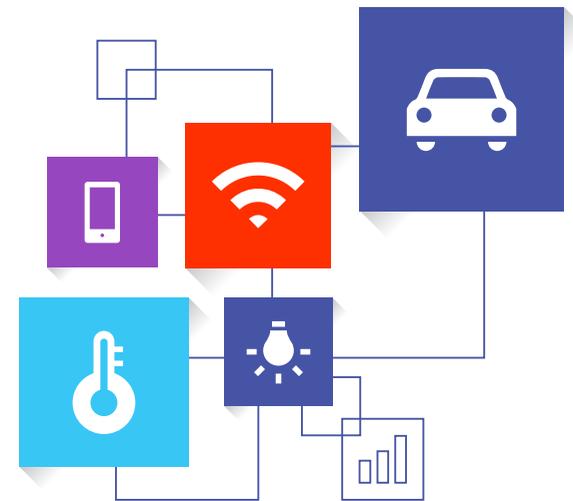


Universität

# How telecom operators can monetize the Internet of Things

White paper  
August 2016



# What is the Internet of Things? (IOT)

Everybody is using the term. Everybody understands a global network of physical devices, vehicles, buildings and other items (*things*) that collect and exchange data is about to change the world. Many operators see a huge opportunity since all *things* will require connectivity in order to exchange data. At the same time, they need to re-think their strategy in order to benefit from this game changing trend. We highlight a number of aspects to consider from a go to market and portfolio perspective, the digital business transformation which is required and how to best approach this change.

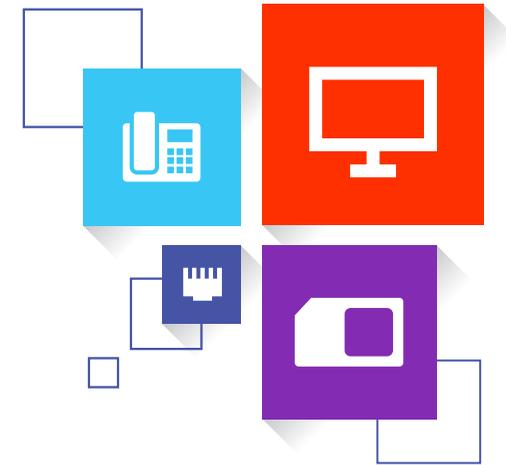
## Your go-to-market strategy

### For B2C

Many operators sell combinations of connectivity (fixed and mobile) and over the top (content) services (music, television, etc.) to consumers. This kind of home solutions is called triple-, quad- or penta-play (in general: multi-play).

Consumers buy these solutions because of their pricing (they are perceived as a better deal than buying the individual items) and convenience. Everybody wants ease of use, a single contact, a single contract and a single monthly invoice.

Operators primarily see this as a way to cross-sell and lock-in their customers. In the world of *things*, multi-brand retailers and e-tailers (e.g. Media Market) are probably in a better position to create these home solutions. They are already very close to their customers, have customer intimacy programs, sell a wide variety of devices and connectivity and want to move away from a transactional business model to a recurring model.



### For B2B

In the B2B market, the goal is to provide a tailored digital workspace to employees allowing them to work anywhere, any time and on any device. In the near future this device will probably always be a mobile phone that can be connected to a larger display and keyboard when that is convenient. Since a mobile phone is a *personal* device, this device (including connectivity) will probably be procured through B2C channels. This leaves the actual workspace (the applications) and associated lifecycle services to be provided by somebody else.



Many operators saw the need for a digital workspace as an opportunity to build a cloud store and have launched B2B bundled products (including connectivity and some basic cloud services like Skype for Business, Dropbox, etc.). Selling this kind of solution to SOHO (Small Office/Home Office) customers might work. If you want to sell to small, mid-sized and larger customers, this will probably not work.

