

M2M: The Direct Opportunity for Rural and Small, Facilities-Based Mobile Operators

Mobile operators are well positioned to seize a greater stake in the emerging machine-to-machine marketplace. Projections, such as that from Ericsson CEO Hans Vestberg, suggest there will be as many as 50 billion connected devices by 2020. Many rural operators, and other smaller, facilities-based operators, play an indirect role in the M2M market today. They provide network elements that enable device connectivity and roaming services for mobile M2M applications. But these operators may be able to stake out a more profitable position in the M2M value chain by providing direct M2M services that couple connectivity with both device- and application-based offerings. The upside of M2M services for these businesses is that though they reflect relatively low ARPU per line or device, they have the potential for high margins; they can drive revenue through 2.5G and SMS network infrastructure; and customer acquisition and management costs are quite low.



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DEVICE-NETWORK-APPLICATION (DNA)

The M2M value chain consists of three layers that can be identified as DNA - Device, Network and Application, a term already used in the industry. Through our experience in the M2M market, Globecomm has found that a certain segment of the market focuses on the Device layer and its opportunities. Mobile operators are familiar with a model in which they partner with device manufacturers to offer certified devices that are embedded in specific applications. This is a role they've played well, and profitably, in consumer and business wireless for many years. M2M devices typically consist of sensors and meters; they capture data relating to various processes, like rail transport, or services like electric power delivery. Without question, there is a great opportunity for mobile operators to generate new revenue by distributing, implementing and connecting certified M2M devices.

In the network layer, rural and smaller facilities based operators currently play indirect roles in the M2M value chain. Applications and devices that are connected to trucks or trains, for example, will roam through their networks and generate roaming traffic and passive revenue. But as M2M evolves and more long-haul logistical and remote sensing applications become prevalent, there's a growing opportunity for rural operators to play a direct role in M2M. They can create M2M-specific offerings, catalyze demand for M2M in their home territories, and market their M2M offerings on a national basis.

It's worth an operator's effort to identify and close any network gaps that allow it to deliver a comprehensive, managed M2M service throughout its territory. For example, an operator whose territory abuts or intersects major waterways, such as the Atlantic Coast, the Great Lakes, or any of the major US rivers, can provide M2M connectivity for them utilizing satellite backhaul. Increasingly ships, trains and trucks are equipped with M2M devices for a variety of scanning, tracking, and status reporting purposes, making connection persistence – and M2M-specific application support –

more important to all of the businesses that rely on those logistical services.

Network extensions aimed at M2M offerings can simply expand 2G and 3G footprints; M2M is not dependent on 3G or 4G. M2M services are well suited to 2G/2.5G networks because they involve transmitting short bursts of data, often sustainable with nothing more than SMS service. Hosted network offerings can enable operators to fill out their coverage while reducing or avoiding the upfront capital expense burden. By offering M2M-specific services that combine devices with managed connectivity, operators can market their services not only to their local base, but also to national enterprises that operate in or traverse their territories regularly.

BUSINESS INTELLIGENCE OPPORTUNITY

To round out M2M offerings, operators have an opportunity to offer valuable services in the application layer. As mentioned, the projected billions of M2M devices are mostly data collectors. The M2M environment will generate an overwhelming amount of data that needs to be aggregated, processed, analyzed and translated into business intelligence. In many cases, IT groups within enterprises are creating the application layer themselves to process and present this data. In such cases, operators tend to deliver raw data coming from devices connected to their networks and then play no further role in the M2M value chain.

As the M2M market evolves, a greater number of potential end users will not have the resources, expertise, or wherewithal to create their own M2M, business intelligence applications. Operators can provide these applications for them, creating a value-added service layer to bundle with their device- and network layer offerings. This is another arena in which operators can partner with hosted providers to bundle and resell their robust analytics infrastructure and deliver an end-to-end M2M offering. Business intelligence is another service that can move a rural or smaller facilities-based operator into contention for larger enterprise's business. M2M-specific BI is, essentially, an over-the-top service the operator can deliver anywhere in a Cloud or SaaS mode.

THE NETWORK EDGE: NEXT BATTLEGROUND?

The network edge may be the next battleground for M2M. At the edge, there's an opportunity to add value by bundling service components together, such as devices and connectivity, and by providing real-time business intelligence over the top. The types of businesses that stand to benefit most from M2M capabilities are those that operate maritime and automotive fleets; provide energy; offer health care applications; conduct mining, logging, and similar work; and that operate many vending machines. These businesses tend to operate in remote areas, need persistent connectivity, and require real-time intelligence regarding everything from basic logistics and security events to simple device status and complex logistics.

Rural and smaller mobile operators are well positioned to deliver end-to-end M2M offerings, to catalyze the market for M2M services in their territories, and to capitalize on the direct opportunities the projected M2M explosion represents.

As SVP and GM of Globecomm Network Services, Andrew Silberstein leads the company's operations, planning and execution of strategic business development, as well as sales and management of ongoing services. ■