

Podcast Transcript: G+D - Growth + Disruption in Connectivity, Security and Beyond

00:00:12 Mohit

Hello everyone. Thank you for tuning in and we are back with yet another episode of “The Counterpoint Podcast”. I'm your host Mohit Agrawal, and today we'll be talking to one of the leader companies from Counterpoint eSIM Landscape Scorecard.

This podcast is next in the eSIM series that we have been bringing to you. In the previous podcast we spoke about eSIM testing and interoperability. We talked to experts about component shortages and its impact on eSIM migration and much more.

Today we have a special guest from G&D, a company that is a pioneer in eSIM and a leader in eSIM enablement. We'll talk about the evolution of eSIM technology and the journey of G&D over the years. Please welcome, Sören Haubold. Sören heads the market intelligence and analyst relations at G+D.

Hello, Sören, welcome to the podcast. How are you doing today?

00:01:05 Sören

Ohh, Hello Mohit. Thanks very much for having me. I'm fine. How about you?

00:01:11 Mohit

Yeah, I'm also doing well and thanks for asking. Before we get into this discussion, I would like to explain to our listeners that the CORE Report of Counterpoint is one of the most comprehensive reports that we have on the global eSIM landscape and G+D emerged as one of the top players in eSIM in the last edition.

So, Sören, can you tell us a little bit more about your company, a lot of our listeners are not necessarily from the eSIM industry and it will be good to start with some background on your company G+D.

00:01:42 Sören

No, absolutely. Mohit, thank you very much. And I have to say it's a brilliant time of the year because I just came back from our global G+D Management Summit where we kicked off 2024 and also the strategy beyond. And yeah, for those of you whoever ask themselves what G+D stands for, or G+D, it stands for, Giesecke+Devrient.

But as it is much easier just say G+D. And G+D makes the lives of billions of people easier and I have to say things more secure. We shape trust in the digital age. We build in security tech in three major segments, and these are digital security, its financial platforms and currency technology.

And you have to know that we are an innovative security tech company headquartered in Munich, Germany. And more than 170 years ago, we started in an area of banknote security. And you can imagine, as we talked about even today, we evolved over time.

So, the step from printing paper money to plastic money in the shape of payment, debit and credit cards was actually a natural if not indirect move. Yeah, and in the 80s, we produced authorizing our authentication cards for the German analog mobile network. And that was actually the start where we came into the telecom area.

But when you look at it through all, our different segments, security has always been at the heart of what we do. And you can call it the common denominator.

But getting back to digital security, some call G+D the innovator of the SIM card. Exactly 32 years ago, and that's a long time. We delivered the world's first commercial SIM card to a telecom customer in Finland.

And back then, actually, few people, only few people could have anticipated the impact that this little chip card would have had to the world. And today, G+D is really known as leading security tech company offering our products and services across the world. And maybe just some facts and figures. G+D is present in more than 40 countries with more than 14,000 employees.

And last year we had a turnover of more than 2.5 billion euros. So interesting is that if we reflect the revenue in 2017, only a tenth of our annual revenue was from digital offerings and now last year in 2022 already 1/4 came out of digital offerings. And that's actually a big transformation that also we do at G+D. But also with our products that we offer our customers, yeah, to to follow into the digital.

00:04:40 Mohit

Awesome. It's very inspiring to see the kind of growth that you are seeing on digital front. And you also mentioned that G+D has been around since the start of eSIM. Can you share some of the journey that you had from the beginning of eSIM and where we are now?

00:04:53 Sören

Yeah, absolutely. Mohit from the first commercial SIM cards in the in the 90s over time pluggable SIM card sizes became smaller and smaller as also phone sizes decreased. New device types such as smartwatches for example appeared in the market or also IoT devices developed in a record way.

And when I look back G+D has I think by now already shipped more than 10 billion pluggable SIM cards to the market. But now, as the world is moving away from traditional pluggable plastic SIM cards to a more eco-friendly embedded SIM.

And we see that this eSIM has several benefits for the consumer, for enterprises, a wide range of IoT applications, and last but not least, as I said, also for the environment. So I definitely think this podcast is all about eSIM and we will touch on this further on as we speak.

00:05:55 Mohit

Nice and G+D was named as the leader in Counterpoint's Global eSIM scorecard in 2022. So reflecting back, can you touch upon a few things that you think put you ahead of your competitors and like make you a leader in this field?

