

Deloitte TMT Predictions 2015

The future of smartphones, mobile payments, the Internet of Things and technological innovation

Georges Kioes

Partner

Technology, Media &

Telecommunications

Deloitte

Deloitte Touche Tohmatsu Limited (Deloitte Global) has been publishing its annual predictions for Technology, Media and Telecommunications (TMT) for 14 years now.

The report analyses the main TMT market developments, with the aim of providing a 12-18 month outlook on key trends. It is based around hundreds of in-depth meetings and interviews with leading TMT executives and commentators, as well as Deloitte member firm clients, Deloitte alumni, TMT analysts, thousands of TMT practitioners and Deloitte's proprietary research programmes, with tens of thousands of consumers from all over the world.

This year's edition of the TMT Predictions, the 14th of its kind, will give you a deep insight into the new TMT trends surging onto the market, such as the Internet of Things (IoT), drones and 3D printers, while looking at the continuing domination of print books and the rise of contactless mobile payments.



Technology

In the area of technology, the following trends are expected to impact the marketplace this year:

- *The Internet of Things (IoT) really is things, not people*—1 billion wireless IoT devices will be shipped in 2015. Enterprises will buy, pay for and use 60% of all wireless IoT devices, despite all the media excitement around consumer uses for the IoT. 90% of the services revenue generated will be from enterprises, not consumers. Why? For consumers, the Internet of Things, also referred to as Machine-to-Machine (M2M), usually solves only one part of the problem. For example, a device may allow you to turn on a washing machine remotely and being notified when the cycle is finished, but the clothes still have to be sorted before washing and taken out of the machine afterwards. The direct benefit to most consumers is likely to be marginal. Most IoT items are selling in their hundreds of thousands to consumers as connected devices, sensors or controllers, while enterprises are buying and using hundreds of millions of IoT devices.
- *Drones: high-profile and niche*—in 2015, drones will have multiple industrial and civil government applications, in addition to the many uses they already have. Drones generally have two main uses. The first and most common use is for observation: aerial inspection with the ability to transmit real-time footage to ground staff. The secondary use of drones (or unmanned aerial vehicles) is for transporting goods. The active base of non-military drones costing US\$200 or more should exceed 1 million units in 2015, with projected sales for the year of about 300,000 units, generating annual revenue of US\$200-400 million. Although the majority are bought by consumers and prosumers, most of the real value will come from business use.
- *Smartphone batteries: better but no breakthrough*—longer battery life is likely to remain a key factor for consumers choosing their next smartphone. The rechargeable, lithium ion (Li-ion) battery technology used in all smartphones will improve only modestly in 2015, with the unit charge or milliampere hours (mAh) no more than 5% greater than a 2014 model of the same dimensions and voltage.

- *Click and collect is booming: popular with consumers, but challenging for retailers*—the number of click and collect locations in Europe will reach half a million in 2015, a 20% increase on the previous year. Click and collect provides shoppers with the option to pick up items purchased online from locations such as a special section in a store, shopping mall or secure locker in a train station, car park, etc..

Other areas of technology reaching the market in 2015 will be the 're-enterprisation of IT', nanosats and 3D printing. Further details on all subjects can be found in Deloitte Global's 2015 edition of TMT Predictions.

Media

Turning to the media, the following trends are likely to have an impact on the marketplace:

- *Print is not dead, at least for print books*—a decade after the launch of the e-reader, print continues to dominate book sales, even in markets with high digital device penetration. Sales from print books will be five times the sales of e-books. In 2015, print will represent more than 80% of all book sales worldwide. Millennials appear to have an antipathy to physical CDs, DVDs, print newspapers or magazines, but this is not the case for books. They prefer print books over e-books because they like to collect books, like their smell and want full bookshelves. Another key value of print books appears to be their covers. E-books are not replacing print in a big way, unlike other digital form factors. Print is likely to generate the majority of book sales for the foreseeable future, as e-book sales volumes seem to have hit a plateau.
- *The 'generation that won't spend' is spending on TMT*—North American millennials will lead the way in 2015 and spend an average of around US\$750 per person on media content: a total of over US\$62 billion from 83 million North American millennials. The biggest media expenditure for most households in North America is pay-TV. It turns out that 18-34 year-olds contribute significantly to media sector sales.

Telecommunications

Finally, 2015 seems promising for the area of telecommunications:

- Contactless mobile payments (finally) gain momentum—the end of 2015 will mark the tipping point for the use of mobile phones for in-store payments around the world. It will be the first year in which the multiple prerequisites for mainstream adoption—satisfying financial institutions, merchants, consumers and device vendors—have been sufficiently addressed. In 2015, about 10% of the base of smartphones worldwide will be used to make an in-store payment at least once a month, compared with less than half a percent (led by early adopters in Japan) of about 450 million smartphones in mid-2014.
- For the first time, the smartphone upgrade market will exceed 1 billion—1.4 billion smartphones will sell worldwide in 2015, but over a billion will be upgrades—new phones for those who already have one. Deloitte predicts that this landmark of a billion upgrades in a single year will generate over US\$300 billion.

In a nutshell, the key points of this year's TMT Predictions are:

- Print books will continue to dominate the publishing industry
- Smartphone upgrades are set to reach one billion in 2015, showing that the market has not yet stagnated
- Organisations are showing a growing interest in new products such as 3D printers, drones and IoT devices. They are adopting new technologies faster than consumers, which puts them back in the forefront of innovative technology

01/

The Internet of Things really is things, not people



02/

Drones: high-profile and niche



03/

3D printing is a revolution: just not the revolution you think



04/

Click and collect booms in Europe



05/

Smartphone batteries: better but no breakthrough



06/

Nanosats take off, but they don't take over



07/

The re-entrenchment of IT



08/

Short form video: a future, but not the future of television



09/

The 'generation that won't spend' is spending a lot on media content



10/

Print is alive and well... at least for books



11/

One billion smartphone upgrades



12/

The connectivity chasms deepen: the growing gap in broadband speeds



13/

Contactless mobile payments (finally) gain momentum





Looking into the future
of financial services

**TUESDAY,
11 JUNE 2015**

From 8.30 a.m to 2.00 p.m.

**PHILHARMONIE
LUXEMBOURG**

With **PIERRE GRAMEGNA**, the Luxembourg
Minister of Finance, as guest speaker

FOR MORE INFORMATION

www.horizonconference.lu

Organised by

Deloitte.

Media partner

PAPERJAM
Business zu Lëtzebuerg

Sponsors

LUXOFT

HORIZON
CONFERENCE
LUXEMBOURG FINANCIAL SERVICES