

Scaling Personal Cloud: Emerging Opportunities for Operators



Personal cloud services provide for the storage of consumer data – photos, videos, documents and more – that can be accessed from any device. It is big business.

At the end of 2019 in the United States alone, personal cloud service providers reported 407 million users. Given that the population of the United States was only 328 million at the time, it's clear that many people were taking advantage of multiple personal clouds. The United States has not been alone in its embrace of cloud services, either. The fact is that the use of personal cloud services is growing exponentially around the world.

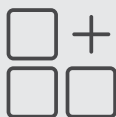
What's the personal cloud market worth? Why does it matter?

The numbers are impressive. Management consultancy Arthur D. Little estimates the total addressable market for personal cloud in the United States in 2020 at \$7 billion and predicts it will rise to \$8.9 billion by 2025. The serviceable addressable market stands at \$3 billion today, rising to \$5.2 billion in 2025. This represents a compound annual growth rate of 12%. Globally, the personal cloud market is estimated to be worth between \$15 billion and \$25 billion in five years' time.

EXECUTIVE MARKET REPORT



The personal cloud market in the United States is poised to grow from a ~\$3.0B (TAM ~ \$8.9B) market in 2020 to a ~\$5.1B market in 2025, representing a CAGR of 12%. The global personal cloud market is estimated to be ~\$15B – ~\$25B



The market today is dominated by platform players (players whose cloud offerings are intricately linked to their core offerings). Such players include iCloud by Apple, Google Drive and OneDrive and account for 66% of the overall user base

Scaling Personal Cloud: Emerging Opportunities for Operators



Monetization of the user base is expected to ramp up over the next few years as personal cloud providers choose not to increase the amount of free storage provided and user storage requirements increase over the same time period



Most personal cloud providers have a large base of non fee-paying subscribers they can monetize (pipeline of semi-acquired customers). Insight into when such users are expected to hit their free limits will allow providers to target special offers



To gain additional traction with users, personal cloud providers should consider enhancing their product to be more “use-case specific.” Providers could offer features beyond music and photos to target customers with education, healthcare and home offerings



Telecom operators still have the right to play and win the PC market, which continues to evolve with significant monetization whitespace. Telecom operators should deploy a mix of product and sales & marketing strategies to realize this vision

So why does this matter to operators?

To better understand, compare personal cloud’s growth rate to industry analyst expectations of 2020 telecoms revenue growth in developed markets. Analysys Mason’s pre-COVID-19 forecast was for an increase of 0.7%. In April, the firm revised its expectations, predicting a year-over-year decline in telecoms revenue of 3.4%. In 2021, Analysys Mason is predicting just a 0.8% revenue increase – less than the anticipated rebound for global GDP.

