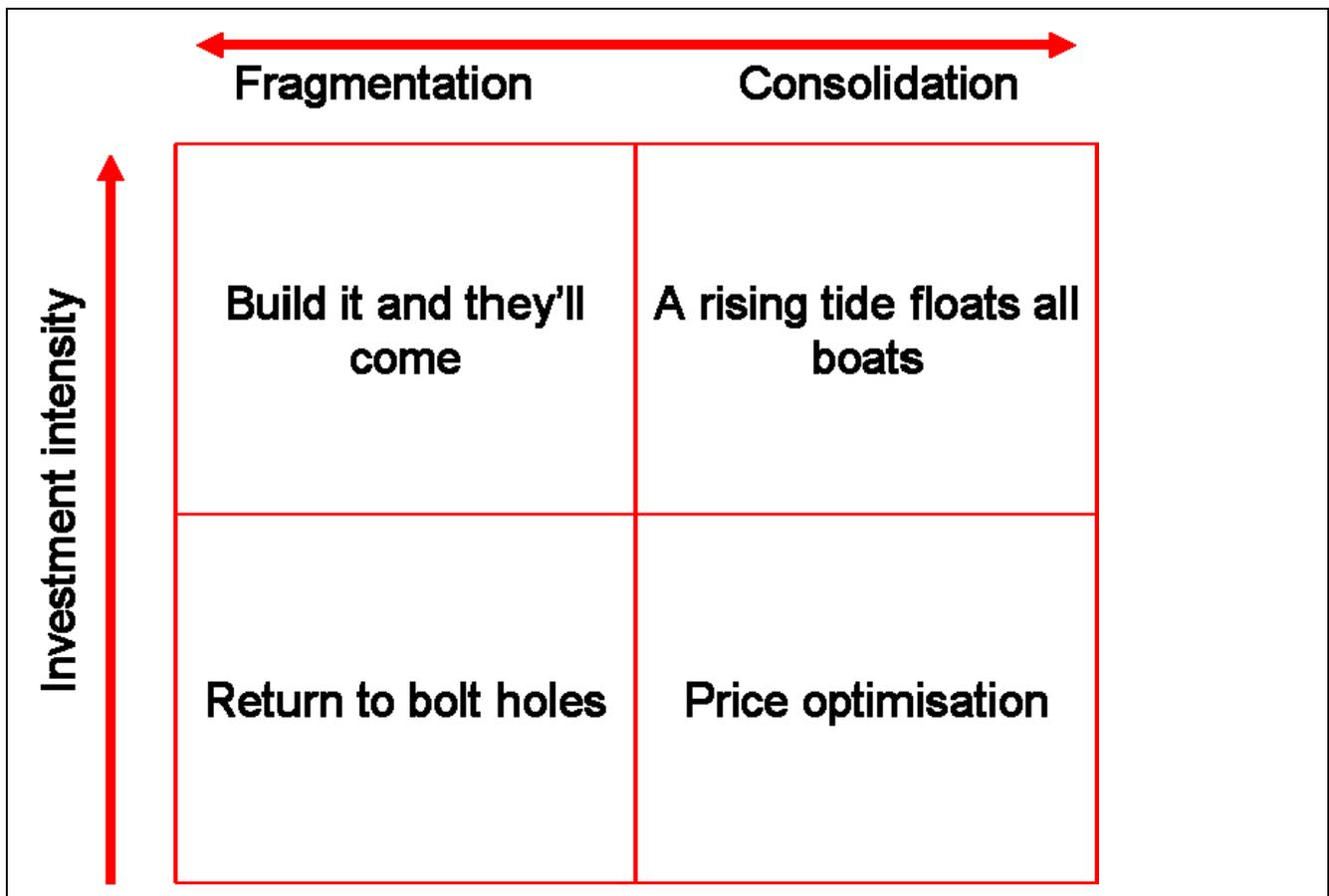




The Future of Communications: 2015

Telecommunications are traditionally a good lead indicator for the economy, and yet a recent poll published by BT¹ suggests that broadband, mobile and home phones make up three of the top four things people would hang onto in a downturn. Whether or not this reflects a fundamental shift in cultural attitudes in a 24/7 connected society, the communications industry is faced with some seismic changes in technology, regulation and markets. It is far from clear how it will emerge beyond the current business cycle, but investment payback cycles in this industry can be measured in decades and some big bets are being placed by operators and their suppliers now.

