

## Digital transformation at Mach speed

**From publisher of telephone and business directories to digital marketing partner for Swiss SMEs – localsearch (Swisscom Directories AG) has undergone a remarkable transformation in the space of just a few years. But how did it come about? The background to this success story of digital transformation is closely tied with the name of current CEO Stefano Santinelli.**

143 years. The roots of localsearch (Swisscom Directories AG<sup>1</sup>) stretch back a long way: Switzerland's first public telephone directory was published on 6 November 1880. The landmark decision to become a telephone and business directory provider was taken over 100 years later: One year after its founding in 1998, Swisscom Directories AG entered into a partnership with PubliGroupe. Swisscom Directories brought the White Pages directory of residential numbers to the deal, and PubliGroupe brought its own Yellow Pages directory of business numbers.

### **local.ch and search.ch: Merger marks the birth of localsearch**

The digitisation of the telephone directory kicked off in earnest with the Internet boom of the early 2000s. In 2005, Swisscom and PubliGroupe founded local.ch AG, which in 2006 launched the portal local.ch as the official online telephone directory. Founded in 1995 by Räber Information Management GmbH, search.ch was one of the very first Swiss search engines. An acquisition by Swiss Post followed in 2004, and five years later media group Tamedia acquired a majority stake in search.ch.

A groundbreaking step followed in 2014 with the takeover of PubliGroupe by Swisscom, making Swisscom Directories AG the sole publisher of printed telephone directories, namely the White and Yellow Pages, as well as the operator of local.ch. Tamedia and Swisscom later agreed to merge the two platforms local.ch and search.ch at the end of 2015, with Tamedia holding a minority stake.

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<sup>1</sup> Since 2016, the company has been active on the market under the name localsearch. Swisscom Directories AG remains in existence as a legal entity.

## **Another landmark decision in 2016**

In 2016, Swisscom Directories appeared for the first time under the new brand name of localsearch. In the same year, the foundations were laid for the transformation of the company into a digital marketing partner for Swiss SMEs. The starting situation was particularly favourable thanks to the merger as well as a record year in 2015. However, when the board of directors of Swisscom Directories AG convened to discuss the future strategy, they saw only clouds on the horizon. For board member (and now CEO) Stefano Santinelli, it was clear that given the increasing importance of search engines, the prevailing business model, namely classic listings on local.ch, search.ch and in the printed directory, was likely to lose large parts of its customer base to competitors such as Google, Facebook and Co.

One warning in particular was heeded: In the spring of 2016, the board of directors approved a new strategy that was aimed at safeguarding the core business. Thereby, the focus of localsearch would be on the provision of optimal digital services for Swiss SMEs alongside the development of entirely new business areas with long-term revenue potential.

## **From "matchmaker" to "success for SMEs in the digital world"**

To create space for new business areas and in line with the ambitious schedule for the proposed transformation, it was necessary to simplify the complex organisational structures and processes. This resulted in the institution of an agile organisation as well as the massive simplification of management structures in favour of flatter hierarchies. Among other benefits, the introduction of OKRs (Objectives and Key Results) to aid the measurability of objectives had the effect of shortening product development up to market introduction and of increasing the efficiency of sales processes. In addition, outmoded IT infrastructure was standardised and there was a renewed focus on standardised systems in place of self-developed systems, as well as "open innovation" for the development of new products. Taken together, these measures made the company more lean and more agile.

A new overarching purpose was required in order to motivate the workforce to think in more innovative and expansive terms and to facilitate the transformation from "matchmaker" to "success for SMEs in the digital world". Moreover, the area of New Business was created to stay abreast of the many changes that were underway. Its task was to drive forward the company's transformation on the basis of this new purpose.

## **New digital business as revenue driver**

Within just two years, this new strategy saw the introduction of five new products to support SMEs in the digital world, and before long these were offered as a complete solution at a fixed price. More specifically, the products, which encompass an online presence on all search engines and social media, online campaigns, digital booking and reservations as well as e-commerce and review solutions, mean that SMEs can be found, booked, purchased and liked in the new online world. The emphasis throughout was on open innovation through the inclusion of services offered by major Internet players such as Google and Facebook, both as advertising vehicles and as a locations for an online presence.

This strategy quickly bore fruit: By the end of 2018, the newly developed digital business was already compensating for the declining directory print business. In the same year, Swisscom Directories became the 100% subsidiary of Swisscom after the latter purchased the shares held by Tamedia.

The digital transformation of localsearch also included the founding of the municipality and local association platform Localcities (2018) as well as the acquisition of the portal anbieter-vergleich.ch (2019) and tradespeople platform renovero.ch (2020). The most recent key transformation measures have been the discontinuation of the printed telephone book at the end of 2022, and in spring 2023 the evolution of local.ch from digital telephone directory to the largest Swiss booking platform.

Today, 98% of the revenue at localsearch is generated by these new digital products – a clear demonstration of the success of this Mach-speed transformation. In addition, localsearch is optimally positioned to surf the oncoming wave of disruption that will be brought by generative AI.

## **Questions to Stefano Santinelli, CEO localsearch**

### **Can you remember the precise moment when it became clear to you that the company would have to reinvent itself? What were your thoughts in that moment?**

The questions that occupied me at that time are still very clear to me: Will localsearch survive the process of digitisation? How much time is available to us for this inevitable transformation? What is the best way of quickly moving our company forward? And most importantly: How can we bring our employees on board for this journey and get them inspired about this transformation?

**As CEO, was it a task to convince people of these measures or was it clear to everybody that the company had to transform in order to survive?**

We were faced with a monumental task, but it was nevertheless necessary that we wasted no time in pursuing fundamental changes through digitisation. After the record year of 2015, I was grateful that there was energy remaining for this transformation. Nevertheless, this energy still had to be liberated and empowered.

