Mobile Broadband Will Act as a Strategic Disruptor in 2012, Says Ovum

Emerging market operators will continue to experience strong connections growth in 2012. Mobile broadband will be the main driver of this growth, but it will also act as a strategic disruptor, finds Ovum.

In a new report, the independent telecoms analyst firm states that emerging market operators will continue to see double digit mobile connections growth in 2012. Large markets with relatively low mobile penetration, such as China, India and Indonesia, will be the key drivers of this growth.

Angel Dobardziev, Ovum Telecoms Emerging Markets practice leader and co-author of the report, said: “Many emerging market operators went through a transitional period in 2011. Operators had to continue adjusting to slower mobile connections growth, tougher competition, more regulation and lower prices and margins. While many emerging markets are still expected to experience double-digit connections growth in 2012, few will report double-digit revenue growth”.

Revenue growth, margins and return on investment will be far more important metrics than connections growth in 2012 as connections and average revenue per user (ARPU) are becoming increasingly irrelevant due to the growing prevalence of multiple SIM ownership in most markets.

According to the report, mobile broadband growth will be the biggest opportunity for emerging market operators in 2012. Ovum forecasts that operators across all emerging markets will experience strong data connection and revenue growth in 2012 as users look to gain access to data services, the Internet and mobile content and applications.

Dobardziev added: “Emerging market operators will look to expand their 3G network coverage and capacity to cater to the increasing demand for data services. Many operators will also start to evaluate and plan for the acquisition of spectrum for LTE services in 2012, while a select few will launch LTE networks. The increase in capacity that the deployment of 4G services will cause a number of disruptions and shifts in the industry.

A decline in smartphone prices and feature phones with enhanced capabilities will further drive the demand for data. Many feature phones will offer comparable capabilities and user experiences to smartphones at a significantly lower price.

The rapid growth of data traffic will also increase the demand for domestic and international backhaul capacity that links emerging markets. Many operators will find that they need to deploy strategies to better manage the considerable increase in data traffic, which will increase the demand for traffic shaping and local content-caching solutions.

The rapid growth of mobile broadband will force emerging market operators to question their role in the expanded mobile content and applications value chain. While the shift to downloading content and applications from over-the-top app stores appears to be inevitable, emerging market operators have not given up on their ambitions to assume a role beyond that of a LEAN (low-cost enabler of agnostic networks) player.

Dobardziev concluded: “In 2012, we expect that it will become increasingly clear which operators are planning to pursue the role of a SMART (services, management, applications, relationship, technology) player, and which are willing to settle for the more limited – but not necessarily less profitable – LEAN role”.

Posted by Ron M. Seidel, Editorial Intern

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