

Consumer telecoms: what to look out for in 2020

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In this article, we highlight some of the key issues that we think will shape the outlook for consumer services in 2020.

The rate at which prices will fall for 5G smartphones. Supply-side factors are a key determinant of the rate of adoption of 5G services. The extent to which 5G can move beyond flagship smartphones to address the mid-range consumer device market is chief among these factors. There are indications that 5G might move faster than 4G in this regard, largely due to activity in China.

- The large-scale launch of 5G in China in November 2019 was a significant boost for the 2.6GHz and 3.5GHz ecosystems, and is expected to exert downward pressure on the price of chipsets and devices. Chinese vendors such as Oppo and Xiaomi are promising handsets in the range of USD250–300 by the end of 2020.
- Chinese device vendors currently play a major role in the global smartphone ecosystem; the largest four alone (Huawei, Oppo, Vivo and Xiaomi) accounted for 28% of handset sales worldwide in 2019. This is a significant difference from when LTE was launched: at that time, the device ecosystem was very much dominated by Apple and Samsung.

Consumer interest in mobile cloud gaming, a key 5G consumer use case. The roll-out of 5G mobile services will enable mobile cloud gaming. Many mobile operators are already offering these services on their newly launched 5G networks, often in partnership with providers such as Hatch or Microsoft.

- Casual users account for the majority of mobile gaming revenue, but it is not yet known whether these consumers will want to pay for subscription-based gaming services. The industry will watch carefully for conversion rates when the promotional deals offered with new 5G plans expire.
- Avid gamers are known to pay for services, but they need to be convinced that cloud services will support the gameplay of big-budget AAA titles.
- The industry will need to have a clearer view of demand before investing heavily in edge computing to support the improved performance of cloud gaming.

Development of new content and devices to support emerging consumer 5G use cases. Many potential consumer 5G use cases are reliant on the emergence of new device categories (such as portable VR headsets and smart glasses) that support new content types. The content needs to be compelling and devices must be affordable.

- VR gaming first needs to build traction indoors before more-mobile services are developed that may use 5G to good effect. This is expected to take time, even though headsets are now widely available (if still rather

expensive) and content is improving. Tetris Effect and Beat Saber are expected to continue to be popular in the long term and some big titles, such as Half-Life: Alyx, are being launched as VR exclusives.

- Portable devices such as 360° cameras and lightweight smart glasses are better suited to showcasing 5G than VR headsets are. These devices remain relatively immature but are coming to market, albeit in small numbers and generally tethered to smartphones. With eSIM support, these devices could represent a significant new revenue opportunity for operators.

The ability of Wi-Fi 6 to improve the in-home connectivity proposition. Many operators are adding Wi-Fi 6 to their in-home connectivity portfolios to address quality-of-experience (QoE) issues and to improve multi-device entertainment and connected home propositions.

- Wi-Fi 6 should support the roll-out of multi-gigabit fibre and cable services in many countries, thereby providing faster and more-reliable services for individual premises, rooms and applications.
- Operators will use the launch of Wi-Fi 6 hardware as an opportunity to revamp and enhance their smart/connected home services.
- Wi-Fi 6 should limit the impact of 5G fixed substitution. An improved in-home experience will be more resistant to any substitution of fixed services for 5G mobile, and will enhance the advantage of fibre access over the more-limited capacity of mid-band 5G fixed-wireless access (FWA).

How fixed–mobile convergence (FMC) strategies change as retail bundling gains scale outside Europe.

FMC has historically been a European phenomenon, but structural changes brought about by trends such as an increased number of fibre roll-outs in other regions are bringing FMC to market in new contexts.

- Strong growth in the adoption of fixed broadband in Asia is introducing FMC from new players with different strategic priorities.
- Operators in the Middle East are beginning to view FMC as a key defensive measure and/or a means to build customer value.
- Operators in the USA are increasingly launching FMC offers because cable operators have launched MVNOs and integrated incumbents are looking to differentiate from standalone competitors.

The response of consumers to an increasing number of OTT video services. Services such as Disney+ and HBO Max will be rolled out in 2020, but the OTT video market will struggle under the weight of competition. We expect that the average number of services that any one person uses will continue to increase in 2020, but this trend appears to be unsustainable in the longer term.

- Standalone OTT players will push for unique in-app experiences and will focus on original and exclusive content in order to differentiate themselves.
- ‘Super aggregators’ (providers that integrate multiple OTT services into their own service) will struggle with their role as brokers of a range of OTT content. Operators are contenders for this role, but they must work harder on platforms, partnerships and user experience if they are to be successful.
- Greater OTT aggregation will lead to retail models that facilitate service swapping (for example, YouSee’s BlandSelv [Self Mix]) becoming more common.