

MWC 2019: foldable phones dominate headlines but operators' consumer 5G plans remain vague

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MWC, the new name for Mobile World Congress, remains the industry's best opportunity to explore its present and future, the latter being particularly important given the advent of the first substantive 5G consumer networks in the coming months. However, operators are still failing to deliver compelling consumer use cases and are struggling to find monetisation opportunities to support the investment case. This article explores the key developments of the show, including the latest smartphone innovation.

5G's consumer proposition remains unconvincing, as launches loom

Many of the current 5G mobile deployments are focused on providing operators with the ability to add greater capacity to their networks, especially in densely populated areas. The proposed consumer use cases that could differentiate 5G from 4G and its variants are still to be fleshed out and represent a weakness in the 5G business case. Operators have talked about 5G serving as a platform for innovation but that is not a reason for a consumer to pay more (to a telco, at least) for a service with little differentiation. MWC offered nothing to suggest 5G's consumer adoption will be more than limited for some time yet. The event was light on convincing consumer use cases for 5G, with many operators focusing instead on their ability to offer services to enterprises. Deutsche Telekom, for example, showcased campus networks, smart factories and smart cities.

Several operators are focusing on cloud gaming as a core part of the mobile 5G proposition

Virtual and augmented reality continued to be a fixture of operator and vendor booths, but the technology has not moved on substantially since it was first introduced within a mobile context and in many cases requires a fixed rig to handle the computing. Deutsche Telekom showed how augmented reality could be used within gaming, an area that operators are increasingly looking to as a key part of what 5G can offer. Deutsche Telekom's main 5G consumer demonstration was the 'digital dodgeball' mixed reality game Codename: Neon from Niantic, the company behind Pokemon Go and the Harry Potter game Wizards Unite that is set to be one of the biggest releases of 2019. Deutsche Telekom partnered with Niantic last year and visitors to its stand were equipped with Samsung Galaxy S10+s hooked up to a low-latency networks supported by edge computing. Sprint is due to launch 5G in five cities in May 2019 and has partnered with cloud-gaming company Hatch, which offers Netflix-like access to more than 100 games through one app. Sprint cites mobile cloud gaming as an important use case for 5G.

Orange, Telefónica and TIM looked to e-sports to highlight 5G's advantages by hooking up e-sports teams to mobile rather than fixed networks. The French operator had teams in two different cities compete using a 5G network, while the Telefónica sponsored Movistar Riders team played Call of Duty: Black Ops 4 against each other at the operator's stand, while TIM gave attendees the chance to play PES2019 against offsite professional eFootballers. The three operators are far from the only ones to tap into a fast-growing and exciting sport genre.

Vodafone sponsors ESL, the world's largest e-sports company whose events boast almost a quarter of a billion fans and broadcast 1500 hours of content per year.¹

There is logic to these partnerships and operators could potentially offer gaming-specific tariffs, zero-rating anything played over their networks. Gaming has been a big part of the smartphone era but this has centred on more casual, Angry Birds-style games rather than the big budget single- or multi-player games of the current console generation. The e-sports games demonstrated by the operators all usually require the reliability of fibre for online gaming.

However, Fortnite Mobile, which won the GSMA's Glomo award for Best Overall Mobile Consumer Innovation at this year's MWC, could serve as a paradigm shift in mobile gaming, by bringing successful console games to smartphones. Edge computing, which has been put forward as an aspect of 5G, could help smartphones handle more powerful games as could changing form factors such as the smartphones launched at the event. But there is some way to go, as illustrated by Sprint. While it was keen to emphasise the Hatch partnership as central to its 5G plans, it also noted games could be played on its LTE-Advanced network.

5G smartphones offer familiar features but foldable phones deserve attention

Device OEMs at MWC told a similar 5G story to the network operators, with manufacturers currently expecting consumers to pay more for incremental upgrades. Xiaomi's Mi Mix 3 was the best illustration of this; upgrading a smartphone first announced in late 2018 with a new system on chip and modem and saying it was 5G. A 5G video call was held at its launch with the CEO of Orange Spain, but it was derailed by latency issues.² LG's V50 ThinQ similarly updated 2018's V40 ThinQ with 5G compatibility but with no notable new features. Sony's Xperia 1 offered a 4K OLED screen, a feature that has little merit on smartphones given the size of their screens. Samsung's Galaxy S10+ 5G delivered the biggest upgrade on its sister handset with a quad-camera set-up and 3D depth sensing lens that it said would be useful for augmented reality. But camera improvements have been at the centre of upgrades during the smartphone era.

Foldable handsets did deliver something different that could potentially reverse sales declines in developed markets.³ Huawei launched the Mate X in Barcelona, a week after Samsung announced its Galaxy Fold. Both devices shared prohibitively expensive retail prices of more than EUR2000 and a desire to keep them behind glass cases or in the hands of the manufacturers' staff. The latter suggests the products could still be in an unfinished state – whether hardware, software or user experience – a concern, given that both are set to launch by the end of 2Q 2019.

While smartphones have broken through the EUR1000 barrier following the launch of the Apple XS and XR, operators will face even more of a pricing challenge. Subsidies on devices that are expensive are unlikely to justify the opportunity to build market share. Paying off a EUR2000 handset over a traditional 24-month contract period, let alone the cost of services on top of it, amounts to almost EUR100 per month.

The handsets reinforce the troubles that operators face. Operators and vendors are expecting consumers to pay more without being offered anything compelling and different to what they can today.

¹ <https://about.eslgaming.com/about-us>

² <https://techcrunch.com/2019/02/24/xiaomi-announces-its-first-5g-phone-the-mi-mix-3-5g>

³ For more information, see Analysys Mason's *Smartphones: worldwide trends and forecasts 2017–2022*. Available at www.analysismason.com/smartphone-forecast-worldwide-rdmd0.