



How will connectivity
be sold in future?

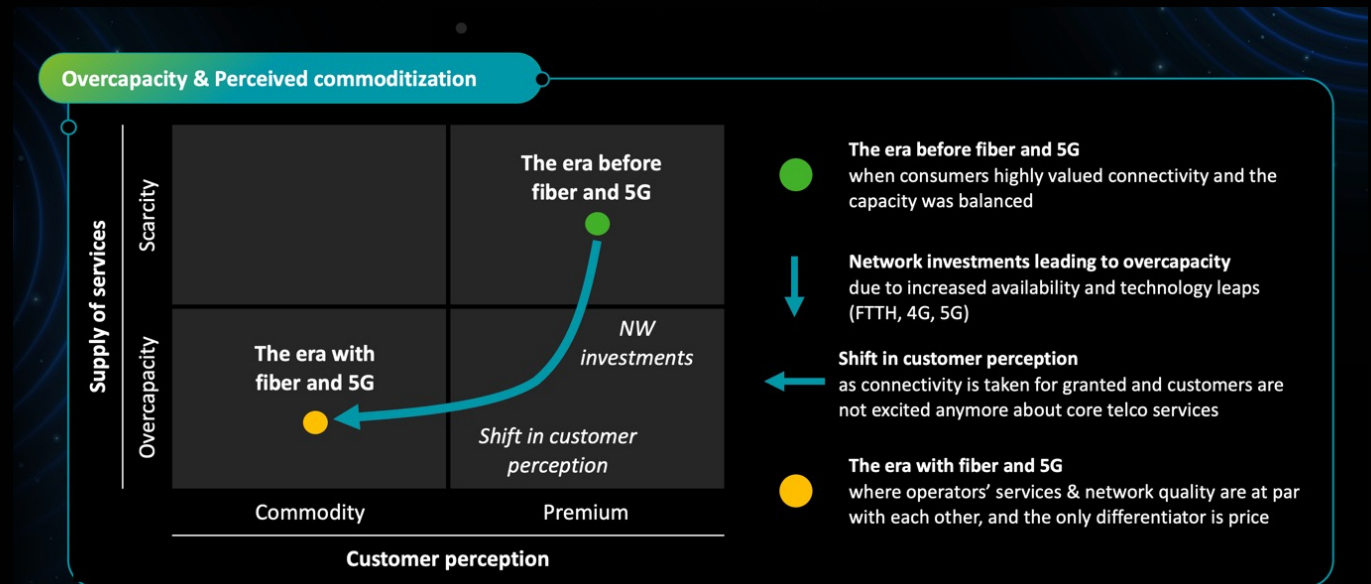
How will connectivity be sold in future?

Overcapacity is threatening to disrupt the telecoms industry in the Netherlands, but change will take time

In the Netherlands, the telecoms industry is entering a new era, defined by major overcapacity in both mobile and fixed networks. On the positive side, many more devices such as cars, drones, laptops, wearables etc, require connectivity. The question that we often get asked is: will telcos continue to play a central role for connectivity or do they run the risk that device makers and application providers, taking advantage of eSIM (embedded SIM) technology, provide embedded connectivity direct to consumers themselves?

That risk is real. But at Deloitte, we think telcos are very unlikely to be displaced within the next decade, primarily because these device and application providers are serving a global market, in which only a minority of countries have connectivity as ubiquitous and robust as that in the Netherlands. While the over-supply of capacity means price levels will likely be under pressure, their position as the primary suppliers of connectivity to consumers looks fairly secure.

Drawing on surveys of telecoms executives and consumers in the Netherlands, this article explores how connectivity will be sold in the future, and the evolving role of telcos as their connectivity services shift from being scarce and at a premium to being commoditized by overcapacity. While we expect telcos to remain in control of the retail connectivity market well into the 2030s, their relatively high profit margins are going to be under pressure.



While in most industries overcapacity is a result of newcomers entering the market, in the Netherlands (and some other developed markets), telcos have been the architects of overcapacity: their investments in fiber-to-the-home (FttH) and 5G networks mean that there is now far more capacity available than is required by the average subscriber or household (see graphics).

As a result, consumers are increasingly taking connectivity for granted and are no longer excited about core telco services. As operators' network quality is now far better than most people need, and to date telcos have not been able to 'de-commoditise' connectivity, the remaining differentiator is price.

