Analysys Mason's predictions for business connectivity, communications, IoT and security in 2022

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Igor Babić, Catherine Hammond, Ibraheem Kasujee, Michele Mackenzie, Tom Rebbeck and Eileen Zimbler

This article sets out our predictions for telecoms operators' business services in 2022.

Overall

The business divisions of many operators will see connectivity return to revenue growth. Revenue from fixed and mobile business connectivity for most established operators has been in steady decline for several years. However, a combination of investment in fibre and 5G, the economic recovery from COVID-19, and increased demand for cloud services that rely on high-quality connectivity mean that connectivity services are likely to experience something of a revival. Operators will need to work hard to avoid small businesses taking cheaper consumer services and large enterprises taking network-as-a-service options from alternative providers, but for operators that get it right, the prospects for growth in business connectivity revenue look better than they have done for quite some time.

2022 will see many pilots and trials of new 5G-related business services, but few commercial launches. The capabilities of 5G are well-understood, and the technology offers operators the opportunity to sell more services to enterprises (for example, low latency services and service level guarantees). The introduction of standalone networks extends capabilities further. However, more thinking is needed about how to price and package these services (including pricing connectivity with guaranteed throughput or latency). Ericsson's acquisition of Vonage is a positive step towards being able to offer such 5G and connectivity services in future. However, while operators will be actively engaged with these issues in 2022, we do not expect many products to be launched.

IoT and private networks

Private networks will continue to increase in number, and most of the new networks will be 5G, but the adoption of edge computing will lag behind. At least 75% of new private networks in 2022 will be 5G, up from around 31% at the end of 2020. However, the take-up of edge computing, a natural complement to 5G private networks, will continue to lag. We expect just 20% of private networks to also be using edge computing in 2022. Edge computing is growing rapidly though; by 2025 more than half of private networks will be combined with private networks. Operators (and vendors) need to prepare themselves for this shift.

One or two IoT connectivity disruptors will emerge as challengers for the largest global investment deals. In 2021, 1NCE, Hologram and KORE each raised USD50 million or more in investment. Other players (such as Eseye, Monogoto and Soracom) raised smaller, but still significant, sums, often from strategic investors. Not all of these investments will pay off and the valuations of many of them seem optimistic, but armed with this new money and with a tight focus on IoT, we expect one or two of these disruptors to be in a stronger position to challenge mobile network operators (MNOs) for the largest global contracts.

Other vendors will follow AWS's model for private networks. AWS Private 5G provides all the elements that a company needs to build a private network (hardware, software and spectrum). Other vendors will launch similar offers in 2022, including those that are currently better known for Wi-Fi than LTE/5G networks.

IT services

Operators will set up even more partnerships with vendors in 2022 than in 2021. Operators are increasingly reliant on partners to extend their portfolios of SD-WAN, cloud, security and unified communications services. Despite converging capabilities and consolidation among technology vendors for these services, the demand among large enterprises for choice of vendor and interoperability between multi-vendor solutions will increase. Several new partnerships have been announced in 2021, especially in growth services such as unified communications and edge services, but we expect more partnerships to be announced in 2022.

At least three more sovereign clouds will be launched in Europe. We have already seen this trend in 2021: Orange launched Bleu with Capgemini, Deutsche Telekom partnered with Google to launch a sovereign cloud, while RingCentral is launching data centres in Germany and India to comply with local regulations. More will come in 2022 to meet demand in sectors such as government, healthcare and banking, and for voice-based communications services.

A dozen more operators will launch new vertical solutions. In 2020 and 2021, many operators invested in solutions tailored to healthcare and education. We expect to see more vertical offers emerging in 2022 as operators seek to differentiate their solutions and support business take-up.

Operators will increase their focus on digital services for small businesses and grow their share of this market as result. The pandemic has increased demand among smaller businesses for remote-working solutions and other IT services. Governments are also investing in this segment through schemes such as the European Recovery Fund. Some operators have already begun to focus more attention on the small office/home office (SOHO) and small business market. For example, BT launched a new SOHO business unit in June 2021 and Telefónica Germany launched SD-WAN services tailored for small and medium-sized enterprises (SMEs) in August 2021.We forecast that spend by small businesses on operators' IT services will grow by over 20%.

Security

Microsoft will continue to grow its share of the cyber-security market. The company's security business generated more than USD10 billion in revenue in 2020 (up 40% year-on-year). For comparison, the combined revenue of Palo Alto Networks, Cisco's security business, Fortinet and Check Point in 2020 was USD11.7 billion. Microsoft plans to invest USD20 billion in security between 2021 and 2026 – a daunting figure for rivals, which will need to think carefully about how and where to compete against Microsoft.

Business spending on mobile threat defenses and identity and access management solutions will continue to grow rapidly. The number of mobile malware attacks will continue to rapidly increase, as use of mobile productivity apps, payment platforms and data storage solutions accelerates. New security threats that exploit this increased reliance on mobile devices have emerged during 2020 and 2021, and businesses are increasingly aware of the related risks. The increased acceptance of remote working and a greater recognition of the need for tools that enable business continuity will propel the adoption of multi-factor and biometric authentication solutions.