TecFutures
Strategy Report
December 2025

IoT Value Generation in 2026: Market Dynamics and Strategies

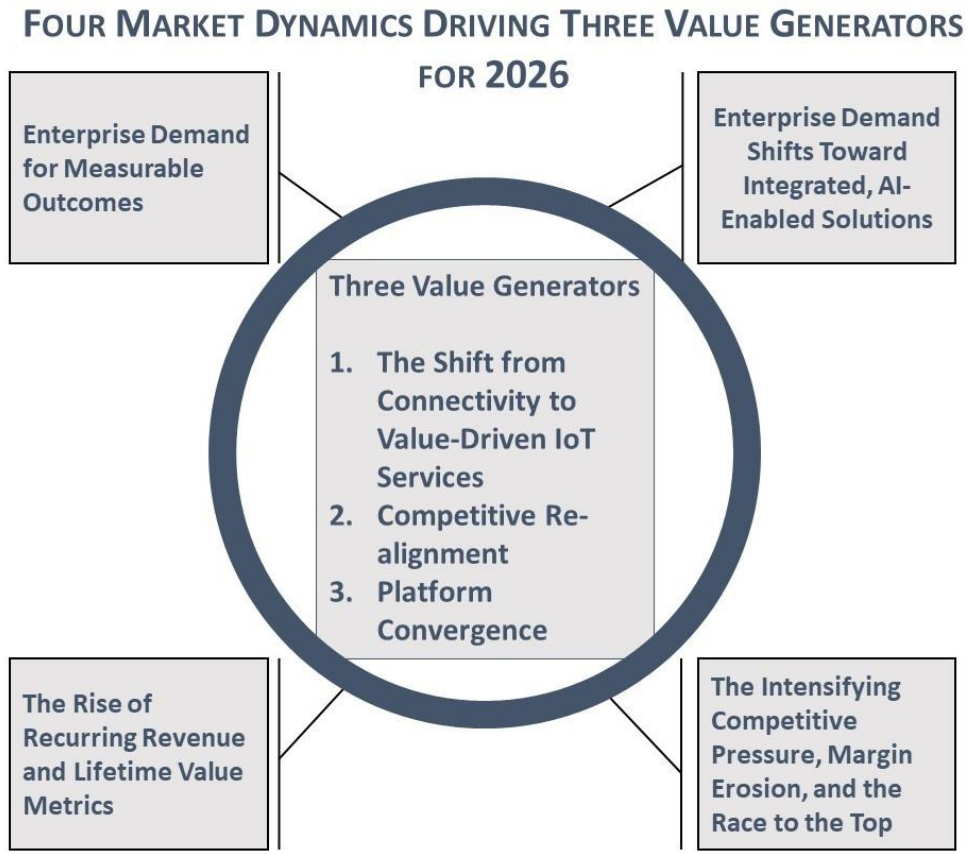
Introduction

The Enterprise IoT market is at a pivotal commercial moment. For Communications Service Providers (CSPs), the traditional business model, which centred on monetizing connectivity volume (SIMs and data), is now eroding due to intense competition and commoditization. Value is migrating rapidly up the technology stack, forcing a strategic and operational reassessment across the entire CSP ecosystem.

This short report outlines the fundamental dynamics driving this transformation. It serves as an analysis of where, and how, sustainable value is being created in the Enterprise IoT space, positioning the strategic actions required for CSPs to move from utility providers to high-value solution orchestrators.

Our analysis identified four important market dynamics that in turn drive three value generator areas for CSPs in 2026.

By analyzing these dynamics, TecFutures provides a clear way forward for CSP leaders to take decisive actions, ensuring sustained commercial performance and competitive advantage in the high-value Enterprise IoT future market.



About TecFutures

TecFutures

TecFutures delivers expert and outstanding custom research, consultancy and advisory solutions to help clients overcome revenue growth challenges, seize new opportunities, and stand out clearly in highly competitive markets.

