



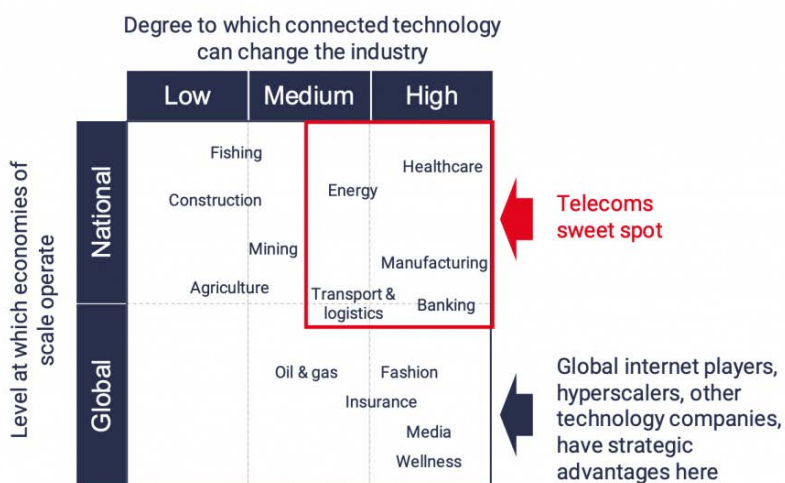
5G business models for telcos: Which verticals to serve?

Telcos will need to identify verticals to serve for new business models beyond connectivity with 5G, this chart maps which verticals to target

STL Partners

As connectivity has become commoditised, launching new network technology can no longer be relied upon to generate operator growth. 5G is a catalyst for business model change for operators seeking to move beyond connectivity into tailored vertical solutions, and the first step in this transformation is identifying the best vertical industry to target. Operators simply do not have the resource and management bandwidth to develop the necessary capabilities to serve several industries beyond connectivity. Each operator will need to make choices about which verticals they plan to serve and their role(s) in the ecosystem – how they want to compete and add value and which customers they will serve.

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Source: STL Partners analysis

Often when evaluating who to serve, management evaluate how attractive a market segment is against their ability to compete. This involves multiple variables on both dimensions. We have sought to simplify this into two core drivers:

- **Market attractiveness:** Telcos should consider the degree to which connected technology can change the industry. Telcos are connectivity players and however far they move from the network, it will remain key. It makes sense to consider how it can open opportunities for vertical disruption. They should focus on industries that have most to gain from connected technology as this means opportunities exist for new disruptive entrants.
- **Ability to compete:** Telcos are bounded physically and psychologically by their networks. They find it challenging to consider customers beyond their network reach. They also have relationships with vendors, partners, and governments (who are often former or existing investors) in their markets which provide them with advantages. Therefore, they should consider the level at which economies of scale operate and focus on industries where advantages exist nationally rather than globally since the latter offer strategic advantages to global internet players, hyperscalers, and other technology companies.

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The resulting sweet spot for telcos in the 5G opportunity is summarised in the chart above.

Read more of our research on 5G business models:

- **How mobile operators can build winning 5G models**
- **5G's impact on transport and logistics: \$280bn of benefits in 2030**
- **5G: bridging the hype, reality and future promises**
- **Cloud gaming: What's the telco play**

How STL Partners Growing Enterprise Revenues can support you

Our research provides insights into how enterprises in different verticals are leveraging new technologies such as 5G, AI, IoT and cloud to solve critical operational needs, as well as key strategies and partnership models telecom operators are leveraging to address these needs.

Get in touch to understand how STL Partners can support you:

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