

ACCELERATED BUSINESS

The rise of
next-generation
connectivity

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Accelerated business: The rise of next-generation connectivity

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Connectivity is the lifeblood of digital transformation. Without speedy and reliable networks, data cannot be transmitted and transactions, communications and commerce itself are forestalled. However, on occasion, a new breakthrough in connectivity upends the status quo, unleashing new innovations in business and disrupting the hold of incumbents. We may be on the cusp of such an event.

The fifth generation of wireless networking technology, otherwise known as 5G, should be viewed in this light. It will virtually eliminate “latency”—the time it takes for data to travel between points—and dramatically accelerate information processing. The consumer applications are widely known. The business applications, on the other hand, are slowly coming to light.

This report, which is based on a survey conducted by The Economist Intelligence Unit and sponsored by Sprint Business, uncovers a race that is already under way in the US to secure business opportunities resulting from technologies enabled by next-generation connectivity. Indeed, 77% of respondents say such use cases will completely change customer expectations of what their company is capable of.

The survey of 400 executives in the US from seven industries was conducted in November 2018 to December 2018 and focused on technologies enabled by lower latency. The respondents are from companies with annual revenue ranging from US\$500m to US\$5bn or

more, and half are C-suite executives. In this report, we will refer to the use cases of next-generation connectivity, which are augmented/virtual reality, automation, machine-to-machine communication, remote control of devices and infrastructure, and smart sensors, and how companies are approaching related business opportunities.

The key findings are:

- **A large majority of US companies are aware of the upcoming transformational impact of 5G, and are seeking to grasp the opportunity.** In particular, they are prioritising technologies enabled by lower latency such as the Internet of Things (IoT), with seven in ten respondents (71%) saying that such business opportunities are a current priority. Companies where these opportunities are considered to be an “essential” priority are two times more likely to expect a significant improvement in revenue growth by 2020.

Takeaway: in order to secure investment for these emerging technologies, businesses will need to communicate the potential commercial benefits to their stakeholders.

- **Besides the growth opportunities posed by 5G, companies are also acutely aware of the systemic threat posed to their business—and potentially entire sector—by this next generation of wireless technology.** As a consequence, companies are also seeking first-mover advantage to ensure they are not swept

up by the competition, with more than half of respondents (53%) saying they will be investing in new digital technologies in the next two years to exploit business opportunities.

Takeaway: if they haven't already, businesses should consider making technologies enabled by next-generation connectivity enterprise-wide priorities for growth, because, chances are, the competition already has.

- **Despite the enthusiasm for 5G, product cycles are in an early phase.** Fewer than 10% of survey respondents are ready to launch products, run test marketing or create a prototype enabled by next-generation connectivity (such as launching pilot IoT programmes on existing networks). Nonetheless, there is general optimism across the board, with respondents who feel they need to improve the most actually consistently the most confident about being able to capitalise on opportunities.

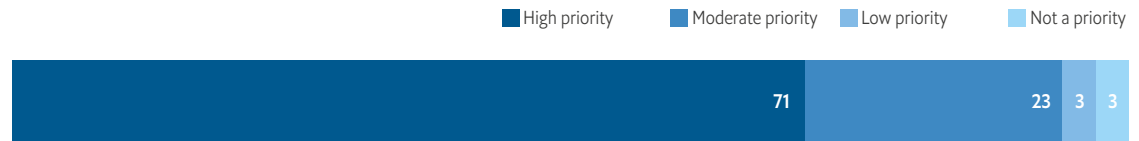
Takeaway: identifying areas in an organisation most in need of improvement, such as speed of decision-making, customer experience or digital capabilities, can assist management in prioritising which next-generation technology to invest in. Consider forming a task force to pinpoint weak spots.

- **Of course, next-generation connectivity will bring with it concurrent security concerns.** Among respondents, the most frequently cited challenge to pursuing opportunities related to use cases of next-generation connectivity is IT security, coming just ahead of concerns about customer privacy and budget constraints.

Takeaway: as they pursue opportunities in the IoT, machine learning, augmented reality and other emerging technologies, business decision-makers should be working in partnership with their IT departments to ensure system resilience and security.

What priority are business opportunities related to next-generation connectivity?

(% of respondents)



Source: The Economist Intelligence Unit

The overwhelming interest of respondents in next-generation connectivity is driven by both optimism about the revenue implications and a fear of being left behind.

High hopes

While each generation of wireless networking technology has been accompanied by a marked enhancement in connectivity, the potential offered by lower latency necessitates a step change in business investment and innovation. The overwhelming importance that firms place on this technological transformation is evident in the survey, with a significant majority of executives (71%) believing that business opportunities resulting from use cases such as augmented reality, automation, machine-to-machine communication, control of remote devices and physical infrastructure or smart sensors are either a high or an essential priority to their companies. Furthermore, 77% of respondents believe that these kinds of opportunities will increase in priority in the next two years.

The overwhelming interest of respondents in next-generation connectivity is driven by both optimism about the revenue implications and a fear of being left behind. In the first instance, respondents who view next-generation connectivity as an “essential” priority are nearly three times more likely than those who describe it as a moderate priority to expect a significant improvement in revenue growth in two years. They are also two times more likely than other respondents to expect revenue growth of more than 6% in 2019.

At the same time, however, the same respondents also tend to be much more concerned than others about future disruption by competitors. They are nearly three times more likely to think their competition will disrupt the way they operate by 2020. This is a crucial point, since the fear of competitive

Most significant impact of lower-latency in my industry in two years

(% of respondents)



Source: The Economist Intelligence Unit. Respondents were asked to select three answers.

Real time is a dynamic that will drive down costs and expenses, so, if you're not going to do this and your competitors are, then they will get ahead.

Herbert Blum, global head of the telecommunications practice at Bain, a consultancy.

disruption is driving an urgency to adopt use cases and capitalise on them. Most companies see a greater potential for growth in the future but many also see more competition coming.

To some extent, companies have to focus on something if their biggest competitors are, too. "There is no choice here. Real time is a dynamic that will drive down costs and expenses," says Herbert Blum, global head of the telecommunications practice at Bain, a consultancy. "So, if you're not going to do this and your competitors are, then they will get ahead."

