No.10
3rd October 2018

HardenStance Briefing

Trusted research, analysis & insight in IT & telecom security **PUBLIC/UN-SPONSORED**

Vodafone Targets SMEs with Security

- Wisely, Vodafone is not trying to go toe-to-toe against the leaders in enterprise security services targeting Fortune 1000 corporations.
- Vodafone's strategy targets Small and Medium Enterprises (SMEs) as well as security that is closely coupled with Vodafone's own enterprise services portfolio for large, medium and small companies.
- With 5G heralding changes in how enterprise services and security are combined, Vodafone has an opportunity to differentiate and lead. Whether the company is willing to invest as much as is necessary to achieve that remains to be seen.

In Italy this month, Vodafone is launching its new Secure Mobile Office service bundle. It combines the company's well-established Vodafone Secure Device Manager (VDSM) with O365 and Mobile Threat Defence (from Lookout) into a single monthly package.

This is one of the first deliverables arising from a new enterprise security strategy being jointly driven by Vodafone Global Enterprise (which serves the largest global customers) and Vodafone's national operating companies (OpCos). It took a surprisingly long time for Vodafone to arrive at it, but the strategy does, at last, seem to be clear now.

Wisely, Vodafone has chosen not to go toe-to-toe with IBM Security, Secureworks and BT in enterprise security.

The large enterprise security market is increasingly crowded - and ripe for consolidation. All Vodafone's large telco peers in Europe are already there. Some, like BT and Orange, are well established. Some, like KPN, are entering the right way. Others, like Telefonica, are making the mistake of trying to run before they can walk. The minimum stakes are also increasing. A few years ago, a large telco could satisfy itself with one or two hundred million dollars a year in cyber-security revenues. Given the growth outlook for this market, $1 billion a year is the new target range for the big players. BT is likely to hit something in the $700 - $750 million range this year.

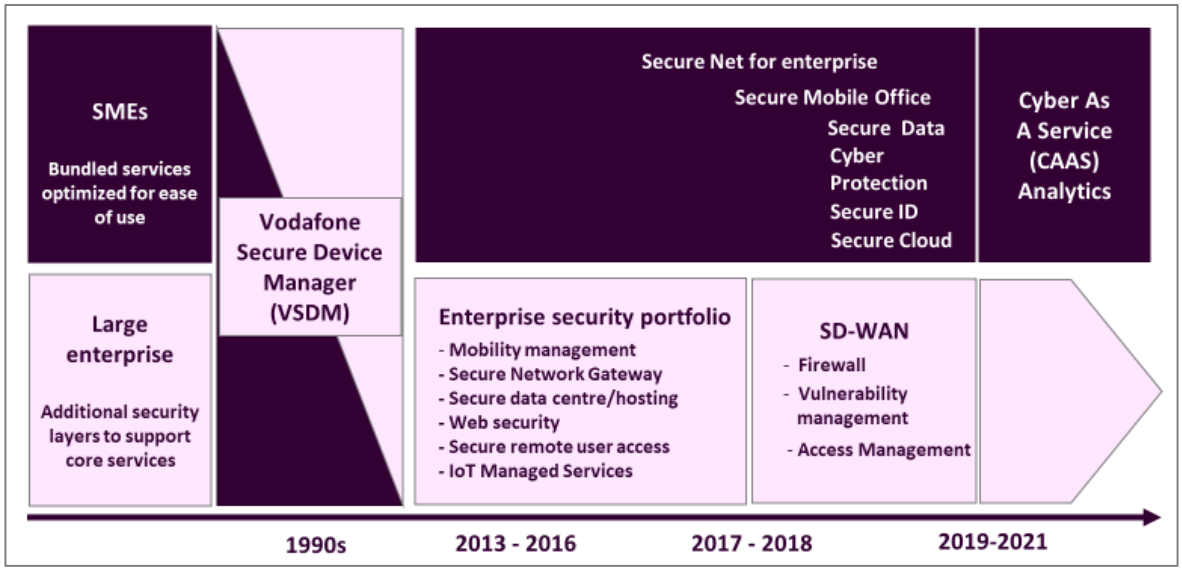
Flush with cash after the sale of its stake in Verizon five years ago, Vodafone could have targeted this market. Wisely, management chose not to. It can pick at IBM Security, Secureworks and BT at the margins but it doesn't have enough of a footprint in the enterprise security operations of Fortune 1000 companies to go head-to-head with them.

Growth in enterprise services is driving the security strategy

'Project Spring', which dispersed much of the proceeds of the Verizon sale, improved network quality and expanded enterprise services. Enterprises now account for 30% of all Vodafone's revenues. Almost 60% of that comes from 550,000 businesses world-wide with less than 250 employees. Vodafone's enterprise security strategy is derived from the growth in this base and is differentiated from other telcos in four main ways:

1. It's focused on the unique security requirements around the use of cellular devices in the business environment, using business data and business applications.
2. It's focused on the highly under-served Small and Medium Enterprise (SME) market, which is the new frontier for all players in enterprise security.
3. Security for large enterprises is evolving in lock-step with its own enterprise services portfolio rather than chasing revenue as a pure-play security provider.
4. Some telcos have the same focus but none have Vodafone's global reach and scale.