- Our clients come to us because we are tightly focused on what we do really well: Supporting your revenue growth and everything that revenue growth involves
- We typically work with Telecoms players and IoT CSPs: Product, Sales & Marketing, or Strategy teams in MNOs and MVNOs who like to work collaboratively with us
- Our clients are frequently challenged by a revenue imperative: they need to find ways to grow. And our best clients ask us what we think their options are to do this
- You can expect us to deliver highly actionable outcomes, but we challenge your thinking along the way. We are efficient, effective and agile: We pivot and adjust our approach in response to what we find to achieve an optimum outcome
- We work with you to define the issues (we ask a lot of questions)! Drawing on expertise and experience from leading global consultancies we design a research-based consulting project or retainer program to deliver exactly what's needed. Why research-based? So we always have a link back to market 'ground-truth'

The Shift from Connectivity to Value-Driven IoT Services

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CSPs and IoT providers are rapidly moving beyond simple connectivity revenues toward integrated, outcome-based services combining connectivity, platforms, data analytics, and managed solutions. Value is now generated through solutions that integrate connectivity with platforms, analytics, and managed services. Enterprises no longer buy access; they buy outcomes such as predictive maintenance, energy optimisation or fleet efficiency.

Enterprise Demand Shifts Toward Integrated, AI-Enabled Solutions

Enterprise IoT adoption is accelerating in areas where AI, automation, and edge computing combine to deliver real-time insights, efficiency, and control. The demand is less about connectivity counts and more about integrated intelligent solutions geared around value enhancement.

Enterprise Demand for Measurable Outcomes

Enterprises increasingly expect IoT investments to deliver quantifiable ROI, not experimental pilots. They demand business metrics - reduced downtime, energy savings, asset visibility, compliance improvements - and expect suppliers to share in the results. This shift places a premium on consultative selling and co-creation, where CSPs act as trusted partners rather than suppliers.

Verizon transformed its logistics offering (Verizon Connect) from connectivity sales to a **Telematics as a Service (TaaS)** model. Value is now positioned as quantifiable ROI (e.g., guaranteed 8% reduction in fuel consumption), converting low-margin data consumption fees into high-margin **Platform Subscription ARR** for the full hardware/software stack.

The Shift from Connectivity to Value-Driven IoT Services

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Earlier IoT engagements were often proof-of-concept or technology-led. Now, enterprise buyers demand shared accountability for performance and tangible metrics. CSPs can embed data collection, analytics, and reporting capabilities into every offering to justify premium pricing and sustain value.

Vodafone strengthened its Utilities sector position by aggressively deploying NB-IoT, a technology ideal for low-ARPU, high-volume devices requiring long battery life. By packaging this as a Managed Connectivity Service focused on predictive fault detection and efficient resource management, Vodafone differentiates from low-cost competitors and secures stable, long-term ARR driven by service longevity, enhancing customer value and operational reliability overall, significantly.

The Rise of Recurring Revenue and Lifetime Value Metrics

The most successful CSPs are pivoting to recurring, service-based income models. Instead of chasing new activations, they are focusing on retaining enterprise customers and growing Annual Recurring Revenue (ARR) through managed IoT services, analytics, and data monetisation. This requires new pricing models (subscription, consumption-based, or outcome-linked) and a very different sales process.

Intensifying Competitive Pressure, Margin Erosion, and the Race to the Top

Competition in IoT is intensifying from hyper-scalers offering integrated platforms to MVNOs targeting niche verticals with agile pricing. This has previously triggered a “race to the bottom” on price and forced CSPs to rethink where and how they compete. Margins on core connectivity continue to compress, and differentiation on network quality alone is insufficient. However, this strategy cannot continue. There is a ‘bottom’ that is commercially unsustainable, and the recognition of this is partly the reason why CSPs are revising their strategies for value creation: a race to the top.

Competitive Re-alignment

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In an increasingly competitive market, all CSPs are looking to find new competitive edges that will help secure new business at the 'high' end of the market, but also looking for easier, less competitively intense opportunities in the mid-size enterprise market.

There remains high potential demand amongst the larger enterprise segment, yet this is becoming ever more heavily contested and requires high levels of capability that may limit small to mid-size players from competing. CSPs a have long been aware of the huge mid-market opportunity and there is a race to find growth opportunities in this segment (especially to find new and emerging use case 'clusters' and those that can be thought of as 'under-served').

Data Monetisation Evolution

The next frontier of value lies in turning IoT data into actionable insight. CSPs sit on vast quantities of device, network, and usage data but few have monetised it effectively. By combining this data with AI and analytics, CSPs can offer insights-as-a-service or enable ecosystem partners to build new applications.