Selling to consumers versus selling to businesses

There is an interesting divergence between B2C (business to consumer) and B2B (business to business) companies in how urgently they are approaching opportunities stemming from next-generation connectivity. Notably, consumer-focused companies are currently more likely to be focused on the accompanying next-generation technologies, with 74% of B2C

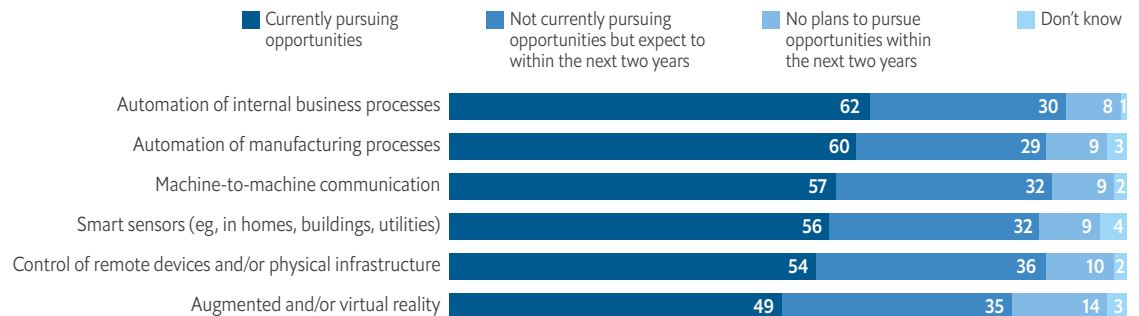
companies saying they are a priority compared with 53% of B2B companies. In addition, nearly twice as many B2C companies say they are generating ideas for new products and services compared with B2B companies (43% vs 24%).

The reason that B2C companies have more frequently than B2B companies focused on related opportunities may have to do with how convinced executives are about the commercial applications. When asked to what extent their organisation's financial results will improve in two years as a result of next-generation connectivity opportunities, 43% of B2C respondents said that revenue would improve significantly, much higher than the 30% of B2B companies.

In terms of the types of business opportunities that companies, B2B or B2C, are focused on, respondents appeared especially geared towards automation—an innovation that could have enormous implications in streamlining operations and boosting firms' administrative efficiency. This trend is especially apparent in the energy and transportation sectors.

Business opportunities resulting from new technologies.

(% of respondents)



Source: The Economist Intelligence Unit

**“
The story that
businesses
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customer data.**

*Vishal Gupta,
chief technology officer of
Unisys.*

Respondents from the energy sector, for example, place a higher-than-average priority on next-generation connectivity. Automation is a particularly important business strategy for energy companies (notably utilities, such as in the case of smart meters), with 54% of respondents from the sector saying they have introduced it in their companies, much higher than the 40% of all respondents.

A solid majority of energy sector respondents (64%) say they are also pursuing opportunities regarding remote devices and physical infrastructure, higher than the survey average of 54%.

Similarly, respondents from the transportation sector are mainly focused on the same applications, and they have a stronger-than-average confidence about their ability to exploit these opportunities. Seventy-one percent of transportation sector respondents also say are pursuing opportunities related to smart sensors, much higher than the survey average of 56%.

The importance of remote devices in transportation is clear, when considering their role. When combined with artificial intelligence systems, such devices can, among other things, detect when industrial machines are failing before humans do, track products from raw material to finished product and enable autonomous vehicles such as shipping vessels to navigate oceanic routes.

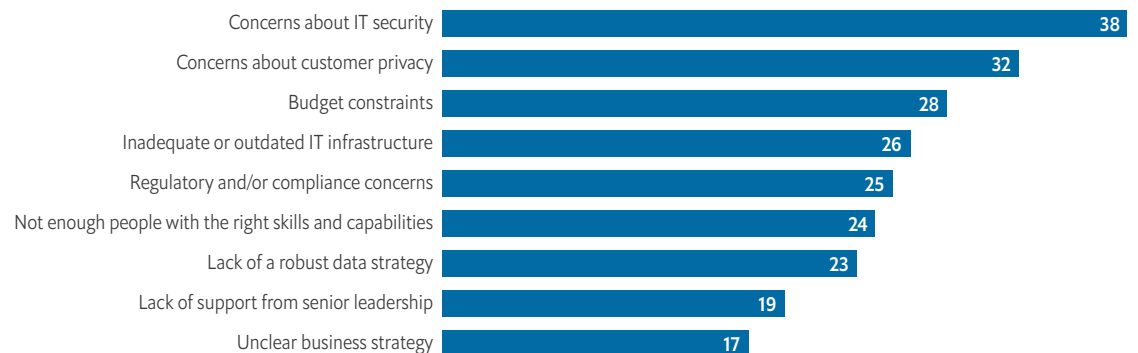
Security and trust

As companies explore the opportunities arising from the next generation of connectivity, they are also similarly mindful of the challenges. With an eye on the multiple high-profile data and cyber failings reported in the media, winning the trust of customers is thus viewed as paramount. This is evident in the survey, with the two most frequently cited challenges being IT security and customer privacy.

“The story that businesses must learn to articulate is how the low latency in 5G creates significant business benefits for their employees, customers and partners,” says

Challenges to pursuing opportunities with next-generation technologies

(% of respondents)



Source: The Economist Intelligence Unit. Respondents were asked to select three answers.

Vishal Gupta, chief technology officer of Unisys, an IT services company. “In addition, businesses will need to prove that they can be trusted with enormous customer data and they will need to communicate the strength of their security and privacy measures to protect this data.

Bain’s Mr Blum is confident that the ways in which detection and investigation of threats to IT systems will also improve. “Low-latency technology is an important means to enable better security. It will bring to bear massive computational power, for a very specific context and point in time, to better deal with relevant system and user vulnerabilities.”

Self-improvement

In addition, there are significant internal challenges to exploiting the next generation of connectivity. In particular, 61% of respondents say they need to improve more in digital capabilities to exploit potential business opportunities. This was relatively consistent across all corporate segments covered in the research.

Fewer than 10% of respondents are ready to launch new products or services (6%), conduct test marketing (6%) or create prototypes (7%). More than half of respondents (56%) are still either generating ideas for new products and services or screening them.

Conclusion: No time for complacency

The survey data suggest that these are relatively early days for the technologies covered in this report, but this is no time for complacency. If anything, the amount of improvement that respondents say their companies have to undertake is an indication of how serious this race really is. It also is an indication of how confident companies are that these opportunities will lead to positive outcomes.

Respondents who say they need to improve in the most areas of their companies are also consistently the most confident about being able to exploit business opportunities related to next-generation connectivity. On average, 87% of respondents who say their companies need improvement across eight areas covered in the study (digital capabilities, business process efficiency, product/service innovation, speed to market, speed of business decision making, customer experience, brand awareness and customer loyalty) also say that they are confident about successfully exploiting the business opportunities. By contrast, 68% of respondents who indicated their companies did not need as much improvement also say they are confident about capitalising on opportunities.

