

Analysys Mason's predictions for business connectivity, communications, IoT and security in 2021

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This article sets out our predictions for telecoms operators' business services in 2021.

Overall

The impact of the pandemic will have a significant negative impact on operator revenue in the long term.

Our latest forecasts predict that business services revenue for telecoms operators will fall by at least USD8 billion in 2020 (a year-on-year decline of 6.7%). This performance is poor, but the situation may deteriorate further in 2021. Government support for business will tail off, more companies will stop trading and the remaining ones will review their costs – all factors that will have a negative impact on spending on connectivity. However, the overall picture masks growth areas – IT services performed well in 2020 and will continue to do so in 2021. Products that help with cyber security, business continuity and flexible working will be in demand.

IoT

A major mobile operator will buy one of the IoT market disruptors. More than [30 innovative providers](#) have shown that there is a market for IoT connectivity that is cheap and simple to acquire. INCE, for example, sold over 5 million SIMs in less than 2 years thanks to its simple pricing plan and sales model, including online sales. Operators have so far failed to provide an answer to such offers, but at least one major operator will respond to this threat in 2021 by buying one of these players.

A new deployment model for private LTE/5G networks will emerge – the public industrial network. The current model of private networks is costly, because it requires a new access network to be built and a dedicated core network to be implemented. In 2021, we expect an alternate model to emerge. This model will use existing access networks (for example from an MNO) and a multi-tenant core network, tailored to enterprise needs. This alternate solution will be cheaper, and quicker to deploy than a dedicated private network.

Private networks will become a topic for financial sponsors. The deployment of private networks has quickly become a [hot topic](#). Most deployments are bespoke and led by vendors and, to a lesser extent, [mobile operators](#), but [specialist players](#) are also emerging. These specialists are co-operating, and sometimes competing, with vendors and mobile operators. These players will offer investment opportunities to private equity or venture capital firms that are interested in a market with significant growth potential. Vendors, operators and infracos all provide a potential exit strategy for investors – for example, towerco Cellnex bought private network specialist Edzcom in 2020.

Connectivity and communication services

Operators will launch remote working bundles. At least one operator will launch a cloud-based solution that combines unified communications, security and remote access for home workers. Operators have been slow to meet the rise in demand for [remote access solutions](#) but will try to catch up in 2021. Spending on home

broadband solutions will increase relative to spending on connectivity for business sites. Specialist business operators risk losing out unless they can develop remote-working offers that businesses can purchase directly.

We expect the smaller cloud communications vendors to consolidate. Cisco and Microsoft dominate the cloud-based [enterprise communications market](#). Zoom is also an obvious contender, and RingCentral is strengthening its presence. More than 12 other players have marketable solutions but lack the scale, features or customer base to make them stand out. Consolidation is likely.

Multi-cloud solutions will dominate large enterprise connectivity. [Direct connectivity](#) to the hyper-scale cloud platforms is available at a growing number of locations, but most large enterprises will choose a third-party multi-cloud solution because they will want to avoid vendor lock-in. Solutions that provide access to multiple cloud platforms and services will experience significant revenue growth in 2021. These solutions include the Equinix Cloud Fabric, those based on SD-WAN, and platform plays from operators such as Lumen and Telstra.

5G services for businesses will finally start to emerge. Operators and vendors commonly cite the B2B market as being central to the 5G business case. Despite this, B2B offers that are built on 5G capabilities are still rare, even though 5G networks are now live. This will change in 2021. 5G back-up for fixed services (for example in SD-WAN solutions) will become prevalent. More standalone 5G products for enterprises, such as those from [Cradlepoint](#), will also be launched, for example, supporting niche IoT services such as digital advertising.

Professional services

Several operators will invest to increase their professional services capabilities. Professional services are becoming increasingly important to be able to deliver multi-vendor solutions for cloud services (especially multi-cloud services), security and IoT. Some operators have already invested in professional services firms (for example, Orange with SecureLink, Proximus with Codit and Vodafone with IoT.nxt); more will follow in 2021, either by taking a stake or through outright acquisition.

Cyber security

Further consolidation of endpoint security vendors is inevitable. Large security vendors [continue to grow](#), both organically and through acquisition. Smaller vendors, especially endpoint security vendors, are struggling to increase revenue. Too many endpoint security vendors have low annual revenue (under USD500 million), are growing slower than the market and do not have meaningful differentiators. Mergers are inevitable if these vendors are to remain viable in the long term. Private equity firms with multiple sub-scale security vendors in their portfolio may consider merging them in 2021.

Mobile device security will be the fastest growing cyber-security category. COVID-19 has highlighted the importance of mobile security. Enterprises have been slow to secure mobile devices, but will pay more attention to this because they have had to rely on mobile devices during lockdown and new security threats are emerging. We forecast that spend on mobile security will grow at 17% CAGR between 2019 and 2025 to reach almost USD13 billion.