

ANALYSYS MASON'S RESEARCH PREDICTIONS FOR 2023

A hand with the index finger pointing upwards towards the year '2023'. A bright, glowing white line starts from the bottom left and ends at the tip of the finger. The background is dark with some blue bokeh lights.

2023

Price rises for telecoms services will become a political issue

Elected officials have largely left pricing issues up to regulators for the past decade. Operators and regulators will be under pressure to moderate price increases, especially on consumer services.

Operators will also be pushed to introduce, and publicise, 'social' tariffs for consumers in financial hardship, especially for fixed broadband services. We believe that operators will be able to raise retail prices, but it is possible that ARPU will not keep pace with inflation, meaning a cut in real terms.

However, it is worth remembering that telecoms services are a relatively small part of any household budget and the annual price increases will be far lower than those for other products and services, such as food and energy.



PREDICTION 2

Telecoms operators were relatively unscathed in the pandemic but must now cut costs

Some cost cutting will come from the automation that telcos have invested in in the past few years, but they must focus on reducing energy costs. One particular area will be decommissioning older networks more rapidly than previously planned.



PREDICTION 3

Telecoms operators will continue to invest in fibre and 5G infrastructure

FTTP investment will continue to grow and infraco joint ventures will shoulder a greater share of the financial burden. Telcos will move to FTTP pushed by competition from other technologies and pulled by an increasing number of consumers demanding high-bandwidth services that are not

adequately supported by current broadband connections or preferring FTTP for reasons such as its better reliability. Traditional telco capex budgets are constrained by the need to invest in 5G, but the long-term value of fibre (and utility-like models) will continue to attract outside investors.

The metaverse will not materialise in 2023, but many more telecoms operators will align their roadmap to fit the vision of an xR-centric future

Meta will continue to spend billions in R&D in 2023 with little return on investment in that timeframe: 2030 will be increasingly framed as ‘the year of the metaverse’.

However, telecoms operators will take xR use-cases (like VR immersive calls, 3D video calling or digital twin technology) more seriously in 2023 and most will formulate a

specific metaverse strategy (internally, if not externally) this year. Apple’s long-rumoured xR headsets may be launched in 2023 but are more likely in 2024.



PREDICTION 5

Telecoms operators will not give up on digital services despite some mixed results



Some high-profile telecoms operators have recently left digital services areas (in particular, AT&T and Verizon sold their advertising divisions) and some are rumoured to be planning to divest assets (for example, Orange's reported plans to sell Orange Bank), but these decisions should not be taken as signals that all operators in high-income countries are rethinking involvement in digital economy services. The US cable operators continue to invest in advertising initiatives, and European operators are likely to follow. TELUS is expected to generate more than 10% of its revenue from health services in 2023. Others are looking at digital education as a growth opportunity.

PREDICTION 6

Private networks take-up will continue, but progress will not be smooth

Take-up of new private networks has been led by large organisations with networking teams and significant internal expertise. We expect this to continue in 2023, but if take-up is to be strong in the next tier of organisations, private networking solutions will need to be simpler and easier to buy. Suppliers will need

to offer networks, devices, edge computing, spectrum and other capabilities as a package. Some form of opex/as-a-service pricing will need to be offered. If these developments do not happen, it is possible that adoption will stall.

Demand for multi-cloud connectivity will drive the launch of new solutions

Enterprise demand for SLA-based, on-demand multi-cloud connectivity and network-as-a-service (NaaS) platforms will accelerate because it will be imperative for many businesses to have cloud interconnection, app-to-app networking, zero-trust security and data-sovereignty-compliant traffic management across multiple public clouds and SaaS providers.

Telecoms operators with large enterprise/B2B divisions will increasingly prioritise multi-cloud network investments using software-defined networking (SDN) and

cloud-native IP networking technologies to gain ground against the alternative service providers that are dominating the market today.



PREDICTION 8

Open RAN will expand in rural and enterprise environments but the crucial massive MIMO challenge will remain inadequately addressed

An ecosystem is developing around Open RAN in areas that are poorly addressed by traditional cellular architecture and operator models, namely rural extension and enterprise small cells. These deployments will gather momentum in 2023 as organisations such as the Telecom Infra Project address issues such as common testing models. However, significant challenges remain to achieve optimum performance in urban macro networks using

Open RAN architecture, especially those incorporating massive MIMO. These challenges will take several more years to address to the satisfaction of large operators, and a separate and parallel ecosystem is likely to be established for macro Open RAN.



PREDICTION 9

The use of SaaS deployment models will grow by 19% in the telecoms industry in 2023

This growth will come from both BSS and OSS application areas as operators use hosted applications to help them to transform their current IT stacks to support new 5G services or use them to transform legacy

systems to cloud-native, cloud-delivered hosted applications. Application vendors that previously sold on-premises applications will launch increasing numbers of delivery options that will include SaaS.

Direct satellite-to-device connectivity will enter a second wave

Apple, Globalstar, SpaceX/Starlink and T-Mobile have made the first moves in this market, and we expect significant developments in 2023 from the likes of Inmarsat, Iridium, Samsung, other LEO/MEO satellite providers and major telecoms operators.

The Apple/Globalstar and SpaceX/T-Mobile propositions are narrowband SoS/emergency-type services, but the competitive edge in this second wave of deals or partnerships will be announcements of two-way wideband or broadband propositions, as well as non-US coverage. Direct satellite-to-device connectivity will have more than 25 million subscribers by the end of 2023, whether it be through mobile satellite services or mobile operators' terrestrial spectrum, making it a milestone year for this technology.

Contact us to find out how these predictions may affect you and your business.



Analysys Mason's consulting and research are uniquely positioned

Analysys Mason is the global specialist adviser on telecoms, media and technology (TMT). Since 1985, Analysys Mason has played an influential role in key industry milestones and helping clients through major shifts in the market. We continue to be at the forefront of developments in the digital economy and are advising clients on new business strategies to address disruptive technologies.

See what clients have to say about working with us:
www.analysysmason.com/client-testimonials



analysysmason.com/what-we-do

About our services

At Analysys Mason, we understand that clients in the TMT industry operate in dynamic markets where change is constant. Our consulting and research has helped shape clients' understanding of the future so they can thrive in these demanding conditions.

Consulting

- We deliver tangible benefits to clients across the telecoms industry
- Communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters and service and content providers
- Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces
- We are future-focused and help clients understand the challenges and opportunities new technology brings.

Research

- Our dedicated analyst team tracks and forecasts the services accessed by consumers and enterprises
- We offer detailed insight into the software, infrastructure and technology delivering those services
- Clients benefit from regular and timely intelligence, and direct access to analysts.



analysysmason.com

