioned in connectivity/broadband
Cisco Systems Inc.	CSCO	Buy	IoT thought leader (Wi-Fi, "fog" computing)
Freescale Semiconductor	FSL	Buy	Exposure to microcontroller growth
Garmin Ltd.	GRMN	Neutral	Expanding wearables, connected car portfolio
Gemalto NV	NL:GTO	Buy	Digital security expertise to monetize IoT
InvenSense Inc.	INVN	Buy	Early design wins on wearables
Maxim Integrated Products	MXIM	Buy	Exposure to microcontroller growth
Microchip Technology Inc.	MCHP	Neutral	Exposure to microcontroller growth
Murata Manufacturing Co.	JP:6981	Buy	Benefits from Japan upstream supply chain
Qualcomm Inc.	QCOM	Buy	Cellular/connectivity leadership
Ruckus Wireless Inc.	RKUS	Buy	Pure-play Wi-Fi vendor
Samsung Electronics	KR:005930	Buy	Widest hardware reach in IoT
Silver Spring Networks Inc.	SSNI	Buy	Connected city pure play (smart meters, etc)
TE Connectivity Ltd.	TEL	Buy	Increasing focus on sensors
Wistron NeWeb Corp.	TW:6285	Neutral	Expert in wireless solutions

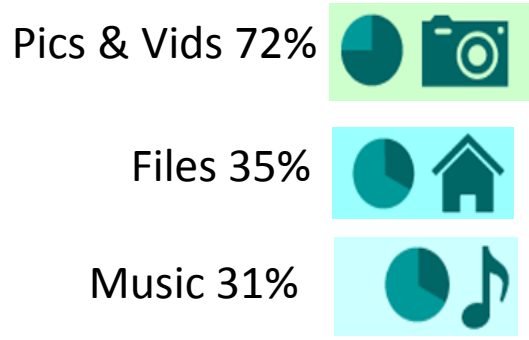
Source: Goldman Sachs

Personal Cloud: trends



The average mobile apps quantity used to perform a complete backup is "6"

The most valued digital goods



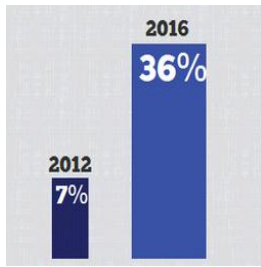
1 out of 4 losses their mobile every year



Companies Investing in the field: Microsoft, Google, Amazon, Citrix, Verizon, etc



Global cloud market will grow from USD 41 Billons in 2011 to USD 241 Billons in 2020