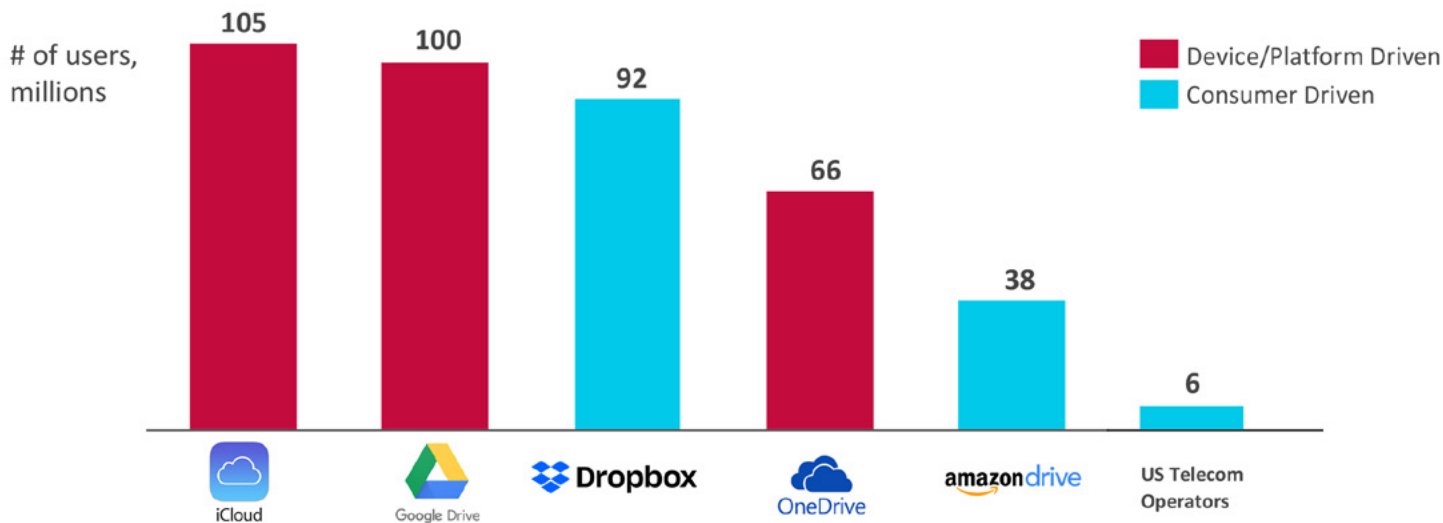
In summary, operators need to find multiple growth drivers. With its double-digit CAGR potential, personal cloud should be at the top of the list. It represents a relatively new, rapidly growing revenue opportunity. In fact, increasing ownership of the personal cloud user base is possibly the greatest incremental revenue opportunity available to operators today. However, given the competitive pressures within personal cloud, operators must deploy the correct strategy.

Consumer preference drives strategy

Today’s personal cloud market is dominated by platform players whose cloud offerings are intricately linked to their core offerings. Three of these goliaths – Apple iCloud, Google Drive and Microsoft OneDrive – are driven by device and platform usage. The other two – DropBox and Amazon Drive – are driven by active consumer decisions.

Scaling Personal Cloud: Emerging Opportunities for Operators

The 407 million accounts in existence in the United States are shared like this:



Source: Arthur D. Little research and analysis, company press-releases

TODAY, AMERICAN OPERATORS CLAIM JUST 1% OF THE PERSONAL CLOUD MARKET.

Furthermore, personal cloud services available to consumers today are not just about storage. Their utility is growing. An analysis of the features offered by personal cloud providers gives an indication of the direction of product development.

	UNIQUE FEATURES	BASIC FEATURES (Common to all)
	<ul style="list-style-type: none"> File & version recovery Team folders Link permissions 	<ul style="list-style-type: none"> Access through multiple devices File Sharing Group Sharing Photo Editor Music Player Photo tagging Family usage Casting Folder syncing
	<ul style="list-style-type: none"> Dropbox paper Smart Sync Admin dashboard 	
	<ul style="list-style-type: none"> Apple ecosystem linkage Photostream does not count towards 5GB limit iCloud API for app developers 	
	<ul style="list-style-type: none"> Alexa Integration – “Show my Photos” command FIRE Integration Custom prints 	
	<ul style="list-style-type: none"> O365 web for free Personal vault for 3 files Version history Real-time collaboration Offline files 	
	<ul style="list-style-type: none"> AI-driven search with image recognition Google docs collaboration Scan and store instantly Old version recovery Photos animations, editing 	

Source: Arthur D. Little research and analysis

Scaling Personal Cloud: Emerging Opportunities for Operators

Over the last few years, personal cloud providers have built a set of features common to all players. Consumers expect these features – including multi-device access, group sharing, music players and photo tagging – as a minimum from any personal cloud service.

Especially interesting is how sets of unique features have developed, often linked to the specific capabilities and assets belonging to the platform providers. Apple, for example, is able to increase the utility of iCloud through its API for app developers. Google can offer AI-driven search, image recognition and photo editing capabilities.