"Education and support services are also becoming key differentiators in the SMB market." **Three Ireland**

Mid-Market Challenge

As large CSPs continue to prioritize top-tier enterprise customers, mid-market opportunities are increasingly targeted by agile MVNOs and hyper-scalers. This redistribution of focus is fragmenting the market and redefining where growth can be captured. Previously, CSPs dominated all enterprise segments through scale. Now, mid- market customers demand the same outcome-based solutions and flexibility as large enterprises, pushing CSPs to adapt go-to-market strategies and partner ecosystems to sustain value in this underserved segment.

Competitive Re-alignment

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Organisational Agility and Capability

Internal transformation is essential to capture IoT value. Many CSPs still operate with legacy structures and slow decision cycles unsuited to the dynamic, partner-led IoT market. Success in the next phase requires cross-functional collaboration, agile product development, and incentive alignment across business units.

KORE positions itself as a specialized partner in **Connected Health**, focusing on **Remote Patient Monitoring** (RPM). Their value is not connectivity; it's providing the entire, complex solution stack: certified medical hardware procurement, connectivity (multi-network SIMs), HIPAA/GDPR compliance assurance, and data telemetry/cloud integration. This end-to-end managed service approach generates robust, high-margin ARR by capturing a much larger share of the value chain in a regulated, high-trust vertical.

Soracom differentiates by becoming a **Cloud-Native Connectivity Enabler**. They bypass complex carrier negotiations by offering a single SIM solution with seamless, secure API-driven integration to hyperscalers (AWS, Azure). This abstraction of complexity and the flexible, consumption-based pricing model rapidly captures ARR from agile developers and mid-market firms who prioritize speed-to-market. By reducing the technical complexity and financial commitment required for global IoT deployments, Soracom successfully captured the long-tail of high-growth, agile companies, securing high customer retention and defensible revenue streams via their integrated platform fees and flexible ARR models.

Platform Convergence, Ecosystem Dependency

CSPs are becoming more reliant on platform partnerships to deliver scalable IoT propositions. The convergence of connectivity management, device lifecycle management, cloud integration, and edge analytics platforms is reshaping where value sits. Owning the customer interface is no longer enough and differentiation now depends on interoperability, integration, and co-creation within a broader technology ecosystem.

Hybrid Connectivity

Hybrid and NTN connectivity is rapidly becoming a required capability, opening up new use cases and revenue opportunities. These currently tend to be extensions to existing uses (eg smart agriculture, logistics etc) but we will see the emergence of new ‘remote’ asset uses come into play.

Technology Evolution

Emerging technologies are shifting value creation toward flexibility, performance, and intelligence. eSIM and iSIM are enabling global scalability and simpler provisioning. Private 5G is opening opportunities for high-value, enterprise-grade applications. Edge computing is transforming how and where data generates value, supporting real-time analytics and automation..

Telefónica leverages its 5G Standalone (SA) network capabilities to offer Network Slicing for high-priority enterprise customers (e.g., in manufacturing or emergency services). They sell a "premium mode" connectivity service that guarantees ultra-low latency and predictable performance, even during network congestion. This is a clear move to monetize the Private 5G/Edge technology stack by providing SLA-backed resilience, which is a high-value differentiator for critical industrial applications.

Platform Convergence, Ecosystem Dependency

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Demand for Integrated Security

There is a rising awareness of the need for strong, integrated (and maybe specialist) security capability to ensure resilience and continued operation. As IoT ecosystems expand, security becomes a differentiator and trust enabler. Integrated, end-to-end protection is essential for value realization and regulatory compliance.

Security once existed as an optional add-on. Now, it's a core expectation, deeply embedded in IoT service design. Its role has shifted from risk mitigation to value protection and business continuity, forming part of the proposition that enterprises are willing to pay for.

Demand for Commercial Performance

Despite billions invested, IoT margins remain thin. The market will reward CSPs that can prove ROI, reduce churn and translate operational scale into commercial performance.

Revenue growth will depend on retention, upsell, and cross-sell across enterprise portfolios.

DT IOT targets critical sectors (utilities, smart metering) where security is paramount. They generate premium revenue by delivering a Secure-by-Design Foundation that guarantees regulatory compliance. The value proposition shifts from connectivity speed to risk mitigation and guaranteed resilience, enabling high-margin solutions based on trust and network-level security features like Private APNs and eSIM authentication.

