

Operator Strategies in Machine-to-Machine Communications

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Abstracts

Telecoms operators have returned to the M2M opportunity with vigor. During the last 12 months there has been a stream of announcements about new partnerships, centers of excellence, and even customers. Once again, forecasts of very large numbers of connected devices dwarfing the potential for straightforward personal devices have been quoted widely.

But this is not simply a reprise of earlier M2M bursts of enthusiasm, most of which have evaporated without significant achievements. Much has changed to suggest that M2M's moment might finally have arrived. In particular, we would cite:

- the impact of scale, especially on the market for M2M hardware
- the increasing importance of connectivity in consumer electronics devices, and the advent of the cloud paradigm for applications and services
- the availability of device management software, which has become an integral part of M2M platforms and makes it possible for solutions to be deployed on an industrial scale.

Perhaps equally important, though, is the new approach taken by operators. While their appetite for M2M has not diminished, most now have a much more realistic appreciation of their own position in the M2M value chain. The advent of specialist platform providers such as Jasper Wireless has enabled operators to choose not to do everything themselves. Even those operators with aspirations to do more than just sell SIMs for M2M modules accept that there are relatively few opportunities for them to be the prime contractor or take on the role of systems integrator (SI). There is less reluctance to work with third-party SIs, or with the customer's preferred choice.

We believe operators have become more comfortable with a wholesale approach to

M2M, even if the M2M organizations within their businesses report directly to the board or form a part of enterprise divisions. ARPU for most M2M applications is low, and the number of connections is potentially very high, especially for business-to-business-to-consumer (B2B2C) applications. M2M can still deliver high margins, but the key to realizing these margins is building an efficient partner ecosystem. We are just beginning to see this ecosystem emerge, and it may take the better part of a decade for it to mature.

Operators remain opportunistic, both about the verticals they are targeting and the approach that they take. Several appear to be simultaneously pursuing quite different strategies; Telenor has gone the furthest down this route by establishing separate subsidiaries to take the different directions, with Telenor Connexions championing a vertically focused approach and Telenor Objects aiming to develop a horizontal framework. Given the current state of the market, this twin-track approach is probably sensible; plumping for a single model carries risks of missing out on the direction the market ends up taking.

However, this opportunism also points to what is still the biggest barrier to take-off: the absence of an agreed architectural framework for M2M. This is the approach which has made the Internet, and web services, so successful. It would make it possible for specific application components (for example, a sensor or switch control software element) to be developed once and used many times, irrespective of the specific industry or hardware context. There is some limited progress towards this from a few industry minnows, but the big players, who stand to gain the most, have done too little to promote it.

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