

VimpelCom's Beeline Machine-to-Machine (M2M) Services



Company Background

EXECUTIVE SUMMARY

VimpelCom's Beeline brand is taking a leading role in developing the Machine-to-Machine (M2M) market in Russia. VimpelCom's approach to M2M provides basic, low-cost connectivity to entry-level customers, while for customers who require additional development or management support, VimpelCom offers more complex, packaged solutions. Through its new, value-added M2M services, VimpelCom aims to raise subscriber numbers as well as the average revenue per user (ARPU).

VimpelCom is a global operator, providing fixed and mobile voice and data services in 18 countries across Europe, Asia Pacific, and North America. VimpelCom has 209 million mobile subscribers globally and operations covering a total global population of approximately 782 million people.

In Russia, VimpelCom operates under its "Beeline" brand. With 23 percent subscriber market share and more than 55 million subscribers, VimpelCom is the third largest mobile operator in the country. VimpelCom recently initiated its "Value Strategy" in Russia to focus on maximizing margins on mobile services, seeking

new sources of revenue, and improving business performance metrics.

Experience Innovation

VimpelCom's Beeline M2M services consist of two distinct solution sets that support customers with differing levels of requirements, with each solution operating on its own service delivery platform.

- **Beeline M2M Control Centre**

Launched in June 2010, Beeline M2M Control Centre is VimpelCom's basic M2M services offering.

The service focuses on connectivity and offers specially-designed M2M SIMs that enable service provisioning, monitoring, and reporting tools that customers can access through a self-service portal. This do-it-yourself model allows Beeline to provide basic M2M services while keeping its support and operational costs low.

Customers can purchase connectivity priced by the megabyte (MB) or via a monthly tariff that ranges from RUB 40 to RUB 165 per month (approximately US\$1.26 to \$5.18) with 5, 10, and 20 MB data allowances.

- **Beeline M2M Complex Solutions**

Beeline enhanced its M2M services portfolio with the launch of its M2M Complex Solutions program in January 2011. Beeline's Complex Solutions offers value-added services such as consulting, network integration, and service management in addition to basic connectivity and M2M SIMs. Beeline's Complex Solutions focuses on higher ARPU services, providing a customized packaged solution that is often charged as a fixed monthly fee.

As an example, "Automonitoring" is a Beeline-branded vehicle-tracking service for enterprise fleet management priced at a flat rate of RUB 550 per month (approximately US\$17.25) along with a one-time equipment charge. Connectivity is built into the pricing (Figure 1).

Figure 1. VimpelCom Beeline M2M Control Centre Tariffs

Tariff plan «M2m 5»^{1,3,5,8,10} Subscription fee ^{2,4} (~USD \$1.26) 40rub. Included in the subscription fee: Number of Mb sent/received data within data transfer services on average SIM card ^{6,7,9,11} 5MB Cost of 1 MB of transmitted/received data within the data transmission services ¹² 2,50rub.	Tariff plan «50» M2m^{1,3,5,8,10} Fee ^{2,6} (~USD \$3.30) 105rub. Included in the subscription fee: GPRS Internet MB of transmitted/received data: 50MB GPRS Internet, 1 MB of transmitted/received data (after spending included traffic): 2,50rub.
Tariff plan «M2m 10»^{1,3,5,8,10} Subscription fee ^{2,4} (~USD \$1.54) 49rub. Included in the subscription fee: Number of Mb sent/received data within data transfer services on average SIM card ^{6,7,9,11} 10MB GPRS Internet, 1 MB of transmitted/received data (after spending included traffic) 2,50rub.	Tariff plan «M2m 100»^{1,3,5,8,10} Fee ^{2,6} (~USD \$5.18) 165rub. Included in the subscription fee: Number of Mb sent/received data within data transfer services on average SIM card ^{6,7,9,11} 100MB GPRS Internet, 1 MB of transmitted/received data (after spending included traffic) 2,50rub.
Tariff plan «M2m 20»^{1,3,5,8,10} Subscription fee ^{2,4} (~USD \$2.04) 65rub. Included in the subscription fee: Number of Mb sent/received data within data transfer services on average SIM card ^{6,7,9,11} 20MB GPRS Internet, 1 MB of transmitted/received data (after spending included traffic) 2,50rub.	 <div> Центр управления М2М Все под контролем </div>

Five tiers of service (RUB 40 to RUB 165)

Source: VimpelCom/Ovum

Opportunities

- Seeking growth from value-added services.** Key objectives for VimpelCom in developing Beeline M2M services are to drive improved business performance by increasing subscribers and raising revenues through new, value-added M2M services. These services include mapping, monitoring, reporting, telemetry, and a variety of vertical-industry-specific tools and solutions, many of which are targeted for fleet management, oil and gas, and point-of-sale terminal customers.
- Enhancing service differentiation.** Vimpelcom recognized an opportunity to differentiate itself in the Russian marketplace where neither of its main competitors had a comparable enterprise M2M offering. Establishing this early-market entry strengthens VimpelCom's competitive positioning as customers seek to mobilize their businesses through the use of embedded mobile technology.