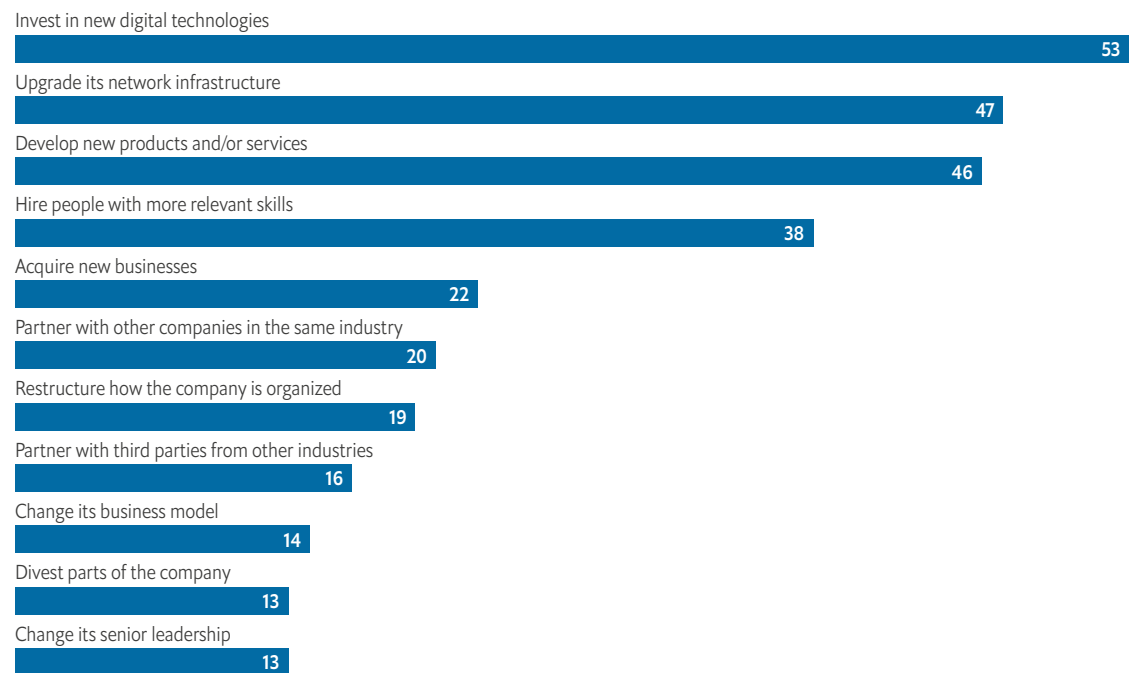
It is therefore not a contradiction to say that companies that have an upper hand with the IoT, machine learning, augmented reality and other technologies that will be enabled by next-generation connectivity know they need the most improvements. For them, being able to identify where they to improve puts them a step ahead. That's key with these opportunities, since there is no time to waste.

Appendix

In the next two years, which of the following are the most important steps your company will need to take to exploit business opportunities?

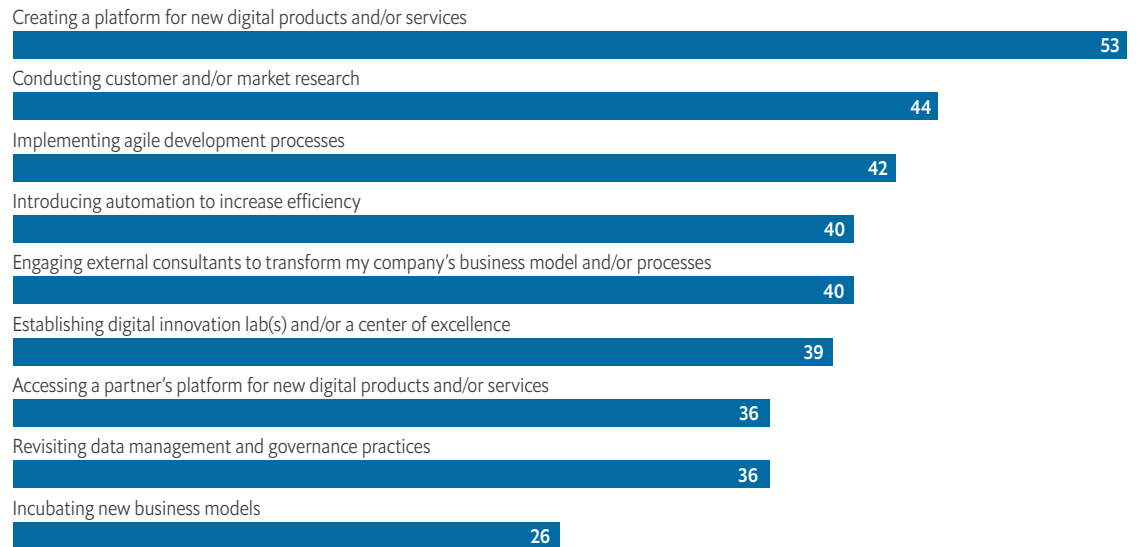
Select three

(% of respondents)



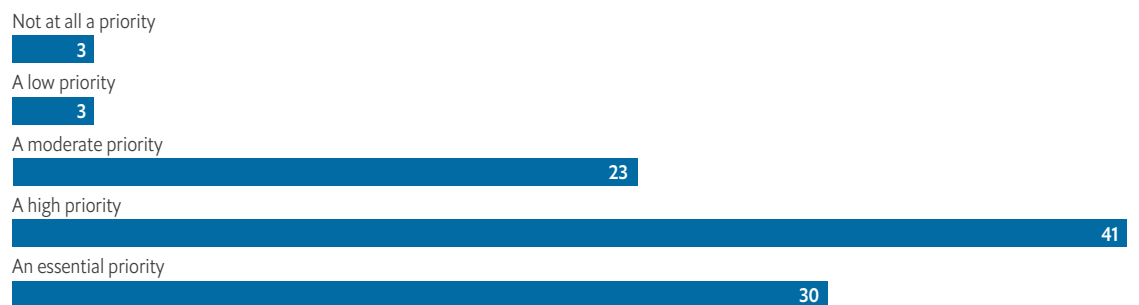
Which of the following strategies is your company doing or will in the next two years to support the steps identified in the previous question?

Select all that apply
(% of respondents)



To what extent are business opportunities resulting from lower-latency technologies a current priority at your company?

Select one
(% of respondents)



Two years from now, how will the priority of business opportunities resulting from lower-latency technologies change?

