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CONTACT:

Rob van der Meulen

Gartner

+ 44 1784 267 738

rob.vandermeulen@gartner.com

**Gartner Says Personal Worlds and the Internet of Everything Are Colliding to Create New Markets**

* ***By 2020, Internet of Things Will Create $1.9 Trillion of Economic Value Add***
* ***In 2020, Over 30 Billion Connected Devices Will Be In Use***

Barcelona, Spain, 11th November, 2013 — With the digital world upon us, digitalisation will significantly change the technology market through the Internet of Things, according to Gartner, Inc. While IT spending in Europe, the Middle East and Africa (EMEA) will show an average annual growth rate of 2.2 per cent through 2017, the Internet of Things (things, people, places and systems) will create new markets and a new economy.

“The traditional IT market is not going to grow at a faster rate any time soon, if ever. Increased growth will come from the non-traditional IT market,” said Peter Sondergaard, senior vice president at Gartner and global head of Research. “While in 2015 the combined IT and telecom market will hit nearly $4 trillion, the incremental revenue generated by the Internet of Things’ suppliers\* is estimated to reach $309 billion per year by 2020. Half of this activity will be new start-ups and 80 per cent will be in services rather than in products. The Internet of Things is a strategically important market. It will accelerate fast and will drive both revenue and cost efficiencies.”

Gartner analysts are examining the future of the digital world in front of an audience of more than 4,800 CIOs and IT leaders at Gartner Symposium/ITxpo 2013, which is taking place in Barcelona through 14 November.

In 2009, there were 2.5 billion connected devices; most of these were mobile phones, PCs and tablets. In 2020, there will be over 30 billion devices connected, of far greater variety (see Figure 1).

**Figure1. Total of Connected Devices, Billions of Units (Installed Base)**

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Source: Gartner (November 2013)

 “The Internet of Things will create greater economic value for all organisations, and for the global economy,” said Mr Sondergaard. Gartner predicts that the total economic value add for the Internet of Things will be $1.9 trillion dollars in 2020, seen across a number of industries. The verticals that are leading its adoption are manufacturing (15 per cent), healthcare (15 per cent) and insurance (11 per cent).

For example, the manufacturing sector will benefit from producing billions of devices and from more efficient tracking of materials and components leading to cost efficiencies. In healthcare, smart slippers and other wearable devices for elderly people contain sensors that detect falls and various medical conditions. If something is amiss, the device will alert a doctor via e-mail or text message, possibly preventing a fall and a costly trip to the emergency room. Another example includes installing sensors in cars that provide a pay as you drive insurance that links the insurance premium to the individual’s risk profile.

“The Internet of Things enables solutions that are optimised for the customer and enables new innovative business models. This will allow companies to move away from blanket pricing to more tailored solutions which benefit both company and customers,” said Mr Sondergaard.

The Internet of Everything and the Nexus of Forces, which combine the physical world and the virtual, will drive organisations and their CIOs toward an all-embracing digital future. “No matter what business or service organisations deliver today, digitalisation is changing it and becoming pervasive inside organisations,” said Mr Sondergaard.

The Internet of Everything will re-invent industries at three levels: business process, business model, and business moment.

“At the first level, digital technology is improving our products, services and processes, our customer and constituent experiences, and the way we work in our organisations and within our partnerships,” said Hung Le Hong, research vice president and Gartner Fellow. “We do what we normally do, but digitalisation allows us to do it better or develop better products within our industry.”

As companies digitalise products and process, completely new ways of doing business in industries emerge. Gartner analysts expect more transformational changes as digitalisation re-invents industries at the business model level. Mr Le Hong gave the examples of Nike, playing on the edge of the healthcare industry with its connected sporting clothes and gear, and Google having a visible presence in autonomous vehicles. “These organisations had no business in your industry, and are now re-inventing them,” said Mr Le Hong.

The third level of digital re-invention is created by the need to compete with unprecedented business velocity and agility. Gartner calls this the “business moment.”

Mr LeHong used the example of large hotel chains such as Starwood, Hilton, and Hyatt hotels that keep competing against first wave of digital business models from the e-commerce era from sites such as Hotels.com. However, the new digital business model created by companies such as AirBnB is causing these hotel chains to compete against an expanding inventory of rooms, not in other hotels, but in their customer’s own homes.

“The source and inventory of room changes every single night – creating competition at the business moment level,” Mr LeHong said. “A ‘business moment’ can come from nowhere, yet are increasingly everywhere, and are almost never the same in product, time frame or competitor.”

The Internet of Things will create tens of millions of new objects and sensors, all generating real-time data. “Data is money,” said Nick Jones, research vice president and distinguished analyst at Gartner. “Businesses will need big data and storage technologies to collect, analyse and store the sheer volume of information. Furthermore, to turn data into money business and IT leaders will need decisions. As they won’t have the time or the capacity to make all the decisions themselves they will need processing power. Computers can make sophisticated decisions based on data and knowledge, and they can communicate those decisions in our native language. To succeed at the pace of a digital world, you’ll have to allow them to do so.”

Compared to where organisations were a year or two ago most CIOs have made significant progress on embracing digitalisation, yet nearly half of CIOs said that they are not ready to meet the digital challenge.

“Now that digital is embedded in everything we do, every business needs its own flavour of digital strategy. Vanilla is off the menu,” said Dave Aron, research vice president and Gartner Fellow. “Digital is not an option, not an add-on, and not an afterthought; it is the new reality that requires a comprehensive digital leadership.”

Business needs digital leadership that can recognise the huge opportunities in shifting business models; leadership that can create the freedom and agility to capture business moments, and leadership that extends itself beyond company boundaries to guide and shape the ecosystem. “Just like with the strategy, the flavour of digital leadership is not vanilla,” said Mr Aron. “CIOs must explore, adapt and embrace the new digital realities. They must be fearless digital leaders.”

**Note for editors:**
\*The Internet of Things encompasses hardware (the ‘things’ themselves), embedded software (software running on, and enabling the connected capabilities of the things), connectivity/communications services, and information services associated with the things (including services based on analysis of usage patterns and sensor data). The companies that provide this hardware and these services will be referred to as Internet of Things Suppliers.

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