

Analysys Mason Research's telecoms, media and technology predictions for 2022

November 2021

Our annual telecoms, media and technology (TMT) predictions highlight the major trends that we expect to make an impact in the next 12 months.

Headline predictions

5G connection numbers will be limited by consumer upgrades to 5G handsets rather than just 5G network deployments. Chipset shortages will worsen this limitation in 2022. Operators will continue the push for more 5G coverage and more networks will be launched but subscriber numbers will largely be determined by the pace of consumers acquiring 5G handsets. Reduced 5G handset shipments in the later half of 2021 and first half of 2022 will result in 105 million fewer 5G handsets in use in 2022 than we previously forecast.

Mobile operator strategy will diverge in 2022. Unlike previous generations of mobile networking, 5G will develop on two distinct tracks. Operators that are determined to offer new types of B2B and B2B2C services will press on with 5G standalone (SA) technology and will depend on cloud partnerships to make this work. Other mobile operators will stay with 5G non-standalone (NSA) technology and a business that is tied to consumer services.

Consumer services

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 weighing up potential roles as enablers but need to qualify the opportunity with potential partners in, for example, the gaming world.

Many fixed broadband operators will launch connected home offerings with services that are built on home Wi-Fi connectivity. When faced with competition from tech giants, operators' smart home automation services and smart speaker offers have struggled, 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.

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.

Business services and IoT

Private networks will continue to increase in number, and most of the new networks will be 5G, but the adoption of edge computing will lag behind. At least 75% of new private networks in 2022 will be 5G, up from 31% at the end of 2020. The take-up of edge computing, a natural complement to 5G private networks, will continue to lag behind though. We expect just 20% of private networks to also be using edge computing. Edge computing will be deployed more widely and more than half of private networks will be combined with edge computing by 2025. Operators (and vendors) need to prepare themselves for this shift.

The business divisions of many operators will see connectivity return to revenue growth but most of the attention will be on IT services. We expect operators to strike more partnerships with vendors for security, SD-WAN, edge and cloud in 2022 than we did in 2021. Operators will also be active in developing vertical solutions (for example, in health and education), digital services for small businesses and even some niche cloud services (for example, sovereign clouds).

Many pilots and trials of new 5G-related business services will be announced in 2022, but few services will be launched commercially. The features of 5G are well understood and, especially with the introduction of standalone networks, operators will have more capabilities to offer enterprises (for example, low-latency services, service-level guarantees). Much more thinking is needed on how to price and package these services though; for example, how to price connectivity with guaranteed throughput or latency. Operators will work through these issues in 2022 but few products will be launched.

Telecoms networks and software

2022 will be the start of a 2-year spike in 5G SA investment. Between 2020 and 2027, a cumulative USD990 billion in capex will be allocated to 5G-related investments including the radio access network (RAN), core, cloud and transport, and will be 65% of total capex for mobile operators during the same period. This will include a big push for cloud- and edge-native technology. It will also involve far higher levels of automation and orchestration, built on AI development capabilities. Most of this investment will be predicated on new revenue streams for 5G, mainly in advanced B2B services.

Public cloud providers will gain a bigger role as the primary suppliers of important foundational technologies that will affect the value chains for OSS/BSS, AI, data management systems and 5G network functions. We expect an increase in the number of established communications service providers (CSPs) that are prepared to sign multi-dimensional, multi-year strategic partnerships with public cloud providers. These partnerships are expected to span IT and network transformation and business services, along the lines of the 2021 deals between Bell Canada, Reliance Jio and Telenor with GCP. AT&T's landmark 5G network deal with Azure will also push CSPs in the direction of public cloud providers in 2022 as they make their decisions about the cloud-native platform that they should deploy to support 5G SA core and virtualised RAN.

The pandemic-induced push for digital customer experience will accelerate telcos' digital transformation projects. There will be a strong push for fully automated, digital support for consumer and enterprise services increasingly supported by SaaS-based OSS and BSS.

OpenRAN will experience a reality check about cost and timescales, but operators will seize the opportunity to shake up vendor relationships. Fully integrated, single vendor solutions will start to give way to virtualised and disaggregated RANs, but in the near term, we expect most supply chain disruption to happen in greenfield and private networks. In the macro 5G network, solutions led by major suppliers with open API interfaces will start to win out as an initial step towards greater openness.

Expansion of fibre and 5G in developed markets will be driven by shared and wholesale models, and we predict these models will account for an unprecedented 20% of new investment in 2022–2023. Increasingly, this new investment will come from non-telco businesses.