

# Vodafone Analyst Event 2020: A Bolder and More Agile Provider is Emerging

---

Barton, Gary & Marcus, John

March 02, 2020

## ADVISORY REPORT

## REPORT SUMMARY

Vodafone's 2020 analyst summit revealed a Vodafone that is more digital and agile, and shifting from a telco to a tech comms company. It is also building AI into its core processes and more prepared to take risks whilst developing 5G and IoT.

## SUMMARY

### Issue

In February 2020, Vodafone held its annual analyst event in London setting out its vision for Vodafone as a platforms company with a strong mobile heritage. Vodafone had delayed its analyst event by four months due to the appointment in September 2019 of Vodafone Business' new CEO, Vinod Kumar. Vodafone's vision has not radically altered over the last 16 months. Vodafone continues to see mobility in general, fixed, 5G, MEC, MPN, and IoT in particular, as its most important long-term growth generators. It also sees opportunities to be disruptive in the WAN space using technologies such as SD-WAN and SDN, and through leveraging CPaaS for its UC solutions.

Vodafone's go-to-market portfolio is also fairly similar to 16 months ago. Additions and changes have been made (more details below), but those changes have been gradual and largely iterative. It is therefore possible to criticize Vodafone for having achieved less than it should have since its last analyst event, and it is true that Vodafone has found some changes harder to make than anticipated – particularly with regards to unifying solutions and platforms across its OpCos. However, whilst new service launches have not plentiful, they have happened in important areas and Vodafone can highlight that it has more in the pipeline for the near future.

Where this event marked a departure for Vodafone was that it set out a tone for a bolder and less conservative B2B provider. Vodafone has not yet gone to market with all of its most innovative developmental solutions, but the platforms are there and trials and PoCs are underway in areas such as edge compute and AI. The company is also delivering on its promise to be more agile and DevOps friendly, and continuing to put a strong emphasis on co-innovation, particularly on developing IoT solutions for various vertical market segments. However, Vodafone still needs to deliver more answers in areas such as cloud and security.

### Key Takeaways

- Vodafone is delivering on promised AI developments both in its internal platforms and as a productized end-user solution.
- Vodafone reported serious growth and scale in IoT connectivity, but acknowledged its need to deliver more than connection management to sustain leadership.

- 5G. and mobile private networks solutions took center stage, with 20 industrial customer trials planned or underway
- Vodafone's strategy in building out vertically aligned IoT solutions utilizing a co-development approach with prospective clients is working. Success will depend on its success with its open platform strategy.
- Vodafone followed up its AWS Wavelength announcement, confirming the reach of its distributed MEC solution, and pointing out its ability to combine public network distributed offers with private dedicated solutions while optimizing handovers.
- Vodafone will rightly point out that it builds security into its solutions, but in reality its security capabilities remain behind rivals such as Orange, BT, and Telefonica.
- Questions remain about Vodafone's partnership with IBM with customer references limited whilst a gap remains in Vodafone's cloud portfolio.

## PERSPECTIVE

### Current Perspective

Vodafone Group CEO Nick Read set the tone for Vodafone's 2020 Analyst Event by reaffirming the importance of the B2B market to Vodafone's growth strategy. Vodafone Business represents about 30% of group service revenues, roughly evenly split between SME/SOHO and large corporate/MNC, and enterprise is at present outgrowing consumer in terms of revenue growth. Enterprise is also less affected by regulatory pressures than the consumer market and Vodafone believes that the initial drivers for 5G growth will be in the enterprise market – particularly when combined with IoT and edge compute technologies. The company currently has approximately 100 million IoT SIMs in connectivity, and aims to move up the stack with mobile private networks.

Vodafone has spoken of its ambition to become a platform provider for the last two-and-a-half years. Vodafone's newer solutions such as its IoT, SD-WAN, and UC, have been built as platform solutions with consistent global delivery, and the majority of new solutions are being built either directly as platforms or with the ability to be scaled as a platform if appropriate. The company has built internal platforms such as a new automated, AI-enhanced quote provisioning tool. Vodafone is also moving towards a public cloud model which will see new platforms, e.g., Vodafone Neuron and Multi-Access Edge Compute (MEC), delivered utilizing partnerships with public cloud providers such as Google and AWS. The provider has found its progress somewhat mixed, however, as it seeks to harmonize its OpCos. Vodafone embraces a certain level of regional variation, but it is also finding that switching off certain legacy products is creating a degree of resistance.

