



EDGE COMPUTING: WHICH VERTICALS WILL ADOPT FIRST?

Edge computing is set to make a major impact across industries. While the impact on some verticals has already begun, other verticals are more likely to be laggards. Telcos should therefore choose carefully when it comes to selecting a target vertical.

Grace Donnelly, Senior Consultant

How will edge computing impact different industry verticals?

Edge computing is set to make a significant impact across industries. While the impact on some verticals has already begun, other verticals are more likely to be laggards when it comes to adopting edge compute. This appetite for adoption is crucial for operators to understand as they seek to capitalise on the edge computing opportunity and grow revenues beyond core connectivity. STL Partners has written extensively about the [edge computing opportunity](#) for operators as they move into The Coordination Age. This article explores which industries are more likely to adopt edge computing first, and why.

Why is edge computing likely to be adopted by enterprises?

Increased latency, reliability, security and mobility of edge computing gives rise to a host of new use cases. For example, enhanced security solutions that perform video ingest and analytics at the edge can impact a number of industries. As video surveillance increases in prevalence, data volumes grow due to both the number of cameras and the improved quality of video recordings. Edge computing can manage the challenge of increasing data volumes by breaking out the traffic and analysis on site and performing real time analysis for monitoring purposes or to trigger alarms. A cloud solution would not be able to meet the latency requirements for real time processing, and performing these functionalities at the edge means that data is kept more secure.

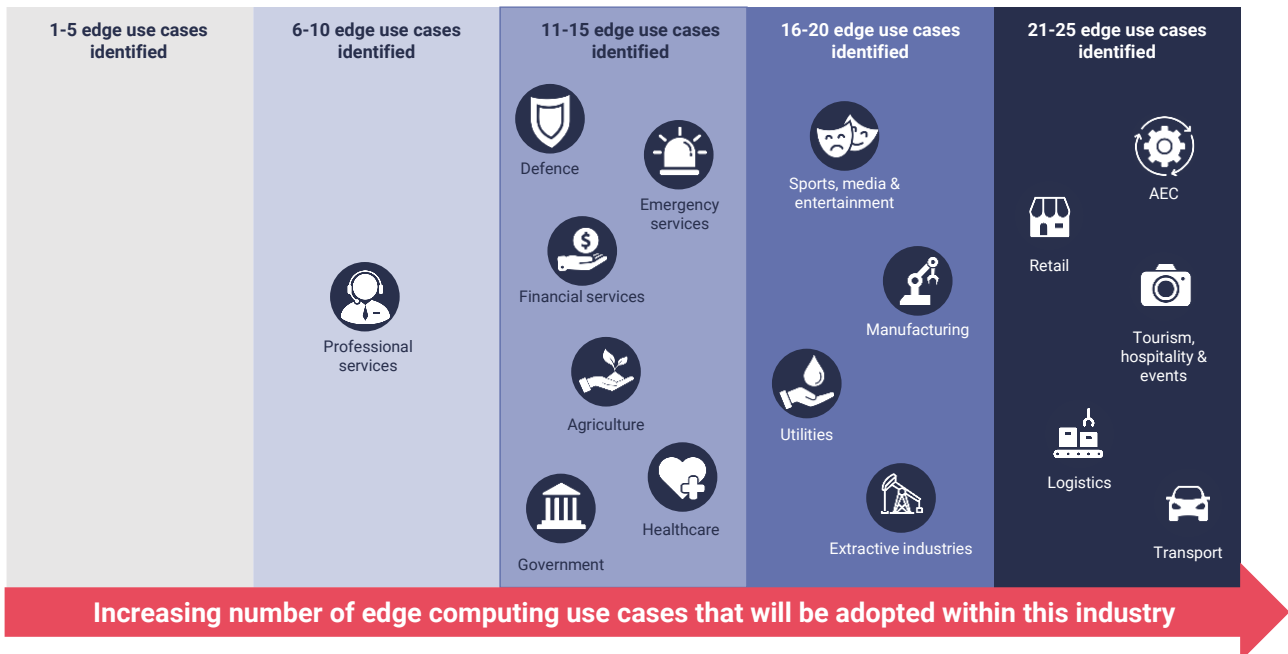
This kind of real time analysis can have applications across a range of industries, from agriculture and manufacturing to retail and healthcare. However, the rate at which this sort of edge-enabled solution will be adopted will be predicated on a number of different factors. Telcos and others looking to enable vertically specific edge-enabled solutions should take this range of aspects into account when considering their edge computing strategies.

How should telcos assess which verticals to target with edge computing offerings?

There are several metrics against which telcos could measure target verticals to decide which presents the most attractive target for edge computing solutions.

