



# The democratization of wireless: Assessing the impact of open mobile

October 2009



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# Defining open mobile

Open mobile is an industry term used throughout the broader U.S. and global telecom sectors. It is used by Deloitte to denote the shifts in technology, policy and consumer demands occurring throughout the U.S. wireless industry as it moves towards a new “open” era in market competition. An open mobile market is characterized by any mobile device or application being network-agnostic.

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# Why does open mobile matter?

- The wireless sector is on the edge of a significant disruptive shift affecting the established business models of many of the leading industry players
- This shift is precipitated by accelerated technology development and changing consumer demand with regards to advances in mobile Internet technology
- Changes in the regulatory and competitive landscapes are major enabling forces behind this trend
- These shifts potentially present significant opportunities and challenges to industry players, as well as those in adjacent industries

# About the democratization of wireless survey

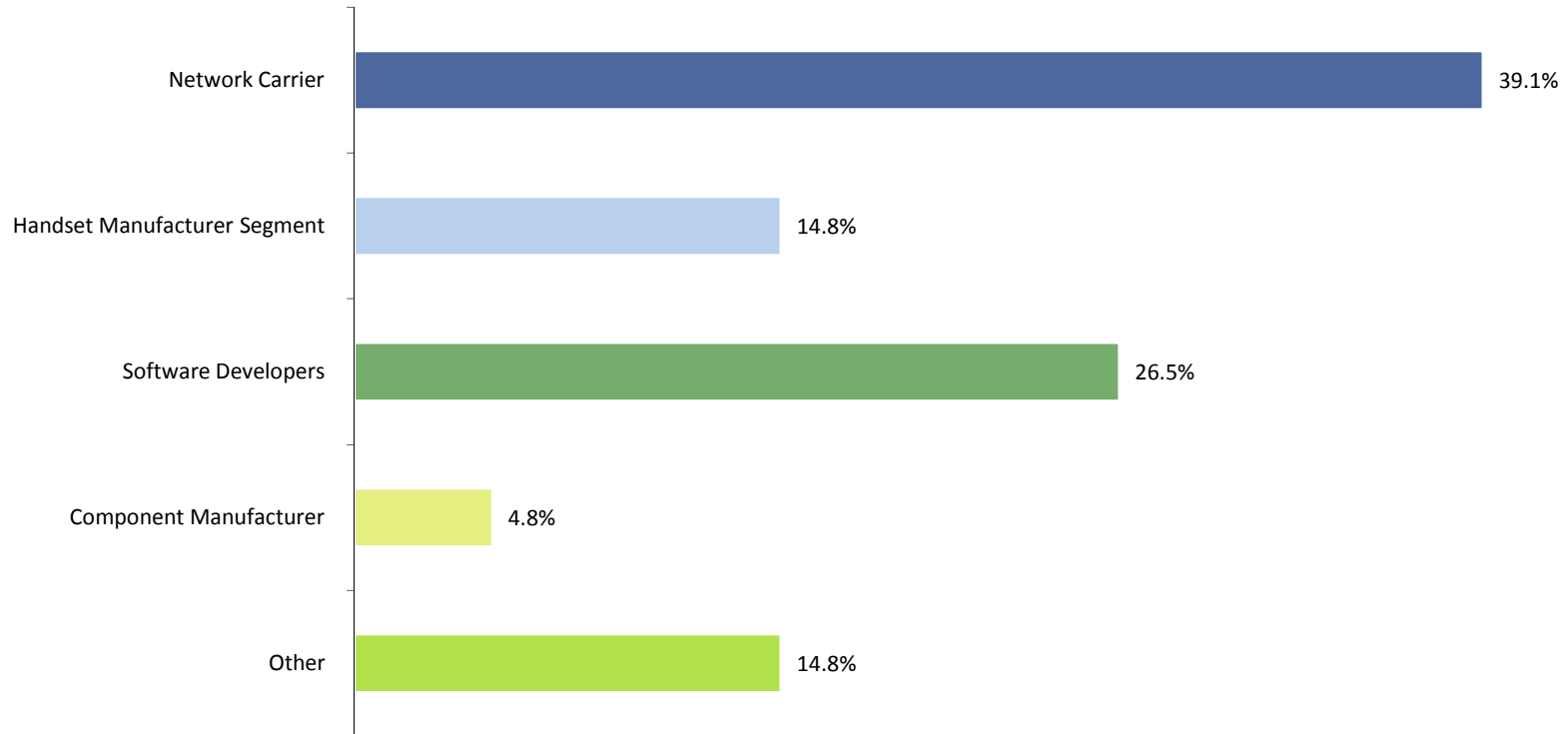
- We employed an online methodology to collect 230 highly targeted responses.
- Responses were received from executives in and around the U.S. wireless sector across multiple industry segments and job functions. The survey closed in June 2009.
- Issues discussed include:
  - the prospective impact on the future wireless landscape
  - planning and investment in open mobile
  - open platforms and open source technologies over the short-term,
  - assessing the impact on the wireless value chain
  - capability building for open mobile.

