Vendors must offer telecoms operators more than a horizontal platform to realise operators' IoT ambitions

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Telecoms operators want to leverage IoT platforms to move along the value chain and offer more than just connectivity. However, with a few exceptions, they have been slow to assert their roles and adopt clear roadmaps for achieving this aim. Vendors that target telecoms operators need to offer more than generic horizonal platforms; they should also provide vertical solutions and support that goes beyond the provision of technology.

This article is based on Analysys Mason's new report *IoT technology: vendor strategies to support telecoms operators beyond horizontal platforms* and discusses how vendors can extend their support to drive more engagement from operators.

Operators' behaviour in the platform market suggests lower commitment despite their intention to play larger roles in IoT

With a few exceptions, such as AT&T and Vodafone, both of which were early to develop platforms, operators are licensing vendor solutions to offer platform services and grow their IoT revenue. While operators continue to deploy IoT platforms from vendors (as outlined in Analysys Mason's IoT platform contracts tracker), challenges, such as those below, remain for the vendors in this market.

- Most platform deals still focus on connectivity management platforms (examples include Cisco Jasper and Ericsson DCP). In comparison, application enablement platforms (AEPs) have not attracted the same level of activity from operators. Of the 357 platform deals that we have tracked, 238 are for connectivity management.
- Operators that have deployed AEPs sometimes lack the skills to build apps themselves and instead resort to reselling access to these platforms, which provides little differentiation.
- When operators expand in the IoT stack, they often deploy multiple platforms.[1] Examples include Bell Canada, Deutsche Telekom and Telenor. While operators try to avoid vendor lock-in and spread their deployments across many platforms, revenue for each vendor will be limited.
- Even with multiple platforms across the stack, long-term commitment is uncertain. Operators are using vendor platforms to secure market entry, but they are still considering or in the process of building their own platforms as a long-term alternative. Regardless of the feasibility of such approach, it will limit operators' long-term commitment to vendor solutions.

[1] Some of these platforms may have overlapping capabilities.

Operators can differentiate in IoT verticals, but they need support from vendors that will go beyond technology

Operators are not competitive as platform providers, whether using their own platforms or licensing those offered by vendors. Many players in the IoT platform market are better placed to provide generic horizontal capabilities, including firms such as AWS and Microsoft. Such companies, with their global infrastructure and existing experience in the IT services and platform markets, have been forceful in claiming the centre stage in the IoT horizontal platform market.

Operators can instead look for differentiation in IoT verticals. In addition to owning the access networks in their local markets, operators have other assets to ease their entry. These include the operators' established brands, their sales and support channels and their existing relationships.

Vertical markets, such as smart cities, healthcare and manufacturing, present potentially attractive opportunities for operators, but they will need support from technology partners. However, vendors will have to offer more than just the technology to support operators. They also need to align their level of support to the type of operators they are targeting, as shown in Figure 1.

Figure 1: The types of operators and their roles in the IoT platform market

	Large single-country operators	Large multi-country operators	Others
Description	Tier 1 operators with large domestic markets and substantial investments in IoT	Tier 1 operators in mid-size markets with high- to mid-level investments in IoT	Follower operators, including those in Tier 2 and Tier 3, in large and mid-size markets, as well as incumbents in small markets
Example	• AT&T • China Mobile • KT • SK Telecom • Verizon	• Deutsche Telekom • SoftBank • Telefónica • Vodafone	• du • Eir • Etisalat • MTN
Platform strategy	• Primarily build their own platforms • Only rely on vendors to complement their offering with specific components • Can sell access to platforms to developers and enterprises • Can build and sell own applications.	• Rely both on building and licensing components for their IoT platforms • Resell access to vendors' platforms • Support customers' IoT projects through services • Can build and offer their own IoT applications.	• Rely largely on vendors' platforms • Resell access to vendors' platforms • Limited expertise in developing IoT services and applications • Limited resources to support IoT services.
Vendor opportunity	• **Technology:** offering specific technology components • **Beyond technology:** collaborating in delivering specific requirements for vertical customers.	• **Technology:** offering horizontal platforms • **Beyond technology:** offering additional support to enter and operate in specific verticals such as manufacturing and healthcare.	• **Technology:** offering horizontal platforms and, possibly, apps • **Beyond technology:** offering strong support to operators to help them to start and grow their IoT business • Helping identify vertical opportunities.

Source: Analysys Mason

Vendors can help operators as they develop their business cases and as they deliver their applications to IoT verticals

Beyond the technology itself, vendors should also help operators by:

- reducing up-front costs and ongoing costs (because vendors can share costs across a larger base)
- providing specific vertical market understanding and expertise
- offering support with global standards
- providing and managing a broader selection of partners – from hardware vendors to application providers
- helping to develop and illustrate the business case.

Operators, especially ones that are late to enter the market, are held back by concerns about high initial costs and low margins for their IoT investments. They require vendors' support, not only at the initial stages of a project, but also on a long-term basis to continue helping them to establish sustainable and growing IoT revenue.

Vendors that seek to collaborate with operators should adapt their strategies to accommodate their partners' long-term needs. Although platform technologies are important, demonstrating differentiating non-technical expertise will be key aspects of vendors' proposition to operators.