Rostelecom and Tele2 are Monetizing the Internet of Things with Nexign

Summary

Rostelecom PJSC has adopted a strategy geared towards increasing the share of digital products in its revenue and monetizing rapidly developing IoT (internet of things) segment. This required implementing a platform that would satisfy the needs of the company and its customers. Rostelecom's plans matched the aspiration of its subsidiary Tele2 Russia to improve its B2B market share by developing IoT services. They decided to adopt a unified IoT platform. The Group of companies chose Nexign IoT Platform, which allowed for seamless integration with the existing BSS systems that enable billing for both the telecom operator and the mobile virtual network operator, as well as the launch of new highly competitive M2M (machine-to-machine) solutions. As a result, Nexign helped these companies realize a unique tripartite project, while slashing costs and boosting resource utilization.

Customer profile

Rostelecom is a full MVNO and Russia's largest integrated provider of digital services and solutions, with presence in all market segments and covering millions of households, governmental and private organizations across all regions of Russia. The company maintains leading positions in the market of high-speed internet access and PayTV services with over 13.4 million broadband subscribers and 10.7 million Rostelecom PayTV subscribers, of which over 5.8 million subscribers are connected to interactive TV services.

Rostelecom's wholly owned subsidiary Tele2 Russia is a major player in the mobile communications market with over 44 million subscribers. The company's B2B coverage is growing extensively: its subscriber base grew by 16% in Q2 2020, with quarterly revenue growth reaching 36% compared to Q2 2019. The final consolidation of Tele2 Russia in 2020 has been the landmark deal that helped establish the largest integrated digital service provider in Russia. The merger enhanced Rostelecom's unique business portfolio and provided ample opportunities for developing and offering new digital services and solutions.

Company: Rostelecom PJSC and Tele2 Russia
Region: Russia
Solution: Nexign IoT Platform
Implementation Year: 2018-2019

The Group of companies' revenue for Q1 2020 totaled RUB 248.9 billion with OIBDA reaching RUB 95.9 billion (or 38.5% of the total revenue) and net profit of RUB 15.4 billion. The Group's data traffic (MVNO included) for Q2 2020 reached 1,216 gigabyte, up 66% year-on-year and up 13% quarter-over-quarter.

Challenge

According to J'son & Partners Consulting, the amount of connected IoT devices in Russia will reach 56 million by 2025 – twice as many as by the end of 2019. The market volume reached RUB 64 billion in 2019, and is expected to be around RUB 86 billion by the end of 2020. That said, telecommunications companies aiming to increase their B2B market share and augment their digital offerings find IoT market especially attractive. Rostelecom has already gone beyond providing classic telecom services and has turned into the largest integrated provider of digital services and solutions in Russia. For 2018-2022, the company has adopted a strategy geared towards building an ecosystem of digital products that will help customers develop their businesses efficiently. Moreover, Rostelecom is planning to modernize and centralize its IT systems.

With IoT being among the most promising areas of the digitalization, Rostelecom considered to leverage this technology and become the leader in the IoT and IIoT (industrial internet of things) segments in Russia. To ensure successful monetization of the company's IoT offerings, Rostelecom required efficient and easy-to-use platform that won't require any

involvement of third-party vendors or suppliers. With that in mind, the company decided to adopt an IoT platform integrated with its existing BSS system. It was required that the platform would enable customers to develop their own digital infrastructure with an easy and prompt management of devices and SIM cards.

Rostelecom has extensive expertise and market share in working with corporate and customers. When we entered the mobile business, we realized that there is a rich variety of opportunities to work with the existing customers and attracting the new ones, especially in the mobile segment. While working with the customers, we witnessed an acute market need for the IoT and M2M solutions in both corporate and governmental segment. This triggered the launch of our new project aiming to develop a platform for M2M solutions.

Denis Ryabchenkov,
Director of Product Management at the Corporate and State segment at Rostelecom

Tele2 took another route to considering the IoT business. Previously, the operator's share in B2B segment was insignificant. However, shift in brand positioning strategy and focus on digital projects influenced the company's ambitions on the corporate market — with the IoT taking a central stage.

