

# Predictions for IoT in 2019: the market will continue to grow but operator prospects are mixed

December 2018

Ahmed Ali, Michele Mackenzie and Tom Rebbeck

IoT has promised to deliver for many years. IoT (then named M2M) teams have existed in the larger operators for over a decade, but today few earn more than 1% of total revenue from IoT. Operators, with some reason, are feeling disappointed by progress.

And yet, in many ways the prospects for IoT are improving for operators. Operators with a strong vertical focus are showing that IoT can be a real business (for example, Verizon will earn over USD1 billion from telematics in 2018, and Telefónica's retail division On the Spot has customers in around 100 countries). NB-IoT and LTE-M are looking stronger than LoRa or Sigfox in the LPWA market. [Almost 100 NB-IoT and almost 40 LTE-M networks are deployed or planned](#). For many operators, IoT has established itself as a fast-growing (10%+ year-on-year revenue growth) division helping to counter declines elsewhere.

In this article, we provide our view on some of the key trends for 2019. (Our [2018 predictions can be found here](#)).

## New and disruptive IoT connectivity models will emerge

The market for IoT connectivity will continue to develop rapidly and new models will appear. [Twilio and INCE launched in 2018](#) and are two examples of companies that disrupt the traditional consultative model of selling connectivity. The disruption could increase in 2019 with connectivity embedded earlier in the value chain (for example, in the module or even in the processor), changing who connectivity providers will need to target. ARM, which bought the IoT MVNO Stream Technologies in 2018, is well placed to offer this new model. Other IoT MVNOs are also known to be exploring this opportunity.

## eSIM for IoT applications will take off, supported by MVNOs' offerings

The increasing deployment of eSIM automotive and consumer applications in 2018 will accelerate the adoption of eSIMs in other sectors, especially utilities and logistics. MNOs will continue to be pushed by MVNOs such as 1oT, Transatel and Truphone, which have been aggressive in this market and are using eSIMs as a differentiator.

## Operators will increase their focus on the near-term opportunities that 5G can offer

The emphasis for 5G will shift to how it can support current applications and away from niche services that remain years away. As 5G networks are gradually launched worldwide, operators will focus more on how existing services, such as in-vehicle connectivity, can be enhanced with faster connections. Operators will need

to make money from the 5G connections they can provide, rather than waiting for new features, such as network slicing, to be made available.

Other 5G services, while remaining potentially interesting, will continue as research projects and some will eventually be launched commercially, but in most cases this will not happen until the mid-2020s.

## The IoT platform market will develop a clearer framework among players

The roles of different IoT platform providers will become more defined. Large providers, such as AWS, will continue to operate horizontally by expanding on their cloud services and technology partners.<sup>1</sup>

The main target customers for these large players are large to medium enterprises with some development expertise. Smaller platform players and operators, however, will increasingly focus on the rest of the enterprise market with clearer vertical propositions. Markets such as agriculture and retail are promising prospects for integration services, app development support and even end-to-end solutions.

## We expect operators to launch more consumer IoT services

We expect to see further launches of consumer IoT services in 2019 from operators. They will test consumer appetite for new services but will need to experiment more with business models and product positioning to be successful. We may finally see operators launch devices with a ‘pay once’ model (that is, where the price includes the device, service and connectivity costs with no subscription). The launch of NB-IoT and LTE-M networks will help facilitate these models by reducing connectivity costs.

## Some operators will give up on IoT

The likes of AT&T, Verizon and Vodafone are bullish about IoT, and continue to deliver strong growth figures, (+10% and +13% for the 9 months to 30 September 2018 respectively). The topic of IoT dominated recent enterprise Vodafone and Telstra analyst events. For large operators with well-established IoT businesses, IoT will maintain its prominence.

For small operators IoT is more challenging. Without the funds to invest in their own capabilities, they are stuck with unattractive options: sell connectivity (and compete largely on price) or also try to sell capabilities developed by others (but offer nothing unique). Even these options require commitment in terms of technical and sales support. Some operators, especially small single country operators or low-cost challengers, will simply invest elsewhere.

## Success in IoT will raise some tricky strategic questions

Operators that are successful will have to decide where (and if) IoT businesses fit within their organisation. The operators that have had the most apparent success in IoT are those that are deeply involved in a vertical market, often through acquisition. Vodafone Automotive, for example, is providing services to car companies that put it

<sup>1</sup> For more information, see <http://gisuser.com/2018/12/aws-announces-four-new-capabilities-that-make-it-easier-to-build-iot-applications/>.

into competition with others in the automotive value chain. For some services, like stolen vehicle recovery, it is more likely to compete with Bosch and Continental than AT&T and Orange.

In the longer term (that is, probably not in 2019), operators will need to consider how well these successful IoT divisions fit with the broader connectivity business. With few obvious synergies, operators may decide to sell them off or spin them out.