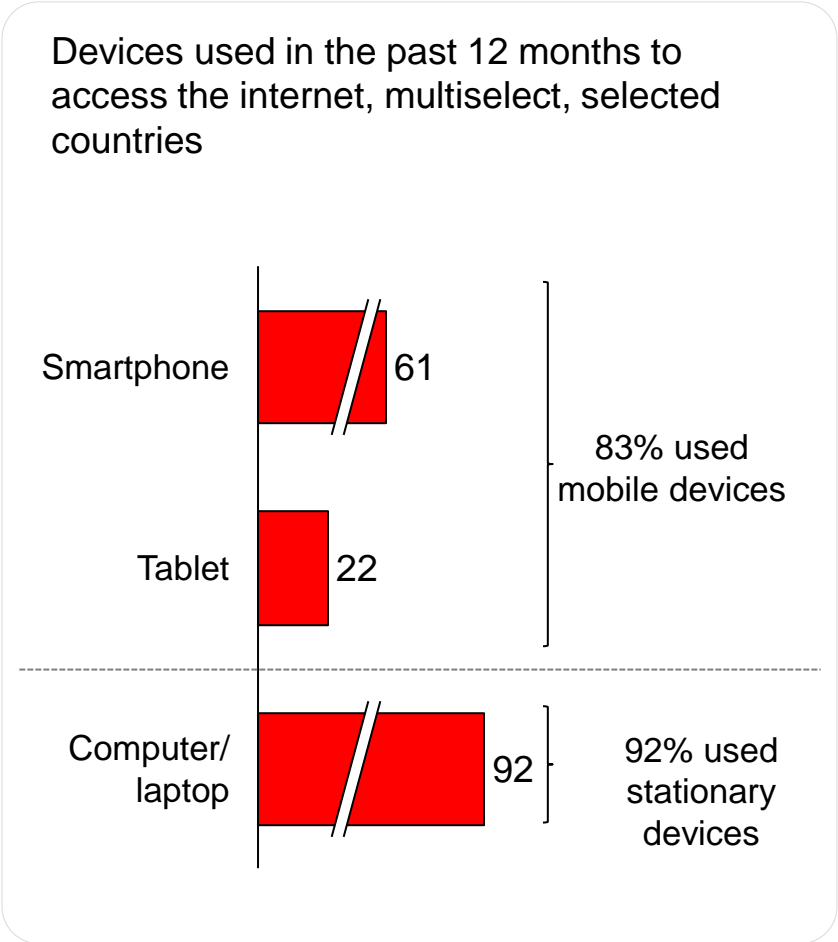
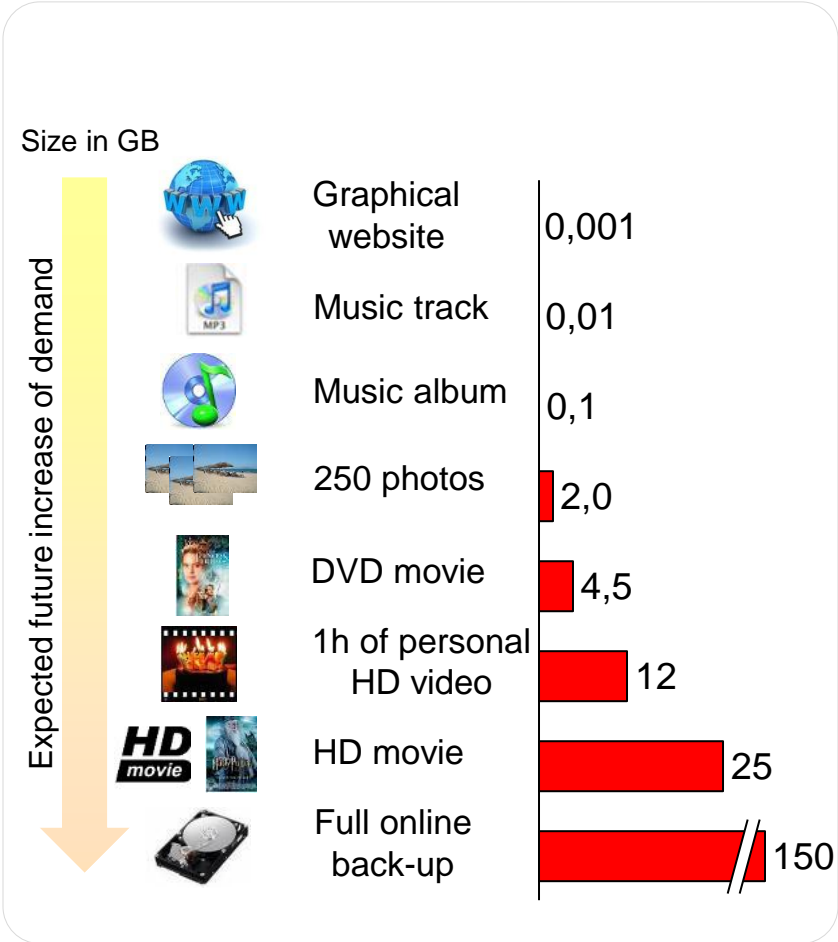


About 1/3 of global cloud content will be allocated at the cloud in 2016

Personal Cloud: changes in Consumer behaviour

Consumers are changing their behavior, being increasingly data hungry, ...

... and accessing data while moving, driven by a growing penetration of smart devices

