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## Enterprises Embrace 5G

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Communications service providers (CSPs) entered 2020 optimistic about the fulfillment of IoT's early promise, believing that it was finally time to harness the potential of 5G and mobile edge computing (MEC) to offer a rich source of future growth. However, many CSPs soon recognized that to actualize this opportunity, they needed to have an adaptive mindset. Enterprises wanted solutions that would drive their digital transformation faster and were simple to buy, fast to implement and easy to consume.



In spring 2020, our [research](#) showed that 75 percent of enterprises believe 5G is highly relevant, but 62 percent would only purchase 5G as part of a pre-integrated solution they could simply consume. This was echoed in a recent [Analysys Mason study](#) that revealed 59 percent of the same enterprise customers would only buy MEC as part of a solution. Solutions require a much fuller set of capabilities that typically come from partners.

So, what kind of progress have CSPs made? Are they more adept at offering compelling solutions that accelerate digital transformation for their customers? The answer is: not entirely. [Omdia's](#) quarterly 5G innovation tracker reveals that so far, 32 percent of enterprises have chosen DIY (to go it alone and build their own 5G solutions), 40 percent looked to others like systems integrators for solutions, while only 21 percent purchased direct from CSPs. This data indicates that CSPs must drive this ratio above 50% percent to make sense of their 5G investments.

## Covid-19: resetting how enterprises use technology

One year in, Covid-19 undoubtedly continues to be a changemaker as we witness enterprises hit the 'fast-forward' button on IoT and 5G technology solutions. This will continue to unfold globally

as the pandemic makes digitalizing physical assets, automating through Industry 4.0 and securing supply chains more relevant than ever.

Only one in five early-enterprise 5G solution deals are CSP-led, demonstrating that the way CSPs want to sell is at odds with how enterprise and SMB customers want to buy. Some early large enterprise deals, including those we see in automotive with VW and BMW, cut out CSPs entirely – even for connectivity. Businesses want to buy complete solutions that help solve business problems, rather than connectivity and separate technology products integrated piecemeal. This is a multibillion-dollar opportunity that requires CSPs to collaborate and better understand customer needs. And the key to achieving success means becoming ecosystem-enabled solution providers.

As Covid-19 resets how enterprises use technology, major verticals including automotive, manufacturing and logistics are looking outward at opportunities to test the mettle of solutions that harness IoT, 5G and MEC with AI. In the U.S. for example, 67 percent of businesses believe that 5G use cases can deliver 11 percent (or more) in cost reductions over the next three years. Nearly a quarter (23 percent), believe that 5G use cases could deliver revenue growth of 11 percent or more. The time is right for CSPs to change their approach to selling 5G- and non-5G-driven IoT propositions. But are enterprises willing to buy from CSPs?

Building effective IoT solutions is a team sport and enterprises know that one organization doesn't have all the answers. However, they expect industry players to collaborate to provide solutions to their business challenges. They want to find the perfect solution to their problem, rather than invent a solution by integrating multiple products in a way that's slow and costly. Their goal is to buy complete IoT solutions ready to be consumed in a bite-sized way, with no upfront investment or risk. To do this, they look for partners that understand their challenges and who can orchestrate the right ecosystem of components to deliver solutions that perfectly solve their problems.

Volkswagen's new industry cloud backed by its own 5G campus network is a classic example of this. The company is teaming with technology partners like AWS to launch an Industry 4.0 ecosystem to drive manufacturing excellence and innovation. Volkswagen aims to gain a competitive edge over its competitors.

Therein lies the challenge: enterprises want to buy solutions, and CSPs want to sell products – in effect, to organize themselves in the way that best suits how they want to structure their business internally rather than how best to meet customer needs.

## **'Easy' is the key to the market**

For CSPs, our research also revealed that the opportunity is there for the taking, indicating that 98 percent of European, 92 percent of Asian and 87 percent of North American businesses are willing to buy advanced solutions from CSPs. In particular, North American businesses are most positive about the role CSPs will play in 5G, with 96 percent optimistic that they will do more than provide connectivity. Large North American enterprises say they want to work with CSPs as

they're proven vehicles that orchestrate ecosystems of partners, manage complex programs and are perceived to be more flexible than other potential 5G solution providers.

Ecosystems are an effective way for CSPs to plug their knowledge and technology gaps, broaden their portfolio of services and solutions, and encourage innovation. Historically, CSPs have tended not to work this way and, in order to be successful, there is a need for change in mindset and new efforts. Perhaps most important is the need to spearhead ecosystems with third-party partners to address the needs of businesses who want the 'perfect' solution to their problem: not too slow nor pricey, and not in the form of multiple products.

While CSPs want to buy complete IoT solutions, the mindset should be that it's not about buying a network slice or MEC product. For businesses, it's about finding pre-integrated, completely consumable solutions and the best available technologies to quickly drive efficiencies for customers or help them grow revenue as part of their digital transformation. In a nutshell, they want something that is "easy to try, easy to buy, easy to consume." Larger enterprises can't effectively manage integration of new standalone technologies, either; they need partners that understand their challenges while orchestrating the right ecosystem of technologies and players to deliver problem-solving solutions. Covid-19 will only accelerate this trend as it renews pressure to digitally transform faster.

CSPs want to retain customer relationships and grow revenue, but monetizing IoT throughout the process of enterprise renewal during Covid-19 will require having industry-specific solutions underpinned by an enabling technology layer that is massively scalable. Strong partner ecosystems will generate powerful network effects around a digital business platform that provides massive economies, frictionless process execution and zero-touch operation for customers. These architectures and solutions need to be capable of being converted into technology wrappers and services.

## Fostering IoT innovation

Solving customer problems is not a single-organization show. It requires a broader set of perspectives and a cohesive exchange of customer insights and ideas for new products or services. This is the concept behind an ecosystem-enabled solution provider. Such a provider brings together a broader set of capabilities around a digital business platform to prototype and test new ideas with customers. In these new multi-sided business models, a partner ecosystem is key to bringing new data sources, driving innovation, expanding offerings and extending into the white space between old industry verticals and growing revenues.

There isn't a single entity that hasn't been affected by Covid-19; our global economy is in a holding pattern as budgets tighten. Laser focus on revenue spend will lead both enterprises and SMBs to accelerate investments in automation, remote business operation and remote working in the short term. While this process is in motion without a hard timeline, the prevailing CSPs will be ones that harness a powerful ecosystem to provide full solutions to problems and, in so doing, build much stronger and closer customer relationships. This will be a true win-win.

CSPs require a changed mindset as they are poised as ecosystem-enabled solution providers that can foster growth by combining 5G with technology – if they embrace platform-based business models and orchestrate partner ecosystems to satisfy the needs of their enterprise customers.

Digital business platforms and IoT represent two of the technologies coming to functional maturity. New, platform-based business models and marketplaces create a true win-win for ultra-large corporations and innovative companies of all sizes, catalyzing economic growth. It's a genuinely exciting time for technology innovators and traditional laggards – and is in stark contrast to the prevailing economic narrative.

Covid-19 will only accelerate this trend as it renews pressure to digitally transform faster. If enterprises' potential partners are to capitalize on this trend, they must adopt a more open and collaborative mindset. We expect to see many of them do this and take the lead in setting up and managing ecosystems next year.