Select one

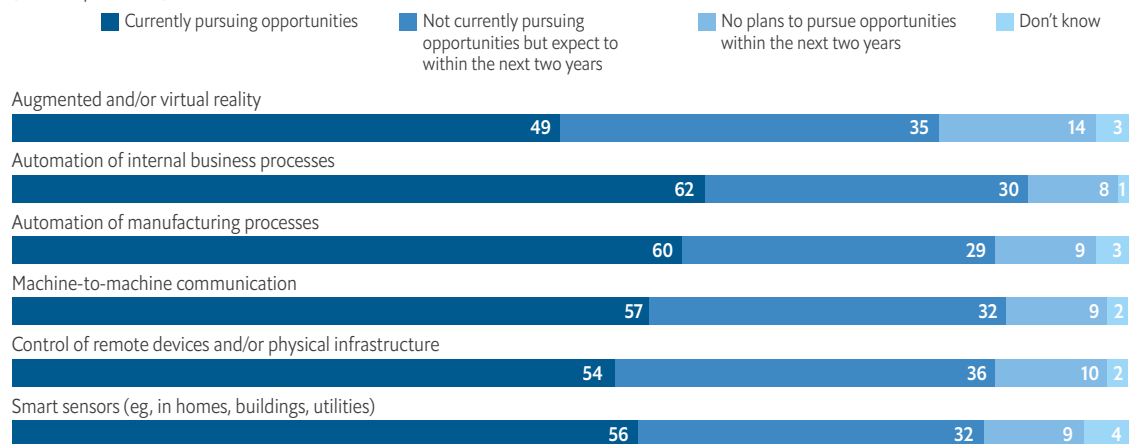
(% of respondents)



For the following use cases of low-latency technologies, please indicate if your company is currently pursuing business opportunities or is expected to do so within the next two years.

Select one

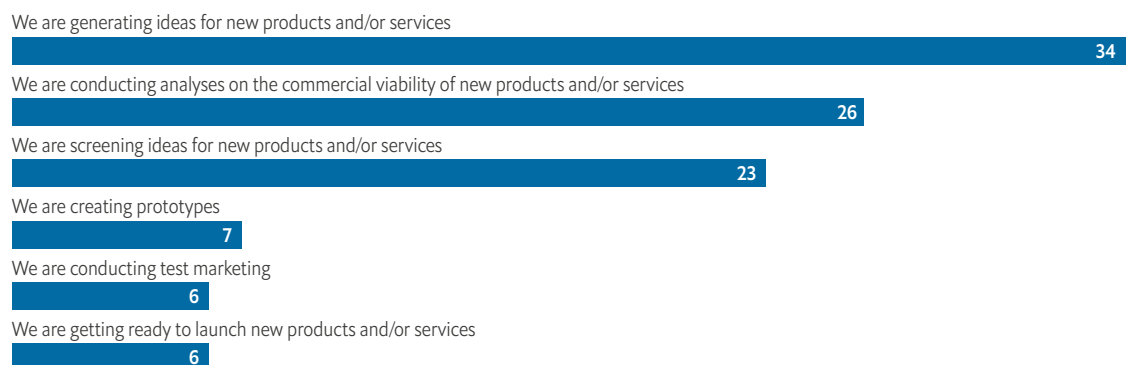
(% of respondents)



Thinking of the business opportunities that you identified in the previous question, which of the following best describes the stage which your company is primarily at?

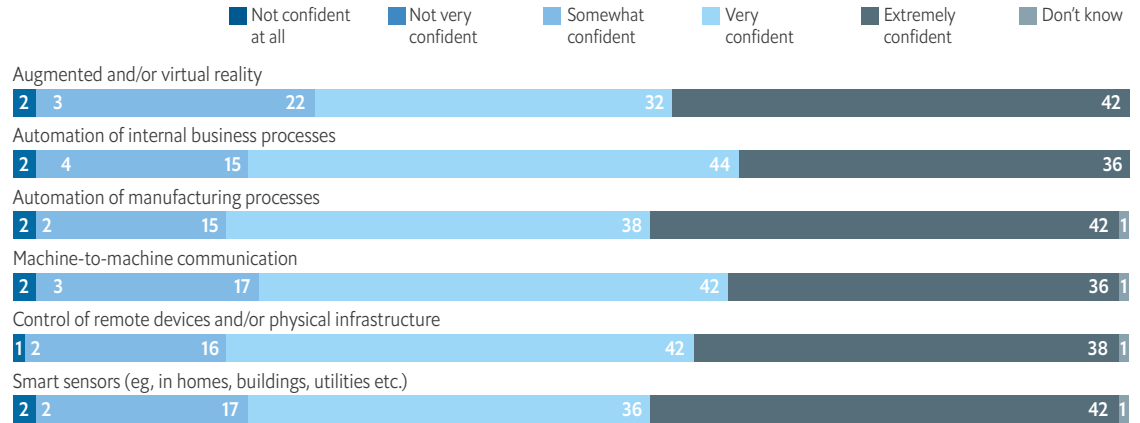
Select one

(% of respondents)



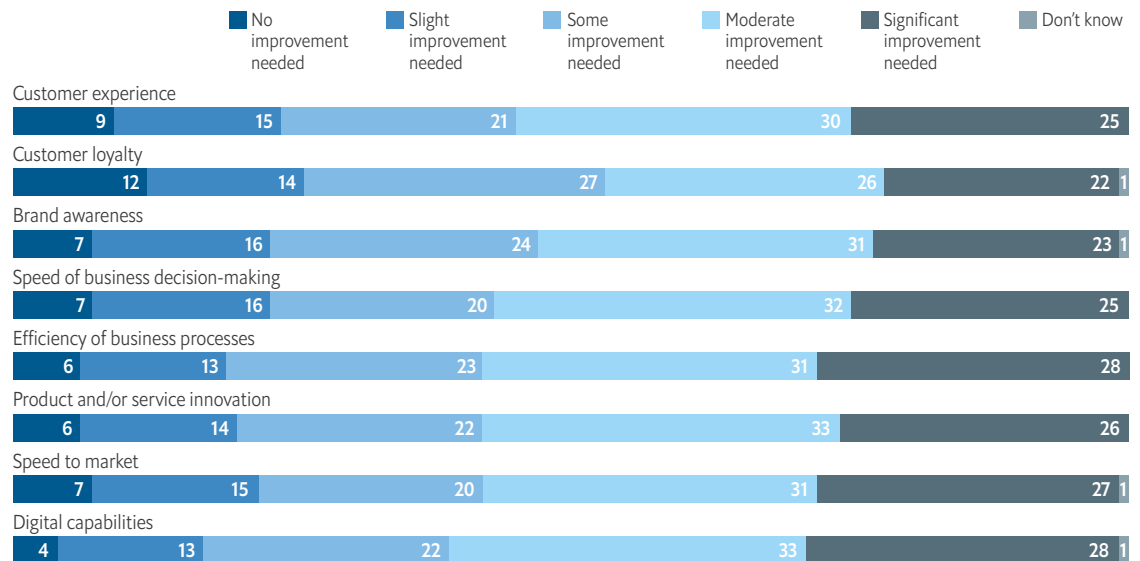
How confident are you in your company's ability to exploit the business opportunities for each use case identified in the previous question?