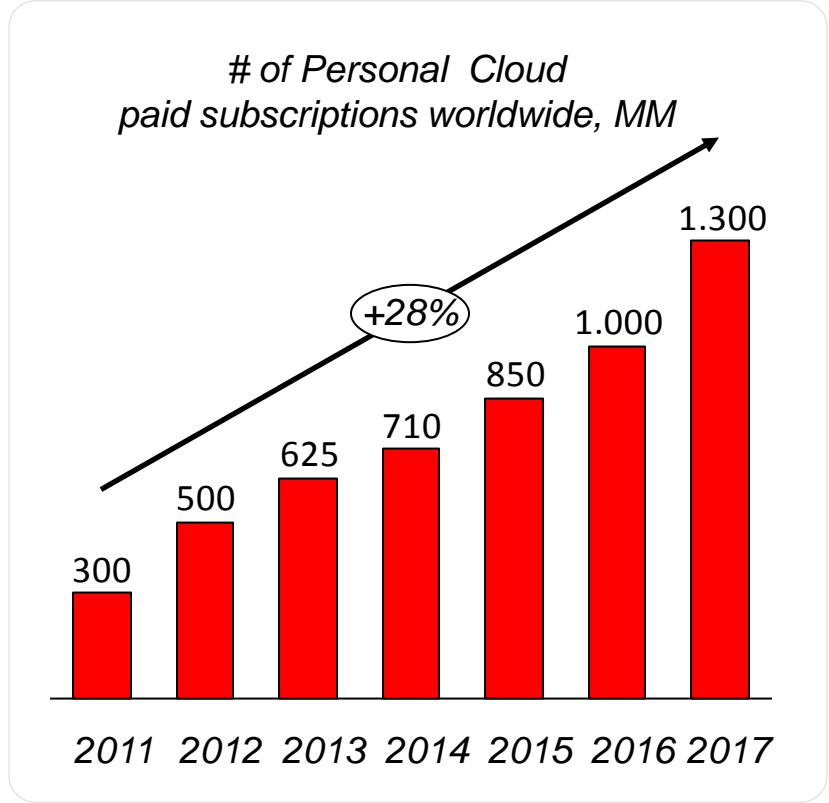
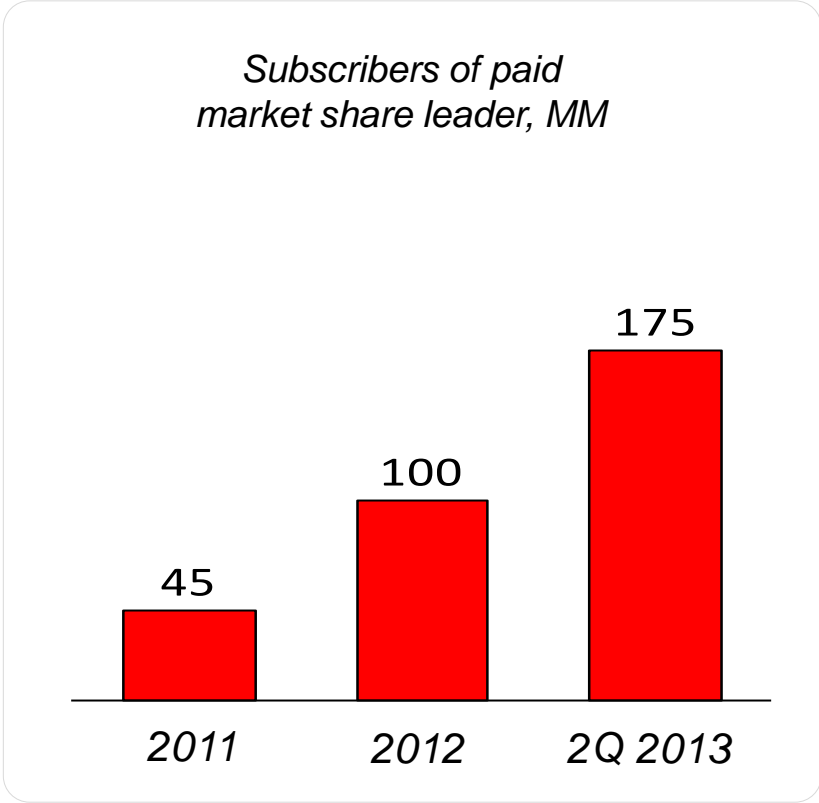


Source: Booz & Co, Accenture "Mobile Web Watch Internet User Survey 2012"

Personal Cloud: market size and growth

Subscriptions for Personal Cloud services are growing fast...

...and the trend is expected to remain strong for several years



Cloud Automation Business Model

Access to our SME Cloud Platform that includes an extend catalog offering IaaS and SaaS services, in a fully automated and self provisionate way to the end customer, with an easy reselling management system for the Distributor.

Telecom Italia
(Cloud and DC Provider)

Telecom Italia as SV
(Virtual Servers, Storage, Message Cube, Mobile Device Mangement..)

Other SW Vendors
(Microsoft, Symantec, Gomobi, OXC...)

Parallels as BSS
(Market Place, Catalog, CRM; channels Management..)

