

Media Release

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Smartphones to become search phones, according to Deloitte's *Telco Predictions 2010* report

Mobile VoIP to become a social network

27 January 2010 - Mobile search will dominate the strategic direction of the smartphone, while mobile VoIP services are expected to reach tens of millions of users by the end of the year, according to professional services firm Deloitte's *Telecommunications Predictions 2010* report.

Produced by Deloitte's Technology, Media & Telecommunications (TMT) practice, the report predicted that mobile voice calls made via an IP-based network (VoIP) will evolve from niche to mainstream, given the availability of new services that blend an increasing range of IP-based features complementing mobile voice. These include one-to-many calls, broadcast voicemail and voice-to-text.

Damien Tampling, Deloitte's Technology, Media & Telecommunications (TMT) leader in Australia, said the telecommunications predictions for 2010 have been largely shaped by the consequences of digitisation and mobile data.

"The growing importance of mobile search is expected to generate fierce competition among search providers; however, only one or two players may dominate this space in the mid-term," Mr Tampling said.

"The rising adoption of mobile VoIP services could cause a fundamental rise in expectations as to what mobile voice can do. Operators will need to understand the short- and medium-term implications of this, but also consider companies outside of the sector looking to capitalise on the allure of subsidised or free calls to devices to enable the flow of advertising messages. Portals such as Facebook and Yahoo are likely to look more favourably towards mobile VoIP applications as a way to encourage use of smartphone versions of their websites to command greater user loyalty."

The smartphone becomes a search phone

Leadership in mobile search will dominate the smartphone market in 2010, despite modest projected revenues at between US\$1 to \$2 billion. However, providers will spend several times that amount to strategically position their companies to exploit future income streams.

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By year-end 2010, search will become one of the five most-used smartphone applications. Search will play a key role in future mobile platforms, with arrangements to share revenues key to a successful business model, and subsidies on smartphones to be co-funded by operators and search engine platforms. Developers will need to offer various user interfaces for a variety of user environments, and consider how best to adapt search to these unique characteristics, and the required technologies to integrate and work across a range of application stores.

Mobile VoIP becomes a social network

2010 could be an inflection year for VoIP – voice call over the top of an IP-based network – via mobile phone, given the growing number of WiFi-enabled phones, more WiFi hotspots, and the increase of ‘one-to-many’ communication. Within three years, mobile VoIP could be worth over US\$30 billion globally.

If routed over WiFi, mobile VoIP could lessen demands on the cellular network, and smaller operators in markets where the calling party pays could see a decrease in overall termination charges. Companies may use the allure of free calls to enable the flow of advertising messages, therefore substantiating the mobile voice market’s value.

If mobile VoIP results in declining revenues for operators, investment available for maintaining networks could drop and threaten the roll-out of next generation infrastructure. Portals, such as Yahoo or Facebook, could promote mobile VoIP applications by pointing to smartphone versions of their websites.

Widening the bottleneck – telecom technology helps decongest the mobile network

With nearly 600 million mobile broadband connections, 2010 could see the wireless equivalent of gridlock. Telecommunication technologies that can make existing wireless networks perform better should experience stronger growth than overall IT spending. Leading pure-play companies in this area should see year-on-year growth approaching 100 percent, with the average company expected to grow by 30 to 40 percent.

Sectors thought to benefit from addressing the congestion problem are hardware and software markets, including policy management, compression, streaming, and caching technologies. Handset-makers, specifically of smartphones, that adopt technologies to reduce network usage relative to competitors will see an advantage. However, without action, techniques such as metered pricing and traffic management may be necessary.

Nixing the nines: reliability redefined and reassessed

2010 will see enterprises less likely to default to 99.999 percent – or ‘five nines’ – reliability for contracted services, and, instead, determining quality levels on a per-application or per-process level. Although a move to three nines may appear negligible, the loss in quality could be more than made up in savings.

Efforts to understand what is meant or implied by services levels will be key in 2010, with telecommunications suppliers and their customers possibly moving to a more easily understood commitment.

Executives responsible for procuring services should evaluate the implications of changes to any services, whilst IT and telecommunications departments should constantly review internal users’



requirements and tolerance for downtime. Service providers should constantly look at ways of reducing their maintenance costs.

Contract 2.0: long-term solutions shorten and multiply

The uncertain economic outlook and a general lessening of loyalty to technology platforms and providers will shorten future contracts. Contract lengths will be affected by the consumerisation of technology and the growing propensity to change suppliers, or even to purchase on a pay-per-use basis.

With litigating a failed contract costly and time-consuming, both suppliers and customers should ensure a contract is sufficiently robust to withstand the stresses caused by an uncertain economy. In turn, contract terms may either need to be shorter in duration or else designed with built-in flexibility to operate like a series of shorter contracts.

Any contract is likely to suffer from fundamental tension, such as the supplier's focus on margins versus the client's imperative to reduce costs. Rather, both parties must be able to quantify the value for money that a contract provides to either supplier or customer.

The line goes leaner and greener

In 2010, the global telecommunications sector will focus heavily on reducing CO2 emissions, with cost control being the common driver in developed and developing countries.

Operators with fixed and mobile operations should consider the merits of shifting voice and data traffic between fixed and mobile networks to reduce overall energy costs, in addition to considering how metered broadband usage might discourage excessive network usage.

More reliable network technology could translate into reducing emissions generated by maintenance teams. Equipment manufacturers should continue to improve network efficiency, whilst adapting innovations in power efficiency of mobile phones to network components.

Device manufacturers and the mobile industry should continue to strive to reduce emissions with initiatives such as turning off chargers and a single standard for chargers.

For a full copy of the report with all of the Deloitte predictions go to www.deloitte.com.au. The 2010 series of Predictions has drawn on internal and external inputs from conversations with member firm clients, contributions from Deloitte member firms' 7,000 partners and managers specialising in TMT, and discussions with industry analysts as well as interviews with leading executives from around the world.

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