(% of respondents)



To what extent will your company need to improve in the following areas to exploit opportunities resulting from lower-latency technologies?

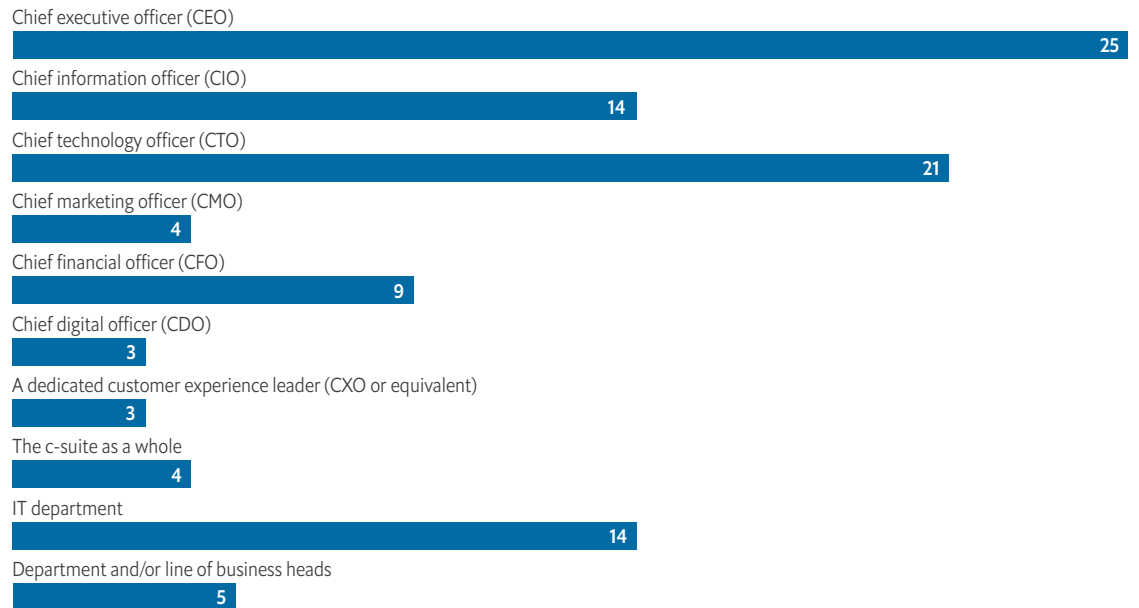
(% of respondents)



Who has the primary responsibility of ensuring your company is prepared to take advantage of business opportunities resulting from lower-latency technologies?

Select one

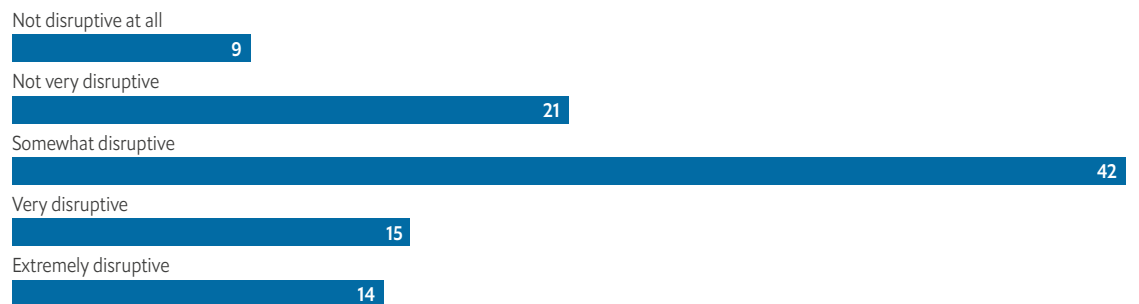
(% of respondents)



Two years from now, how much do you expect competitors leveraging lower-latency technologies will disrupt the way your company currently operates?

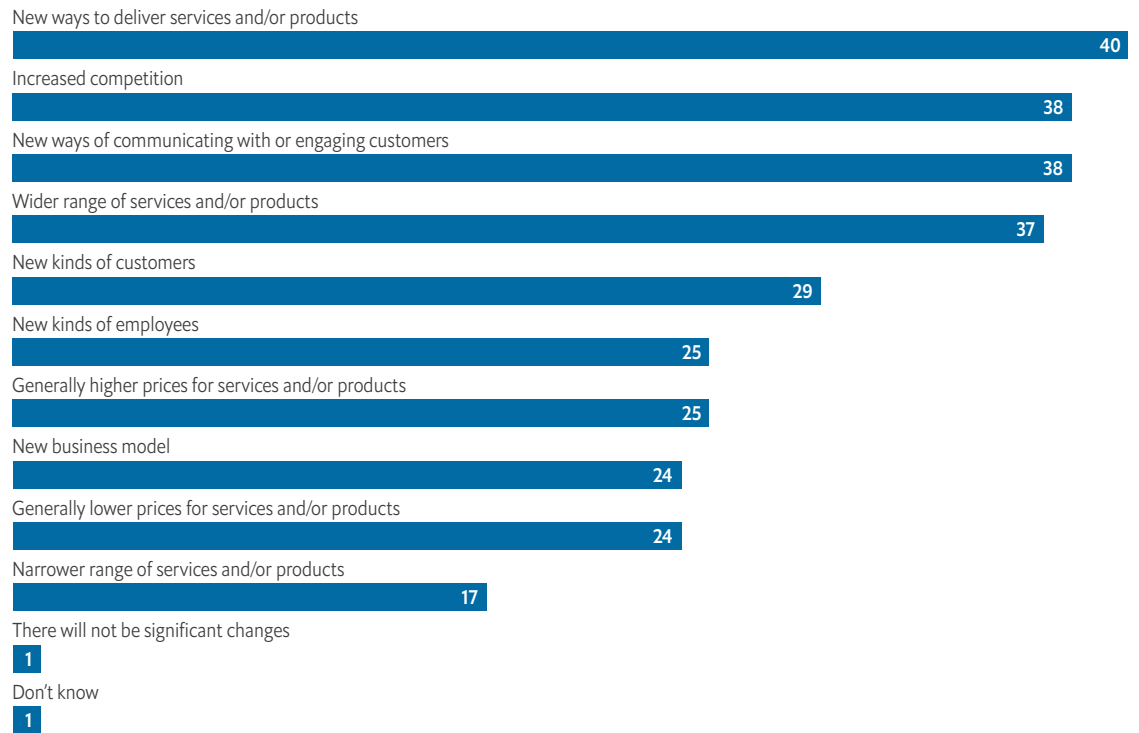
Select one

(% of respondents)