Agility and co-innovation were also important themes for Vodafone – and areas where the provider can point to tangible progress. The provider is building its new solutions with exposure to APIs and SDKs as a core principal and it has made software engineering a new focus. Vodafone states that it has 14,000 people within its IT domain. It has also adopted a DxDL-driven digital architecture methodology which the company states is allowing it to move from delivering updates on a bi-monthly to a daily basis. Vodafone is not necessarily adopting a company-wide skunkworks approach, but it is seeking to be bolder with technology trials and PoCs, including a greater number of trials at scale.

The provider states that it operates a GBP 40 million innovation program and sponsors around 550 startups annually. Vodafone has also built up a strong co-innovation team targeted at the projects it identifies to demonstrate clear value and apply to a wide range of potential customers. The process involves helping customers to identify their

greatest needs through customer forums and the use of AI. Climate change and a desire to 'improve society' are now key aspects of Vodafone's opportunity identification process.

## **5G and Mobile Edge Compute**

Vodafone Business is understandably taking a leadership role in commercializing 5G for Vodafone Group, given the industry-wide expectation that enterprise and industrial applications will drive the bulk of early demand. Unsurprisingly, the mobile operator cited business drivers for 5G's potential utility compared to WiFi, noting limitations of the latter in flexibility and capacity, and the associated barriers to rolling out fixed broadband to support it. Citing the relative stability 5G offers with guaranteed availability and high data security (as well as exclusive, controlled access), Vodafone sees its proposition comprising three "pillars" of connectivity, edge computing, and end to end solutions (inclusive of professional services).

Initial solutions are being co-developed with lead customers and include 'Connected worker' (to improve productivity of the workers on-site), 'Safe worker' (to protect the safety of the workers on-site, also incorporating biometric and environmental monitoring), 'Site security' (for buildings and industrial sites (e.g., mines, ports, and campuses), and 'Connected asset'. This last solution is the largest category and was developed initially for mining company customers. It includes elements of key technology from IoT.nxt (and IoT start-up of which Vodafone acquired 51% in 2019), as well as other partners including IBM.

Vodafone's MEC includes a gateway, data abstraction, and visualization and workflow tools for monitoring real time operations (tracking parameters for diagnostics and predictive maintenance). Vodafone sees MEC offering the best of both worlds of public cloud and private cloud. Customers who want to consume edge compute in the same way they consume public cloud can do so, eliminating the expense and complexity of on-premises deployments. With Vodafone as their provider (along with a hyperscaler like AWS), customers can pay per use, but still get the low latency, security, and relationship with a trusted provider they demand for mission critical applications. Following up on its December announcement with AWS, Vodafone says that its extensive European physical footprint means it can serve 90 percent of the population in a given market with just eight edge sites. That solution involves distributed edge compute with public 4G/5G network access, while Vodafone's private network option for edge delivers a dedicated solution to each customer. Vodafone says it can differentiate by its ability to combine private network and public network offers while optimizing handovers, but other 5G service providers will be able to do the same – although Vodafone would argue not at the same scale. Despite its impressive array of customer trials, it acknowledges it will take some time before ruggedized industrial devices are widely available.

## **AI**

AI and big data is one of the areas where Vodafone demonstrated most impressive progress. The company has spoken of using AI internally and is now able to demonstrate that it is using AI to target investment and reduce operational costs. It is also using AI technology to power its new quote creation tool which can predict usage and the most appropriate tariffs based on information supplied by the customer. One of the most important steps for Vodafone was the announcement in November 2019 of a partnership with Google Cloud to create Vodafone Neuron. The Vodafone Neuron platform will use public cloud infrastructure to create a 'data ocean' hosted across 11 different Vodafone countries.

Vodafone has, for the first time, productized its large customer base to deliver AI-driven insights for B2B customers. The provider's new Location service utilizes anonymized customer data and an algorithmic extraction to create population maps that allow businesses to identify locations of certain groups of people based on various biological (e.g., age, gender) and socio-economic factors. The data can be accessed through Vodafone's user interface or through APIs.

