Steady Commercial and Consumer Adoption Will Drive Worldwide Spending on the Internet of Things to $1.1 Trillion in 2023, According to a New IDC Spending Guide
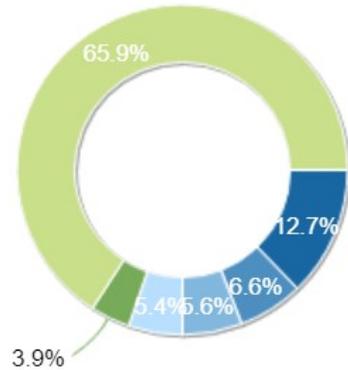
FRAMINGHAM, Mass., June 13, 2019 – Worldwide spending on the Internet of Things (IoT) is forecast to pass the $1.0 trillion mark in 2022, reaching $1.1 trillion in 2023. A new update to the International Data Corporation (IDC) Worldwide Semiannual Internet of Things Spending Guide shows the compound annual growth rate (CAGR) for IoT spending over the 2019-2023 forecast period will be 12.6%.

"Spending on IoT deployments continues with good momentum and is expected to be $726 billion worldwide this year," said Carrie MacGillivray, group vice president, Internet of Things, 5G, and Mobility at IDC. "While organizations are investing in hardware, software, and services to support their IoT initiatives, their next challenge is finding solutions that help them to manage, process, and analyze the data being generated from all these connected things."

The three commercial industries that will spend the most on IoT solutions throughout the forecast are discrete manufacturing, process manufacturing, and transportation. Together, these three industries will account for nearly a third of worldwide spend total in 2023. The primary IoT use case for the two manufacturing industries will be manufacturing operations while transportation industry spending will largely go toward freight monitoring.

The consumer market will be the second largest source of IoT spending in 2019, led by smart home and connected vehicle use cases. With the fastest five-year growth rate across all industries (16.8% CAGR), the consumer market is forecast to overtake discrete manufacturing to become the largest source of IoT spending by 2023.

Figure 1

IDC ANALYZE THE FUTURE **Top Use Case Based on 2023 Market Share (Value (Constant Annual))**

65.9%
12.7%
6.6%
5.4% 5.6%
3.9%

- Manufacturing Operations
- Smart Home
- Production Asset Management
- Freight Monitoring
- Connected Vehicles
- Others

Source: IDC Worldwide Semiannual Internet of Things Spending Guide 2018H2

IoT services will be the largest technology category through the end of the forecast after overtaking hardware spending this year. Together, these two categories account for roughly two thirds of all IoT spending. Services spending goes toward traditional IT and installation services as well as ongoing services such as content as a service. Hardware spending is dominated by module/sensor purchases. Software will be the fastest growing technology category with a five-year CAGR of 15.3% with a focus on application and analytics software purchases.

Two additional trends within the IoT software category include the dominance of vertical industry IoT platforms and the rise of cloud deployments for IoT software. More than three quarters of all spending on IoT platform software – middleware that provides the device management, connectivity management, data management, visualization, and applications enablement for connecting IoT endpoints – will go toward software packages that integrate and support devices, applications, data schemas, and standards of a single industry. And firms are increasingly deploying their IoT software, including applications, analytics software, and IoT platforms, to the cloud. By the end of the forecast, nearly one third of IoT software spending will go toward public cloud deployments, compared to less than 20% spent on cloud deployments in 2018.

"The new Deployment Type segmentation in the IoT Spending Guide draws sharp lines that identify opportunities for software growth via public cloud services. Segmented at the deepest level, clients can now prioritize strategy planning at the region/country, industry, and use case levels," said Marcus Torchia, research director, Customer Insights & Analysis.

The United States and China will account for roughly half of all IoT spending throughout the forecast, followed by Western Europe and Asia/Pacific (excluding Japan and China). The regions that will see the fastest IoT spending growth are Latin America and the Middle East and Africa with CAGRs of 23.1% and 19.5% respectively.

The Worldwide Semiannual Internet of Things Spending Guide forecasts IoT spending for 14 technology categories and 59 named use cases across 20 industries in nine regions and 53 countries. Unlike any other research in the industry, the comprehensive spending guide was designed to help vendors clearly understand the industry-specific opportunity for IoT technologies today.

About IDC Spending Guides

IDC's Spending Guides provide a granular view of key technology markets from a regional, vertical industry, use case, buyer, and technology perspective. The spending guides are delivered via pivot table format or custom query tool, allowing the user to easily extract meaningful information about each market by viewing data trends and relationships.

For more information about IDC's Spending Guides, please contact Monika Kumar at mkumar@idc.com.

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