00:06:15 Sören

First of all, when we received this recognition we were thrilled because external analyst recognitions are always very highly welcome reputation and rewards for us at G+D.

Because it's always very important also to get assessed with our products and services by external analysts, such as you at Counterpoint. And we are actually keen also to compare ourselves with others and because it gives us a benchmark where we stand and how we also can develop and further innovate to stay ahead and keep the role of thought leadership in eSIM. You should also mention actually Mohit that we were also able to hold the leadership position in your recent landscape report in 2023, and this actually motivates us even more to keep the pace and to offer the best possible customer expectation level.

00:07:08 Mohit

Awesome. And G+D is one of the first players to venture into eSIM. How did it all start? Because G+D and was very, very strong on the physical SIM side. So then why eSIM?

00:07:20 Sören

Yeah Mohit, that's really a very important question because from the beginning eSIM was really started as a technology as a very small spark. The initiation and ideation was at the meeting during Mobile World Congress in Barcelona back in 2010.

And it was Vodafone, Deutsche Telekom and Telefonica who sat together and actually talked about the future of the SIM card for the automotive industry and also for the M2M as such. And we actually as G+D were invited that time as a SIM vendor to also get feedback how some processes could be done? And especially how subscription management would evolve and what does this mean for subscription management?

And I have to say, only two years later we were able to gather with AT&T to launch the first M2M SIM card in the US and soon after Vodafone again and the French operator, SFR, Telefonica and the Japanese operator NTT DoCoMo followed with certain M2M applications, which were all used in that formal time still pluggable SIM cards, but they were already M2M enabled.

And yeah, actually, as you know, soon after the conversations were extended to the GSMA. Yeah, the association of all international operators and that led into first publications that were called pioneering subscription management.

And if I may add, eSIM was for a couple of years in niche technology in the M2M segment, which also underlined underlay different dynamics I would say. But with first successful references, some first proof of concepts lead customers. Also, standardization started strong and it began became a strong consumer benefits the acceptance also across OEMs and also operators made its way towards something that we now can say after 10 years only

It stays, it's here to stay and I have to say so far still in the co-existence with pluggable SIM cards. But it's definitely the way forward and we all know that eSIM is also in an evolution also towards for example for IoT devices in an integrated SIM card.

00:10:00 Mohit

Alright, very inspiring and good to hear about the journey so far and from a market perspective, if you look at it, then there have been different inflection points over the years. So what do you think were the key points in the journey from the market perspective that led to the growth of eSIM.

00:10:15 Sören

Yeah. And first of all, you might think that when we talked about M2M and automotive, it was very niche, as I said, yeah, but it was also very targeted at what is important for a new technology that you not only in the beginning. go into the broad applications and then really lose yourself and a lot of different requirements and so on, yeah.

But as I said, eSIM solved also critical business model issues and around for example offering unlimited connectivity in premium cars and therefore the classical SIM card was for example for permanent roaming, not sufficient anymore. And this subscription management which is the core of any eSIM management now was a smart way to solve this.

And the use cases for example of emergency calls in cars further accelerated the early adoption and it, for example, came, as I said in first implementations to the US and AT&T which are named and worked

together with General Motors and put in these solderable SIM cards in the M2M form factor.

And interesting in in Europe or in Germany, BMW followed very soon after. Yeah. And also driven by the European regulation out of ECALL. But some of you driving an BMW might remember the connected drive services and they started actually back, if I'm not mistaken in 2014. And from there, as I said more and more came into the automotive OEM brands and by now we are proud as G+D that we serve eight out of the top ten OEM carmakers with eSIM and connectivity services.

And maybe if I may, earlier this year, we also announced an interesting deal with Scania where we support their trucks connectivity management with our IoT suite. And some might know that this IoT suite comes from a from a connectivity management platform designed by Pod Group who we acquired just back in 2021.

And if I come back to your question with these first successful implementations now also consumer device OEMs started to get interested. Yeah, it was Motorola as the very first, but soon also Apple followed and Samsung. But interesting wise the very first who did an eSIM in a commercial in a consumer device was Sony. They actually launched an eSIM-enabled tablet back in 2013.

And as said, Apple followed then quite soon after with the iPad a year later in 2014. And uhm yeah, that was actually the start of a very long-standing technology partnership between Apple and us. And I would say also unique success story in the consumer device market to bring eSIM further.