Vodafone's ability to leverage its combined international mobile customer base is somewhat hampered by international data privacy laws and Vodafone's own internal practices. Vodafone stores customer data from each country in separate and separately encrypted data lakes. This means that when a Vodafone customer from one Vodafone country roams in another Vodafone country all that is recorded is that that customer is a roaming customer from a given country; the customer's anonymized socio-economic data is not shared outside that person's home market. However, Vodafone's large and international customer base gives it a differentiator versus its European rivals.

## **Fixed Networking and Intent-Based Networking**

Vodafone's strategy in the fixed networking space is to act as a disruptor in both its various national markets and the MNC arena with SD-WAN acting as a spearhead. Vodafone acknowledges that its presence in the fixed network market is less than it would like, but the provider believes that it represents a significant growth opportunity. It can point to 5.6% in FY 2019/20 so far. It also reports that it has experienced 800+% growth in the number of SD-WAN sites that it has connected during FY 2019/20, and that it anticipates this reaching 1,000% - albeit from a small starting point. Vodafone is also seeing strong growth in internet services, good growth in Ethernet, whilst IP-VPN remains flat.

Vodafone has added VeloCloud SD-WAN to its portfolio (see [Vodafone-Targets-the-Midmarket-with-VeloCloud](#)), alongside Juniper, Cisco Viptela, and Cisco Meraki options. Juniper remains Vodafone's 'go to' choice for customers who want full SD-WAN functionality. Vodafone says that its Juniper solution can scale from low single figure numbers of sites up to 1,000+. Viptela remains in place for Cisco-leaning customers and high end MNC deployments. Meraki and VeloCloud will be used to target SMEs and mid-market customers.

Vodafone is at the early stages of developing its intent-based networking proposition – i.e., a network that is driven by applications and supported by flexible bandwidth. Vodafone does not know what its final proposition(s) will look like, but it is already running PoCs on some components and it is building an ecosystem of partners. The company is also looking at ways it can explore more disruptive pricing models.

## **IoT**

Vodafone is understandably proud of its market-leading 99 million IoT connections in 37 markets, but at the same time, it is well aware that moving up the value chain is an imperative toward sustaining its position over the long term. It aims to do so by developing end to end services in each vertical it targets (while being careful in its choice of those), and by adding private network options to enterprises deploying IoT as computing moves into the edge and cloud. Vodafone was clear in demonstrating the significant progress it is making in the latter endeavor: a large number of production-scale 4G/5G private network trials are in place or planned in 20 enterprises in different verticals, all aimed at identifying the best business models for each industry. And while large enterprises are no longer just talking (to Vodafone) about mobile when it comes to private networks, Vodafone very much sees mobile private networks as part of its overall IoT story, since they are being built predominantly for industrial IoT applications like smart factories, mines, and ports (several of which were highlighted with in-depth customer case studies).

In managed connectivity, Vodafone provided an update on its progress in delivering customers a single global SIM, based on one platform with integrated security, with one bill, global support and open integration. While this has been available for a while, it is getting harder to do because of recent regulatory moves in certain countries, making local SIMs necessary when crossing borders in some areas. Vodafone hinted at soon to be announced advances in its ARM partnership established last year, and also pointed out the depth of its NB-IoT coverage, with 16 networks

and multiple significant projects such as connecting two million gas meters in Italy.

## **Security**

Security was a somewhat muted subject during the event. Vodafone clearly set out its approach to building security into its platforms and products. For large MNC clients the company aims to utilize its relationship with IBM to offer managed security services; Vodafone has also taken a cautious approach to AI to ensure that customer data is used both securely and responsibly. However, its security strategy in areas such as cloud and IoT still needs to be defined and is behind some of its key rivals.

Whilst rivals such as OBS and BT highlight security as a key growth area, Vodafone did not at this event separate it out as an individual solution area. No event can cover every topic, but the importance of security to enterprise customers is such that it is given prominence at most industry events. Vodafone cannot be expected to develop a holistic managed security practice, but the company also acknowledged at its last analyst event in October 2018 that it considered bolstering its security practice as a priority.

The problem may be one of messaging rather than capability. For example, Vodafone can highlight how it is using AI to enhance its fraud detection and prevention capabilities through Vodafone Identity Hub. Vodafone can also highlight that its IoT platform is highly trusted and that its global internet backbone allows it to keep more traffic on net. On the other hand, Vodafone has also only just begun to deliver firewall as a standard component of its SD-WAN solution. So, whilst security plays a key role in Vodafone's portfolio, there is a sense that Vodafone needs to adjust the way it packages its security capabilities.