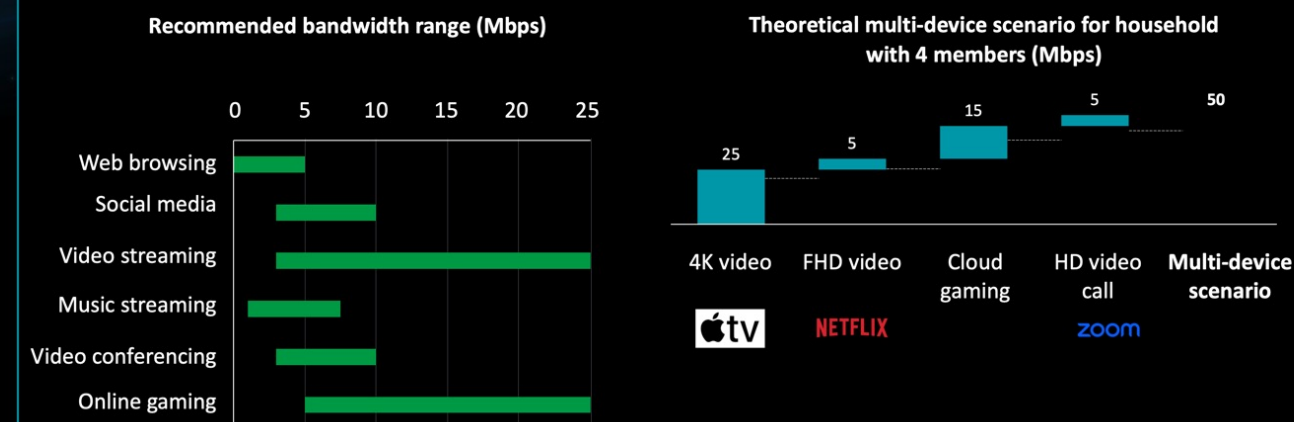
At the same time, the advent of embedded SIM cards (eSIMs) is making it easier for people and devices to swap from one cellular network to another. Using eSIMs, equipment manufacturers can configure cellular connectivity right up to the point of sale – there is no longer a need to physically insert a SIM card into a device to connect it to a cellular network. Equally, eSIMs can enable consumers, virtual network operators and device manufacturers to switch from one network to another through a simple online purchase of airtime.

Two possible futures for telcos

The combination of over-capacity and eSIM technology calls into question the future role of telcos. Looking forward to the end of the decade, one of two scenarios could come to pass. In the first, telcos retain control of the connectivity market. They benefit from the fact that new applications (e.g. based on artificial intelligence) make extensive use of connectivity, re-creating the balance between supply and demand. These applications could, for example, include virtual reality and augmented reality services, which require very low levels of latency, as well as high throughput connectivity. Such a dynamic would help telcos to de-commoditize their core offering. Assuming equipment providers do not generally integrate connectivity into their products, telcos would be able to maintain the customer relationships, configuring eSIMs for their customers to use across different devices.

In the alternative scenario, connectivity becomes an invisible part of another product or service. By 2030, for Dutch consumers, connectivity is akin to water and electricity – it is always there when you need it. Equipment makers and application providers have successfully harnessed the flexibility of eSIMs to take advantage of the over-capacity in the high-quality networks built by telcos. If you buy a vehicle, a laptop or any other connected device, you will simply pay for the connectivity as part of the product bundle, without knowing who the connectivity supplier is. In effect, telcos would be disintermediated. To make matters worse, many devices may not need a great deal of connectivity - if vehicles, for example, have AI capabilities built in, they will not make extensive use of bandwidth.

Overcapacity



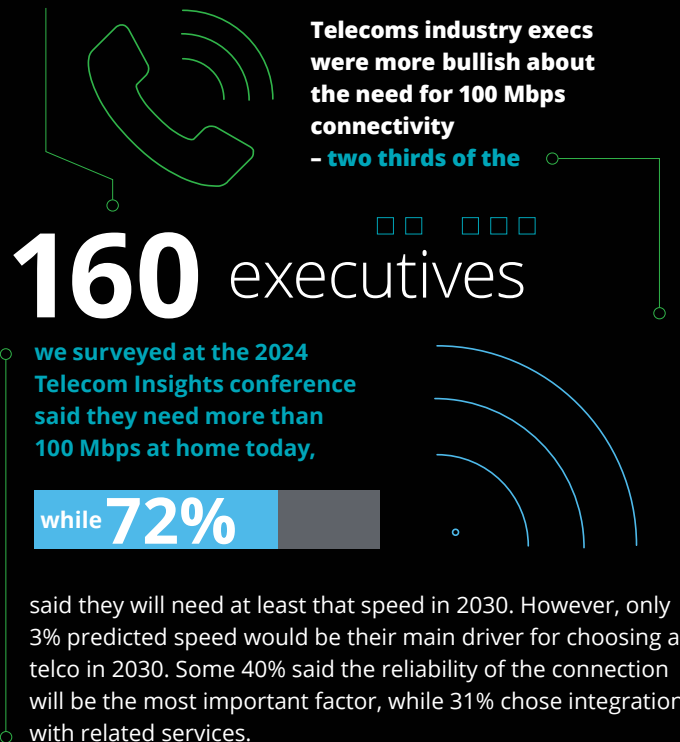
Is there a need for more speed?

