



CCS Insight Predictions for 2011 and Beyond

As in previous years, CCS Insight looks ahead and predicts key trends in the mobile industry.

The 12 predictions listed below are highlights from our expectations for the coming few years. Note that our predictions should not be taken as absolute statements of intent by any named company. Predictions reflect trends and future market developments. Companies and potential products identified in the predictions are illustrative, not definitive.

Apple buys TomTom. The move will be motivated by a desire to own the mapping assets of Tele Atlas and reduce Apple's dependence on Google for map services. A by-product of the acquisition will be securing significant intellectual property rights to turn-by-turn navigation and personal navigation devices, as Apple continues to fight court battles over patent claims. TomTom assets will enable richer location-based services on Apple devices and on its MobileMe service. A variety of mapping and location application programming interfaces (APIs) are released to the Apple development community, fuelling more innovative applications.

Huawei's Ideos brand will enter the top five manufacturers by 2015. In an effort to accelerate its position in the mobile devices market and set its phones apart from its infrastructure business, Huawei will make a huge investment in building Ideos into a stand-alone mobile device brand. Growth will come from sales through operators and build on Huawei's established reputation in the infrastructure business.

Nintendo will launch "DS Mobile", a connected portable gaming device, by 2012. Adopting a similar approach to Amazon, Nintendo will make a wholesale air time agreement with a global provider such as AT&T. The cost of air time will be factored into a one-off premium available at the point of sale. Users will also be able to activate cellular connectivity retrospectively. Nintendo will optimise the device for small mobile data transfers with large downloads performed over Wi-Fi. Owners will be able to swap games using Wi-Fi and activate them by downloading an encrypted token over the wireless network. Cellular connectivity will also be used for access to cloud-based community services such as review charts and high-score tables.

3D becomes a major theme on mobile devices in 2011 but mobile 3D displays flatter to deceive. Momentum behind 3D in film, TV and games will jump across onto mobile devices. High-end phones and tablets will be able to record and play back 3D content, but the capability proves little more than a gimmick. Early 3D screens that do not need special glasses start to emerge beyond Japan, but consumers are disappointed by the results.

In 2012 Apple unveils the "iScreen", a connected screen for the home. Buoyed by its success in getting Apple households to connect their iPhone, iPad and iPod devices through Apple TV, the company launches iScreen to replace traditional TVs. Engineered with Apple's trademark high quality, it will be a multi-user product that offers the following capabilities: TV, PC, games console and a "life stream" of cloud-based services such as photos, videos and social networking. Members of the household — and visitors — will be

able to control the iScreen from their Apple mobile devices and will have different access rights. Apple devices will double as accessories such as games controllers by exploiting the accelerometer, gyroscope and other sensors. Apple will extend its established iTunes service model to the iScreen.

Tablets will fail to live up to the hype. Sales of tablets beyond Apple's iPad will fail to meet over-optimistic expectations. All leading mobile device manufacturers will produce tablets, leading to overstocking by distribution channels and inventory problems. A period of discounting will see margins slip to zero to clear channel excesses. Low-cost Android tablets will irrevocably damage consumer perceptions and dent the market's potential.

Facebook buys Skype and launches a calling service within its mobile applications. The acquisition of Skype would provide Facebook with a huge group of users that complements its own. Functionality will be quickly added to enable a small telephone symbol next to Facebook contacts that are online. Initially the service will be restricted to Wi-Fi connections, but the potential for expansion will be clear. Operators will be powerless to stop this trend and they will see their revenue from roaming calls dip further.

Concern grows over addiction to mobile devices, particularly among the under-25s. The addictive nature of mobile services, in particular text messaging, instant messaging, social networking and new areas such as networked games will become a major cause for concern. So-called "screen-agers" enter the workplace suffering from attention deficit disorder provoked by their expectation that all forms of communication need to be instantaneously shared and answered. They are unable to fulfil basic requirements such as simple face-to-face social interactions. Phone-makers, network operators and Web service providers face a barrage of negative publicity.

Operators will focus on speed and quality of service rather than number of gigabytes when marketing mobile data. To date most operators have sold mobile data subscriptions based on data volume, typically measured in megabytes and gigabytes, or offered on an "unlimited" basis. This scenario is no longer sustainable as networks are overwhelmed by data traffic. In an effort to move the focus away from volume alone, operators will use speed and quality as differentiators in the next three years. They will introduce tariffs that offer tiered service levels tied to an allocated volume of data. Ironically, although this will change the way services are sold, data volume will remain important as improved bandwidth and quality of service could result in greater demand.

Operators will pay subsidies based on the data efficiency of a software platform, favouring BlackBerry over iOS and Android. The exponential growth in data traffic is placing enormous strain on network capacity. For many years operators have complained that some devices use considerably more data than others. We predict that in 2011 operators will begin to differentiate their tariffs and device subsidies to prompt users to consider less data-hungry devices and operating systems. The more strain a device places on the network, the less subsidy it will attract.

Chrome OS becomes a "problem child" for Google: The speed of Android's adoption leaves a difficult marketing challenge for Google and a fundamentally different landscape for Chrome's introduction to that envisioned when the operating system was conceived. The next release of Android will focus on tablets, leaving Chrome largely focussed on the moribund netbook sector and forcing Google to rethink Chrome's cloud computing model.

MeeGo's early successes will not come from mobile phones. Handsets running MeeGo will remain sparse in 2011 as Nokia delivers a small number of devices in the second half of the year. MeeGo will begin to identify a growing niche in consumer devices such as tablets, set-top boxes, in-vehicle solutions and connected TVs, with Intel's Atom chipset benefiting as a result.