- **Industry contribution to GDP** - The larger the GDP contribution of the industry to the country (or countries) where the telco has a network footprint, the greater its ability to spend on digital solutions. Offering edge computing solutions will require a large investment from telcos, so the ability and willingness of its target verticals to spend is a key consideration for those looking to maximise ROI. Contribution to GDP is a good proxy for this.
- **Size of addressable edge industry** – The larger the number of [applicable use cases](#) to a given vertical, the larger the potential market for edge within that industry. The diagram below maps out a selection of edge use cases against 16 verticals to demonstrate which verticals hold the largest potential for edge computing.

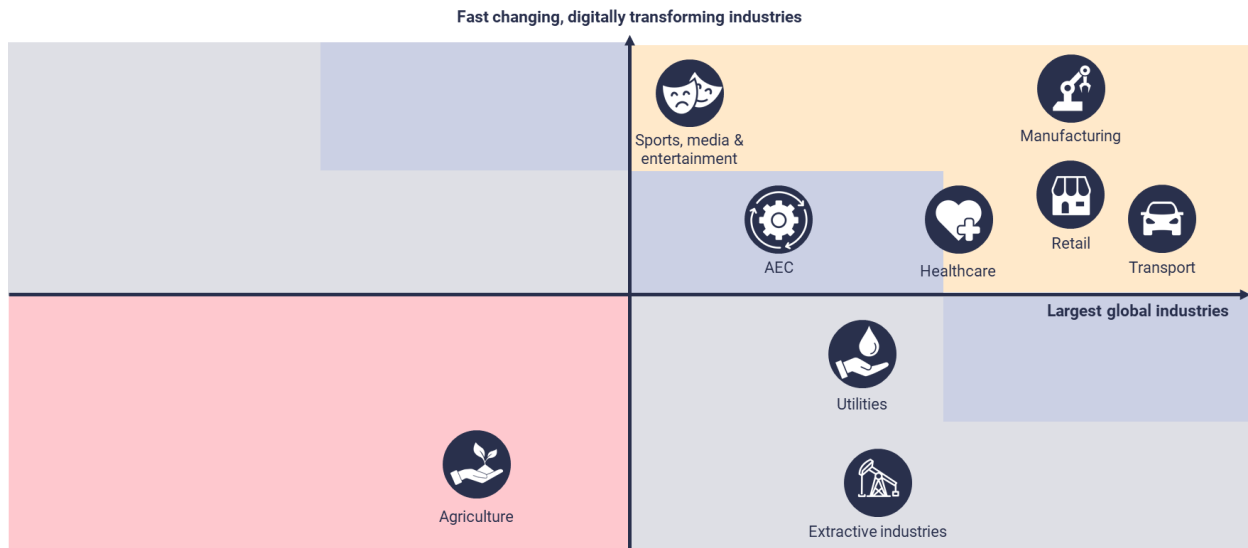
Figure 1: The impact of edge computing on different industry verticals can be measured by the number of applicable use cases



Source: STL Partners

- Telco right to play** – Offering verticalised edge solutions will require telcos to have a strong understanding of enterprise customers and their pain points today. It will also likely require the ability to build strong anchor customers with whom they can test and develop new solutions. Leveraging existing industry expertise and relationships can be a good starting point for telcos. Examples of this would be TELUS looking to do an edge-enabled play within healthcare (considering their strong vertical play with [TELUS Health](#)) or Verizon looking to do this within transport (considering their strong vertical play with [Verizon Connect](#)).
- Industry digital maturity** – Industries that are more digitally mature will be more able to adopt edge computing enabled solutions sooner. This is because there are certain prerequisites (such as operational data being stored in a database rather than manually recorded in a notebook) that are needed for an edge solution to ever deliver value. Measures of digital maturity can include digital spending, business processes, and the digitisation of work. An indicative view of more digitally mature industries is shown in the diagram below. For example, the manufacturing and logistics verticals tend to be more digitally mature and tend to have a significant contribution to GDP globally.

Figure 2: Industries should be targeted based on digital maturity and total size of the industry



Source: STL Partners

Edge computing presents an opportunity for telcos to make an impact on different verticals. For telcos looking to offer verticalised edge solutions, they should seek to measure enterprise verticals against a number of factors to determine the right target.

Grace Donnelly is a Senior Consultant at STL Partners, specialising in edge computing, telco cloud and sustainability.

Get in touch with the author to learn more

grace.donnelly@stlpartners.com

Or visit STL Partners' Edge Hub

www.stlpartners.com/edge-computing/

EDGE COMPUTING: WHICH VERTICALS WILL ADOPT FIRST?

© STL Partners