For a long time, the telecoms industry has focused on making connections faster and faster. Most telcos in the Netherlands are now even offering multi-gigabit fiber connections. Although about one in 14 households are buying this connectivity, they are unlikely to need it. In reality, even a household of four will rarely require more than 50 Mbps at a time (see chart), even if they are using multiple streaming, cloud gaming and video call services.

Despite telcos' marketing efforts, most Dutch consumers are aware that they don't need gigabit broadband. In our recent survey of 1,000 Dutch consumers, only

45% **felt they need more than 100 Mbps connectivity today, and only 51% anticipated that they will need that speed by 2030.**

Admittedly, a large minority (31% and 29%) answered "don't know" in each case. When asked to imagine returning to the Netherlands in 2030 after living abroad, only 12% of consumers said the speed of connectivity would be the main driver for choosing a telco. By contrast, 34% chose price and 33% opted for reliability.



These results underline the fact that for most people, reliable connectivity is crucial – they have become dependent on digital services in their personal and professional lives. While that could provide an opportunity for telcos to differentiate themselves, all the network operators in the Netherlands provide very robust connectivity. According to Umlaut, in 2024, the three Dutch mobile networks rank in the top 10 in the world in terms of quality. As one telecoms executive interviewed by Deloitte put it: “with quality and speed no longer a distinguishing and decisive factor, we need to find a new way to remain relevant for customers”. In other markets, telcos may still have some scope to differentiate themselves on the basis of network quality.

Should telcos be responsible for security?

Reliability isn't the only thing end users should care about. As connectivity has become so fundamental to our daily lives, we are sharing a lot of personal and sensitive information over networks. For telcos, the provision of highly secure connectivity could be a means to differentiate. But who do end users trust to keep them secure?

To find out, we asked both the consumers and the industry executives who would they call for help if they are hacked in 2030. Among the consumers, 49% said a cyber-security company, as did 30% of the telecoms executives. Only 23% of the consumers and 20% of the executives said they would contact the company that sold them the connectivity. Those results imply that telcos in the Netherlands haven't yet firmly positioned themselves as guardians of digital security.

How will people buy connectivity in 2030?

In our surveys, we also sought to ascertain whether people will continue to buy connectivity directly from telcos or whether they will buy their connectivity bundled with the device or vehicle they are buying. Only 27% of the telecoms industry executives we surveyed said they expect to be sourcing their own connectivity for new devices, such as laptops, tablets, phones, cars, alarm systems and smart watches, in 2030. The other 73% said they expect an eSIM to be already installed in the device when they buy it. At the same time, 83% of the executives said they expect to take out a single subscription with one operator in 2030, which will allow them to order all the eSIMs they need.

Among the consumers we surveyed, 47% anticipate dealing with a single connectivity subscription in 2030, although 31% answered “don't know”. Only 17% of the execs and 10% of the consumers expect to have a separate contract for each SIM. However, 12% of the consumer respondents believe they will have a single subscription for their phone and smartwatch, but separate subscriptions for their car, alarm system and other connected devices. The findings suggest that, for most people, the simplicity and convenience of a single contract that covers all their connectivity needs is appealing.

Global dynamics will help protect telcos

Despite the upheaval and disruptive forces discussed in this article, we anticipate that telcos will remain largely in control of the retail connectivity market in the Netherlands in 2030. That belief is based on three dynamics.

The first is that applications that require more than 100 Mbps are not on the horizon. Even if new advanced applications, such as for example hologram calls, gain traction, they will be designed for deployment across the world and therefore won't be dependent on connectivity that is much faster than 100 Mbps.

In a similar vein, device makers and application providers are looking to serve a global market. In practice, that means they won't build connectivity into their propositions until most markets have networks that are as fast, ubiquitous and robust as those in the Netherlands. This will take a very long time.

Finally, most device makers and application providers do not have, and do not want to build, the helpdesks and customer service operations required to support connectivity. Providing this kind of customer support across multiple markets would be both complex and costly.

Therefore, in our view, it will be a long time, if at all, for third parties to take over the sale of connectivity from telcos. That doesn't mean telcos can rest easy – they still face a highly disruptive decade in which both revenues and profits could be sorely squeezed.

Get in touch

Contact us to discuss how your organization can navigate the future of connectivity and leverage emerging opportunities in the telecoms industry.

Jan-Piet Nelissen | Partner Monitor Deloitte
jnelissen@deloitte.nl | +31 (0)88 288 2397

Jens Groot | Director Monitor Deloitte
jgroot@deloitte.nl | +31 (0)88 288 4816



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at www.deloitte.com.

This communication and any attachment to it is for internal distribution among personnel of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms and their related entities (collectively, the “Deloitte organization”). It may contain confidential information and is intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient, please notify us immediately by replying to this email and then please delete this communication and all copies of it on your system. Please do not use this communication in any way. None of DTTL, its member firms, related entities, employees or agents shall be responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.