Mobile Communications Revenue to Rise by Double-Digit Margin in 2012

Fueled by spectacular growth in the next-generation 4G wireless technology known as Long Term Evolution (LTE), the overall market for mobile communications equipment is expected to enjoy a strong double-digit expansion this year.
Factory revenue for the mobile communications market in 2012 is projected to reach $398.0 billion, up 17 percent from $340.8 billion last year, according to an IHS iSuppli Wireless Systems Market Tracker report from information and analysis provider IHS.

Although growth this year is somewhat moderated from the brisk 32 percent expansion of 2011, the market as a whole shows no signs of declining anytime soon. Another year of double-digit increase is predicted for next year, and factory revenue will exceed the half-trillion-dollar mark by 2015, as shown in the figure attached.

IHS defines mobile communications equipment factory revenue as what manufacturers earn from the sale of devices into the channel—in this case, mobile communications equipment like smartphones and other handsets. The category also includes wireless infrastructure gear such as routers.

“LTE provides much faster access speeds and lower latencies than current 3G technologies, making real-time applications like video streaming and multiperson gaming not only possible, but usable,” said Francis Sideco, senior principal analyst for wireless systems at IHS. “Because of this, both consumers and wireless providers are embracing LTE. The transition to LTE is driving growth both on the consumer and infrastructure ends of the wireless business in 2012 and beyond.”

4G on the rise
The market for 4G cellphones this year will account for just $21.7 billion of the total mobile market revenue. However, revenue for 4G cellphones in 2012 will rise by an astonishing 372 percent from $4.6 billion in 2011.
In comparison, expansion this year by the dominant mobile 3G handset field will slow to 17 percent, even though revenue stands at a still-dominant $180 billion.

A third mobile handset segment, the legacy 1G/2G space still active in many developing countries around the world, will see the most production at some 791 million units, but its low average selling price means that segment’s revenue will come in below those of 3G and 4G in 2012.

The push toward LTE
The increasing importance of the 4G market is being driven by the ongoing transition to LTE, especially among companies that had failed to create a viable

presence in 3G through any number of factors, including market tardiness or focus on other technologies. Those companies are now utilizing the transition to modify the status quo by offering LTE solutions either through organic development or by acquisition.

Such companies include California-based Beceem Communications Inc. and French chipmaker Sequans Communications S.A., both of which are moving away from previous focus on a rival 4G technology called WiMAX, in favor of LTE. For slightly different reasons, two mobile handset original equipment manufacturers—South Korea's Samsung Electronics Co. Ltd. and Illinois-based Motorola Inc.—are now producing their own LTE chips. The two had typically turned to Qualcomm of San Diego, Calif., for a good portion of their 3G requirements.

Other than mobile handsets, media tablets will be the other device this year to spur the continued growth of the mobile communications market. Led by principal player Apple Inc. with its market-crushing iPad device, the tablet space in 2012 is forecast to grow by more than 70 percent from the previous year.

Also benefiting from the market's transition to 4G is the overall wireless infrastructure space, projected to see a slight revenue uptick this year to $43.0 billion. While growth in the segment during 2011 was stimulated by carriers around the world investing in 3.5G and 3.75G network upgrades, some carriers in the developed world—including those in Japan, Europe, the United States and South Korea—have started to migrate networks to 4G LTE. As operators hasten the shift to 4G LTE, the entire wireless value chain is expected to keep up, with 4G LTE device launches and chipsets anticipated to accelerate in tandem as well.

New architectures for a new generation

The move to 4G will involve the deployment by wireless carriers of heterogeneous networking architectures involving a combination of macro and micro base stations, to be coupled with low-powered small cells. Such devices—also known as metro cells—could be mounted on public facilities like mall structures, railways and subway stations to provide augmented coverage for consumers in areas of high data traffic when they access their smartphones or tablets.

While 3G and 3.5G wireless infrastructure accounted for roughly $35 billion in factory revenue during 2011, 4G will start to make up a larger portion beginning in 2013, and will contribute about $36 billion by 2015.

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