M2M Communications

Turn Potential into Profit

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Executive summary

Machine-to-machine technology offers infinite possibilities. With M2M, every raindrop, heartbeat and object in our daily lives can become part of a global, semi-autonomous mesh of digital interactions.

M2M can bring order to a vast, non-sentient world. All of this makes M2M exciting – and problematic.

There is no such thing as a ‘typical’ M2M deal, tariff or profit margin. But communication service providers need to understand the dynamics of value and cost in order to secure a successful role in M2M. This white paper sheds light on today’s M2M market and predicts its potential evolution, based on analysis of current ecosystem development. It draws on a global survey of more than 250 M2M stakeholders across 50 countries (see fig. 1) and 15 field interviews conducted by Informa Telecoms & Media.

M2M revenue-generation models, industry focus areas, partnerships, investment priorities and not least, barriers to success are all put under the spotlight.

Our research concludes that:

— Margin matters more than machines in determining M2M success.
— Value is shifting from M2M data delivery to data intelligence.
— Power is accumulating among enablers of end-to-end M2M service visibility.

NOTE: n=263

SOURCE: Informa-SAP M2M Communications Survey, 2012
Ask anyone about the M2M market and their answer is likely to be: “It’s complex. Yet there is a simple but profound purpose behind the M2M market: To communicate intelligence from a vast, non-sentient world in order to enrich our daily lives and work.”

This will be done with sensors and embedded devices that do one or many things: Listen, feel, measure and report all manner of facts that we never knew, or found difficult to collect and understand. M2M will also help automate decisions and tasks: Find the best route for the daily commute, anticipate a heart attack, restock a soft drinks machine, diagnose a fault in a turbine.

But in the absence of hard facts – and amidst great market excitement - a mythology is growing around M2M. This report challenges those myths while identifying M2M pitfalls and market potential. In particular, we focus on outcomes for communications service providers – telecom operators, MVNOs and satellite providers – whose activity in M2M is rapidly expanding.

Value shift

Today, CSPs are doing what they do easily and very well– selling connectivity. This represents almost 90% of M2M revenue in the current market, according to our analysis.

Tomorrow – certainly within three years – we anticipate that revenue distribution will make an inexorable shift (see fig. 2) to what end users want to do with M2M:

- Support business decisions with M2M data intelligence.
- Secure and manage M2M data.
- Identify and create new applications for M2M.

M2M connectivity revenues will continue to grow robustly. But the choice for CSPs is whether they want to tap into other revenue streams – or if a bit-pipe role offers sustainable profitability. Our analysis indicates that either choice demands change in how M2M operations are run today.

M2M is rapidly expanding.
M2M service providers allocate network costs, which networks and M2M modules are used, and if they are subsidized. For example, M2M services delivered over 2G can be highly profitable, because the network may be depreciated and 2G M2M modules are cheap.

Revenue models

“To avoid being a bit pipe, operators must find a way to play a greater role. The only way forward is to develop partnerships with M2M developers based on revenue sharing.” – Operator, Eastern Europe

Buy an M2M service today and you’ll first be offered a national or international data plan. Many M2M service providers say they are not equipped to support more complex business models. At the same time, some are not yet willing to offer more.

Our research indicates that:

— Most CSPs function as M2M data wholesalers.
— Only one in every 10 CSPs actively runs revenue-sharing models with partners.
— Fewer than one in 10 routinely offers service-level or application-based pricing for M2M.

M2M stakeholders can agree that table stakes for market success are end-to-end service management and flexible billing for varied M2M applications and traffic profiles.

Beyond these two priorities, however, there is a split in opinion (see fig. 5). CSPs rightly prioritize security because they are highly skilled in this area. CSPs also understand the criticality of securing data delivery according to end customers’ service-level requirements.

