



Telecoms Daily | 28 October 2008

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Has M2M's time finally come?

By Steven Hartley

After years of talk and very little action, mobile operators finally seem to be waking up to machine-to-machine (M2M) opportunities. However, although market saturation and cheaper modules are prompting interest, a number of significant challenges remain. Last week we met with specialist M2M operator Jasper Wireless to get its perspective on what this heightened interest and current market conditions mean to it.

M2M is gaining increasing operator backing

It's been a busy time recently for M2M. Verizon Wireless revealed at the CTIA show last month that 90% of the devices being certified for its 'open access' network are M2M. At almost the same time KPN's Sympac unit announced the launch of a global M2M service (provided by Jasper Wireless). This month AT&T announced the formation of its new 'Emerging Devices' division, which will look after M2M devices. And finally, last week Telenor announced the formation of a unit, Telenor Connexion, to lead its foray into this space.

So why all this sudden interest? One thing all these players have in common is that they are large, well-established telcos from mature mobile markets. Therefore they all share a desire to seek new revenues as voice and data revenue growth becomes harder to find. In addition, at the opposite end of the P&L sheet, module costs, particularly from Asian vendors, are making the sector less costly to enter. As a result demand can now be met more efficiently for the key applications, according to Jasper Wireless, of point of sales terminals, remote service management and, increasingly, security and telemedicine.

Global coverage is key: an opportunity rather than a threat for Jasper Wireless

Yet one thing these players don't have in common is global coverage – something which Jasper Wireless was keen to stress as a critical success factor. Key customers for M2M services are multinationals or those whose business takes them into multiple territories, such as freight companies. The US players can probably survive given the scale of their home market, but the opportunity for operators elsewhere will require global backup and that is where Jasper Wireless becomes an interesting proposition.

Jasper Wireless discussed its relatively recent realignment to target operators as customers rather than end user enterprises – its traditional core customers. It has 66 operator agreements in place around the world to provide blanket coverage, and made a strong point that the nature of these agreements is important too. They are more 'M2M friendly' and less dependent on voice than traditional roaming agreements. There is no way that KPN could economically provide sufficient coverage using its existing roaming agreements, so Jasper Wireless offers a viable route to offer a new service that its global footprint would not otherwise allow. Heightened interest from operators is actually more of an opportunity than a threat.

To build or to buy? Buying looks the safest bet in uncertain times

The question of whether an operator should build its own M2M solution to compete in this space is critical given the current economic uncertainty gripping the world. However, it is also partly answered by geographic scope.

If an operator has a large global footprint there is a compelling argument that it should build its own solution to maximise the potential return. It would be able to offer services on its own footprint at minimum cost and maximum return. Vodafone is certainly one of the most advanced operators when it comes to M2M activities, and its subsidiaries and partner networks across the globe give it a significant advantage.

However, footprint isn't the only M2M challenge. Remote device management, particularly across multiple network operators, is critical if M2M is to take off profitably. Jasper Wireless's 'M2M operations SaaS platform' offers this control to customers, be they enterprises or operators.

Therefore we think the current economic uncertainty puts Jasper Wireless, and other third-party M2M providers, in an excellent position. The costs to an operator of developing and deploying an M2M service and management platform internationally are prohibitive in today's climate, even though the potential revenues might be appealing. There will still be those among the tier 1 players that want to control their solutions, but third parties offer an excellent way to mine untapped revenues with minimal risk.

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