TIDS Cloud Brokerage Company

TELCO



RESELLERS



TELCO/IT VAR



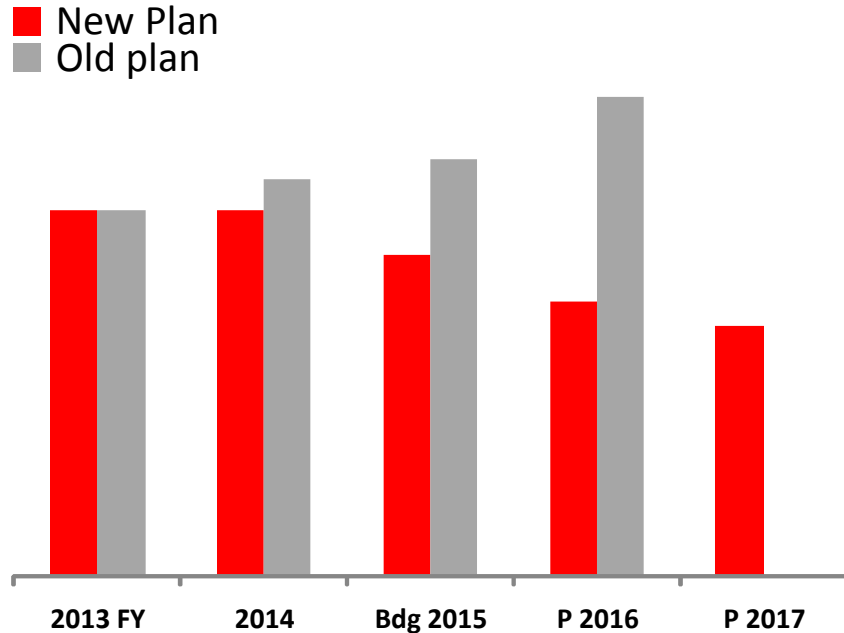
Cloud Automation

Cloud4SME



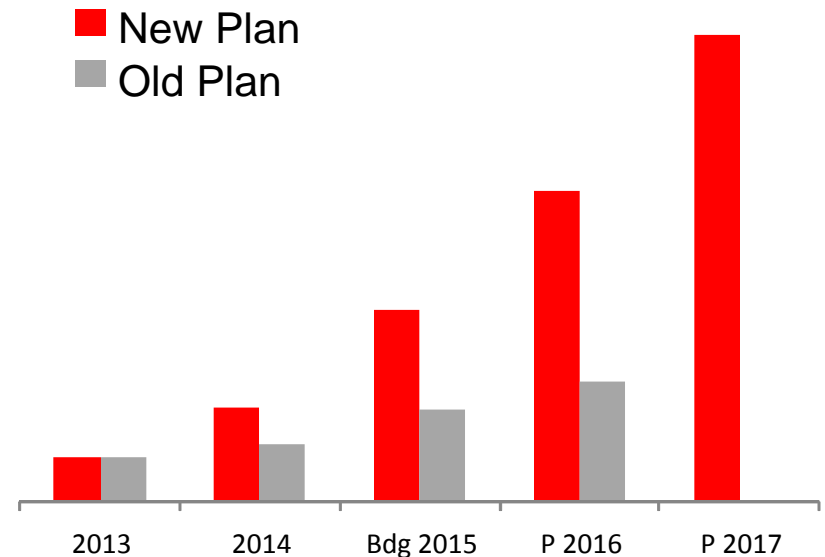
Le dinamiche dei ricavi tradizionali e delle nuove LoB

