Analysys Mason's predictions for consumer telecoms services in 2022

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Consumer telecoms services have had a mixed year in 2021. Fixed broadband services (particularly where customers have upgraded to FTTP connections) have provided revenue growth for many operators, and mobile service revenue has partially recovered from the challenges of 2020. The return of roaming revenue continues to be eagerly anticipated as a potential source of growth, albeit one with a limited lifespan. Online entertainment services have continued to benefit from post-pandemic behaviour although the digital advertising market is undergoing upheaval following changes to cookie policies. The background to the year, aside from the lingering effects of COVID-19, has been the rise of 5G as a mass market proposition. We expect this to continue into 2022, with more scrutiny of 5G use cases and business models in the wake of hype about the 'metaverse'. Our predictions are as follows.

- **Chipset shortages will affect smartphone sales in 2022, but we still expect annual sales to increase by 9% year-on-year**. Smartphone shipments rebounded in 2021 after a large decline in 2020 but not as significantly as originally forecast due to chipset shortages in the latter half of the year. These shortages will persist in the first half of 2022, but there will be a recovery in the second half, coinciding with the seasonal increase in demand at the end of the year. Budget 5G handsets will be particularly affected by the chip shortages because increasing prices for chips will drive up retail handset prices. We now expect 105 million fewer 5G handsets to be sold during 2021 and 2022 than previously forecast (in 1H 2021, before the supply chain problems).

- **The metaverse will not be a 'killer' app for 5G but it will represent a leap forward in bringing AR and VR services to the mass market**. The hype around the metaverse will continue in 2022 with various visions of social/gaming/entertainment/commerce competing for attention. A major question for telecoms operators is the degree to which AR and mobility will feature, rather than the VR-heavy vision presented by Meta (formerly known as Facebook). Some operators will be considering potential roles as enablers but need to qualify the opportunity with potential partners in, for example, the gaming world.

- **Telecoms operators will add gaming to their 'super-aggregator' strategies**. Operators will use super-aggregation strategies (that is, bundling a range of third-party content) to capture some of the USD180 billion digital gaming industry in 2022. Games publishers' and operators' needs are aligning around billing for gaming services following the fall-out from the Apple/Epic Games lawsuit – the conditions are right for games developers and platforms to become more open to using operators for billing and aggregation.

- **Operators will use their renewed focus on environmental, social and governance (ESG) strategies to tap into consumer interest in green initiatives.** The world's largest telecoms operators, most recently BT, have reinforced their commitments to reaching net zero carbon emissions within defined timeframes. Consumers care: according to Analysys Mason's consumer survey, 46% considered operator sustainability goals to be 'important' or 'essential' in their buying decision in 2021. Operators will improve their consumer-facing marketing collateral in 2022 by highlighting the work that they have already undertaken to transform their businesses.

- **Broadband operators will shift strategies from the smart home to the *connected* home, supported by the opening up of home router capabilities**. Operators' smart home automation services and smart speaker offers have struggled in the face of competition from tech giants, but the connected home is a promising area for operators. Early trailblazers of the 'customer premises equipment (CPE) as app store' approach, such as Comcast, show that operators have an opportunity in this segment. Operators will launch value-added services such as connected home cyber security and Wi-Fi motion detection with the objective of boosting subscriber numbers and ARPU.

- **Fixed broadband subscriber numbers in many emerging markets will increase significantly over the next year**. The evidence from several emerging markets shows that households are prepared to pay up to around 5% of their income on a fixed broadband connection. The case for fibre deployments in emerging markets is strong given that FTTP roll-out costs are low, which will help to drive growth in subscriber numbers.

- **Fixed–mobile convergence (FMC) is becoming a major trend in the USA, and take-up of FMC services will more than double in 2022 to account for at least 15% of broadband households.** US cablecos are well-placed to grow their MVNO subscriber bases and over time will supplement their MVNO agreements with their own cellular network roll-outs. MNOs' interest in fixed-wireless access and the growing availability of wholesale FTTP offers will also spur moves to offer fixed–mobile bundles. Integrated incumbents will respond to this new threat with more fixed–mobile bundles of their own, making FMC a major dynamic in the US market.

- **Operators will look to increased network convergence in 2022 to support cost reductions and revenue growth opportunities**. MNOs in emerging markets will seek to capitalise on fixed–mobile network convergence opportunities by using their existing cellular infrastructure (sites, backhaul) as the basis for FTTP roll-outs. Early mover operators worldwide will also begin to commercially deploy converged packet core architecture as they seek to gain the associated cost and revenue-related benefits.

- **Telehealth is emerging as a major area of interest to telecoms operators. New services will be launched in 2022, many bundled with core telecoms packages**. The COVID-19 pandemic boosted the emergence of telehealth services and many telecoms operators joined other players in launching B2C services. Some telehealth services will be standalone, but most will be part of platforms that combine telehealth with health e-commerce, health data management, wellness or other related service areas. Operators will experiment in 2022 with bundling telehealth subscriptions with telecoms service packages.