**What did you find to be the greatest hurdle in the implementation of this transformation?**

It was essential to realise that the telephone directory no longer had a future role to play, and that we would have to find the courage to take radical steps and free ourselves from the past. Likewise essential was the step towards competition with Google and other major tech players. Finally, we restructured our organisation, which has made us more agile with flatter hierarchies. This has enabled us to adapt to changes more quickly.

**Is the transformation of localsearch now complete?**

The major step from publisher of print directories to digital marketing partner for Swiss SMEs has been carried out successfully. However, a corporate development such as this is never really over. It's an ongoing process. In particular, generative AI offers many new business opportunities.

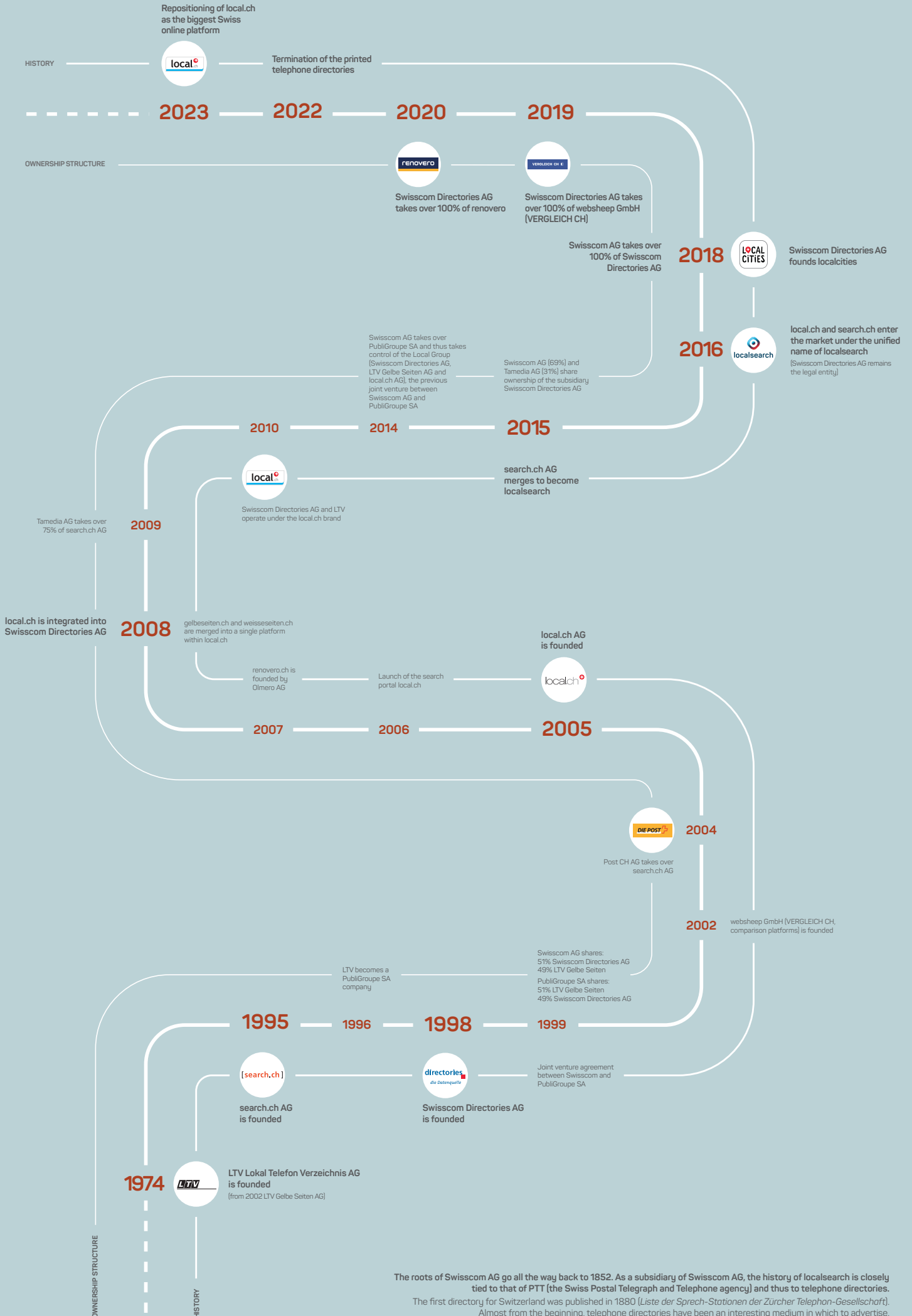
**As CEO, what lessons have you learned from the overall process?**

That in today's age, transformation is a permanent state of affairs, or in other words is the normal condition. A company must be positioned in such a way that it can adapt quickly to new circumstances. In recent years, there have been no shortage of events in the business, political and economic spheres to which companies have had to adapt on a permanent basis.

**What are your visions for the future of localsearch?**

localsearch has a firm footing in Switzerland, so why not export our successful approach and operate abroad? In nearby Europe, there are 14 million SMEs for whom digitisation is unavoidable.

# HISTORY AND OWNERSHIP STRUCTURE



The roots of Swisscom AG go all the way back to 1852. As a subsidiary of Swisscom AG, the history of localsearch is closely tied to that of PTT (the Swiss Postal Telegraph and Telephone agency) and thus to telephone directories. The first directory for Switzerland was published in 1880 (*Liste der Sprech-Stationen der Zürcher Telephon-Gesellschaft*). Almost from the beginning, telephone directories have been an interesting medium in which to advertise.