Declino ricavi tradizionali



- ▶ Impatto della nuova gara
- ▶ Ricavi CAGR% -x% vs +y% old plan

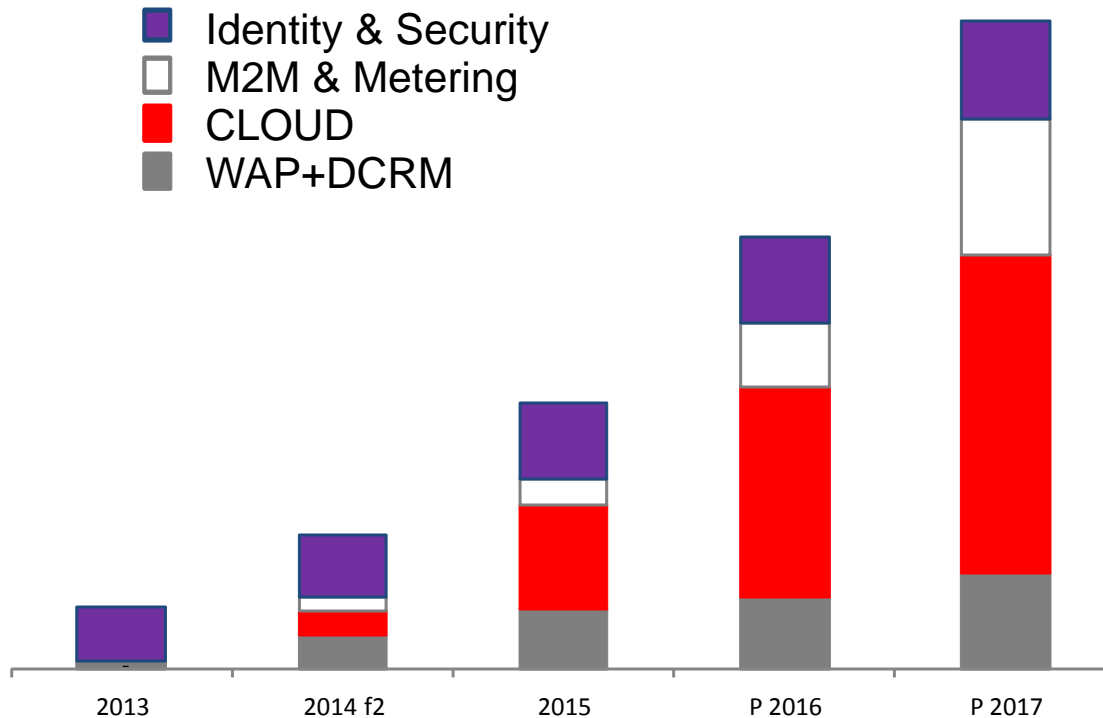
Incremento servizi digitali e new LoB



- ▶ Rapido incremento dei ricavi delle nuove LoB, Digital Identity e Digital Security
- ▶ Ricavi CAGR% z% vs +k% old plan

Focus su Digital Solutions e new LoB

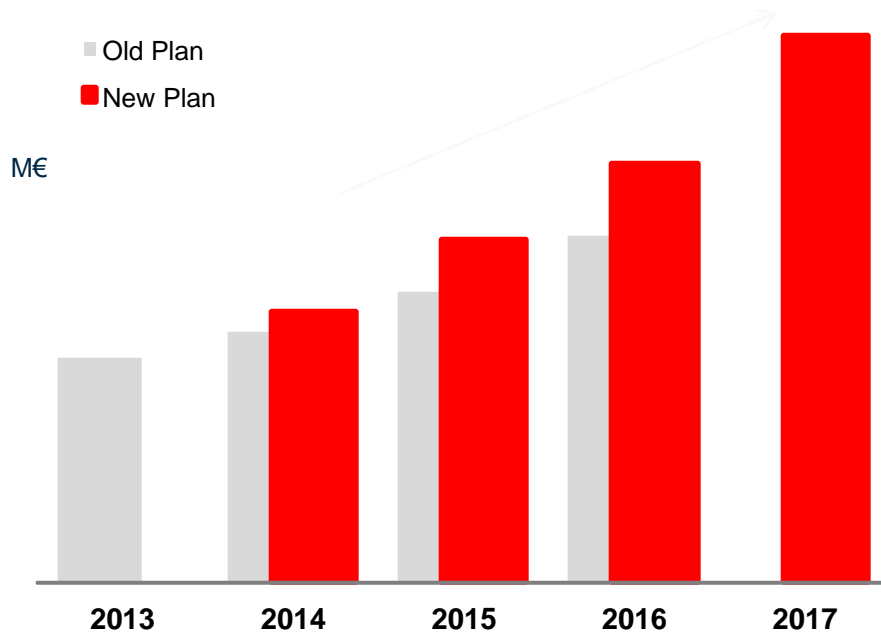
Contrasto al declino dei ricavi SPC e riposizionamento su Servizi Digitali