However, CSPs don’t prioritize the next step: Providing real-time intelligence and M2M analytics to support end customers’ business decisions. Yet several other stakeholders do think that delivering value beyond delivery itself is an important activity that will build deeper end-customer relationships. For now, CSPs appear more content to play a back-office role.

Market scope

“There’s deep confusion in the market about the development of M2M toward the Internet of Things.” – Operator, Western Europe

The potential to embed M2M functionality in multiple contexts excites M2M stakeholders. But there’s a vast difference between opportunity sizing based on what could be connected with M2M – billions or even trillions of things according to some claims – and what will be connected. Nor will all M2M interactions be monetized.

CSPs’ public networks are not the only available or most suitable connectivity option for all M2M vertical applications. Indeed, Informa end-user surveys in industries such as utilities, oil and gas, rail and maritime confirm a strong role for M2M applications to automate and improve many business processes, but a critical need to connect remote assets that public networks cannot reach.

Some CSPs believe that revenues on public cellular networks – 2G, 3G and eventually 4G – will be significant enough. Few consider end-to-end service management of M2M applications crossing into enterprises’ privately-built networks where technologies such as WiFi, wireless mesh and radio are used.

However, some long-tail wireless vendors – organizations which support vertical applications on private wireless networks – plan to bridge private and public networks with their own M2M services. In
some industries – including those that CSPs target - we predict that such firms can become formidable market players.

**Target applications**

Among CSPs, bets are being placed: Three verticals are viewed as the most promising for monetized M2M applications (see fig. 6):

- **Transport and logistics**: Fleet management, driver monitoring, vehicle diagnostics, insurance reporting for multinational corporations, but also smaller enterprises.
- **Utilities**: Smart metering and smart grid initiatives in electricity, but also gas and water.
- **Automotive**: Infotainment, vehicle diagnostics, insurance reporting for private individuals.

Health is of acute interest, but the complexity of the healthcare ecosystem combined with that of the M2M supply chain are a major concern. As our CSP profiles detail, some M2M service providers are taking a long view, and building relationships with specialist device vendors to craft narrowly-defined health propositions.

More broadly, M2M applications fall into four inter-related categories:

- **Static**: These applications monitor assets in fixed locations, such as soft-drinks machines or photocopiers.
- **Nomadic**: These applications rely heavily on mobile networks to track people and assets on the move, such as trucks and shipping containers.
- **Transformational**: These applications create a brand-new annuity revenue stream for the end customer, such as pay-as-you-drive insurance.
- **Horizontal**: These applications are functionally similar across various industries. For example, the tracking of elderly Alzheimer’s patients and felons on parole uses fundamentally the same technology.

Only a handful of CSPs – the most experienced – are reselling functionally similar M2M applications on a horizontal basis. Instead of focusing on vertical market peculiarities, we believe that seeking commonalities and applications matching several categories is a pragmatic way to build operational scale.

**Barriers to success**

Building scale is a persistent problem. Navigating the fragmented ecosystem is a top barrier to success (see fig. 7). There’s a strong desire to build large partner communities, but less clarity about how to monetize these relationships.

CSPs are playing multiple roles in the M2M market – and not all are desired or monetized. They may act as consultants, integrators, platform developers, device testers, channel partners as well as M2M service providers.

As a side note, the least likely role, particularly among CSPs, is that of a user of M2M. Only one in 10 CSPs reports internal use of M2M technology.

To scale M2M operations, CSPs need to decide what their core activities are and what activities trusted partners can undertake.

**Partners**

Broadly, there are three partner categories, although lines are often blurred:

- **Go-to-market partners**: These partners have an existing customer base in a specific industry for which an M2M solution is an upsell.
- **M2M technology partners**: These partners contribute a unique element for an M2M solution, such as an M2M module or specific application.
- **Operational partners**: These partners provide underlying platforms, systems and integration services to power M2M solutions.
Our research indicates that go-to-market partners are currently most valued. Technology partners are the next priority: Device, module and chipset vendors, as well as independent software vendors focusing on M2M.

