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Growing Mobile Data Cost and Revenue Gap Redefining Carrier Strategies, finds Telsyte

Sydney, 8th February 2010 – Telsyte's latest research into the Australian mobile market finds that while mobile broadband and smartphones have been a big boon to Australia's mobile operators searching for growth, the decoupling of cost and revenue is forcing them to look for ways to ensure their profitability does not suffer as they continue to drive growth with non-voice services.

Although mobile carriers had planned for mobile data increases, the growth magnitude experienced in the past two years has taken many of them off-guard and there are signs Australian mobile networks are struggling to cope. Poor service and negative customer experience are becoming a real risk to operators as they lead to churn in a cut-throat market. Carriers also have another reason to worry. Demand for mobile data bandwidth – and thus the cost of delivering services to support it – is rising much faster than revenue, creating a growing gap that threatens to undermine the future profitability of carriers' mobile data business. Telsyte analysis shows that the cost of delivering mobile data services in Australia in the next five years will grow by more than five-fold while revenue will less than double.

"Things are poised to get worse. The increasing availability and affordability of prepaid smartphone and mobile broadband offerings, along with new breeds of mobile Internet devices, will add further load to already-strained networks," said Warren Chaisatien, Research Director and study author. Practical strategies carriers can deploy to mitigate that impact can be both operational through cost management and customer-facing through new revenue generation. Mr Chaisatien added: "we foresee mobile quality of service (QoS) as a key competitive and differentiating factor in the local market as it allows for many more dimensions to mobile data service provisioning, thus enabling differentiated pricing schemes based not only on download allowances as is the case today, but also on other parameters such as speeds and time of day." Telsyte expects mobile QoS to be heavily trialled by Australian carriers in 2010, with commercialisation commencing next year.

Personalisation, upstream monetisation and complementary offloading services will also assist operators in generating new revenue streams and preventing them from being relegated to low-value "dumb pipe" providers. Before LTE arrives, interim measures carriers can take are migrating to an IP-based backhaul and "fronthauling" data traffic with at-the-edge intelligent networks. Given that Telstra, Optus and VHA are still extending capital-intensive 3.5G HSPA networks, implementation of LTE is not expected until 2012 at the earliest. Telstra appears to be the best positioned in responding to rising mobile data demands, but NBN may give Optus and VHA an opportunity to level the playing field.

These research findings are from Telsyte's latest research report titled, **"Too Much of a Good Thing: Managing and Monetising Australia's Mobile Data Explosion,"** released today as a flagship report in our *Annual Technology Series*. The study examines Australia's mobile data boom and offers insights into practical strategies that carriers can implement to not only mitigate but also benefit from the boom's impacts. It also provides a focused discussion on mobile QoS, a strategy expected to be widely trialled and implemented by Australian carriers

this year, based on our recent primary research into the topic across eight international markets.

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About Telsyte

[Telsyte](#) is an Australian-based market research consultancy specialised in the competitive intelligence of the converged communications market. Telsyte's expertise is centred on the three core competency areas of Carrier & Broadband, Mobile & Wireless and Enterprise Communications. Telsyte provides industry insights through custom research and consulting as well as ongoing research, which includes market reports and online databases. Telsyte is a business unit of Australia's largest independent telecom consulting company, [Gibson Quai-AAS Pty Ltd.](#)

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