## Participating companies include:

- Network carriers
- Handset manufacturers
- Software developers
- Component manufacturers

# Survey demographics

# Industry segment of survey respondents



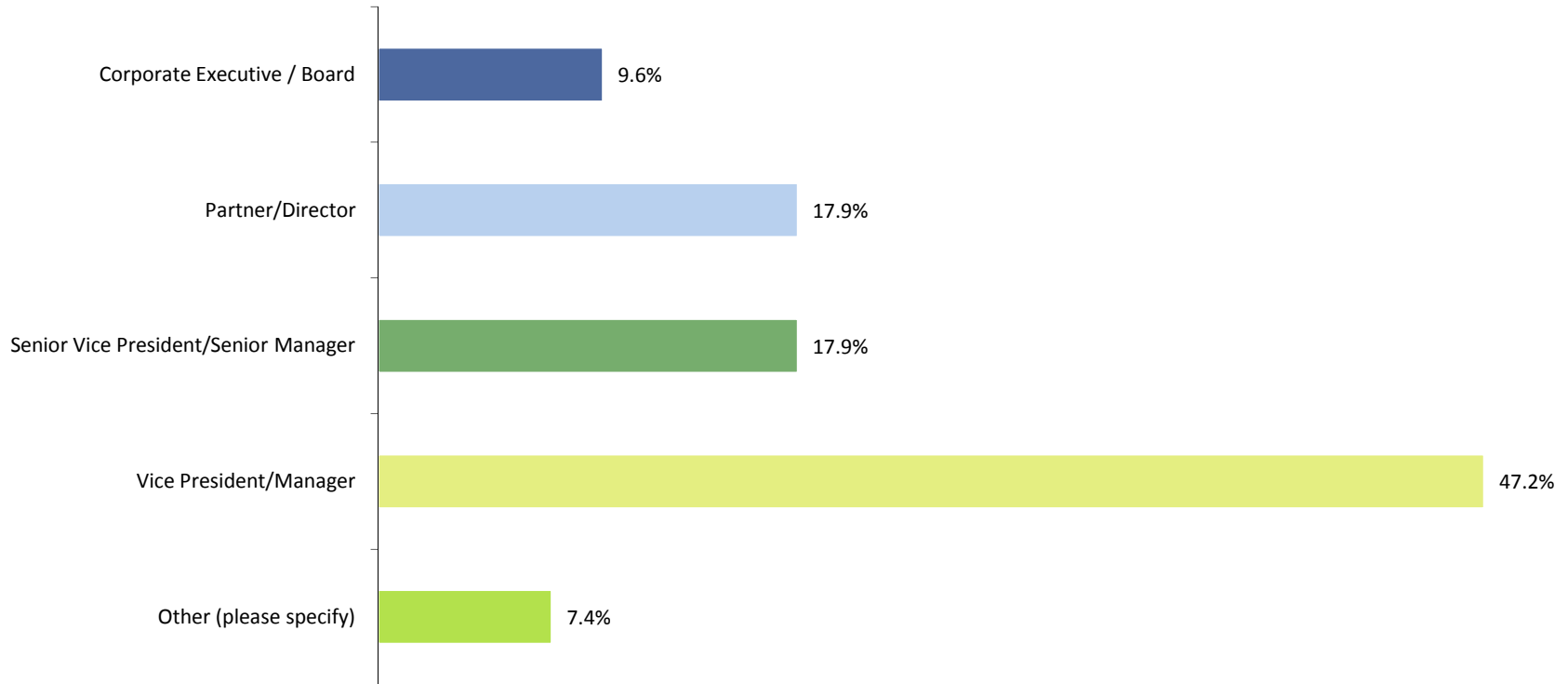