Nevertheless, we note a rising focus on operational realities, and a finer understanding of the opportunity cost involved in sewing together an M2M service. As understanding grows, a CSP’s biggest decision is which solution components it should own and control, and which it should externalize using trusted partners. Integrators in particular straddle the M2M market as enablers within the M2M supply chain, but also end customers.

To industrialize M2M, CSPs are turning to operational partners for:

— **M2M device certification**: Processes around certifying a device for use on a CSP’s network.

— **Service management**: Platforms to manage M2M services, typically moving to cloud-based operations.

— **Partner management**: Tasks including partner on-boarding, management and payments.

— **Roaming**: Commercial agreements for M2M cross-border services because traditional roaming schemes clash with M2M traffic patterns.

### Investment budget

Investment in partner management is growing as are internal resources allocated to M2M. Only four out of every 10 M2M stakeholders had a dedicated M2M investment budget prior to 2012. By the end of 2012, that number will exceed two thirds.

Those with an existing M2M budget say that it is growing in 2012. Of these, one fifth says their investment budget in 2012 is considerably higher than in previous years. Among CSPs, the key investment areas (see fig. 8) are:

— **Service management**: Ensuring the smooth functioning of applications and connected devices according to customer performance and reporting demands.

— **Product development**: Developing new solutions to bring to market.

— **System integration**: Making disparate internal and external systems and devices talk to each other.

The rise in investment levels underscores how M2M is now moving from an experimental to permanent aspect of revenue generation across many service providers.
Reports from the field

M2M is an ongoing journey of exploration for experienced CSPs and newcomers alike. The following profiles illustrate the diversity of experience, successes, and challenges that CSPs face.

The Pragmatist: AT&T

*Driving scale with strategic operational partnerships*

Headquarters: USA

**Estimated M2M end points:** 7 million (excludes iPad)

**Key M2M markets:** Shipping and logistics, industrial automation, consumer electronics, telematics/fleet management, health

**Overview:** AT&T’s M2M activities are split between its Emerging Devices Organization (EDO) and Advanced Enterprise Mobility Solutions group (AEMS). EDO identifies new devices for consumers and enterprises, while AEMS works on enterprise platform and service components.

AT&T’s M2M activities have a prominent consumer-facing flavor, due to the successful launch of connected devices such as the Amazon Kindle and the iPad. AT&T expects strong growth in B2C mobile health, home security and energy sectors. A new Digital Life Services team identifies and champions new embedded devices within targeted industries.

Operationally, AT&T has outsourced much device provisioning and platform activity to M2M specialist Jasper Wireless. A partnership with KORE Telematics is used to speed device certification. The Jasper Wireless partnership has powered a core function: the AT&T Control Center.

This center provides tools for M2M partners to monitor and control device activity, connection status, service costs, provisioning status, rate plan adjustments and billing. AT&T has also invested in its M2M certification lab, Data Developer Program, and API development for M2M applications.

AT&T is more comfortable than many peers to have partners help drive new business. As M2M expands into B2C, AT&T is shifting its approach to be both evangelist and solutions provider.

The Local Hero: SK Telecom

*Aligning M2M to national socio-economic goals*

Headquarters: South Korea

**Estimated M2M end points:** 700,000

**Key M2M markets:** Utilities, vehicle/fleet management, asset management, health, environment, finance

**Overview:** SK Telecom is highly active across M2M functions. It notes that most M2M applications still require considerable customization. To support its customers, SKT works directly across partner collaboration, terminal and application development.

Dedicated teams focus on M2M R&D, sales, marketing and standardization. Specialist teams like its business to government (B2G) team work on major strategic initiatives such as senior care, public security, and other remote-monitoring applications.

A major M2M initiative is the $58 million Jeju Island smart grid project where SKT is part of a government-backed consortium. The project is the first stage of a national program which aims to cut $10 billion off annual energy import payments and reduce Korea's CO2 emissions by a third.

