

The real reason why mobile operators fail to monetize IoT

GUEST CONTRIBUTOR



[Aman Brar](#)

Openwave Mobility Inc.

[13 Sep 2018](#)

So much for the hype. There was — and still is — quite a lot of bullish news about IoT being the next big thing for mobile operators. Some even claimed that IoT would overshadow the mobile phone business. That has not materialized. Most operators find IoT a major challenge at best, a loss-making venture at worst. There is very little evidence to support that initial bullishness.

An analyst outfit, Analysys Mason, [recently noted](#) how shy operators were to report their IoT revenues. According to the report, only Telstra, Telefonica Vodafone and Verizon reported IoT earnings — and even from that, it only made up 2% of total revenues. The analyst leading the research, Tom Rebbeck, quite rightly pointed out: “For a segment that is supposedly key to future growth, operators are remarkably shy about providing progress updates.”

Show me the (IoT) money!

If mobile operators are serious about securing [IoT revenues](#), there are three areas to hone in on:

1. **Connectivity:** Traditionally, the first stop for operators with a robust network. This can build customer loyalty and potentially give operators a fighting chance when competing with unlicensed spectrum technologies.
2. **Platform provider:** Mobile operators have the capability, thanks to network fragmentation, to provide APIs that can interact with devices, automate orchestration, conduct analytics and manage policy.
3. **Vertical solution provider:** The all-encompassing option. Operators provide a vertical edge for IoT use cases that include the solution, application, connectivity, provisioning and servicing. This is arguably an uphill struggle for most operators as it can consume considerably more resources when catering to almost every industry.

So, which of these three options best suit operators? It is a mix and match. Connectivity is why mobile operators are in the business, but it is arguably the option that delivers the lowest ARPU. It is time for operators to consider the platform approach, i.e., delivering an IoT system for developers, end-users and so forth with robust connectivity.

Build it — but they may not come

Starting with a platform, however, does not mean putting in place the architecture and then expecting users to come. This is not a “build it and they will come” scenario. To succeed in the world of IoT, operators need to adopt a mindset similar to cloud-native OTTs that places developers at the center of the ecosystem.

OTTs have cultivated a loyal developer following by providing them with easy and flexible access to the public cloud. Operators must replicate and fine-tune this strategy if they are to succeed in IoT. How can they do that? By also using their most valuable asset — [connectivity](#) — with an IoT platform.

Currently for connectivity, low-power wide area networks ([LPWANs](#)) such as LoRa and Sigfox operate over unlicensed spectrum. Private IoT networks have the capability to connect thousands of devices — at low cost. The number of IoT use cases for operators is limited. 3G and 4G LTE, operating over licensed spectrum, can support long-distance data transfers with low latency, robust quality of service and deliver reliability. The use cases for [cellular IoT](#) include connected cars, in-home security and smart meters. For operators to recuperate their investment in IoT and

keep their bottom line in the black, these use cases have to be peddled in large volumes. And IoT connectivity pricing is a race to the bottom — reminiscent of the early internet dial-up prices of the nineties and noughties.

Connectivity is a double-edged sword

At its height, ISPs who touted dial-up connectivity earned good profits, but that did not last long. That quickly changed with Web 2.0 and a new wave of internet technology that made connectivity cheaper. Moral of the story? Connectivity alone is not a viable long term strategy for revenues. Just look at AOL's market value from its heyday to now.

History can easily repeat itself. Mobile operators will need to transform themselves from mere IoT network connectivity providers to network solution providers. The transformation will require agility, not just at the technology level, but even in operations. That means being flexible to both developers and IoT product and network providers. Yes, as platform providers mobile operators will be competing with the likes of AWS and Azure — but at the moment, operators are losing the battle to monetize IoT. If you can't win, it is time to mimic your competitor's strategy and fine-tune it to perfection.

All IoT Agenda network contributors are responsible for the content and accuracy of their posts. Opinions are of the writers and do not necessarily convey the thoughts of IoT Agenda.