### **The needs of larger companies**

Customers with more than 10 employees have specific requirements, want a specific workspace for every type of employee including specific vertical applications which are probably not in the portfolio of an operator.

They also want to cloudify existing applications and demand a high level of customer intimacy. Many customers actually want to fully outsource their IT to a Managed Service Provider (MSP).

**“in order to successfully sell (components of) digital workspaces in the B2B market, operators will probably need to build a B2B channel.”**



Large companies probably will not buy a workspace. In many cases they have already outsourced their IT to companies like Atos, Capgemini, IBM, etc. They buy every component of the digital workspace directly from the vendors (e.g. Microsoft, Google, SAP) at the best possible price and request their IT outsourcing company to integrate them into a digital workspace.

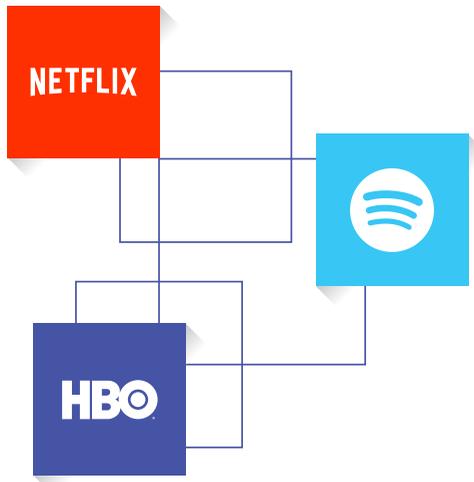
In summary: in order to successfully sell (components of) digital workspaces in the B2B market, operators will probably need to build a B2B channel.



## Building your portfolio

### Software

Many operators have entered the market to re-sell software (cloud). The question is how many have been successful. This depends on the way you define success and also differs per market segment.



In the B2C market, many operators created bundled products in order to differentiate themselves from their competitors (creating consumer bundles including Spotify, Netflix, HBO, etc.). They probably have not earned any real money on the software but were able to sell more because of the attractiveness of their bundled offering.

“The key to success for an operator is either to become a member of the space where software is bundled with connectivity and services by others or to become a real Managed Service Provider willing to compete with the traditional service providers.”

In the B2B market, many operators have not been successful. They have invested millions building online cloud stores but have not been able to make any return on this investment. Why? Because many businesses do not want to buy their software in an online cloud store (only a Silicon Valley startup really knows what they want and will buy online).

### The key to selling software successfully

In general, B2B customers want an intimate supplier, who can give them advice, and offer them a real solution (more than a mix of cloud services). Buying such a solution is probably an offline transaction and hence an online cloud store is not the answer. Only if you combine a cloud portfolio with services (support) and are willing to tailor your offering based on the demand of individual customers, will you really be successful.

The key to success for an operator is either to become a member of the space where software is bundled with connectivity and services by others or to become a real Managed Service Provider willing to compete with the traditional service providers. If operators do not choose either go to market strategy, they will probably not be successful in the cloud market space in the long run.



## Building your portfolio

### Connectivity

Although already highly commoditized, offering connectivity will continue to be a very interesting business model. The current cost price of connectivity today is around 10% of the actual sales price in the B2B market.

