Italy: ICT SECTOR

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Abstract: Italy has the fourth largest ICT sector in Europe, only surpassed by Germany, UK and France. The country is, however, characterized by an urban-rural divide. Massive investments are planned in connecting the South of Italy, while investment plans in the North are focused on developing innovative digital solutions for both public and private players. The large Italian population is highly receptive to new technologies, why the use of smartphone and tablets has increased significantly. The Italian market provides, thus, opportunities in both basic ICT infrastructures and innovative ICT solutions.
# Table of content

1. Introduktion ................................................................. 3
2. Market Indicators .......................................................... 3
3. Market Trends ............................................................. 6
4. Market Assessment ....................................................... 8
5. Contact ........................................................................ 9
The ICT sector is the fourth largest industry in Italy, employing more than 400,000 people and counting 97,000 businesses. Even though, the financial crisis has affected the Italian ICT market resulting in decreased revenues and investments, the future has brighter prospects as both public and private players have proclaimed large investments. For example in getting the South of Italy connected, enhancing fast speed broadband throughout the country, and improving and developing the online public services. All these initiatives entail a need of knowledgeable and skilled solutions and labour.

Internet has become a mass phenomenon and an integrated part of Italians’ work and leisure time. The segment/industry offers interesting possibilities for software development and solutions within entertainment, social network and game systems.

2. Market Indicators

The telecom market

The Italian telecom market is the fourth largest in Europe, only surpassed by France, Germany and the UK. The total telecom revenues amounted to €30.8 billion in 2012 a decrease of 22.3% since 2007 due to consumers cut backs. Capital investments have decreased by 27.4% in the same period, mostly due to postponed public plans, but investments did, however, amount to €5.8 billion in 2012. The Italian communication retail market is fragmented with several market players, ranging from large companies, such as supermarkets, to one-off phone shops. There are, however, only three dominant, national providers; Telecom Italia is the leading
provider with more than 35% of the market share in 2013, followed by Vodafone and Wind with shares of 31% and 24%, respectively. The fourth player is 3 Italia, however, it is struggling to make profit. All four providers operate 3G networks, while investments in network upgrades have provided rich opportunities for mobile data use among consumers. The vibrant mobile market in Italy is supported by a large population receptive to new technologies, and the popularity of multiple-SIM use has led to a mobile penetration rate far above the European average.

Software
The Italian software market declined notably in 2009, but has since recovered to moderate growth. In 2011, the software market in Italy had revenues of €4.5 billion, a growth rate of 0.5% since 2007. Compared to Germany and France with revenues at €16.5 billion and €10.4 billion, respectively, this indicates a growth potential on the Italian software market in the future. In 2016, the Italian software market is forecast to grow with a CAGR of 4.2%, resulting in revenues at €5.5 billion. The most lucrative segments are general business productivity and home use application with 28.9% of the market’s total value, followed by cross industry and vertical application, net and database management and operating system software with respectively 25.9%, 19% and 14.2% of market’s total value.

As the market is expanding, software companies are able to grow their own revenue without stealing competitor’s market shares, which in turn eases rivalry. It does, however, depend on which segment companies specialize in, as major players such as Microsoft and IBM continually introduce new products with advanced technology, making it difficult to compete on
their markets, whereas more niche segments have great potential.

Portable Computers
Italy accounts for 6.1% of the European PCs market value. The Italian PCs market, decreased by 24.5% in 2011 to reach a volume of 4.6 million units, but is predicted to reach a volume of 5.1 million units in 2016 with sales of €1,234.7 million. Mobile PCs is the largest segment of the PCs market in Italy, accounting for 72.1% of the market's total volume. The Italian PC market is characterized by a strong degree of rivalry, this is because the market has reached saturation point and so players have to provide regular innovation to generate new sales, differentiate their portfolio and compete in a market with falling product value. Therefore, focus is shifting towards smartphone and tablets.

E-commerce
The total value of Internet retailing in Italy amounted to €4.5 billion in 2012. This is a 120% increase since 2007, which puts Italy ahead of countries such as the Netherlands in terms of Internet retailing. This should be seen in the light of that in the same year only 4% of Italian businesses engaged in online commerce and only 17% of Italians purchased goods and services online compared to EU averages of 13% and 45%, respectively. The Internet retailing is furthermore forecast to rise by 80 % in the period from 2013-2017. This indicates very solid growth potential in the Italian e-commerce business. It is especially the product toys and games, consumer electronics, and apparel which take up large shares of Internet retail.
3. **MARKET TRENDS**

*Mobile connectivity*

Mobile usage, and especially mobile Internet usage, is expanding rapidly at the expense of fixed telephone lines. In 2012, more than 90% of Italian households possessed a mobile phone, and the number of mobile phone subscriptions is expected to reach 109 million in 2020, registering higher growth than EU average. Increasing uptake of smartphones and tablets have been driving growth in the number of mobile Internet subscriptions, which increased with more than 400% in the period from 2007 to 2012. Seeing that the voice segment is gradually saturated the proliferation of mobile broadband is of great importance for the national mobile operators. Therefore, a large quantum of infrastructure outlays has been planned in order to expand the fibre network in the same time as major investments are being undertaken to extend 4G services.