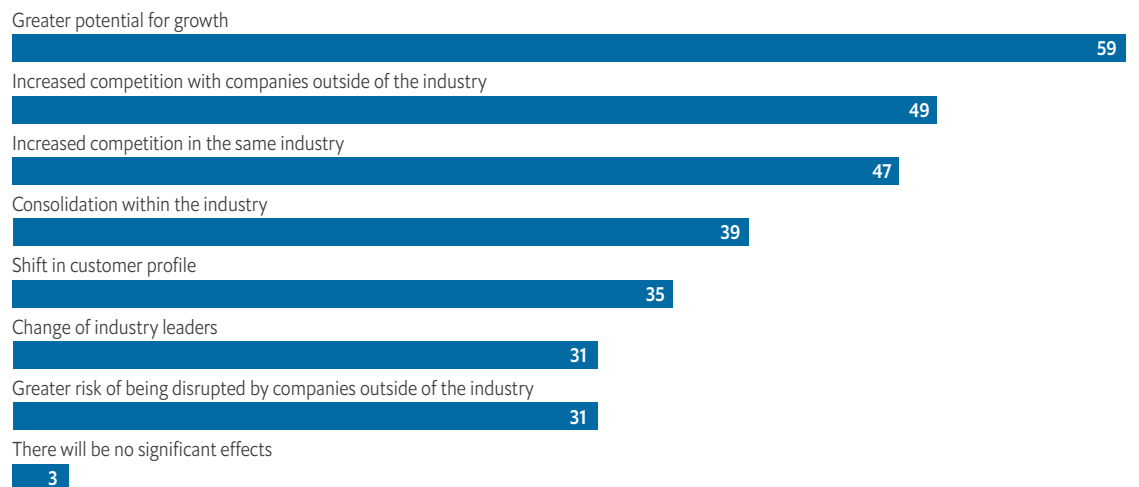
Two years from now, which of the following will be the most significant changes resulting from lower-latency technologies at your company?

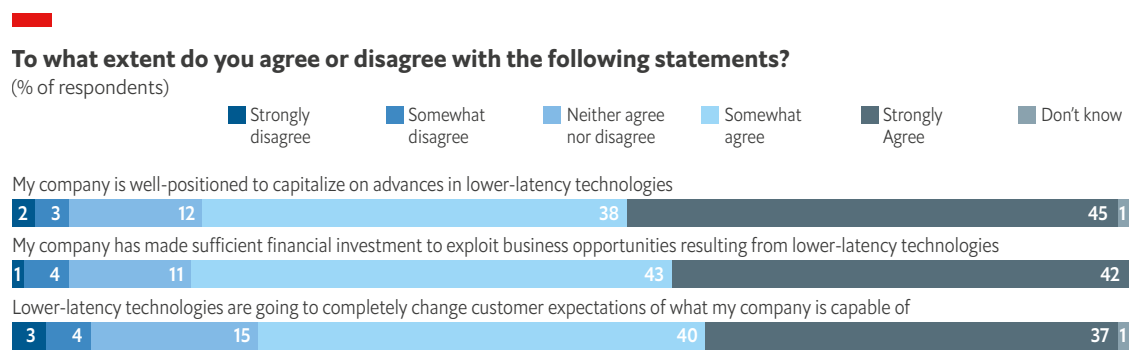
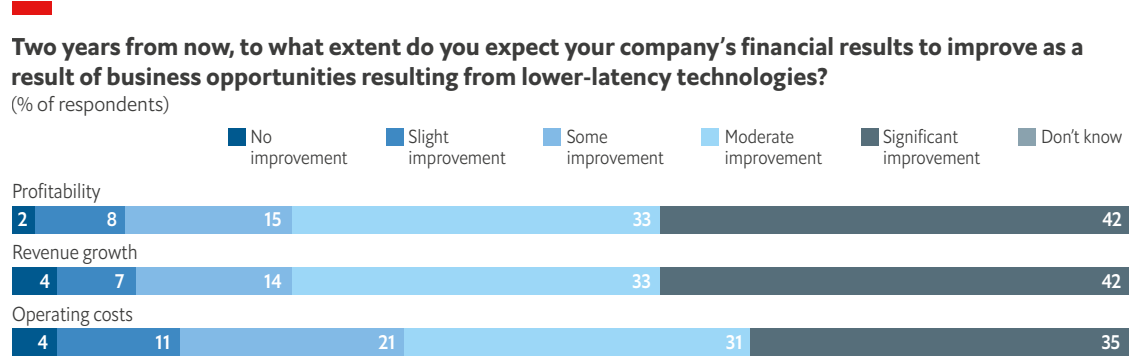
Select three
 (% of respondents)



Two years from now, which of the following will be the most significant effects of lower-latency technologies on your company's industry?

