

Vodafone Business goes against the trend by making IoT a strategic priority

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Omdia view

Summary

At the Vodafone Business Industry Analyst Summit 2020, Vodafone shared its future vision, including details on how IoT and private LTE are prime areas supporting the company's growth.

The unique aspects of Vodafone's IoT strategy

Vodafone is no rookie in IoT and its 99 million IoT connections make it the fourth largest IoT player by connections just behind the Chinese CSPs. Vodafone has been a firm supporter of NB-IoT and it currently has 16 live nationwide NB-IoT networks and NB-IoT roaming agreements both announced and in the pipeline. Vodafone has its own device management platform (GDSP) and a PTC's ThingWorx based application development platform (App-Invent).

The strength of Vodafone's IoT strategy is in the fact that each pillar is interrelated creating additional value. Vodafone has a vertical-focused strategy and aims to grow its business by delivering end-to-end solutions for selected verticals, such as automotive or industrial, where there is a clear market opportunity. Vodafone is one of the few CSPs still conducting mergers and acquisitions (M&As) to support IoT and it now counts on seven dedicated IoT companies. This activity focuses on strengthening the CSP assets and solutions in key verticals such as industrial, but also in selected regions and customer segments (e.g., Grandcentrix is a German system integrator with strong reach into the Mittelstand world).

Vodafone, in line with the market trend, eyes the private LTE networks opportunity as a growth driver for its IoT business.

Vodafone's private LTE strategy shows potential, but there's still work to do

Vodafone's private network strategy (which the company defines as Mobile Private Networks – MPNs) is still in its PoC phase though the company announced it has seven live projects (e.g. a private 5G deployment for car manufacturer eGo) and claims to have a pipeline of as many as 150 prospects.

Pros of Vodafone's strategy include the intent to combine private networks and MEC in what Ovum believes will be a clear differentiator for the CSP world. The combination of MPNs and MEC can ensure that the benefits brought in terms of computing, security, and latency can be accurately tailored to the need of the customer whether on a local or national/international setting. Vodafone targets multiple levels of engagement and plans to offer both "hybrid" private networks – essentially additional radio infrastructure on the customer site, using a Vodafone hosted core network – and "dedicated" ones, providing an independent on-premises core and a fully autonomous network.

Vodafone aims to deliver connectivity through MPNs but also higher-layer applications and services, such as connected worker, connected assets, or connected securities. This is where its M&A activity comes into place; for instance, via the IoT.nxt acquisition the company gained further reach into industrial and mining and a complementary approach to IIoT beyond connectivity.

Vodafone is testing business models for private networks looking for the right balance between upfront cost, recurrent costs and business model innovation (e.g. outcome-based model based on

KPIs). This shows a humble approach and an understanding that to win in the IIoT and private network space CSPs cannot just re-purpose their traditional business model.

However, Vodafone's private network strategy has a few weaknesses that needs to be addressed. The main one is the lack of lighthouse partnerships. Many CSPs are taking an ecosystem enabler role with their private network and 5G partnerships targeted at use cases, go-to market, and co-innovation. Examples of this include Telefonica (partnerships with Komatsu, Asti Robotics, et al.) and Deutsche Telekom (partnerships with Siemens, EK Automation, et al.). Furthermore, while delivering MPN and MEC is a good proposition, both technologies and markets are still at an early stage and Vodafone will have to firsthand educate both end customer and industrial players of the viability of these technologies and business models.

In summary, Vodafone has a solid IoT and MPNs strategy though it needs to step up its engagement with players in its target industries such as via co-creation and must also ensure to fully leverage all its assets such as App-Invent to create a truly different offer from other CSPs which are all eyeing the private LTE/5G network vertical market.

Appendix

Further reading

Ovum Market Radar: CSPs' Industrial IoT Strategies and Propositions, IOT002-000023 (December 2019)

IoT Service Provider Contract Tracker: 3Q19, IOT004-000013 (September 2019)

2020 Trends to Watch: IoT, IOT002-000029 (January 2020)

"CSP results show IoT connections increase, but ARPUs are declining as IoT matures", IOT002-000030 (January 2020)

"Vertical know-how is a must-have asset to succeed in IIoT", IOT004-000018 (January 2020)

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We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Omdia's consulting team may be able to help you. For more information about Omdia's consulting capabilities, please contact us directly at consulting@omdia.com.

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