Utility, as well as scale, is becoming a source of competitive advantage. Operators will struggle to compete if they do not have the right strategy.

The price of doing nothing

If operators choose not to target personal cloud services, which in some cases might be entirely legitimate, they will need to accept a number of consequences.

The first, simply put, is money left on the table. In just the United States alone with its serviceable addressable market of \$5.2 billion by 2025, choosing not to participate is a risk.

The second is a loss of customer engagement. Marc Allera, CEO of BT's Consumer Division (including BT, EE and Plusnet), recently commented that the telecoms sector has become de-commoditized during the COVID-19 pandemic as consumers increasingly recognize the true value of their mobile, broadband and TV subscriptions. Notably, BT is among the early adopters to offer an operator-branded personal cloud solution to their customers. However, more broadly it's likely this change in sentiment will prove a spike in an otherwise downwards trajectory. Operators need to find ways of being more visible with consumers. An effective personal cloud offering would help.

The third is further disintermediation of the operator. It's been 15+ years since industry watchers started using terms like "dumb pipe." With valid arguments both for and against the relevance of this terminology today, very little argument exists around the idea that the telecoms industry has ceded much of the value created by 4G services to a variety of web scale platform players. Failing to effectively compete for personal cloud would represent a similar surrender, with long-term implications for the role of the operator in the value chain and its ability to compete.

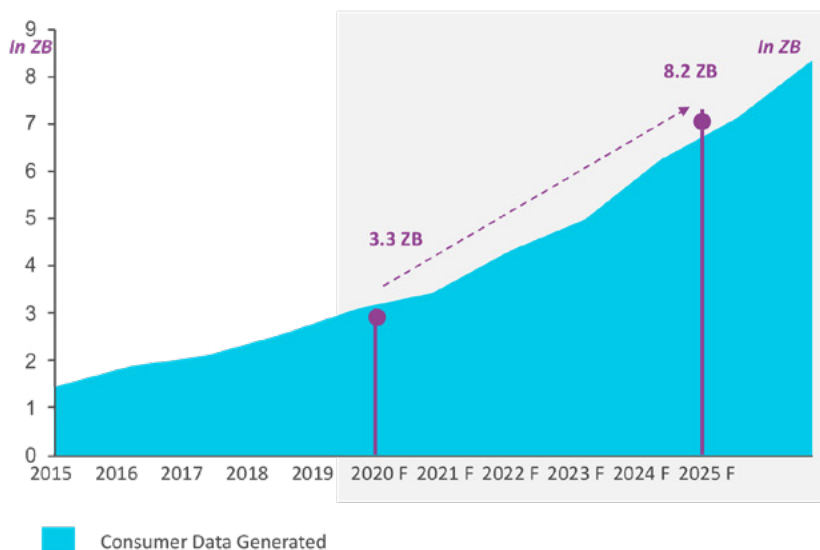
Today, three critically important market dynamics make personal cloud a legitimate target for operators around the world who are willing to undertake the required product, sales and marketing push.

Scaling Personal Cloud: Emerging Opportunities for Operators

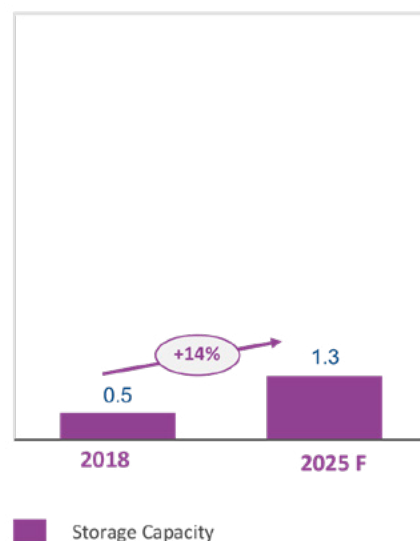
Market dynamic #1: what happens when 'free' runs out?

The consumer datasphere – the amount of consumer data being generated – is subject to ongoing, rocketing growth.