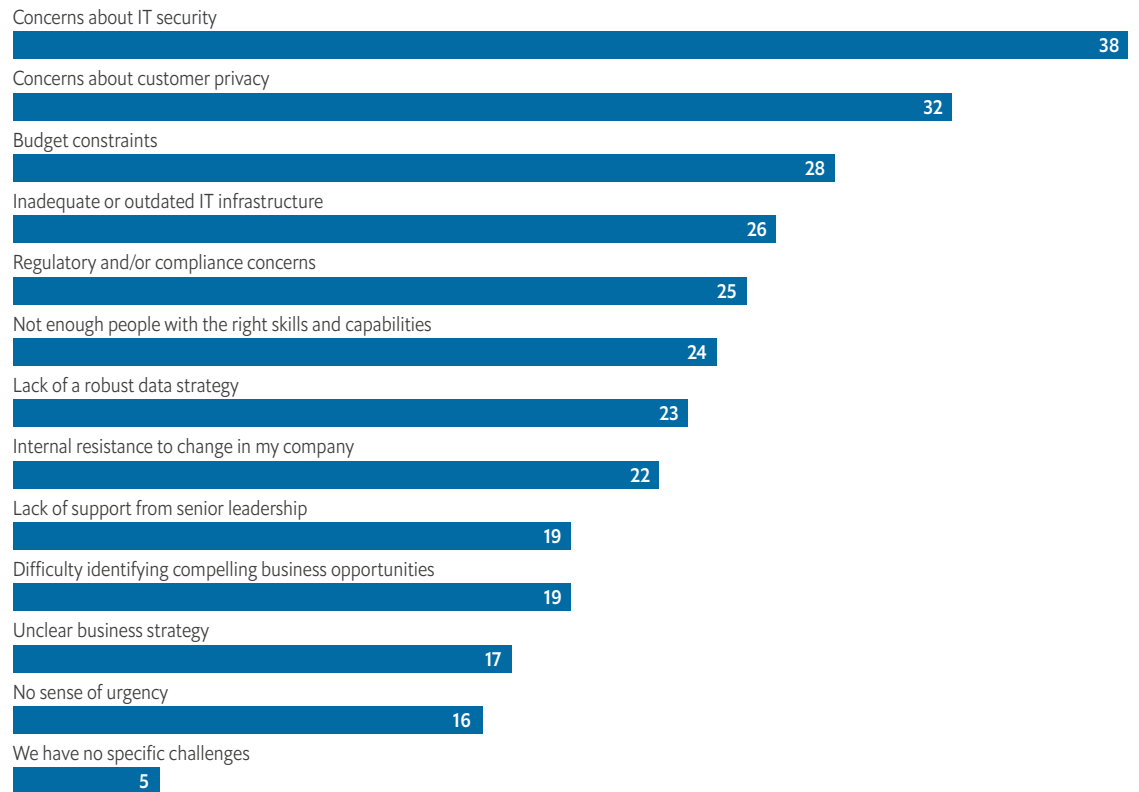
Select three
 (% of respondents)





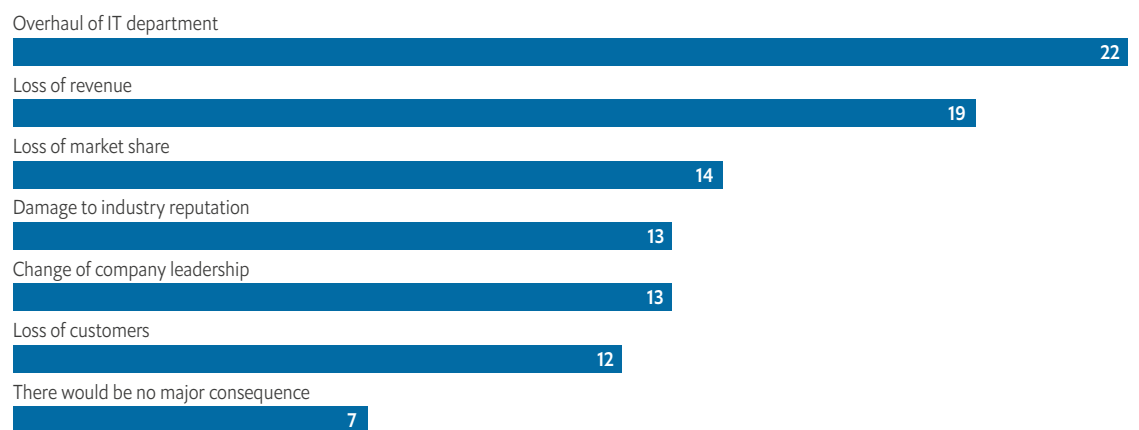
Which of the following are the three most significant challenges at your company to pursuing business opportunities resulting from lower-latency technologies?

Select three
(% of respondents)



Two years from now, which of the following would be the most significant consequence if your company is unable to exploit opportunities resulting from lower-latency technologies?

Select one
(% of respondents)

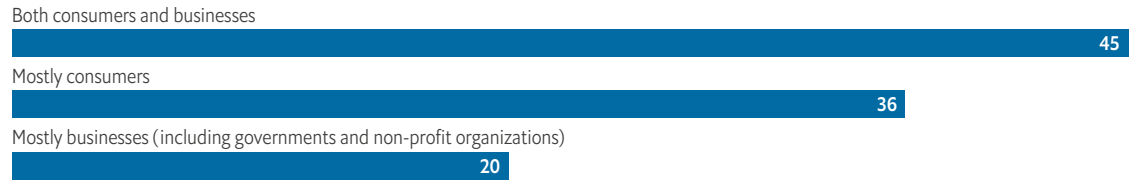




Which of the following best describes your company's primary customer base?

Select one

(% of respondents)

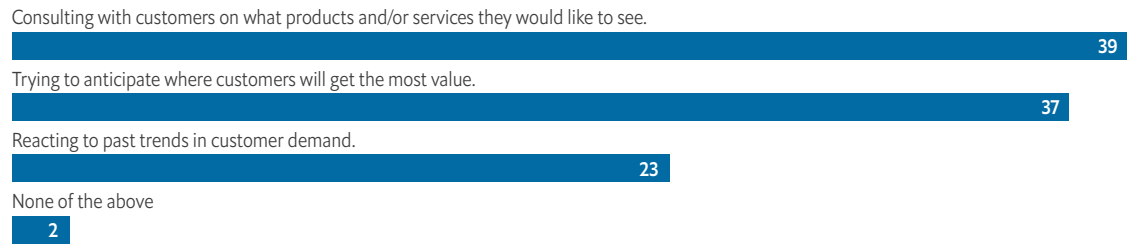


Which of the following best completes the statement below?

With regard to lower-latency technologies, my company is primarily...