## **Unified Communications (UC), Contact Center, and CPaaS**

UC continues to be an area of healthy growth for Vodafone. The company cites UC related growth of 7.9% during the first three quarters of FY2019/20. It also claims to have 5.4 million users across around 140,000 customers. SMEs are Vodafone's core area of strength for UC, but it is also experiencing growth amongst large enterprise/MNC customers. The Cisco HCS-based Vodafone One Net Enterprise -VONE-C is still the provider's most successful product amongst large enterprise customers, but Vodafone also reports that it is seeing strong growth in Microsoft-based UC sales due to the popularity of Microsoft Teams.

Vodafone is also investing in Cisco's revamped Webex portfolio, including both Webex Teams and Webex Contact Center. Vodafone believes that the contact center market offers strong growth potential and Webex Contact Center will be the provider's primary hosted contact center proposition. Vodafone will accompany the launch of Webex Contact Center with its own AI-enhanced services such as enhanced interactive voice routing (IVR). Vodafone will also seek to layer in AI features based on Cisco's own, Cloud Cherry powered, AI capabilities as well as building up an ecosystem of other AI partners.

Vodafone sees CPaaS as increasingly important element in its UC and contact center solutions as it seeks to build its 'why Vodafone?' messaging. Vodafone's CPaaS platform is now fully active and the provider is already using it to build bespoke and integrated solutions for customers – although its long-term focus will be on repeatable solutions.

## **RECOMMENDED ACTIONS**

### **Vendor Actions**

- Vodafone is doing a good job in transitioning away from being a traditional telco but should be aware that becoming a 'technology communications' company in the minds of enterprise customers will not be easy. The principle concept of being able to make different types of technology talk to each other is sound, but Vodafone is

unlikely to be able to compete as a 'tech' or integrator company for enterprises rather than a provider of managed services.

- Conversely, Vodafone is building a strong co-innovation message and methodology and 'technology communications' doesn't necessarily speak to a message of Vodafone as a business partner rather than just a service provider.
- In IoT, Vodafone says it is already generating significant revenues from end to end solutions, and it sees such an approach as a priority for elevating its position in the IoT value chain. While its success with its connectivity management platform and network coverage give it the right to play as a lead supplier on major IoT projects, more proof points on its relatively new application enablement platform, and, especially, its professional services capabilities, are needed to establish leadership on that basis.
- Vodafone should consider establishing a separate, market facing security practice within its enterprise division along similar lines to rivals – such as OBS's Orange Cyber Defense unit. The potential security consultancy element of this approach would strengthen Vodafone's pre- and post-sales security messaging and delivery. It would also provide greater focus to the security capabilities and services that Vodafone already has as well as aiding future development.
- Vodafone across its IoT environment must have in place a robust end to end security architecture that provides protection across its network, cloud environment and application IoT device layer. The security environment needs to be automated, policy-based and intelligent. Such an architecture should be based on credible core security platforms that provides security up to the device edge, and has functionality that enables Vodafone to have full visibility and control of its security architecture.
- Vodafone should leverage its partnership with IBM to develop multi-cloud solutions for MEC, enabling customers to deploy new MEC-enabled applications using the same cloud platforms they are currently using. Given IBM's cloud orchestration and migration strengths and the depth of Vodafone's LTE/5G and IoT portfolio, Vodafone can compete strongly against any other network operator in its markets for MEC-driven opportunities.

---

All materials Copyright 2020 GlobalData. Reproduction prohibited without express written consent. GlobalData logos are trademarks of GlobalData. The information and opinions contained herein have been based on information obtained from sources believed to be reliable, but such accuracy cannot be guaranteed. All views and analysis expressed are the opinions of GlobalData and all opinions expressed are subject to change without notice. GlobalData does not make any financial or legal recommendations associated with any of its services, information, or analysis and reserves the right to change its opinions, analysis, and recommendations at any time based on new information or revised analysis.

GlobalData PLC,  
John Carpenter House,  
7 Carmelite Street,  
London,  
EC4Y 0AN,  
+44 (0) 207 936 6400