

Executive Brief

The Global Market for IoT Services

Revenue Streams Surging with Growth of IoT Installed Base

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Part of the Strategic Insights 2017 IoT & Embedded Technology Research Program: Track 2, Topic 2
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and Chris Rommel, Executive Vice President

INSIDE THIS REPORT

This report examines Internet of Things (IoT) services developed, sold, and deployed for a variety of applications and markets, and sizes the market for revenue derived from such services supplied by third-party vendors. The report includes quantitative and qualitative analyses, discussions of major market dynamics, insights into vendor strategy, and end-user trends.

WHAT QUESTIONS ARE ADDRESSED?

- > What is the current size of the IoT services market, and how fast will it grow through 2021?
- > Which vertical and regional markets are growing the fastest?
- > What categories of services (connectivity, device management, storage, analytics, etc.) are the most popular?
- > How do IoT engineers view the evolution of the market?

WHO SHOULD READ THIS REPORT?

This research program is written for those making critical business decisions regarding products, markets, channels, and competitive strategies and tactics. This report is intended for senior decision makers who are developing embedded technology, including those in the following roles:

- > CEO or other C-level executives
- > Corporate development and M&A teams
- > Marketing executives
- > Business development and sales leaders
- > Product development and product strategy leaders
- > Channel management and channel strategy leaders

VENDORS LISTED IN THIS REPORT

- > Aeris
- > Amazon (AWS)
- > BlackBerry
- > Cloudflare
- > Dell
- > Delphi
- > Eurotech
- > General Electric
- > Google
- > Harman (Samsung)
- > Microsoft
- > IBM
- > Intel
- > PTC
- > SAP
- > Sentrion
- > Siemens
- > Telit
- > Wind River

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EXECUTIVE SUMMARY

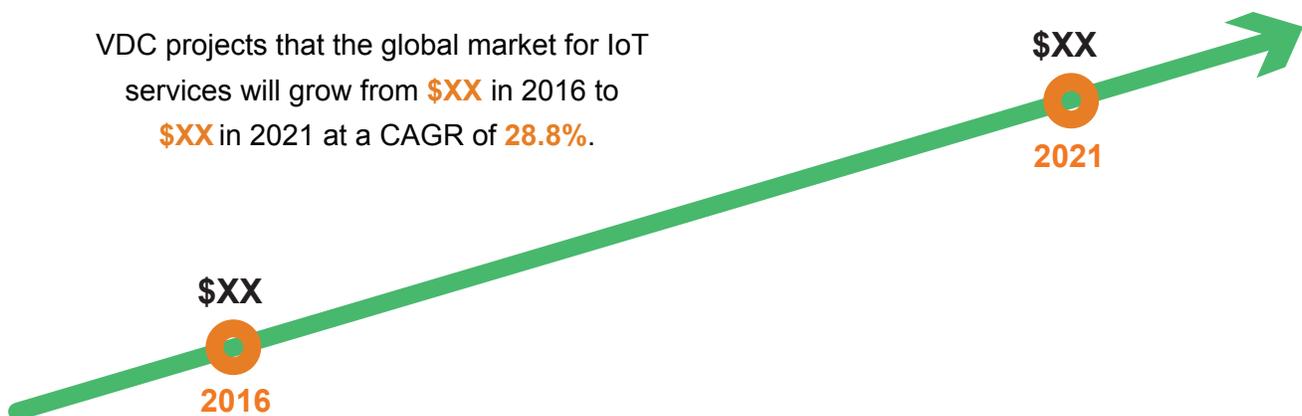
The global market for IoT services amounted to \$XX in 2016. VDC estimates that this market will grow at a five-year CAGR of 28.8%, resulting in \$XX in revenue in 2021.

The automotive and transportation market is currently the largest vertical market and will be the fastest growing through the forecast period with a CAGR of 39.4%. The vertical markets with the highest installed bases of heavy machinery, such as the medical device and industrial automation markets, will also see robust growth through 2021 as the return on investment for the OEM or equipment owner justifies the increased services cost.

Did You Know?

Nearly 23% of embedded engineers indicated that they were using or deploying IoT cloud services in their **current project**. An additional 40% of respondents expect to adopt or use IoT services in their products within the next five years.

The geographical split of IoT service revenue was fairly even in 2016, with \$XX attributed to the Americas region, \$XX attributed to EMEA, and \$XX attributed to APAC. The APAC region will see the strongest growth through 2021, expanding at a CAGR of 44.8% and gaining 4% of total market share relative to the Americas and EMEA regions.



KEY FINDINGS

- > The IoT services market is unique in that it is one of the fastest growing markets under study within the IoT & Embedded Technologies group at VDC, and also one of the largest due to revenue generation from the massive (and growing) installed base of IoT devices, rather than yearly unit shipments.
- > The IoT data analytics category will grow the fastest over the next five years, from a revenue base of \$XX to \$XX in 2021 at a CAGR of 36.3%, due to its lucrative applications in the industrial and medical markets.
- > Data collection and storage will grow the least quickly due to the commodity nature of storage services, but growth will still occur at a rapid 25.3% CAGR as more IoT organizations move their operations to managed, network-based storage solutions.
- > “Finding new strategic opportunities or services-oriented business models” is the leading driver of IoT adoption among members of the non-engineering management at OEMs and embedded systems integrators. For engineering managers, this driver is as important as enterprise/customer requirements.

ABOUT THE AUTHORS



Roy Murdock

Roy Murdock has a passion for new technologies of all sorts. His work experience in Afghanistan and Ghana has exposed him to a range of challenging and unconventional business environments in emerging markets. Roy's research background includes data-backed product management plans and comprehensive reports on bleeding edge technologies, such as virtual currencies. He enjoys camping, kayaking, and traveling. He also spent a year studying at the London School of Economics. Roy holds a B.S. in Business Administration from Babson College.

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Steve Hoffenberg

Steve Hoffenberg is a leading industry analyst and market research professional for Internet of Things technology. He has more than two decades of experience in market research and product management for technology products and services. Prior to joining VDC, he spent 10 years as Director of Consumer Imaging and Consumer Electronics Research at the firm Lyra Research, where he led industry advisory services providing extensive market research on consumer technology trends, user adoption, market sizing, marketing strategy, and competitive analysis for major consumer electronics manufacturers. Previously, he worked in product management for electronic design companies that developed and licensed embedded digital imaging and audio products. Steve holds an M.S. degree from the Rochester Institute of Technology and a B.A. degree from the University of Vermont.



Chris Rommel

Chris Rommel is responsible for syndicated research and consulting engagements focused on development and deployment solutions for intelligent systems. He has helped a wide variety of clients respond to and capitalize on the leading trends impacting next-generation device markets, such as security, the Internet of Things, and M2M connectivity, as well as the growing need for system-level lifecycle management solutions. Chris has also led a range of proprietary consulting projects, including competitive analyses, strategic marketing initiative support, ecosystem development strategies, and vertical market opportunity assessments. Chris holds a B.A. in Business Economics and a B.A. in Public and Private Sector Organization from Brown University.

ABOUT VDC RESEARCH

Founded in 1971, VDC Research provides in-depth insights to technology vendors, end users, and investors across the globe. As a market research and consulting firm, VDC's coverage of AutoID, enterprise mobility, industrial automation, and IoT and embedded technologies is among the most advanced in the industry, helping our clients make critical decisions with confidence. Offering syndicated reports and custom consultation, our methodologies consistently provide accurate forecasts and unmatched thought leadership for deeply technical markets. Located in Natick, Massachusetts, VDC prides itself on its close personal relationships with clients, delivering an attention to detail and a unique perspective that is second to none.



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