## Other Segments

Venture Capital / Investment Bank

Industry Analyst

Industry Consultant

# Positions/titles of survey respondents



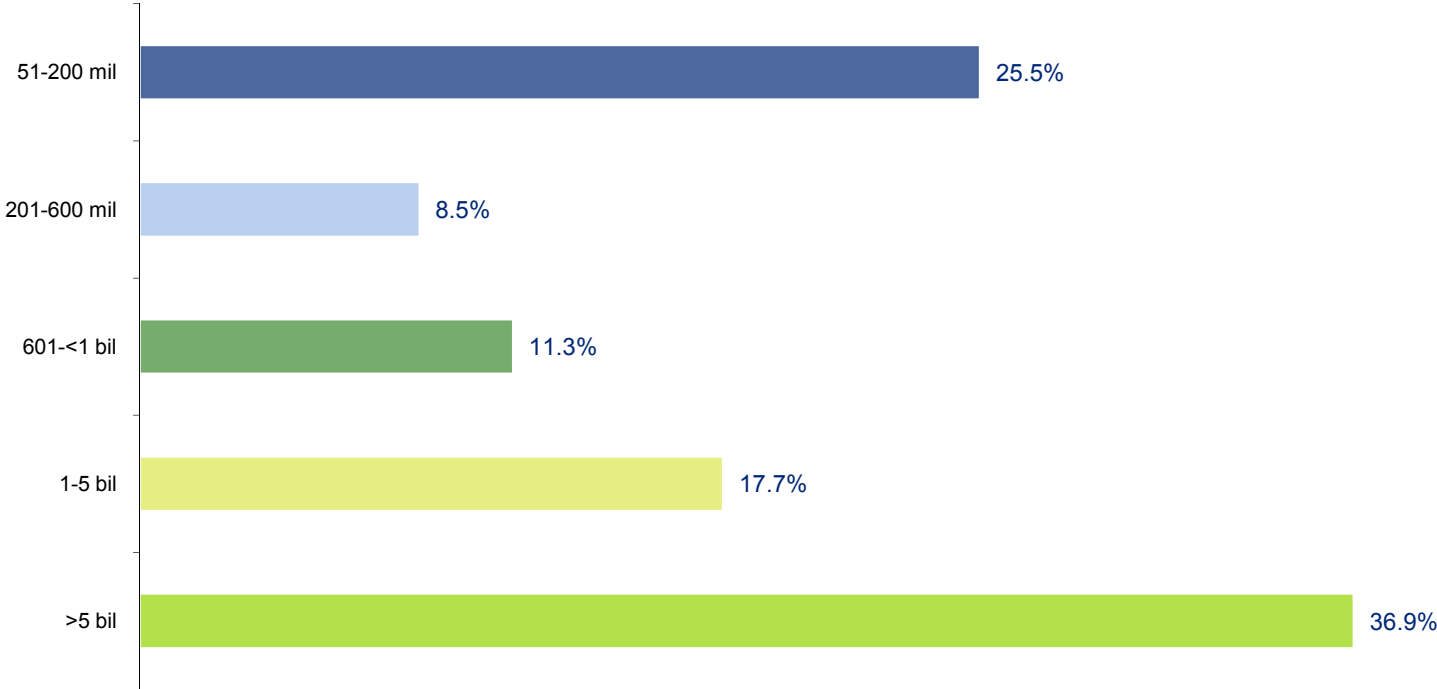
## Other levels

Analyst

