

Pipeline

Knowledge Is Power

www.pipelinepub.com Volume 6, Issue 7

NewsWatch - December

By Phil Britt

Let the Year-End Predictions Begin!

As the year comes to an end, analyst reports are examining the telecom expenditures for the year and using those as the basis for forecasting the growth – or lack thereof – of various portions of the telecom market for 2010.

Even though there are some reports predicting only tepid technology spending growth for 2010, unified communications (the merging of IP telephony, conferencing and collaboration, messaging and other forms of integrated information exchange) are on a steeply rising curve of adoption, according to new study from ABI Research, New York.



According to an ABI research study released at the end of the month, the market for unified communications was just \$302 million in 2008, but will rise quickly to nearly \$4.2 billion in 2014.

Despite the fast growth projections, in the difficult economy, firms are being careful where they spend those dollars, at least initially.

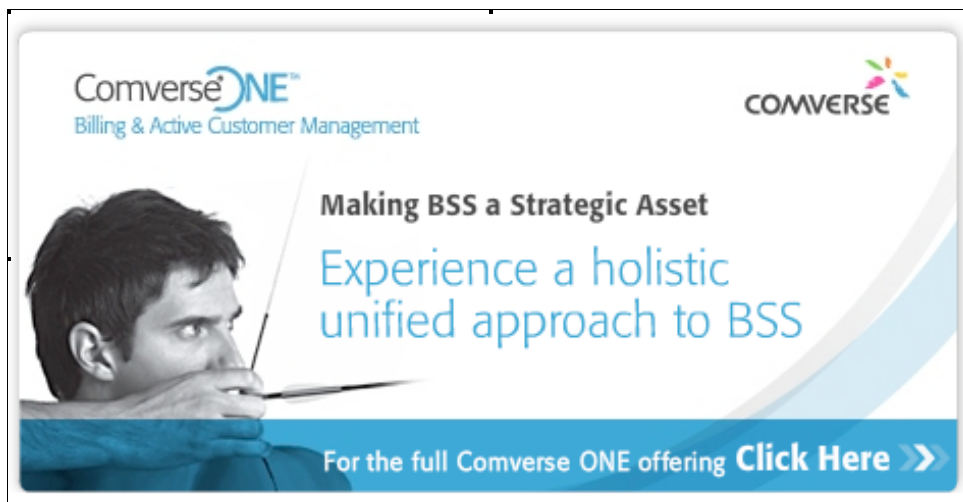
“Companies have been buying only those component technologies that they think will deliver immediate value,” says ABI Research practice director Stan Schatt. “It’s only later that they start tying it all together as true unified communications.”

Tying the technologies together provides firms with the full scale of synergies, Schatt adds. For example, many companies have messaging by voice and e-mail, but when they are integrated, a user can "see" voicemails and have e-mails read aloud. Such synergies can deliver increased productivity and efficiency, and greater customer satisfaction.

Beyond the revenue squeeze facing many companies, another factor delaying faster growth of the unified communications market is the lack of interoperability among systems of different vendors.

Even the largest vendors such as Cisco don't make everything, so there's a premium on partnerships, according to ABI. Though a few vendors will try to sell end-to-end solutions, but most others will attempt to integrate their offerings with the legacy components. This will lead to a large market for managed services Schatt says, because only the largest companies have the necessary expertise in house.

While unified communications and managed services are expected to grow sharply, capital expenditures for global telecom service providers is in the midst of a three-year disinvestment cycle, according to Infonetics Research. The expenditures peaked out in 2008, marking the end of a five-year investment cycle, and starting the current downtrend. The reduced spending isn't expected to be anywhere near as sharp as the downturn that occurred during the "dotcom bust" of 2000. A new investment cycle is expected to start in 2011, driven by 3G rollouts in Indian, Latin America and Central America, and the start of a 3G rollout in Africa. There will also be a ramp-up in LTE deployments in North America, Brazil, Western Europe and Japan, according to Stephanie Terai, principal analyst for mobile and FMC infrastructure for Infonetics.



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Smartphone Market Evolves

The leadership in the smartphone market could change in 2010 if AT&T loses its exclusivity on the iPhone, as a couple of analysts have said. Broadpoint AmTech analyst Brian Marshall recently said in a television interview that, as AT&T's exclusive access to the iPhone runs out in June of next year, Apple may make agreements with one or more other carriers to offer a subsidized iPhone in the second half of 2010. The companies are mum about any such deal. But if it does happen, Apple could well challenge Blackberry as the dominant player in the smartphone space, according to Jeff Kagan,

an Atlanta, Ga.-based telecom and wireless analyst. Nokia is still the handset leader, but that is likely to change as more and more consumers opt for smartphones, Kagan added.

Infonetics Research reported that smartphone sales are on track to grow 14.5 percent in terms of the number of units sold for 2009, and are projected to have a 21 percent compound annual growth rate from 2008 to 2013. However, smartphone revenue is expected to actually be down in the current year, which Infonetics blames on price erosion and average lower prices for units coming to market. "We expect revenue to pick up in 2010, and continue growing, easily outstripping the combined revenue of standard mobile phones by 2012," predicts Richard Webb, Infonetics directing analyst for mobile devices.

Per-Second Billing

The idea of per second billing continues to gain traction in India. New Dehli-based Bharti Airtel recently launched a pay-per-second plan on its virtual calling card service, 'Airtel CallHome', for its customers in the U.S. Airtel CallHome has so far been available in the US, UK, Canada and Singapore. The \$6.99, monthly plan comes with an administration fee of 49 cents, offering customers a tariff of just 0.03 cents per second. "With this, Bharti Airtel becomes the first to offer pay per second plans for the US to India calling card market," Airtel said in a statement.

The announcement comes on the heels of Bharat Sanchar Nigam Ltd. (BSNL)'s plan offering GSM prepaid mobile customers a pay per second billing plan if they buy a special tariff voucher. The BNSL annual plan charges these customers 1 paisa per second for local and STD calls to in-network customers. Prepaid GSM customers pay 1.2 paise per second for local and STD calls to other networks. One paisa is 1/100th of a rupee. The rupee is valued at a little more than two U.S. cents. The voucher is price a little less than half a rupee.