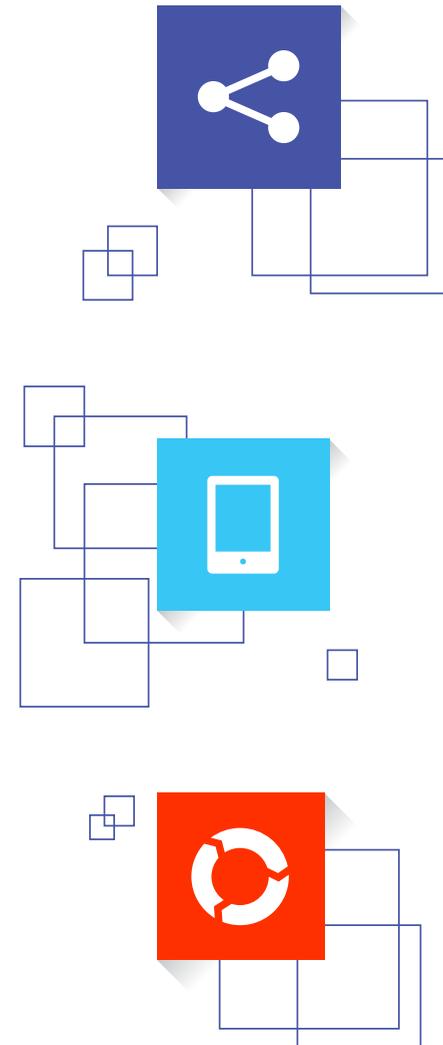
As long as operators are prepared for price pressure, they can and will continue to make a reasonable margin on this business. The more *things* are getting connected, the more connectivity is required. The challenge is to ensure your connectivity is an integrate part of many, many IoT solutions. Being successful going forward will require you to actively partner with many others, together building the kind of solutions businesses and consumers want.

### Devices

Today many operators still combine the sale of a devices and connectivity. Millions of mobile phones, tablets and routers are sold together with a subscription causing considerable headache in the after sales phase (support, replace and repair, etc.). In a world of *things*, this will almost certainly change. An operator simply will not be able to provide after sales support for every kind of connected device since *things* vary from street lighting and healthcare to every type of home electronics.

### Lifecycle services

There are many kinds of services, like replace and repair, warranty management, spare part management and financing. So there is not a single response to the question, what should an operator do in this domain? As long as the services are not too complicated an operator will probably be able to offer these additional services cost efficiently leveraging their existing customer support operations. The more an operator is required to supply tailored services, the more they will need to compete with specialized companies and probably will not be successful.



## How can you achieve the right portfolio?

Many operators should conclude they need others to be successful. Expanding your portfolio to match everything which is relevant in a world of *things* is an impossible task nor is this expected by customers. Expanding your portfolio might work in certain segments of the market which are relatively homogeneous but will certainly not work in other areas that require more tailored solutions. A better strategy is to try and work together with others, creating partnerships, joint ventures or other kinds of cooperation with the goal to create the integrated solutions people want.

So what do you need to do? Ensure your systems are open for data exchange. Ensure your systems and processes are focused on working together with many, many other vendors. Do not be afraid to lose control! This fear will only stand in the way of the kind of business transformation that will ensure your success in the long term.

Think really hard if you want to be a managed service provider or not. Being a service provider puts you in a highly competitive market with others. It also requires a different kind of DNA; combining an infrastructure provider (= operations), distributor (= marketing and sales) and managed service provider (= services) in one company in a world of *things* probably will not work.

**“Work together with others, creating partnerships, joint ventures or other kinds of cooperation with the goal to create the integrated solutions people want.”**



### **Creating new IP**

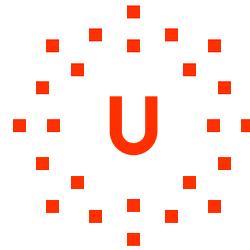
Last but not least. Think about creating new Intellectual Property. New IP will allow you to really differentiate yourself from others. See reselling as a way to learn more about markets or a way to launch solutions that cannot be created otherwise.

## There is another way

Okay, suppose you agree and want to make the change. You will probably need to have a look at your existing systems and processes and make sure you are ready for a world of connected *things*. The next question is: where do you create and sell the new solutions people want? Where can you manage solutions that include goods and services from the portfolios of many vendors?

This is where Universit comes into play. Universit is a space where everybody can work together to create, distribute and manage integrated solutions. A platform used by operators, distributors and their channel partners to provide the integrated solutions people want.

A platform that enables you to make the change and get ahead.



**Universit**

Get ahead

Want to learn more about the Universit platform and what it can do to enable your business?