SKT still determines business and charging models on a case-by-case basis. Consulting fees are charged. SKT works closely with device manufacturers to develop client hardware and software. Revenues are based on service provisioning and data consumption.
SKT will remain a universal enabler of M2M, but a new M2M platform should reduce ad-hoc initiatives. This will employ generic mobility management protocols and open APIs to connect end-users to M2M applications. The goal is to reduce SKT’s development and support costs and speed time to revenue.

The Newbie: Entel
**Learning how to expand a fast-growing M2M business**

**Headquarters:** Chile  
**Estimated M2M end points:** 115,000  
**Key M2M markets:** point of sale, fleet management, security alarm systems, telemetry  
**Overview:** Entel is a relative newcomer to M2M, but doubled its M2M connections in 2011. Despite small revenues and low ARPU to date, Entel is positive about ongoing growth and the long-term nature of M2M contracts.

Entel’s M2M SIMs power 60% of Chile’s wireless banking transactions. Security monitoring and utility metering services are also successful. Entel supports M2M through its GPRS, HSDPA and EDGE networks. GPRS is favored because of its reach, low-cost chipsets and devices.

Currently, Entel does not have in-house M2M software development and has not established developer partnerships. Entel only offers connectivity to M2M enablers and some large enterprises with in-house M2M infrastructure. In future, Entel wants to offer M2M managed services, but has not decided how to expand this portfolio.

Today, Entel focuses on flexible connectivity. M2M data plans are customized for each client, according to data consumption, application and M2M end points. Specific pricing plans are available for popular applications, such as telemetry and point of sale.

For Entel, the main M2M market barrier is lack of technical standards to develop M2M solutions. Entel notes that M2M projects take many months to implement, increasing costs and stalling market expansion.

The Controller: Verizon Wireless
**Investing to extend control over the M2M value chain**

**Headquarters:** USA  
**Estimated M2M end points:** 8.1 million  
**Key markets:** Smart grid, point of sale, fleet management, health, digital signage  
**Overview:** Verizon Wireless’ M2M strategy focuses on large enterprises which value integrated solutions. For small to medium clients, it focuses more on broadband connectivity.

VZW wants customers to access a single dashboard providing a holistic view into security, BSS/OSS, analytics, account details, provisioning, applications, device management and performance analytics.

Although active in several verticals, VZW has high hopes for healthcare. Focus areas are independent living, remote care management, virtual care, and mobilizing clinicians. Although its M2M services mostly use 2G and 3G networks, VZW also offers 4G medical devices for ambulances and high-quality image transfer.

VZW maintains direct control of device certification and has reduced certification time from over six months to an average of two to four weeks. Certification is usually a stand-alone process with no marketing commitment from VZW.

VZW wants to control more of the M2M ecosystem. In 2012, it acquired outstanding shares in M2M specialist nPhase, following acquisitions of security specialist Cybertrust and cloud service provider Terremark Worldwide. The nPhase, Cybertrust and Terremark Worldwide back-office systems are now integrated to leverage holistic, cloud-based M2M service management.

VZW believes many enterprises want flexibility in service sourcing, particularly for platform and security. However, VZW expects customers will come to value enhanced operational benefits from a fully-integrated M2M solution stack. For VZW, greater ecosystem control will deliver greater profit potential.

The Connector: Vodafone
**Managing global assets to deliver deep service customization**

**Headquarters:** UK  
**Estimated M2M end points:** 7 million  
**Key markets:** automotive, utilities, consumer electronics, industrial automation  
**Overview:** Vodafone’s dedicated M2M unit sits within the Vodafone Global Enterprise (VGE) division, reflecting its target market: large national and multinational enterprises.

Vodafone’s stated differentiators are its international network coverage; dedicated M2M organization; close links with the Global Enterprise and innovation groups; and in-house technology, particularly its Global Data Service Platform (GDSP).