Select one

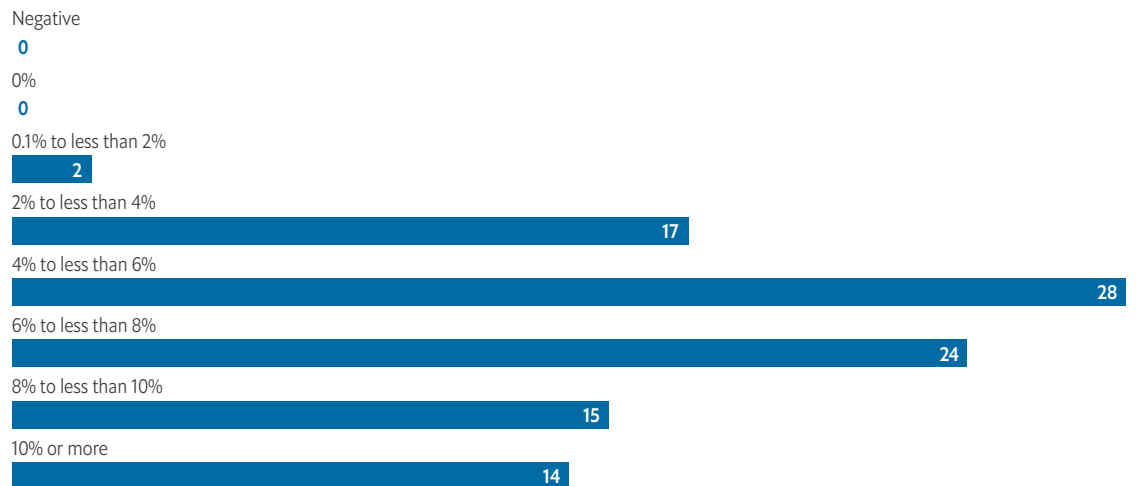
(% of respondents)



What is your company's expected annual revenue growth for the calendar year ending 2019?

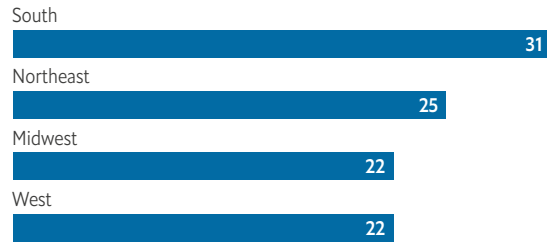
Select one

(% respondents)



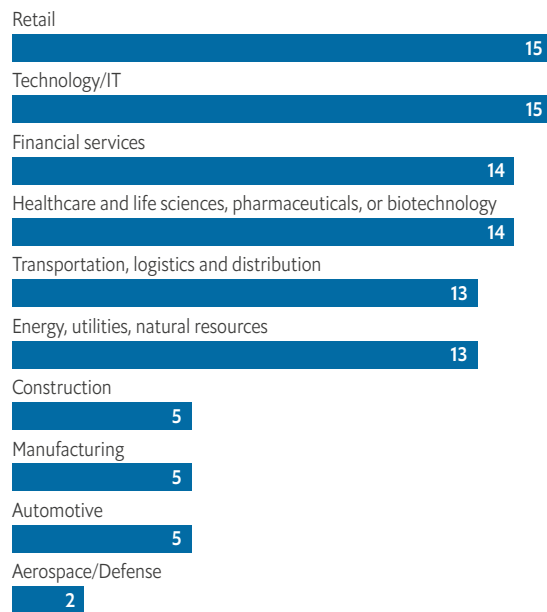
In which US state are you personally located?

Select one
(% of respondents)



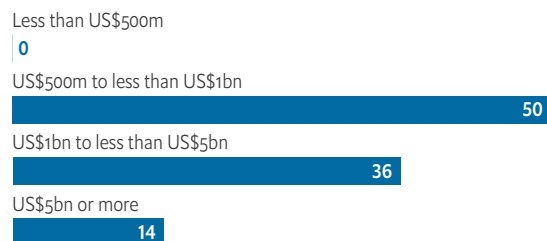
What is your organization's primary industry?

Select one
(% of respondents)



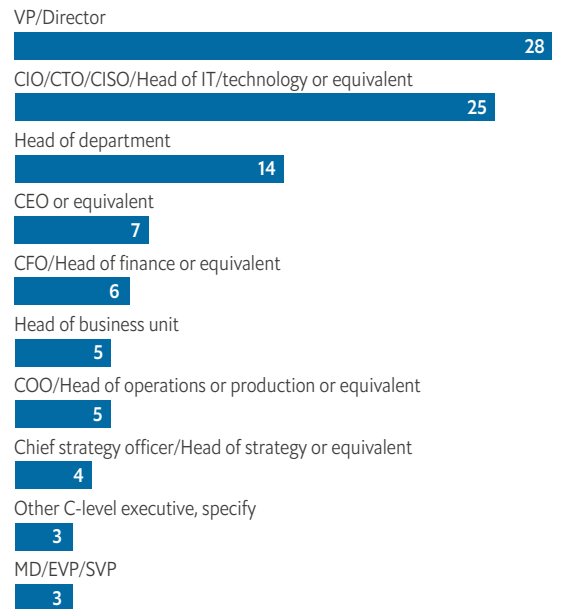
What is your organization's annual global revenue in US dollars?

Select one
(% of respondents)



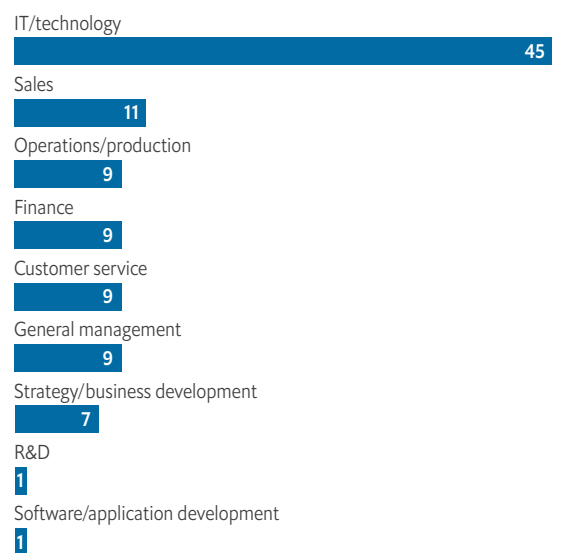
Which of the following best describes your title?

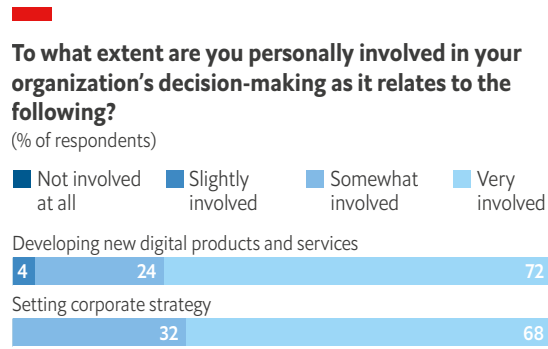
Select one
(% of respondents)



What is your main functional role?

Select one
(% of respondents)





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LONDON

20 Cabot Square
London, E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
Email: london@eiu.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@eiu.com

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@eiu.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@eiu.com

HONG KONG

1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@eiu.com

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore
048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@eiu.com