Consumer Data Generated (datasphere)



Storage Capacity



Source: IDC, Arthur D. Little Research and Analysis

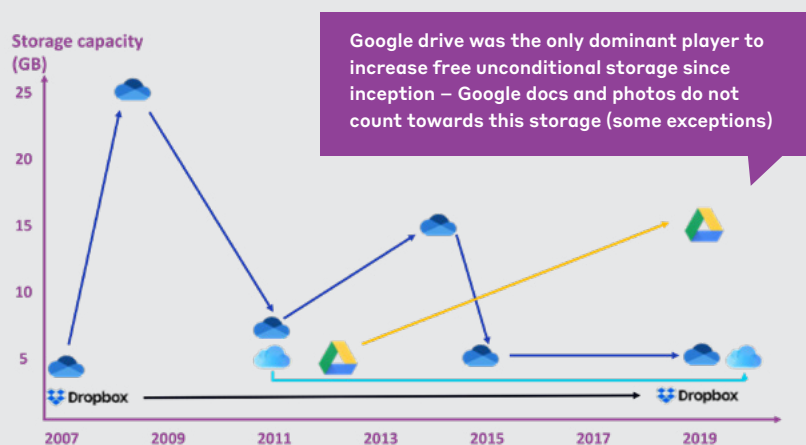
Measured in zettabytes (a trillion gigabytes), IDC estimates that the volume of consumer data generated in 2020 in the United States will be 3.3 ZB. By 2025, this will reach 8.2 ZB, a 148% increase. Of course, the vast majority of this data will never be stored. The amount of storage capacity required is much smaller. In 2018, this was 0.5 ZB, but it's forecast to grow by 160% to 1.3 ZB by 2025.

The trendlines demonstrate that a) consumers will continue to generate huge amounts of data, and b) the capacity required to store that which consumers perceive as valuable will rise in tandem.

This is important for two reasons. The first is that the need for personal cloud services will continue to increase. The second is that free storage on platform provider personal cloud services is running out.

Apple iCloud, Google Drive, DropBox, Microsoft OneDrive and Amazon Drive all operate freemium models. Consumers receive a specific amount of data for no cost and are encouraged to pay for more space. Today, all of these platform providers aside from Google have not substantially increased their free storage capacity compared to what they offered at launch. In November 2020, Google announced it would end free cloud storage above 15GB for its Google Photos users beginning June 1, 2021.

Scaling Personal Cloud: Emerging Opportunities for Operators



Source: Various press releases, company websites, Arthur D. Little Research and Analysis

The stagnant growth in free personal cloud capacity from platform players combined with rocketing data storage requirements means that many of these plans are full or nearly full. This creates an inflection point for hundreds of millions of consumers globally. Do they stick with the free service they have and delete valuable content to make more space? Do they buy additional storage on their existing personal cloud platform, locking them in a specific ecosystem? Or do they consider other personal cloud options? Arthur D. Little believes this conundrum leaves operators well-positioned to move subscribers to paid cloud plans.

Market dynamic #2: who do consumers trust?

To date, personal cloud adoption has been driven largely by ecosystem choices, not active decisions. Consumers value price, level of storage and interoperability most. However, as security, privacy and data ownership topics continue to make headlines, consumers are looking closer at how their files are being protected.

Increasingly, consumer decisions about personal cloud providers will be motivated as much by who they trust to safeguard their personal data as by the ecosystem. Operators are in an excellent position to extend their long-standing reputations as trusted guardians of personal info to their cloud offerings.

Market dynamic #3: who's better at monetization?

The final market dynamic that favors operators is personal cloud monetization. In the United States, for example, only 1% of Amazon Drive customers are paid users and 2% of DropBox subscribers are paid users. Google Drive and Microsoft OneDrive count 15% of their user base as paying customers. Of all the platform providers, only Apple iCloud is performing well, with 59% of its subscribers paying to use personal cloud services.