13:20 Mohit

Absolutely. Then you did mention permanent roaming, and we have been doing some research around connectivity management platforms as well as IoT connectivity. And permanent roaming is definitely a big pain, especially because some of the big markets like Brazil and China, India or even the US, they restrict permanent roaming.

But coming back to eSIMs when we look back. 2022 was definitely an inflection point, So what do you think changed in 2022? And why so many transactions are happening?

00:13:51 Sören

Yeah. And you're absolutely right, Mohit 2022 and you name the launch of the iPhone 14, yeah, in September, at the moment for the US only as we all know. But this was really the final inflection point in breakthrough in the consumer devices with regards to eSIM.

And I would say also driven by this and we have seen further operator uptick and I remember that we counted up the MNOs and at the end of 2020 and we came up for more than 340 mobile operators who had launched commercial eSIM services for smartphones.

But on the other side, I have to say this evolution of the technology leads also to diversity and for us at G+D it's very important that we talk about interoperability because that is key to making technology and also we are widely available not only for certain operators, but across regions and in best case across the world.

And we see now that our days we see multiple vendors offering services cross-vendor test beds who give actually vendors the possibility to test themselves against proof points. And see where they stand. Yeah, and this is very important to drive into a probability.

On the other side we need to look at the standardization and specification efforts and I like really to name here a few associations which are very important, like the GSMA or the Trusted Connectivity Alliance (TCA) and Global Platform or ETSI, because without them, without their help we would not achieve a common standard around eSIM.

And it might seem to be a little bit confusing with all the different spec releases sometimes, yeah, but customers are safe if they make the right vendor choices. Yeah. For example, we keep track of all the latest specifications and ease up their implementations. And trying really to give our customers the possibility to stay at the forefront and the latest possible interoperability.

On the other side, I would say consumer awareness is also something which is very important and it increased significantly. And this is not due to also at least efforts by smartphone OEMs by mobile network operators for example offering dedicated eSIM data invoice now.

So for example, there was a there was a study which I remember looking at the consumer awareness. And more than 1/3 of consumers I think back in 2022, we're aware of eSIM and is up from only I think 18% two years before. So that was really you see with regards to inflation point between 2020 and especially 2022 with the launch of the iPhone, it was really another accelerator.

In this market. And I have to say, we are really on a on a on a good way, but we still have our own work to do.

00:17:16 Mohit

Right, right. And so we also do track the shipment of devices and in our assessment, the eSIM enabled Devices cross 400 million last year in 2022, but the real barometer of success in my opinion for eSIM is going to be the eSIM transactions. What do you have to say about that? What's your opinion on the eSIM transactions that are happening today?

00:17:37 Sören

Yeah, absolutely. At G+D we we have seen an exponential growth in eSIM and transactions over the last years, I have to say and they doubled each year.

They come from a small level, but you might remember in March this year we announced that we that we reached an industry milestone with 100 million consumer accumulated consumer ease and transactions.

And you can imagine that this number is outdated by today, but unfortunately I can't share where we are right now, but I can share we are on a very good development path.

Nevertheless, yeah, some might say, well, who 100 million uh, compared for example, to around 4 1/2 billion pluggable SIM cards which are shipped every year. This is still very small. So therefore I would say that the transactions are only one KPI in the world of eSIM.

Because what is also very important is the support of global operators, and I not only say the big ones, the tier 1s, but also Tier 2, MVNOs and that's actually something that we also see developed very, very positive.

On the other side, it's, it's also about this smartphone launches and especially here we really wait for OEMs to launch eSIM devices in the mid-class here because that gives another push into the area. And last but not least, as I mentioned it before, I think new specifications SGP.22 for consumer or the SGP.32 for IoT devices are playing an important role also to further accelerate. And with regards to KPIs so you see it is not only the transactions which are an important indicator, but we have a lot more, which we also as as G+D and as industry need to monitor in a in a rapidly and frequently way.

00:19:46 Mohit

Yes, and you did refer to the consumer study where you said that 1/3 of the consumers are now aware of eSIM, and that's a good jump from single digit to 1/3 of the consumers, but still.

Consumer education continues to be a big challenge. A lot of people think that eSIM is much more complex, especially when you look at the physical scene. You just have to pull it out from the device and put it in the second one however, on the eSIM side, there are many more steps and that's the reason why consumers find it complex.

So as an industry, what do you think industry should be doing or might be doing to and as the consumer education in this area?