- **Addressing Russia's varying geographies.** VimpelCom's ability to provide value-added services along with basic M2M connectivity enables it to offer a variety of services to address customer needs in differing geographies across Russia. For instance, oil and gas customers use VimpelCom's solution for M2M monitoring of oil derricks in rural Siberia, while M2M monitoring for fleet management is being deployed in more populated areas in the country.

Challenges

- **Offsetting low and falling ARPU.** A significant challenge for VimpelCom will be to protect its new services from low and declining M2M ARPU. To counter this trend, VimpelCom has developed a number of additional services to sell in conjunction with basic M2M connectivity, allowing the operator to position itself to higher ARPU customers as both a service provider and an integrator.
- **Unifying service delivery for scale and efficiency.** Although VimpelCom's two distinct M2M solution sets provide flexibility and speed to market, the multiple platforms may present limitations for future growth. VimpelCom will need to determine whether the platforms can be integrated or replaced by a more unified service delivery model to enable ongoing service scalability and operational efficiency.
- **Successfully leveraging a multinational presence.** Along with high expectations for M2M success in Russia, VimpelCom is looking to leverage key geographic assets that local competitors cannot match. These assets include VimpelCom's operator presence in 18 countries across three continents, and its participation in the Jasper Wireless/multi-operator M2M alliance that establishes reciprocal global roaming agreements.

"The Russian M2M market is at an early stage of development, and VimpelCom is revolutionizing this space by combining its nationwide wireless Beeline network with the Jasper Wireless platform, allowing its customers to profitably connect and manage a new generation of devices and offer value-added services."

—Cindy Patterson, Executive Vice President, Worldwide Sales and Marketing, Jasper Wireless

Strategic Partnerships

- **Global Telco M2M Roaming Alliance**

In July 2012, VimpelCom entered into a global M2M roaming alliance with six other global operators: KPN, NTT DoCoMo, Rogers Wireless, SingTel, Telefonica, and Telstra. The agreement enables members to roam alliance networks using the common Jasper Wireless M2M platform.

In addition, the alliance strengthens VimpelCom's M2M offering by enabling technical cooperation among members to develop a cohesive global solution for multinational companies, such as allowing customers to manage devices and roaming from a single web interface.

- **Jasper Wireless**

VimpelCom's strategic alliance with Jasper Wireless provides an M2M platform that handles the billing, rating, and provisioning of connectivity for Beeline M2M SIMs. The Jasper platform includes a portal for VimpelCom to support customer deployments, as well as a portal for M2M customers to enable self-service monitoring, management, and reporting.

"Embedded mobile devices in the consumer and enterprise segments represent a vast growth opportunity for our existing and prospective customers. By partnering with Jasper Wireless, VimpelCom wants to capitalize on this market opportunity, offering customers tailored M2M services that are unique in the industry and accelerate market entry of connected devices."

—Andrey Patoka, Vice President, Corporate Business Development, VimpelCom

- **Vertical specialist systems integrators**

VimpelCom partnered with GC Echelon Geolayf, a Russian systems integrator specializing in fleet management, to develop and launch Beeline's first M2M Complex Solutions service for vehicle tracking. Beeline also relies on a number of other vertical systems integrators to support the development of Beeline's M2M Complex Solutions for oil and gas, payment terminals, and consumer electronics.

Success Metrics

VimpelCom considers its M2M solutions to be contributing to the company's strategic objectives, with metrics such as ARPU balance and subscriber growth as key indicators of service success.

- **ARPU balance through service differentiation.** VimpelCom believes its early entry into the M2M market, along with the mix of services to address different levels of customer needs, aligns well with the company's focus on improving business performance and increasing profitable growth in 2012. VimpelCom expects that M2M and m-commerce, two areas of focus for generating new revenue, will see growth from 2011 to 2014 of 42 percent.
- **Subscriber growth a positive sign of future success.** Since launching its M2M services, VimpelCom Beeline reports 322 percent growth across all platforms, with 1000 M2M customers accounting for several hundred thousand M2M connections. Average monthly growth in Beeline M2M Control Centre customers is trending at 115 percent, while monthly growth in customers using Beeline's vehicle tracking service is 170 percent.

Company Background

- [VimpelCom web site](#)

Case study source: Cisco sponsored research developed by [Ovum](#).



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