The GDSP enables end-to-end visibility and service management, as well as device and SIM provisioning. Vodafone works to integrate its platform with those of hardware manufacturers to enhance device configuration and management. Its integration with partner Verizon’s platform will add to these strengths.

Vodafone can offer service level agreements for end-to-end service monitoring and device control across 70 countries. It offers cross-border SIMs and SLAs, a global Home Location Register, and a single tariff across the EU27.

Vodafone offers highly flexible pricing options to match varied consumption requirements of M2M devices and applications. Vodafone’s stated differentiators are its international network coverage; dedicated M2M organization; close links with the Global Enterprise and innovation groups; and in-house technology, particularly its Global Data Service Platform (GDSP).

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The Silo Breaker: Orange
**Building unique value and differentiation with B2B2C models**

**Headquarters:** France  
**Estimated M2M end points:** 2.8 million  
**Key markets:** Utilities, health, fleet management, automotive  
**Overview:** Orange Business Services, a global leader in providing ICT services to multinational enterprises, has a strategic goal to manage 10 million SIM-connected devices by 2015.

OBS notes dramatic growth in demand for international M2M services such as global fleet tracking. OBS has taken firm steps to address this opportunity: A major M2M roaming alliance with Deutsche Telekom and TeliaSonera is providing scale, reach and some shared costs. It has
OBS is prioritizing value-added opportunities over volume connectivity-driven revenues. OBS is increasingly open to blended B2B2C models and approaches that blur traditional industry boundaries.

A key example is the M2o City joint venture with Veolia Water, the world’s largest private-sector water-services provider. This is a new class of hybrid managed-services provider combining telecoms and utilities expertise. It will provide water-metering and environment-monitoring services in addition to Veolia Water’s broader water services. Veolia Water already manages 200,000 smart meters and has 4,500 water-management contracts worldwide. M2o City may provide shared-risk-reward and pay-as-you-grow payment structures.

OBS aims to develop deeper, multi-faceted relationships with its customers. M2M is an enabler of that strategic vision. The goal is not just to empower customers, but also their customers’ customers.

The Community Builder: Sprint
Creating a central venue for multi-faceted innovation

Headquarters: USA
Estimated M2M endpoints: 2.5 million
Key M2M markets: telematics, smart grid, fleet management, health

Overview: Sprint’s M2M strategy leverages its considerable spectrum holdings and a strong collaborative approach with partners. Sprint’s M2M organization includes a dedicated sales organization, more than 600 M2M solution engineers, vertical and solution-specific units.

Sprint is maintaining its 2G and 3G networks while expanding 4G infrastructure. Through its 2G network, Sprint leverages lower module costs for the low-bandwidth applications that still represent most M2M deployments.

Sprint has seen good deal volume in smart grid and utilities, fleet management/telematics and public safety. Health and consumer fitness are highly promising despite complicated reimbursement models, patchy wireless usage and privacy/security concerns.

Sprint has focused heavily on creating robust services and M2M product development tools for technical and solution partners. Its dedicated Collaboration Center includes a testing center for M2M devices, software and services to fast track design, testing and launch.

Sprint aggressively seeks and supports M2M partners. For example, Sprint is currently working with BodyMedia to develop fitness sensor arm bands certified for the US medical community.

For Sprint, M2M market barriers are not in the ecosystem because it has a large partner community. Barriers lie among verticals whose M2M experience, knowledge and consequently, willingness to invest, vary widely.

The Integrator: Deutsche Telekom
Addressing changing value dynamics in M2M

Headquarters: Germany
Estimated M2M endpoints: undisclosed
Key markets: automotive, industrial automation, health, energy

Overview: Deutsche Telekom is targeting four verticals for corporate-wide, top-line growth: health, energy, media distribution and the connected car. The operator aims to generate €1 billion ($1.3 billion) of new revenues by 2015 in these verticals, and M2M has a key role to play.