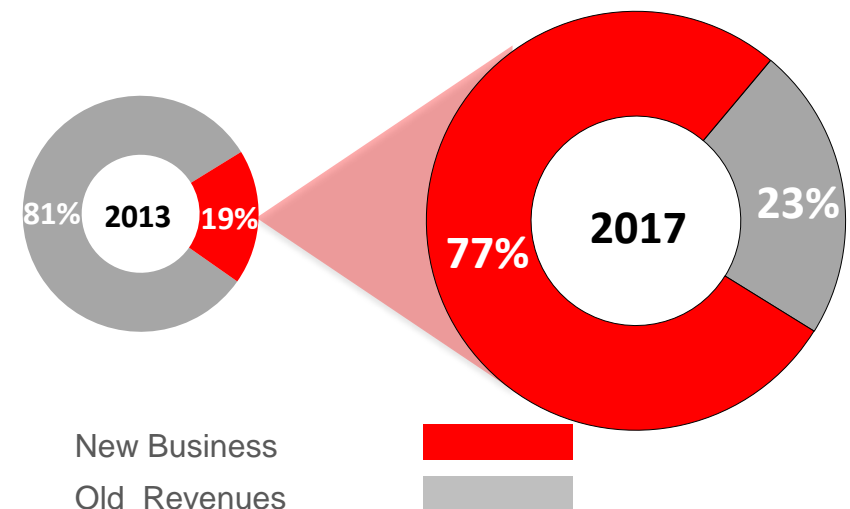
- ▶ Forte crescita delle nuove LoBs: CAGR h%
- ▶ Grande impulso al Piano dato dalla collaborazione con Marketing Business su IT per SME
- ▶ Graduale protezione del M2M
- ▶ Sviluppo della Digital Identity

TIDS Group – Piano 2015-2017 in sintesi

Ricavi e Proventi

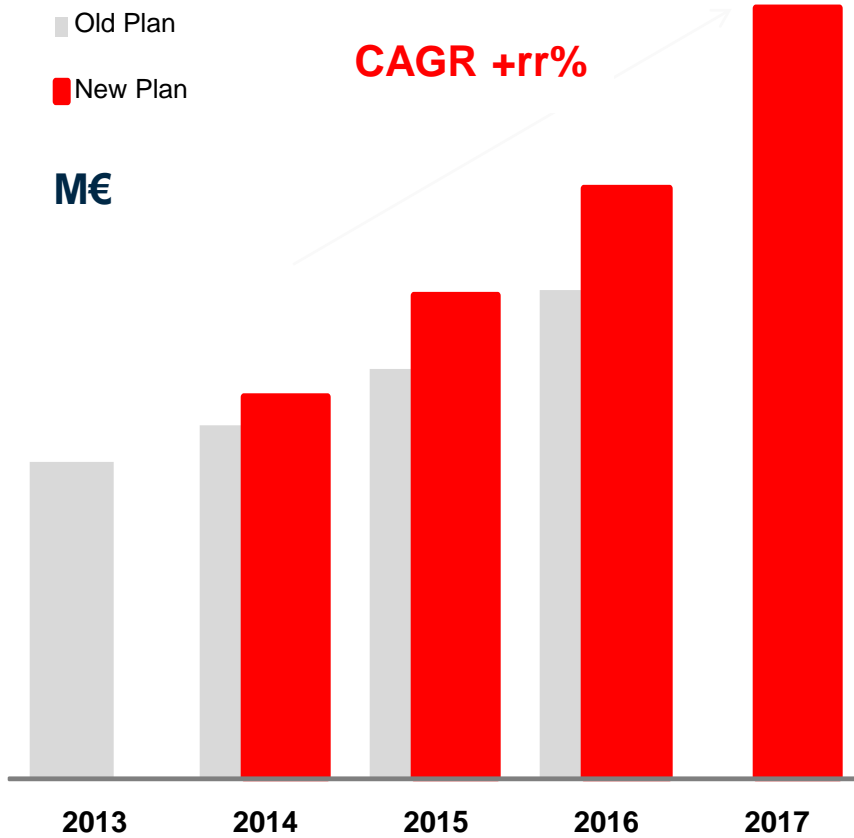


- ▶ Forte crescita dei ricavi YoY
- ▶ Sensibile incremento dei ricavi rispetto al Piano 2014-16:
- ▶ Incremento della marginalità: EBITDA on Revenues 2017: **+y pp vs 2013**
- ▶ Il rapido sviluppo del business sostituisce i ricavi tradizionali in forte contrazione a causa dell'esito delle nuove gare: **incidenza new digital business: f% nel 2017**