Value Generation in Practice

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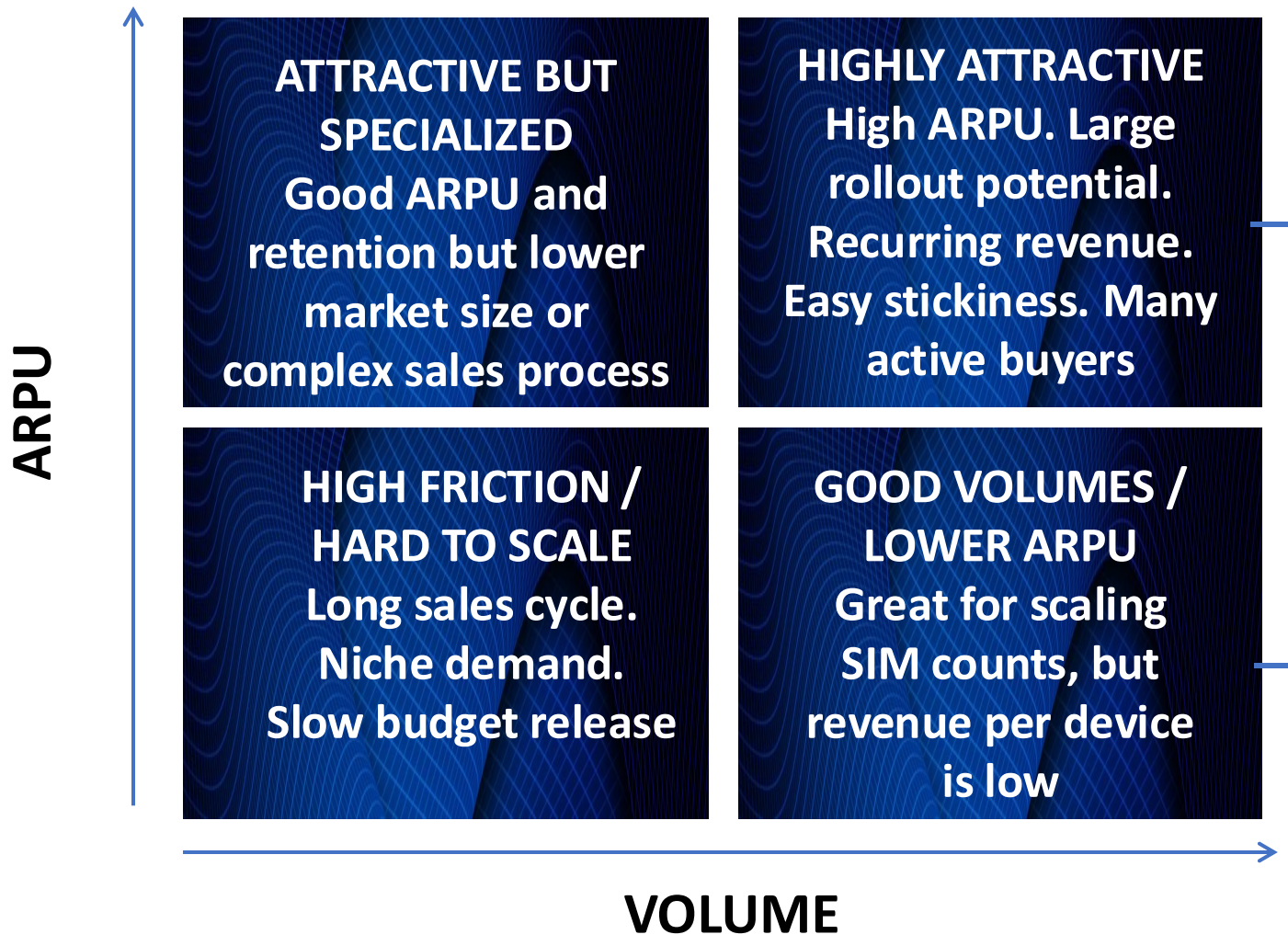

AT&T's fleet management solution uses telematics to deliver real-time vehicle data and analytics, improving cost, safety, and efficiency. Its high-volume, premium, subscription model drives value through insights, strengthens customer retention, and supports long-term revenue through continuous platform use and data-driven decisions.

1NCE transformed low-bandwidth IoT with a 10-year, prepaid flat-rate plan, eliminating cost complexity and margin pressure. By turning connectivity into predictable CAPEX, it reduces operational burden, lowers adoption barriers for mid-market customers, and secures upfront, long-term revenue with maximum customer lifetime value.


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