

MARKET NOTE

NEC Extends Safer Cities Capabilities with APD and KMD Acquisitions

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: NEC Extends Safer Cities Capabilities with APD and KMD Acquisitions

This IDC Market Note provides an overview of the acquisition of APD Communications by Northgate Public Services (NPS), a wholly-owned subsidiary of NEC. It also discusses how its recent acquisitions of APD and KMD Holding ApS (a provider of software and IT services in Denmark) provide NEC with a springboard from which to pursue its strategy of safer cities across Europe.

Key Takeaways

- NPS will integrate APD with its existing custody and intelligence management systems to address first-responder requirements for greater situational awareness.
- NEC aims to use the acquisitions to support one of its core growth strategies — focusing on safer cities — and gain established reference cases.
- The acquisition provides NEC with access to technology in the nascent market of mission-critical push-to-talk (MCPTT) over Long-Term Evolution (LTE) services.

Source: IDC, 2019

IN THIS MARKET NOTE

This IDC Market Note examines the impact of NEC's recent acquisitions of emergency services software supplier APD Communications (through NPS) and Danish IT service provider KMD Holding on its strategy to deploy solutions for safer cities across Europe.

NEC has not hidden its plans to accelerate growth of its global safety business across Europe, which it sees as a core part of its three-year Mid-term Management Plan 2020. On January 7, 2019, NPS – which NEC acquired at the start of 2018 for \$633 million – announced it had acquired APD Communications, a specialist software supplier to the emergency services, public safety, and control room market. This came on the back of NEC's announcement of its acquisition of KMD Holding for DKK 8 billion on December 27, 2018. KMD Holding is the parent company of KMD ApS, the former public-sector-owned IT services provider in Denmark. Like NPS, KMD has a substantial footprint in local government, healthcare, and public safety.

NPS' acquisition of APD fits strongly with NEC's strategy on safer cities, which covers digital government, public safety, smart transportation, digital healthcare, and city management. APD provides mission-critical communication and control solutions to police forces and transport hubs such as airports. APD core products consist of:

- Cortex, an integrated communication and control tool that brings together an organization's communication channels
- Aspire, a contact management tool
- Artemis, a telematic and fleet management solution
- Cloud Control Room, a software-as-a-service (SaaS)-based command-and-control platform.

Through its SaaS-based control room solution, APD offers MCPTT over LTE services. MCPTT services provide first responders with high availability/reliability, low latency, support for group calls and one-to-one calls, talker identification, and device-to-device direct communications. It is likely to be a core part of the replacement of legacy services across first responder services.

Aside from the U.K., where around half of police forces use APD solutions in their command and control operations, APD serves police forces in Iceland and Sweden, where it has established a SaaS control room platform to provide MCPTT services. APD also supports other public sector organizations in the U.K. that need to run control services such as Transport for London (TfL) and Gatwick Airport. In 2017, APD implemented a three-year Balanced Business Plan, a companywide change program involving a reorganization of APD's sales and technical functions, investment into staff training, and increased spend on new and replacement systems to improve processes. From the last accounting period to September 2018, APD turnover reached £9.3 million (compared with £8.6 million in 2017) while operating profit increased 33% year-on-year. The shift to balance U.K. and international revenue was also starting to have impact: revenue from non-U.K. businesses grew 10%, with international orders now accounting for around half of the company's sales order book.

APD will operate as a business unit within Northgate Public Services (NPS), a wholly owned subsidiary of NEC Corporation. APD will sit within NPS' Safety Division, which provides police forces with a custody and intelligence management system, CONNECT, which manages investigations including information on crimes, intelligence, cases, witnesses, and victims, enabling police forces to investigate effectively and also be able to take information and data from the public and partner public services agencies. CONNECT has mobile capabilities that incorporate situational awareness based on location and role. Combining APD with CONNECT will enable NPS to offer customers an open end-to-end solution for data captured in the control room with known historical data and caller or address information, providing officers with greater situational awareness.

The acquisition of KMD offers NEC a well-established client base in the Nordics from which it can build out the companies' SaaS-based offerings around public sector administration, digital case management, service design, learning management solutions and healthcare and social security solutions.

IDC'S POINT OF VIEW

Technology is set to play an increasingly important role in supporting first responders through better situational awareness. This will require combining relevant data with the application of algorithms to provide greater insight and timely and secure delivery of greater volumes of data either through video or information-rich services. Currently, the majority of first responder services still rely on Terrestrial Trunked Radio (TETRA) services. While TETRA services provide resilient voice services, limited bandwidth does not make it suitable to meet the high demands of mission-critical video and data services that are likely to be required by first-responder services in the future. As first-responder services transition to next generation emergency services networks, they will increasingly require the ability to run secure person-to-person and group-to-group calls over public networks, while using broadband services to support a range of collaboration and data-intensive tools.

APD's SaaS command-and-control offering provides NPS (and NEC) with a recognized offering in what is set to be a growing market sector. There is considerable overlap between APD's and NPS' customer bases. The success of the acquisition will depend on NPS' ability to consolidate customers without impacting services or customer experience.

The acquisition of APD and KMD provides NEC with a broader footprint and provides for synergies. It enables NEC to combine KMD and NPS platforms and offer clients across its European footprint access to open end-to-end solutions for public safety and smart transportation, as end users migrate from legacy narrowband solutions that run on TETRA solutions to broadband solutions that run across public networks, which combine data from a range of sources and help guide first responders during the critical first few minutes of responding to an incident.

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- *IDC FutureScape: Worldwide National Governments 2019 Predictions* (IDC #US44390018, October 2018)
- *Adopting Cloud in Support of Government Digital Agendas: Cloud-Enabled Public Services, Reality Rather Than Fiction* (IDC #EMEA44261818, September 2018)

Synopsis

This IDC Market Note provides an overview the acquisition of U.K.-based emergency services software provider APD Communications by NPS, as well as the acquisition of KMD Holding, an IT vendor to government organizations in the Nordics, by NPS' parent company NEC. It also discusses the impact of the acquisitions on NEC's ability to realize its strategy of focusing on safer cities going forward.

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