DTAG says that integrating its IT and communications activities is a critical M2M success factor. It also sees cloud computing as a key M2M enabler. DTAG operates a dedicated M2M competency center offering solution design, device testing and service launch.

DTAG anticipates a fundamental value shift in M2M. It believes that M2M market revenues are 85% connectivity related today, but will decline over time to 15%. Connectivity revenues will still grow robustly – and DTAG is part of a global M2M roaming alliance with Orange and Telia Sonera. But DTAG believes other areas will grow faster and be more profitable.

DTAG sees enhanced value in M2M service-level management, managed security, flexible billing, roaming management and integration services. Not least, it expects to assert a more balanced contribution in revenue sharing with device vendors and M2M application developers.

Since it has deep and extensive credentials in ICT services across industries, DTAG believes it is in a strong position as M2M data becomes more tightly integrated into enterprise business intelligence and processes.
Securing M2M profitability

“We’re moving to a margin-driven business – it’s all that matters.” – Operator, Western Europe

Telecommunications is a mass-market industry based on the large-scale manufacture, distribution and management of digital goods. As our profiles indicate, the customized nature of M2M solutions is often proving incompatible – for now.

Can CSPs industrialize M2M and stabilize profitability? Our research with M2M stakeholders (see fig. 9) identifies seven key profitability variables. Five of these are fundamentally internal issues – CSPs are less dependent on external market dynamics to take action. The most challenging variable is M2M module costs, although these will trend downward with volume over time. But we note that several CSPs are building closer bi-lateral relationships with module and device makers to overcome these issues.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Issue</th>
<th>Action</th>
<th>Internal CSP issue</th>
<th>External market issue</th>
<th>Can it be outsourced?</th>
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</thead>
<tbody>
<tr>
<td>STRUCTURE Reporting structure of internal M2M division</td>
<td>There is unease about where M2M belongs. The value of autonomy is speedier decisions and service launch. But duplication of effort is a risk in targeting existing customers. CSPs can’t neglect cross-selling opportunities. Higher costs may be incurred if systems and services cannot be shared. But CSPs still need integration for a single view of the truth.</td>
<td>CSPs must ensure that any dedicated M2M systems can be easily integrated into existing billing and operational support systems in order to manage end-to-end customer intelligence and experience.</td>
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<td>ACCOUNTING Internal metrics used to determine M2M profit and loss</td>
<td>Some CSPs view 2G and 3G networks as a sunk cost. M2M income is then incremental revenue with limited opex. In such cases, M2M “profit” is very robust – reaching up to 70% gross margin. This profit may be illusory if CSPs switch off legacy networks and then attempt to migrate M2M customers.</td>
<td>CSPs should consider the positive - or negative - impact of M2M in the business case for outsourcing and maintenance of legacy networks.</td>
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<td>ROAMING Cost to deliver cross-region M2M services</td>
<td>M2M traffic varies by application. High volume, short sessions consisting of small data transmissions are common. This can be extremely costly in roaming, depending on increments billed for data consumption domestically and internationally.</td>
<td>CSPs should examine allying with other operators to extend reach; the use of a global M2M SIM; and outsourcing clearing and settlement of M2M traffic.</td>
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<td>PLATFORMS Service management costs and platform capabilities</td>
<td>Rising maturity of cloud computing offers reduced investment to build and access a fully-featured service management platform. This contributes to lower cost of M2M market entry and day-to-day operations.</td>
<td>CSPs should migrate to cloud-based service management for both internally and externally developed SMPs in order to align resource consumption more tightly to demand.</td>
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<td>MODULES Dependency of M2M retail pricing on module costs</td>
<td>CSP-supplied M2M SIMs lock in the end user. Embedded SIMs installed at manufacture and provisioned over the air make it easier to switch M2M suppliers. The cost of M2M chipsets, modules and devices is dramatically different between 2G and 3G networks. Premium prices are charged for the few M2M modules (and applications) available for 4G.</td>
<td>CSPs must move away from connectivity-centric M2M value propositions to reduce exposure to module cost dynamics, and develop stickier end customer relationships that do not rely on module subsidization.</td>
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<td>PARTNERS Partner pay-out models supported</td>
<td>The multiplicity of M2M partners demands automation. Automation is only possible after agreement on value delivered. The definition of value varies widely. As an M2M app reseller, a CSP may get a small percentage of annual contract value. Helping an independent software vendor take an M2M product to market can yield multiple success-based revenue streams.</td>
<td>CSPs must put more on the table in order to get more back from partners. A service wrap that couples service creation and marketing with service management on a partner’s behalf is monetizable.</td>
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<td>CHARGING M2M pricing models supported</td>
<td>Rigid systems restrict potential to diversify business models. The multi-sided nature of the supply chain is one issue. The other is converting M2M data into business intelligence. Criticality, frequency, timing of M2M data reporting also carry different values.</td>
<td>CSPs must ensure that their billing and OSS enables diverse business models with partners and the ability to monetize M2M analytics.</td>
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SOURCE: Informa Telecoms & Media
Conclusions