Traditionally, Tele2 provided B2B customers with different data plans tailored to their needs and objectives. We have been developing this classic model for a long time, but eventually customers started lacking extra services, such as ability to manage their data plans, alerting and reporting. Due to evolved customer requirements, it was impossible to grow in the B2B segment without changing the model. To ensure continuous growth and even reach new audience segments, Tele2 needed a new product based on the M2M platform. Given that Rostelecom's plans matched with ours, we started looking for a unified platform that will meet the goals of both operators.

Maria Chinkova,
Head of B2B at Tele2

Solution

As a result of a tender, Rostelecom chose Nexign IoT Platform. A significant factor that influenced Rostecom's decision was the rich feature set of Nexign's solution, with the focus on connectivity services, notifications and alerting.

The ability to build a wide range of reports that provide our customers with actionable data to make better business decisions was the significant competitive advantage of Nexign IoT Platform.

Maria Chinkova,
Head of B2B at Tele2

We expected the new IoT solution to bring us closer to digital transformation of our business. With Nexign's platform, we were planning to provide our business customers with the instrument for controlling and managing their IoT devices.

Denis Ryabchenkov,
Director of Product Management at the Corporate and State Segment at Rostelecom

The platform's deployment was divided into several stages. Initially, Nexign IoT Platform was set up and running at Rostelecom for the commercial operation, and following the course of the project, it was further expanded for Tele2. Thus, at the moment when Rostelecom was already at the stage of commercial use of Nexign's solution, the platform was also integrated with Tele2 billing in parallel.

The key challenge was to correctly integrate the platform with two billing systems, as each of them adhered to different business logic and contained certain technical and architectural nuances. The operators' representatives estimated that the most challenging stage had been integration testing and system configuration — such a tripartite project was being implemented for the first time, so the project teams did not have similar experience.

Another problematic area was that there were principal differences in creating tariff plans in Rostelecom and Tele2. To solve this issue, it was required to adopt unified tariff guidelines for both companies. Obviously, these advancements required redesigning operational processes in both companies and Nexign experts consulted them to ensure smooth transition.

Our team had to face a serious challenge of integrating different billing systems. During the course of the project, it turned out that Rostelecom's macro regions are using different versions of the billing, while billing at Tele2 was from a completely different vendor. All this required us to come up with creative, non-trivial solutions. Ultimately, we coped with all risks and ensured successful integration.

Andrey Gulidin,
Chief Commercial Officer at Nexign

Results

Slashed costs for purchasing, adopting and managing the IoT platform

The project was carried out in alignment with the current trend for the infrastructure sharing and economies of scale.

Unique synergistic effect

While developing and integrating the platform, Nexign team took into account expertise of the two operators that work in different segments. This synergy of expertise allows to develop a unique and efficient strategy, create a product that meets the demands of different audience segments and optimize operational costs.

Basis for developing and monetizing IoT offerings in Rostelecom and Tele2

Both companies managed to launch new products to attract new subscriber segments and increase their share in M2M market.

Flexible solution covering Rostelecom's multiple needs

Nexign IoT Platform is used to implement the company's own digital projects. Moreover, it can be seamlessly integrated with the partners' platforms, including publicly-owned operators, while keeping everything running in the first line of support.

Rostelecom's opportunity to work on multiple large IoT projects

These projects cover transport, agriculture, urban economy and energy sectors. Rostelecom also plans to start projects in the fields of IIoT, Industry 4.0 and Smart City.

Increased customer base in the B2B segment

Tele2 increased its customer base in the B2B segment by attracting new customers from small and medium businesses as well as winning back former customers that left to find an easier way to manage their M2M devices.

Maximum manageability of the IoT segment

The group of companies received effective instruments for administering their services with a broad and scalable range of functionalities.

Significant competitive advantage

The platform by Nexign enables the end users to generate reports based on different criteria, thus, improving accuracy of business decisions, which positively affects the overall business performance for Rostelecom and Tele2.

Easy-to-use tool facilitating business development for customers of both Rostelecom and Tele2

The companies launched a self-service platform, which allows customers to track status and location of IoT devices, get relevant information on the consumed traffic and expenses, replace SIM cards, attach a precise location to the device, as well as ensure security of the customers' money.