00:20:23 Sören

Yeah, yeah, we hear this. We hear this quite. Yeah, quite a lot. I wanted to say. But I think it is. It is. It is decreasing, but actually I I would answer complexity is actually relative, it depends whom of the eSIM ecosystem players you ask.

I would say the root cause Of this perception that it is complex is the possibility that digital transformation yeah is driven by eSIM? And this you know that that this is not a Sprint, it is actually a marathon and either is not only in technology.

And it affects really core processes and operators also for smartphone OEMs and for other players such as device management, customer onboarding, handling customer journeys and also shopping experience. Yeah, I think Corona and that's positive acted as a kind of accelerator because suddenly the ecosystem player set recognize we are not able to

address our customers in the traditional ways anymore. And eSIM gave a very good and gives actually a very good way over digital channels. And therefore I think this different areas which easily touches in your owner over business processes seem to get the perception that it's that it's complex, but on the other side I would say our days leading eSIM vendors, offering service including consultancy, end to end implementations, short time to market to tests also.

And as I said before it brought it made actually easier, more attractive for Tier 2 operators and even including a long list of mobile virtual network operators and.

It is important also to say that professional implementations, not only in the eSIM endpoint but also in the data centers is important because they have to be Geo-redundant. They need to endure highest and you know this famous 4x9 percentage of availability they offer in best case follow the some operations or service level support. We at G+D, we call this the Christmas effect, because with eSIM services you are on the critical path of a consumer experience during each device unpacking.

And therefore, looking at the end consumer also the onboarding process has become fully digital and very straightforward. I'd like to mention this with a quick transfer for Apple devices with our latest entitlement services that we offer there.

And last but not least, enterprises. If we look at this area of customers, they might still see a kind of complexity because they don't know which of the vendors they should select because they get a lot of different offerings and most of the offerings unfortunately are still very early stage implementations.

And I have to say more hit with your assessment and market analysis at Counterpoint. As well as us at G+D with thought leadership and best-class implementations of eSIM and connectivity services, we can really further accelerate and especially ease up the eSIM market.

00:24:16 Mohit

Absolutely. And 2022 was definitely very exciting. But 2023, again, the excitement continues with the new specifications that were released on IoT, like the SGP.32. So what are the trends that you see over the next 12 months? Especially on the eSIM side, that excites you.

00:24:36 Sören

Now absolutely we especially know that we are living in a rapidly connected IoT era and read all about the increasing connections among all kinds of devices and use cases almost every day. And you hear about the billions of numbers, they are impressive and interest big but still the market is quite fragmented and I would say we talked about Apple and this Big Bang in 2022 with the first eSIM only phone for the US, I would say the new specification of the GSMA is such a Big Bang for the IoT industry.

Because the spec with the name SGP.32 simplifies the integration between a large number of OEMs for IoT devices and MNOs. It also allows enterprises to buy services from a broader range of players and easily obtain subscription from operators.

Outside their home. And if we look ahead, and into the next, I would say 12 months and let me expand this also to 24 months. The latest development in standardization is the digitalization of the SIM profile insertion at the point of device production in the factory.

And this allows us actually to onboard connectivity. In the point the device production. And this will end up in the specification by the GSMA, which is so-called the SGP.42.

And if you remember maybe to sum up this G+D, some some people named G+D, the inventor of the SIM card. This is for us, actually not a phrase. This is our mission. We further digitalized the SIM card in the corresponding connectivity management services. G+D is actually in the entire life cycle of devices from cradle to grave. And with our Air on 360 eSIM device services and our IoT suite, we offer life cycle and connectivity managements across all consumer and industry use cases and we actually refer to this as the full stack which is of horizontal offering.

And maybe to end my answer to your question with our latest acquisition of Mikumo, a provider of asset tracking devices and AI powered analytic platforms, we now also integrate our offerings into specific vertical applications such as logistics and transportations.

And make them more attractive for a new range of customers. And this is maybe if I look into the next 12 to 24 month would be my answer to your question.

00:27:36 Mohit

Thanks, Sören. Always a pleasure to talk to you. Thanks for your valuable insights and joining the show.

00:27:42 Sören

See you, mohit. Thank you very much. Bye bye.

00:27:45 Mohit

And for all listeners. Thanks for tuning in. Reach out to us via e-mail on contact@counterpointresearch.com. You can also listen to the previous podcast on major broadcasting platforms such as Apple Podcast, Spotify, or Google Podcast. For now, this is Mohit signing off. Have a good day. And see you in the next one.