

# World wireless revenue to surpass fixed

March 24 2006

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Global service revenues from wireless phone service will surpass those of fixed lines for the first time by the end of 2006, according to a telecommunications research firm.

And, by the end of 2008, a majority of all telecom revenues will be from wireless phones, said Philip Redman, the research vice president of Gartner Inc., at the company's Telecom, Mobile & Wireless Conference Thursday in Tel Aviv.

"The growth of the telecom industry is reliant mainly on the services and mobile sectors; infrastructure will experience only a limited upside,"

Redman said.

Chief among the money-making services is the time spent actually talking on the phone. Data services, like mobile Internet, games, ringtones and text messaging may experience high volume consumption, but are also relatively low-cost, Redman said.

But nothing tops sales of cell phones for money-making potential, Redman continued. By the end of 2005, consumers bought 800 million new handsets worldwide, a big jump from the 500 million in 2003.

By 2009 Gartner expects that mobile companies will sell more than 1 billion handsets every year and that by 2010 the low-end models will cost less than \$25 each, Redman said.

According to the company's forecast, 3 billion of the world's 6.5 billion people will be mobile users by 2010, Redman said.

"Fifty percent of the world will be covered by wireless," Redman said. "But not 50 percent of the area -- we, as people, tend to like to live near each other."

"It's pretty incredible."

Redman continued: "What do you think the world's teledensity -- the percentage of people who have access to a phone -- is right now? Twenty-five percent? Less?"

In fact, it currently stands at just below 10 percent. "Less than 10 percent of the people in the world have ever made a phone call," Redman said, "and by 2010 almost half of them are going to have a cell phone."

By 2009, 99 percent of all new (telephone) voice connections will be wireless, while 70 percent of the total existing voice connections will be wireless worldwide, according to the Gartner forecast.

"That's why AT&T bought Bell South -- because of Cingular," Redman said.

Much of this growth will come from the Asia-Pacific region, especially from China and India, Redman said.

This growth is reflected in some companies' increase in production of mobile terminals: Samsung has increased its production dramatically over the past few years, as has LG, and BenQ buying Siemens was a significant growth-producer for the market, Redman said.

On average in the United States, people replace or upgrade their cell phones every 18 to 24 months. Redman's informal poll of the Israeli audience revealed that the Israeli average is probably similar.

In Asian countries, however, the average cycle for phone upgrades is every six months, Redman said, and that high turnover has contributed greatly to the spike in Asian cell-phone revenues.

While combination devices, such as phones with built-in MP3 players, are in vogue right now, Redman said that what companies really have to do is offer bundled technology as part of the mobile service.

"Service providers have to prepare for a new world," Redman said.

"They can't keep counting minutes. Minutes won't matter."

However, Redman doesn't foresee combination devices like the phone-MP3 player pushing traditional MP3 players out of the market. "There are too many tradeoffs," he said, citing the limited memory and

decreased sound quality offered by the MP3 phones.

As for successful combination devices that might pose a threat to their single-function counterparts, "maybe the clock," Redman said.

"Everything tells you the time now."

Gartner also researched the future of regular, land-line connections, and besides being surpassed by wireless, they're facing competition from the relatively new Voice over Internet Protocol market.

In the coming years, one-third of users on the Public Telephone Switched Network will disconnect their land lines in favor of VoIP or wireless connections, Redman said.

And as if that wasn't enough, traditional telephones will also face competition from some giants of the computer world, such as Google, eBay and Microsoft.

In all, however, the top telecom operators have been able to hold onto most of their revenues -- and their chunk of the worldwide market. From 1999 to 2004 NTT remained the top provider, and the top 13 companies held on to just over 50 percent of the worldwide market between the two years, the Gartner analysis said.

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