

Analysys Mason Research's telecoms, media and technology predictions for 2021

December 2020

The coronavirus pandemic has dominated 2020 and its effects will be with us for some time yet. Our annual telecoms, media and technology (TMT) predictions highlight the major trends that we expect to make an impact in the next 12 months.

- The telecoms sector will return to revenue growth in 2021
- Operators will pursue new opportunities in 2021 and beyond
- 5G network disaggregation will disrupt the vendor landscape
- 5G will not provide any meaningful ARPU increase in 2021
- Operators will focus on fixed–mobile convergence (FMC)
- OTT video service providers will build on the successes of 2020
- A major mobile operator will buy one of the IoT market disruptors
- Enterprise revenue for some operators will suffer a second dip
- 5G services for enterprises will finally start to emerge
- Operators' automation efforts will gain momentum
- Non-traditional players will increasingly own telecoms infrastructure
- Operators will move beyond the new radio investments that dominated 2020

Headline predictions

The telecoms sector will return to revenue growth in 2021. Our latest forecasts predict that telecoms service revenue worldwide in 2020 will be USD43 billion less than it was in 2019 (a year-on-year decline of 2.7%). We expect that a third of this loss will be recouped in 2021 with growth of USD13 billion (up 1% on 2020), but global telecoms revenue will not exceed 2019 levels again until 2023. Revenue from roaming, prepaid mobile and traditional business services was most severely hit during 2020, but will begin to recover in 2021 as economic activity, household income levels and travel patterns pick up again.

Operators will pursue new opportunities in 2021 and beyond. Businesses and individuals have been forced to reassess their priorities during 2020, which has brought some market opportunities into clear view, notably those at the intersection of cloud and connectivity. Operators will increase efforts to enable a new generation of networked entertainment services, with several operators providing edge cloud capabilities for cloud gaming services. In the business market, at least one operator will launch a cloud-based solution combining unified communications, security and remote access for home workers. Operators will try to push into important sectors that are undergoing transformation, for example by supporting remote healthcare and education projects. Telstra and Telefónica started doing this in 2020. Other incumbents will follow in 2021.

5G network disaggregation will disrupt the vendor landscape. Many operators will deploy 5G core networks independently of their relationships with RAN suppliers. This represents the first step in opening up the mobile network to more vendors. Virtual RAN deployments will largely be deferred beyond 2021 but will represent a USD22 billion market by 2025. Traditional suppliers will come under pressure and may need to restructure.

Cloud vendors will acquire more telecoms-specific capabilities along the lines of Microsoft's recent purchases of Affirmed Networks and Metaswitch.

Consumer services

5G will not provide any meaningful ARPU increase in 2021. 5G is not a 'game changer' for consumers. Many operators have still to demonstrate that 5G can significantly improve customer experience, at least in part because coverage is limited. In a period of increased economic uncertainty, consumers will probably be less inclined than previously expected to pay more for 5G and will be wary of signing up for long contracts. In 2021 and beyond, operators will rely on the development of content and services that push performance requirements and stimulate demand for better connectivity. They are not there yet.

Operators will focus on fixed–mobile convergence (FMC). The relative strength of fixed broadband propositions compared to mobile during the pandemic and in its aftermath will lead operators to link their services closer together in their consumer retail strategies. FMC can provide resilience to operators in developed markets. In emerging markets, low-cost fibre roll-out, good take-up rates and solid ARPU will intensify the interest in fixed broadband and convergence.

OTT video service providers will build on the successes of 2020. Trends that accelerated during the pandemic will continue apace. Major OTT video providers will continue to launch new services and expand geographically, which will increase the average number of services taken by individual users. Revenue from OTT video services will increase by 17% but traditional pay-TV revenue will stagnate. More operators will roll out 'aggregation-only' bundles of OTT video and telecoms services to capture some growth but consumer interest will be limited.

Business services and IoT

A major mobile operator will buy one of the IoT market disruptors. More than 30 innovative providers have shown that there is a market for IoT connectivity that is cheap and simple to acquire. INCE, for example, sold over 5 million SIMs in less than 2 years thanks to its simple pricing plan and sales model, including online sales. Operators have so far failed to provide an answer to such offers, but at least one major operator will respond to this threat in 2021 by buying one of these players.

Enterprise revenue for some operators will suffer a second dip. Revenue for operators' enterprise divisions typically fell in 2020, but by a relatively small amount (in the –2% to –4% range) as government funding helped to support companies that would otherwise have failed. More companies will stop trading in 2021 and the remaining ones will review their costs, which will have another negative impact on enterprise revenue for some operators. This may mask some changes in revenue make up – IT services are doing much better than connectivity. For some operators, IT revenue accounts for almost 50% of enterprise revenue. Cybersecurity, in particular, will grow in importance for operators.

5G services for enterprises will finally start to emerge. The B2B market is commonly cited by operators and vendors as being central to the 5G business case, and yet B2B offers built on 5G capabilities are still rare, even though 5G networks have now been launched. This should change in 2021. 5G back-up for fixed services (for example in SD-WAN solutions) will become prevalent and more standalone 5G products for enterprises will be launched.

Telecoms networks and software

Operators' automation efforts will gain momentum. Operators' automation efforts are already eliminating staff from routine work. Following their experiences during the pandemic, operators will accelerate their efforts to support consumers with automated attendants and self-care apps. Operators will also apply this effort to the network in 2021. We expect them to increase their spending on the fully automated orchestration required by 5G core virtual networks from USD4 billion in 2020 to USD20 billion in 2025.

Non-traditional players will increasingly own telecoms infrastructure. There will be more structural separation in fixed networks, with many operators divesting fibre assets and with private equity investors piecing together wholesale FTTH networks. At the same time, web-scale companies will expand their investments in international data centre interconnect, including undersea cables. Finally, owners of passive infrastructure such as telecoms towers will be looking to move up the value chain, including into interconnect and edge computing.

Operators will move beyond the new radio investments that dominated 2020. Operators will take more steps to prepare for anticipated demand from enterprises for 5G services. These steps will include more partnerships with cloud service providers and the first roll-outs of 5G standalone (SA) core networking, along with deployments of 5G charging and network orchestration systems. Many operators will establish edge computing capabilities to strengthen their positions.

Contact us (web_enquiries@analysismason.com) to find out how these predictions may affect you and your business.