M2M CSP Benchmarking Report 2014: globalisation, strategic reinvention and a gradual move towards IoT are the key themes, and Vodafone retains top spot

Vodafone maintains its position as the number one global CSP for machine-to-machine, with AT&T, Deutsche Telekom and Telefonica making up the top tier. The last year has seen an evolution in operators' approach to the M2M market from 'global' to 'multi-local' with implications for CSPs large and small.

[London, UK 12th June 2014]

Machina Research today published its annual review of the machine-to-machine (M2M) operations of the major global Communications Service Providers (CSPs). Based on detailed analysis of the capabilities of each of fifteen major CSPs, Machina Research has determined that Vodafone maintains its position as the number one global operator in terms of taking advantage of the global market opportunity.

Commenting on the results, author Matt Hatton said "*Vodafone's scale, growth and customer wins are testament to its ongoing lead in the sector. If we look at the numbers, this year it overtook AT&T and Verizon to become the biggest global M2M provider, in terms of SIMs. It was also the fastest growing of the fifteen we studied. However we're not just counting numbers of connections to determine current, or future, success. We expect initiatives such as its SOBE product, its plans for licensing the GDSP platform, and the added bonus of funds from Project Spring to provide further impetus in the next few years.*"

AT&T, Deutsche Telekom and Telefonica complete a top tier of four CSPs. AT&T secured some fantastic deals and has shown real leadership with initiatives such as the Drive Platform, Drive Studio and Foundries. Amongst other things, Deutsche Telekom and Telefonica are singled out for the excellent work they've been involved with in developing their global alliances; the Global M2M Association (GMA) and M2M World Alliance respectively. The theme of alliances is one that dominated much of this year's discussions, with new members, including several key new members of the GMA, and the launch of the Bridge M2M Alliance.

Hatton comments: "*We've seen a lot of movement this year around alliances, including new arrivals, new members and new capabilities. This is essential in what is evolving from a global market to a multi-local market, driven by regulation and customer demand. The challenge will be converting the excellent work that has been done in terms of technical cooperation, in areas such as certification and cross-network troubleshooting, into commercial cooperation.*"

This theme of strategic collaboration and horizontal partnerships is having a knock-on effect in another direction. A number of CSPs are focusing on reinventing themselves from being broad-based global connectivity providers to being more regionally focused. Looking to the next twelve months Hatton predicts that this trend will intensify: "*The need for alliances and horizontal partners will grow. CSPs without substantial footprints will struggle to deliver multi-local solutions on their own. Instead they must focus on using alliances to tap into global opportunities while going deeper into* *their domestic markets. However, these won't be exclusive arrangements; alliance involvement will be a patchwork rather than a set of monolithic multi-carrier organisations".*

Hatton's other prediction is that the 'one-to-watch' for next year will be SoftBank: *"It acquired a majority stake in Sprint in July 2013 and looks set to take over T-Mobile USA. That would create a grouping of similar scale to AT&T and Vodafone, although with some integration challenges to address.*"

The final trend identified by the Report is somewhat more nebulous. Hatton explains: "*We have noted a trend of CSPs gearing up for the Internet of Things (IoT).*" Three developments are pointing towards a more IoT-centric approach from CSPs: more support for application developers, a little more network agnosticism, and more global support. However, there is a long way still to go. Hatton comments: "*The role of the CSP today is firmly one of M2M, rather than IoT. For us the latter involves network agnosticism, mashing up of multiple data sources and the disaggregation of application development from the device itself. If CSPs want to move to becoming enablers of IoT as we define it then they will potentially need to undergo some radical change."*

About the report

Machina Research is a UK-based telecoms research and consulting firm focusing principally on the emerging opportunity associated with new forms of connected wireless device, specifically machine-to-machine (M2M) and mobile broadband.

The M2M Communications Service Provider Benchmarking Report, 2014 gives Machina Research's view on the likely long-term success of Communication Service Providers in the M2M market in terms of generating margin from M2M services. The focus is squarely on the expectation for future, rather than historic, success (although the latter may be an indicator of a predisposition to the former).

There are two main reasons for examining the M2M capabilities of the CSPs. Firstly it can act as a guide to potential customers on which M2M service providers to shortlist. Enterprises looking to implement an M2M solution will frequently be both implementing a complex solution for which they need expert help and making a long-term commitment. They require a high degree of certainty that they are making the right choice of CSP. Secondly, CSPs are constantly on the look-out for best practice in this developing market. Examining the capabilities of competitors is a good way to highlight areas for improvement.

In this year's report Machina Research has expanded the global focus. It includes profiles of fifteen CSPs: AT&T, Deutsche Telekom, Etisalat, KPN, NTT Docomo, Orange, SingTel, Sprint, Swisscom, Telefónica, Telekom Austria M2M, Telenor, TeliaSonera, Verizon and Vodafone. With these companies we cover the biggest global carriers as well as the most prominent regional M2M players.

Machina Research analysed the CSPs on six criteria:

- **Pedigree** – The experience that the CSP has in addressing the M2M market. This will often be vertical-specific. While historical success is no guarantee of what will happen in the future it does demonstrate a level of experience in delivering M2M services, which is frequently a very different proposition from traditional voice and data services.

- **Platforms** – The software platform(s) that the CSP uses for supporting its M2M connections. Platform choices will often have implications for the efficiency with which a CSP can address the M2M opportunity, in particular in the provisioning and connection management process. Machina Research is planning to publish a Strategy Report focusing specifically on the Platforms space, examining the dynamics of this critical element of M2M.
- **Place** – Where the CSP is well placed to provide services. This includes analysis of geographical footprint as well as horizontal partnerships with other CSPs in non-footprint markets. In the latter case, particular focus is given to the ability to perform end-to-end troubleshooting. It should be noted that a CSPs ability to generate profit from an M2M connection will be greater if that connection is supported via its own facilities-based footprint rather than through roaming agreements. Also included as a sub-set of this analysis is the availability of broadband (3G and 4G) wireless networks. With regard to network technology choice, the availability (or lack of it) of broadband networks will affect the ability of a CSP to address the needs of particular applications as efficiently as a rival may. It should be noted that there is a well-defined evolution path for most CSPs from 2G to 3G and LTE. Differences related to network deployment will only be highlighted where it differs substantially from the industry norm.
- **Partnerships** – Partnering is critical for the success of M2M. The focus is on vertical partnering (i.e. tying up with other players in the value chain to provide a solution that meets the specific needs of the target market). Horizontal partnering (i.e. with other CSPs to provide the broadest footprint possible) is largely covered in the 'Place' category.
- **Process** – Examining a variety of processes involved in the supply of M2M services including application development, device certification, troubleshooting, SLAs, project management/systems integration, and client support. All of these enable a CSP to deliver an appealing proposition to potential clients. Furthermore, the more value-add provided by the CSP, for instance in application support or systems integration, the larger its likely share of the revenue accruing from any given M2M connection.
- **People** – Much of the success in M2M will depend on having the right personnel in the right place. This section examines the number of dedicated M2M professionals, the CSP's organisation and the fitness for purpose in addressing the M2M opportunity.

The report includes a 3-6 page profile of each CSP, examining their capabilities in each of the six areas. The report is 92 pages long.

For a copy of the executive summary and table of contents, or to order your copy, find out more about the report or discuss annual subscriptions please contact sales@machinaresearch.com.

Contact

For further comments of more information on this press release, please contact:

Matt Hatton, Director, Machina Research
+44 7787 577886
matt.hatton@machinaresearch.com

Machina
Research