Figure 1: Vodafone's enterprise security portfolio



Source: HardenStance

Vodafone's enterprise security portfolio is shown in **Figure 1**. It has its roots in Mobile Device Management (MDM) for SMEs and large enterprises. It evolved with the acquisition of Cable & Wireless Worldwide in 2012 and the expansion into fixed enterprise services. It evolved further with Vodafone's IoT services platform.

As Vodafone seeks to differentiate more clearly with security and grow revenues, the security services portfolio is being more carefully segmented now to cater for the very different requirements of the different customer types.

For good reason, Vodafone sees its greatest opportunity to differentiate in the SME market. Many SMEs rely on mobile communications for a far higher proportion of their communications and for accessing business applications than larger companies. Some are also leaders in digital transformation. Mobile threats are fundamentally different to traditional threats targeting PCs and servers – for example, in the access privileges they have to navigate and the ways in which they connect to enterprise IT infrastructure.

Vodafone has an opportunity to leapfrog enterprise security incumbents and become a global leader in the SME segment.

SMEs need sophisticated security that's masked by ease of use

Those SME customers that are willing to pay for security services – and many are not – want sophisticated capabilities that are masked by ease-of-use and affordably priced. In theory this could be a huge market, except no one has really cracked it yet. Vodafone has scale, footprint and mobility expertise. With enough investment in security people, technology and processes, Vodafone has an opportunity to leapfrog the enterprise security incumbents and become a global leader in this segment.

Secure Net, a service that protects against phishing, malware and malicious websites, was launched in a number of Vodafone's markets last year. Following the launch in Italy this month, Secure Mobile Office will be rolled out in other markets. The rest of the portfolio depicted in **Figure 1** is expected to start rolling out over the next year. Also in the pipeline is a new cyber security analytics service which Vodafone is developing internally. This is intended to add a layer of additional, customized, security efficacy on top of many of the new service bundles that are planned for SMEs.

While clearly not targeting the same pure-play security opportunities with large enterprises as the market leaders, Vodafone wants to ensure that wherever its large enterprise customers want to go as they evolve their fixed and mobile communications services, its own security solutions can support them. Its security portfolio will be tightly

coupled with its enterprise services to serve as a business enabler rather than something that holds customers back (and requires a security specialist to come and fix).

A case in point is SD-WAN that Vodafone is now offering customers in partnership with vendors, Cisco and Juniper. The company's security services roadmap is evolving to support SD-WAN, including via access management and vulnerability management services. Some enterprise customers can deploy their own security services themselves but many expect them bundled in. Vodafone Global Enterprise is already rolling out SD-WAN for Vodafone's largest customers. The national OpCos will follow in a second wave targeting the next tier of large and medium sized enterprises.

5G creates new security opportunities as well as threats for both the mobile operator and the enterprise.

Enterprise security in the 5G era

There are a couple of additional opportunities ahead for Vodafone. As pointed out in "5G Security to Drive Enterprise Investment", there is strong potential for the previously discrete and isolated enterprise and mobile network infrastructures to become meshed in the 5G era, including in the case of remote edge use-cases.

That creates new security opportunities as well as threats for both the mobile operator and the enterprise. This has the potential to give a competitive advantage in enterprise security to telcos relative to other enterprise security players. A Vodafone enterprise security revenue line that edges up nicely but probably unremarkably over the next three years then has potential to spike upwards as 5G capabilities like network slicing are rolled out in earnest.

Another layer of opportunity on top of that points to Vodafone acquiring capabilities (and customers) in mobile security for the SME space that today's enterprise security leaders could potentially become envious of. Cue an opportunity for Vodafone to white-label its mobile security portfolio to those who remain masters of the Fortune 1000 security scene but are struggling to extend their reach further down market. Further down the line, maybe the complementarity of what the two very different types of security player bring to each other is so compelling that it brings them still closer together.

Never mind the vision, what about the execution?

The above is what the upside could potentially look like for Vodafone over time. It's nevertheless worth returning to earth to ask just how many steps the company has taken on this thousand-mile journey?

Answer: not many. The new strategy is about a year old. The roll-out on the SME side of the portfolio won't get underway at scale until next year. This means that a significant impact in terms of either revenue or reduced churn rates should not be expected before 2020 or 2021. Bringing sophisticated security capabilities to SMEs with ease of use and at affordable price points is also among the most challenging tasks in enterprise security. There's a reason no-one has really cracked it yet, at least not at scale.

There's nothing in Vodafone's DNA – except its mastery of cellular mobility - to suggest it is especially well placed to execute better than others. Success is going to require a lot of investment, including in sales training and incentives. Vodafone is currently using the AppDirect e-commerce platform which has yielded disappointing results for some that have used it, including Swisscom.

For the large enterprise market, the security roadmap has potential to provide aerial cover to advance Vodafone's incursions into the fixed enterprise market on the ground. If it can do that, that in itself would make it a success. However, not too much should be expected by way of substantial new revenue growth from the sales of the security solutions themselves.

This combination of a need for significant investment and the probability of a new revenue outlook that's none-too-exciting in the near term needs to be squared. Vodafone can succeed here but only if it makes a sizable long-term commitment. ■

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