Meanwhile, U.S. telecom operators have 1% of the personal cloud market, but 100% - every single one - of their subscribers pays for the service. On average, operator customers are four times more likely to pay for personal cloud than platform providers. That's very good news for operators as they consider their personal cloud strategy.

Scaling Personal Cloud: Emerging Opportunities for Operators

SECURING MARKET SHARE: STRATEGIC RECOMMENDATIONS FOR OPERATORS

Arthur D. Little benefits from decades of consulting expertise in telecoms, media and technology. Synchronoss provides personal cloud capabilities to operators across the world. Based on market data, trends and this deep experience, they make the following recommendations for operators:

Short term: A series of ‘quick wins’

There are a number of quick wins that operators can implement across product and sales and marketing:

- 01** | Increase personal cloud app visibility on the operating system so personal cloud is easier for consumers to access.
- 02** | Increase personal cloud app interoperability by giving the ability to pull/push data from/to other apps, which will start to position the operator’s personal cloud app as a “hub app.” Orange Cloud has implemented such a solution.
- 03** | Leverage online and in-store sales teams to promote the personal cloud product. Evidence indicates this has been effective in driving uptake for operators around the world, but the effort must be sustained.
- 04** | Targeting particular segments – especially family plan customers and customer cohorts with a particular interest in education, healthcare and gig economy work – will prove more effective. Compelling use cases in the family segment are driven in part by recent trends around increased family engagement.

Long term: A ‘cloud-first philosophy’

Longer term, a cloud-first philosophy rather than an ecosystem-first philosophy is critical to drive consumers to use operator-provided personal cloud for hosting various applications. Taking photos through the app, playing games through the app and other similar activities will drive high app usage and provide consumers with something more valuable than just storage. The key to this is the interoperability established in the short-term strategic recommendations.

This course of action will require establishing partnerships with app developers and re-architecting personal cloud apps. However, by making the personal cloud app the hub for multiple daily activities, it will provide the foundation for the development of high-quality, popular and engaging services in the future – and insulate operators against offers from the platform providers.

Scaling Personal Cloud: Emerging Opportunities for Operators

A bright future for operator personal cloud

Globally, the scale of the personal cloud market is expected to be valued at between \$15 billion and \$25 billion in five years' time. The CAGR of personal cloud significantly outstrips that of more traditional telco markets. Yes, platform players have captured the majority of the early market, but this has been mostly through freemium offers that are failing to convert into revenue-generating services. And while these same players have a head start over operators, the utility of their offerings has not yet diverged significantly from the basics.

Three market dynamics – the skyrocketing of data storage requirements and the filling up of free cloud storage; the dwindling trust consumers exhibit towards platform providers regarding security, data ownership and privacy; and the fact that operators have demonstrated a strong capability to monetize personal cloud – put operators in a commanding position to tackle personal cloud and generate meaningful revenues.

With the right mix of short-term and long-term strategies, operators could soon start to augment traditional revenue streams with something that is new, fast-growing and has serious long-term potential. Personal cloud may be one of the best growth opportunities facing operators over the next five years. Only time will tell if they grasp this potential.

How Synchronoss can help

Synchronoss powers the personal cloud platforms of tier-1 operators around the world. It counts Verizon, AT&T and BT among its customers.

The Verizon logo, featuring the word "verizon" in a bold, black, sans-serif font with a red checkmark above the "i".

Based on the experience of its global team and client base, Synchronoss deeply understands the short-term strategies operators need to put in place in order to maximize the immediate opportunities afforded by personal cloud and can help operators develop strategies for the long term, taking into account the dynamics of their specific markets. Partnerships with thought leaders like Arthur D. Little help Synchronoss' customers chart a course for future success – whether they are at the start of their personal cloud journey or building on an installed base of engaged customers.

TO LEARN MORE ABOUT SYNCHRONOSS PERSONAL CLOUD, CLICK HERE.