

# inCode Sees 2012 as the Year of Disruption and Inflection for Telecom

- inCode's annual top ten predictions outline telecommunications roadmap for 2012
- Apple and Android to dominate all other mobile phone OS competition
- Major deals, acquisitions and mergers likely among top five mobile carriers

inCode, a division of Ericsson, today released its annual predictions for the telecommunications market in 2012. Each year, inCode's predictions provide a sneak peek of the future and serve as guidance for companies in the telecommunications market. From wireless carriers to operating systems to cutting the broadband cord, less looks to be more in 2012.

**1. Shotgun Weddings:** Even though ATT was left at the altar in its attempt to acquire T Mobile this will not be the end of marriage attempts involving many in the industry. Rather, the situation with all operators facing the looming and growing crisis based on growing data demand and dwindling spectrum capacity and the need for scale to stay cost competitive, will force a number of players into arrangements who in other circumstances would not have considered coming together. In 2012 we will see major deals, acquisitions and mergers among the top five carriers, as well as potential new players such as Dish and CenturyLink.

**2. And Then There Were Two:** At the end of 2008, Nokia held about 40 percent market share of smartphone devices, RIM held about 20 percent, Apple had just over 10 percent and there were a total of seven competing vendors in the device OS space. How things have changed over the last few years with Android becoming an unstoppable force. In 2012, particularly in the United States market, the choice in smartphones will really come down to just two: Apple versus Android, particularly as Android continues its dramatic surge. The rest of the field of current operating systems for smartphones are in danger of being left in the dust after 2012 unless they find ways to reinvent and re-surge their respective shares

**3. Broadband Cord Cutting:** In 2012 the deployments of LTE by U.S. carriers will reach all major markets, providing performance that can often match the user experience of current wireline broadband. With mobile phones replacing traditional home phone landlines now commonplace, next year we will see a significant jump in the number of consumers who also cut the cord on their broadband connections. Combining family wireless plans, with MyFi, and home WiFi, many people will find cost economy in switching all of their data traffic to mobile.

**4. Cloud Based Devices Rain Down:** The deployment of cloud-based networks and services has become all the rage with numerous operators looking to add further value to their networks. The next stage will be a proliferation of devices optimized to interact with cloud-based solutions rather than depend on locally stored applications and capabilities. The Kindle Fire touts its ability to effectively use the cloud and in 2012 expect to see a large

number of mobile devices focused on cloud interoperability as a key differentiation but leading to further commoditization of devices aside from the iconic few.

**5. All You Can Eat Goes on a Diet:** While unlimited data was key to mobile data mass adoption, cost economics have forced wireless operators to create limits on the largest consumers. Even unlimited stalwarts like Sprint have had to introduce some level caps on their heaviest users to survive. These caps might discourage the introduction of very high usage cloud-based applications, but it will not be the demise of unlimited plans. In 2012 expect to see unlimited plans appear in a more targeted fashion. Major operators will offer specific data plan packages that offer unlimited capabilities in particular interest areas such as unlimited video snacking or social media potluck plans.

**6. Enterprise Launch Pads:** This has been the year of pad computing with sales for 2011 approaching 20 million units per quarter, three times more than 2010, two times more than netbook sales and making a sizeable dent in traditional PC sales. While this growth has been a consumer phenomenon, pads are fast becoming a primary business platform as more enterprises embrace a bring your own device (BYOD) model,. Given this growth, enterprises will increasingly have to officially integrate pads into their computing architectures. In 2012, expect to see pads gain even more business legitimacy with at least one Fortune 250 company making the switch to pads from traditional laptops/PCs as their primary enterprise computing platform.

**7. Online Coupons Not Redeeming:** In-store comparison shopping with services such as Red Laser or Amazon's application will replace Groupon as the coolest digital shopping service on the market. While in-store comparison shopping through scanning or taking a picture of the item is nothing new, expect to see retailers in 2012 more actively integrate "check-in" services and customer analytics with these services that allow them to close the customer more efficiently on site. The net result will be a large increase in mCommerce in 2012.

**8. Small Cells Become Big Rage/Big Problem:** Small cells and heterogeneous networks have sparked a revolution in the architecture of wireless networks. The need for more hotspot capacity and the challenges of deploying macro cells are pushing the boundaries of small cell integration as well as offload technologies such as WiFi. The move to small may be a huge win for some, but it will also represent a big problem for others. Tower companies will have to determine their role in this new frontier as the emphasis shifts away from macro sites. The hoped for salvation in neutral host DAS networks to serve in-building now seems vulnerable to lose out to small cells. In 2012, expect to see the growth in DAS deployments begin to weaken as small cell deployments grow significantly.

**9. Over the Top Video Falls Flat:** While Over the Top (OTT) video consumption has grown dramatically over the past five years primarily due to Netflix, Hulu and Youtube, expect to see its growth rate plateau in 2012. The lack of premium sports and news from these services will continue to drive viewers towards traditional linear video providers (especially inside the home). Traditional linear providers will also continue building their complementary OTT capabilities, but will use them as a supplemental retention tool inside of a bundle rather than a central offering. At the same time, disruptive OTT providers will struggle with their content rights and revenue models. Subsequent to the 2012 plateau, OTT video will have its major

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rebirth in 2013 with content rights being developed that spur OTT as a key model to enjoy video over mobile, displacing the once hot "mobile TV".

**10. The API-an Way:** Operators are facing a future where the growth in traditional transport revenues from both voice and data will be much slower, forcing operators to seek new and creative sources for revenue. Operators have unique access to preferences and information about their customers that can be monetized, assuming challenges of privacy, technology and business models can be solved. Developers will seek services that can enhance the value and performance of their applications. In 2012 expect to see a dramatic increase in the number of operator capabilities exposed to developers through APIs as well as the revenues generated by operators from this exposure. Operators will relax privacy policies and start to expose data such as credit scores, addresses and city/block level location. These capabilities will be seen in the deployment of developer services such as selling targeted ads via in-app and web banners or begin offering targeted push ads to subscribers on an opt-in basis.

**Bonus: Mobile Threats Require New Vaccines:** The threats from Mobile viruses are quickly ramping especially as more enterprises move to "Bring-Your-Own-Device", and therefore, the need for proactive protection is becoming more acute. Thus far the major operating system's have adopted different protection strategies but these are localized to the specific device. For more complete system health, the ultimate solutions will likely be different than approaches in traditional PC space with the best solutions contained in the Cloud. In 2012, we will see a larger amount of these new solutions come into the marketplace along with the first major cloud based mobile security programs.

**About inCode**

*inCode, a division of Ericsson, is a premier professional services firm providing strategic business and consulting services to leading clients in telecommunications.*

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