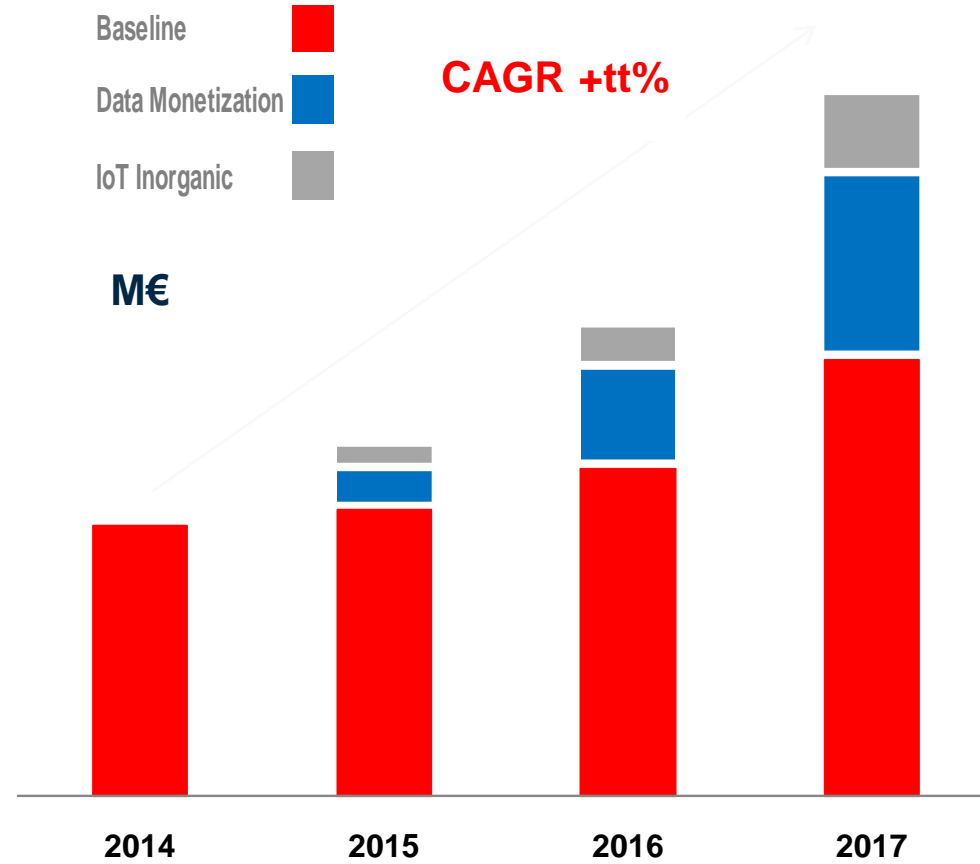


TIDS Piano Industriale confronto rolling yoy

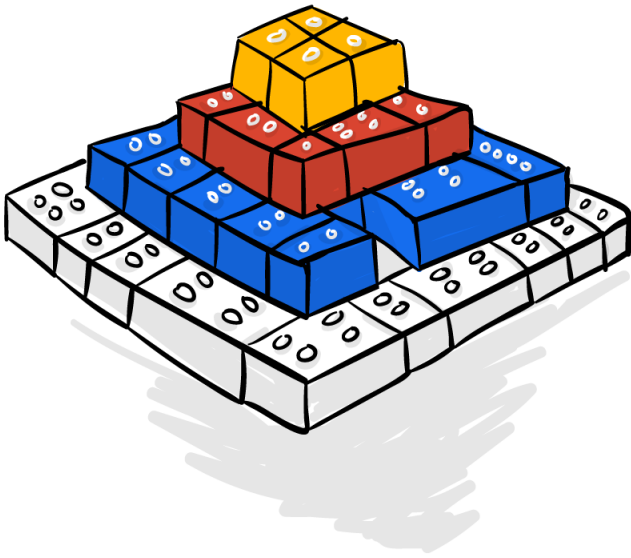
Baseline – New vs Old Plan



New Plan: Baseline + Discontinuities




Don't base your venture on a plan.
Instead base it on a strategic foundation.



You can have a plan,
but know that it will change,
probably a lot.



The plan is *fluid*,
the foundation *stable*.

A portrait of Marissa Mayer, CEO of Yahoo, smiling. She has blonde hair and is wearing a black top. The background is a blurred modern building with glass windows and white structural elements.

“Work for someone
who believes in you,
because when they
believe in you, they'll
invest in you.”

Marissa Mayer - CEO, Yahoo