So SAMI Consulting have got together with NetStrategics, specialists in communications industry regulation and strategy, and DSI, focused on helping organisations make strategic decisions, to map out some scenarios based on the key trends and developments that are driving the industry forward.



¹ <http://www.btplc.com/news/Articles/ShowArticle.cfm?ArticleID=714ca5f8-9f84-43dd-9588-d539c7cb0319>



Build it and they'll come

A more troubled and politically insular world following the late 2000s recession combines with an increasing urgency to reduce carbon footprints. The result is a steady growth in online social and business networking, videoconferencing and telepresence and security applications. Fibre optic access networks having become a favoured infrastructure project of the digital "New Deal", there is ample bandwidth.

Continuing enthusiasm for extending competition and curbing the power of the new fibre utilities is tempered somewhat for many governments by national security and information privacy considerations and a series of nationalisations of foreign fixed and mobile telecoms operators curbs the enthusiasm of developed world champions for seeking growth in other markets.

Nevertheless, large online service providers such as Google and Microsoft continue to prosper alongside a host of newer providers exploiting the opportunities of new internet-connected mobile devices, pervasive computing and entertainment content financed by novel business models.

Return to bolt holes

The services side of the communications industry emerges from the late 2000s chastened, but intact, having retrenched from peripheral activities such as online content and professional services, cut costs and retained core capital investment programmes such as conversion to Next Generation Networks (NGN) and fibre-based access (NGA).

The drive for local network unbundling and structural separation runs out of steam during the recession, as national regulators look to protect incumbent carriers' investment programmes and would-be challengers scale back on their plans.

As growth returns it is the providers of networked applications, new entertainment formats and new forms of networked devices who see the greatest growth and who garner bulk of the new revenues. Although traffic volumes for fixed and mobile operators accelerate, price competition and regulated returns on fibre access networks keep revenues and margins flat.

The pre-recession trend towards global consolidation resumes at a slower pace, and it is the tigers of the developing world who expand into mature markets, using their low-cost, no-frills business models to compete on price, as their home markets saturate.

A rising tide floats all boats

The communications industry emerges stronger from the late 2000s recession, having improved efficiency by around 20% by reducing manpower, divesting non-core businesses and investing in Next Generation Networks.

Regulators redouble their efforts to ensure that competition takes hold in a rising market, leading to various flavours of functional and structural separation and a realignment of fixed and mobile operators between wholesale network operators and full-service retail service providers.

The release of radio spectrum formerly used by analogue TV and earlier generation mobile services unleashes a host of new consumer and business services supporting new generations of networked devices for commerce, entertainment and communication. Increasingly this resource is marshalled by international spectrum utilities, as well as core and access network operators.

Although the fight against spam and malicious actions against networks intensifies, international collaboration and ample resources ensure that this issue remains manageable.

Price optimisation

Heavy price competition during the late 2000s recession and increasing scale economies from Next Generation Networks (NGN), fibre optic access networks and 4G mobile networks drives physical network provision towards a utility model. The threat of business failures drives faster international consolidation.

The EU central communications regulator imposes a pattern of strict structural separation and unbundling, but with protection and utility returns for deep-pocketed long-term operators and this becomes the international norm.

Mobile internet applications evolve towards a limited core set based around communications, commerce and social networking, but privacy and information security considerations hamper growth. Consumers opt for value, features and durability of handsets over networked features.

Although high-speed broadband access is widely available, its take-up was initially limited by the decline in popularity of broadcast video entertainment as production and marketing budgets declined.