*Home connectivity*

Italy has a relatively low Internet penetration in terms of users compared to the EU average. In 2012, the number of Internet users was at 35.3 million, with only 58% of the Italian population using the Internet compared to EU average of 75%. The relatively low number is especially due to the lack of connection in the South. Nevertheless, major broadband providers, as Telecom Italia and Fastweb, have launched massive projects to bridge the digital divide by expanding high-speed broadband. Italy is projected to have more than 46.7 million Internet users by 2020, reaching the EU average Internet penetration rate of 75%. Furthermore, Telecom Italia launched its ultra-fast broadband service in Milan in 2013 with
good success, and the company aims to cover 138 cities by 2018.

**e-Government**

Italy is making good progress in the domain of e-government; they ranked 32 out of 190 in the UN’s e-government survey in 2012, an improvement from its 38\textsuperscript{th} position in the 2010 survey. In the period from 2009 till 2012, the Italian government invested €1.380 million in 80 innovation projects including electronic health records and digitisation of medical prescriptions and certificates, and in 2012, the Italian government launched the digital innovation project Crescita 2.0, in which one of the key objects is to improve and develop digital infrastructures and services, including eHealth, digital payments, and digital learning. The budget for the digital improvements is €750 million. Also, the newly elected president Matteo Renzi has announced further investments in digitalisation. Some of which include an introduction of electronic identification of the Italian citizens and of electronic invoicing for public administration. For succeeding, Italy will need to draw on experiences and skills from other countries already equipped with these kinds of digital structures.

Italy is, furthermore, emerging as one of the global leaders in cloud adaption. Government agencies have been moving towards complete implementation of the cloud technology in order to enhance business efficiencies, rationalise costs, and increase customer accessibility of public services. However, data security and a lack of technical skills among employees are future challenges for the Italian government.
Digital Media
Recent years have offered a range of new initiatives and trends in the digital media domain, as the financial crisis has forced companies to think out of the box. Significant decreases in “classic” advertisement revenues have spurred growth in online ad spend in Italy, which is now the fastest growing advertisement medium in the country. From 2007 to 2012 online ad spend rose by 40%, amounting to €460 million in total online ad spend in 2012, which entails that online business models are becoming more and more attractive. After several years of free online services, Italian businesses have begun exploring the opportunities in e-content, and this is well-received by the Italians. Movie and music downloads and online film purchases and rentals are widely spread in Italy, and with the proliferation of smartphones and tablets combined with increased usage of mobile Internet, more and more Italians are inclined to use e-content on their handsets. Additionally, the digital terrestrial television, Sky on Demand, has become very popular in Italy.

4. Market Assessment
The Italian ICT market is still in its initial stage, and it has furthermore been set back by the financial crisis. However, a will both from public and private side to develop the market in combination with a large population receptive to new technologies create numerous opportunities for Danish investors. The opportunities lay both in the extensive infrastructure outlays planned in broadband and 4G services in order to connect the South and to improve high-speed connections nationally, and in innovative digital solutions for both the public sector as well as the private sector. The
government has recently denounced that increased resources are allocated to the digitalisation of public administrative tasks and citizen services. All the future investment planned both publicly and privately will, however, require a highly skilled labour force, which currently Italy does not possess, why foreign assistance is in demand. For succeeding, Italy will need to draw on experiences and skills from other countries already equipped with these kinds of digital structures.

Furthermore, Italians are adapting to the digital at fast pace, which has pushed the public as well as the private sector to embrace the opportunities provided by the digital field. These opportunities are especially found in e-content on handsets in the light of a booming proliferation of smartphones and tablets and high growth predictions of internet retailing in Italy. The e-content market is particularly receptive towards niche concepts and solutions for functional affairs as well as for entertainment purposes, which Danish ICT players have proven highly capable of developing.

Thus, for Danish companies the opportunities are both in providing knowledge and skills in expanding the digital infrastructure and the digital solutions for public as well as private players and in developing and commercialising e-content for a large highly digital receptive population.

5. CONTACT

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