“M2M remains a world of infinite possibilities and finite costs.”

Many myths are widely held about the M2M market. As we’ve discussed in this report, many myths are partly or wholly wrong:

— The M2M market’s biggest problem is not supply-chain fragmentation. Considerable work is required within M2M service providers to make revenue streams and profits more predictable.

— M2M interactions will not all become broadband. The largest M2M networks consist of remote assets communicating low-bandwidth data.

— The largest M2M networks do not exist only on operators’ public infrastructure. M2M communications bridge public and privately-built networks.

— The biggest M2M revenue opportunity is not simply data delivery. End customers value what M2M data tells them to make business decisions and improve business efficiency.

— Selecting the right vertical app to sell is not the toughest challenge. Finding functional commonalities across industries and applications is the best way to build scale.

Value exists beyond facilitating data delivery from M2M end points. Value also lies in helping end customers understand and respond to what this global mesh of sensing and measuring things is telling them. Ultimately, we anticipate that M2M market revenues will shift to favor those who can fulfill this role.

M2M remains a world of infinite possibilities, and finite costs. While each M2M deal is unique, an M2M service provider’s underlying cost base remains the same. Our research indicates seven areas that can boost the predictability of M2M profitability: structure, accounting, roaming, platforms, modules, partners and charging.

A change in mindset is required to exploit the M2M market’s full potential. M2M service providers are architecting a self-fulfilling prophecy if they do not change from within. They must break away from wholesale-driven, connectivity-centric M2M success metrics. M2M end points are not ‘subscribers,’ connectivity ARPU is not meaningful across such a diverse marketplace.

Indeed, these traditional metrics underplay M2M successes today and in the future. The multiplicity of potential M2M revenue flows – from end customers, but also go-to-market, technology and operational partners needs to be industrialized, reported and recognized. Ultimately, the most robust success metric to report is M2M profit margin, once M2M service providers take the right steps to place it under control.
About the Informa-SAP M2M Communications Survey

Informa Telecoms & Media conducted research between December 2011 and February 2012. This involved an online survey yielding 263 respondents distributed across 50 countries. Only individuals involved in the M2M supply chain were qualified to take the survey. Informa also conducted interviews with 15 stakeholders across the M2M supply chain, including telecom operators, platform providers, telecom software vendors and module vendors.

Authors

Informa analysts Camille Mendler, Andy Castonguay, Sheridan Nye, Marceli Passoni and Charles Moon contributed to this white paper.

Working with Informa

Informa Telecoms & Media’s strategic insights, key market data and forecasts have led the market for more than 25 years. We have 65 analysts in nine research offices offering pragmatic and actionable advice to the leading global players in the telecoms and media sector.

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