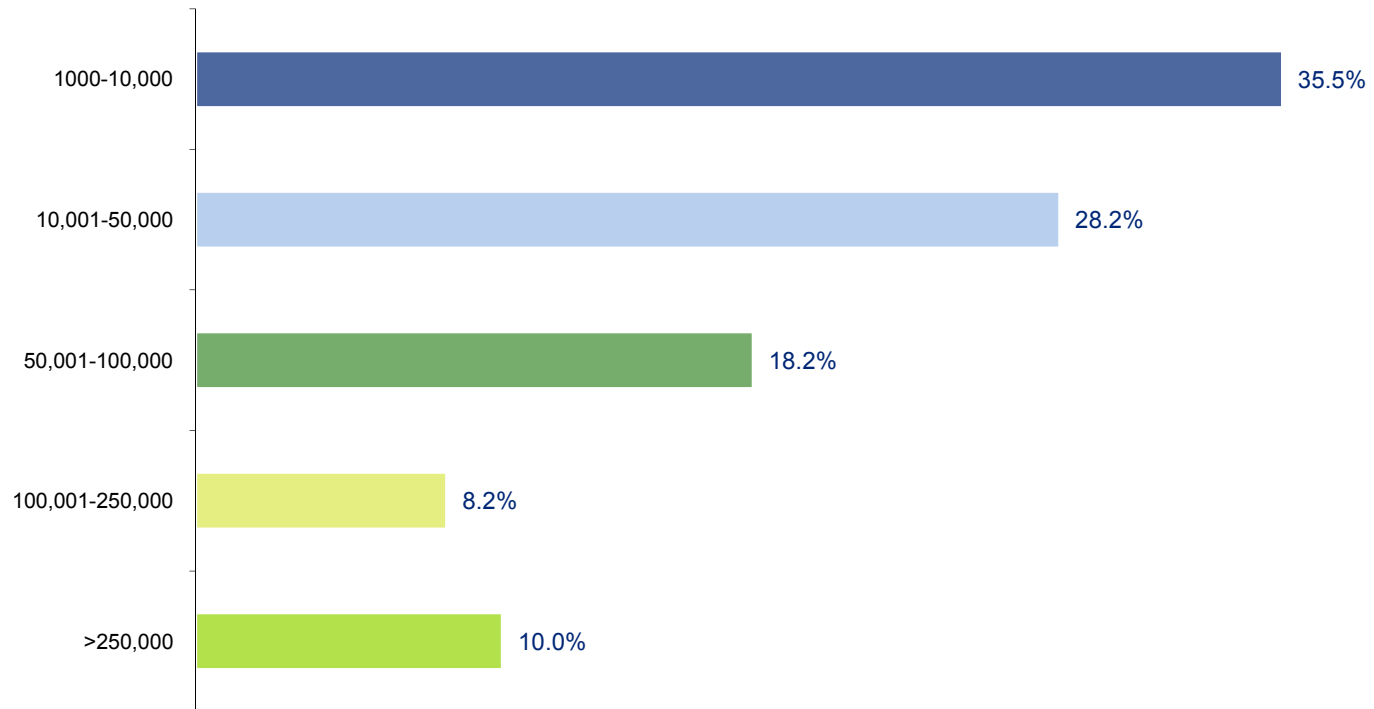
Consultant

Owner

# Annual company revenues of respondent's companies (U.S. \$)



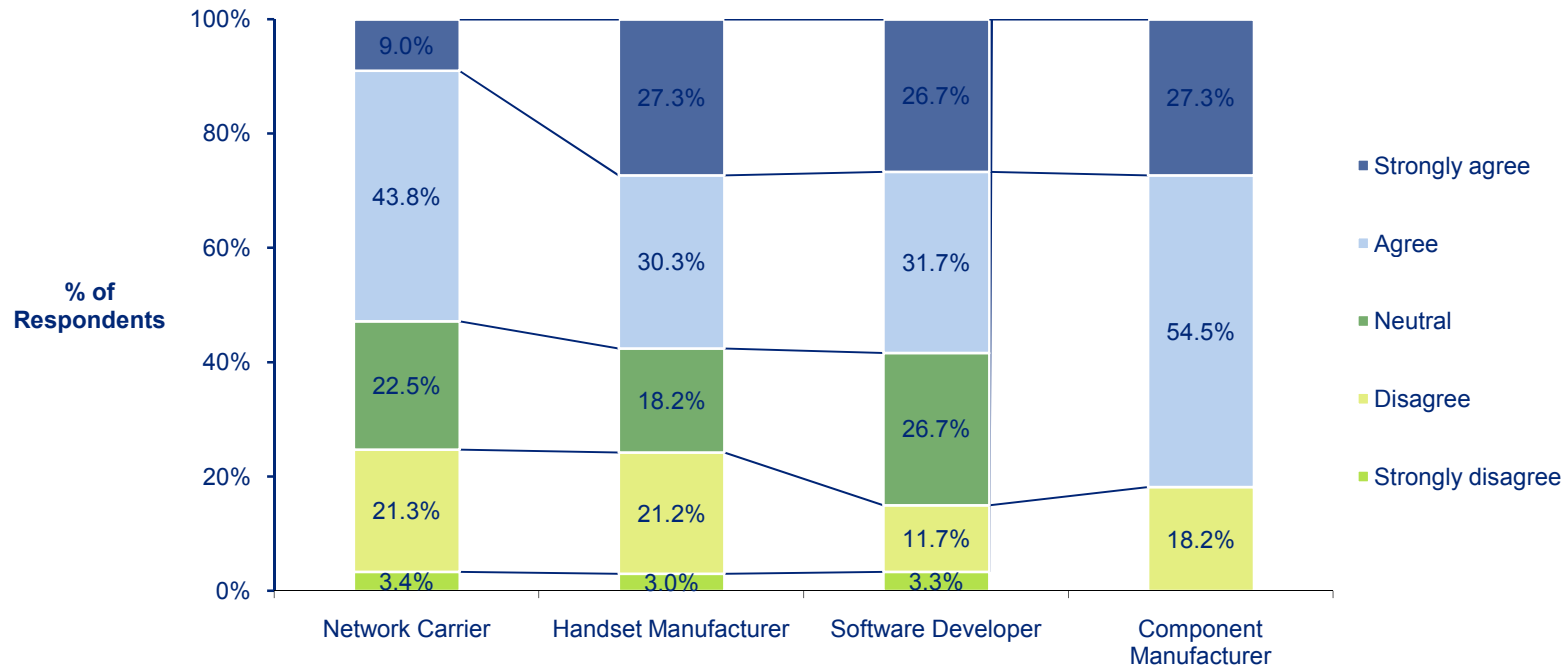
# Company size (by number of employees)



Selected results

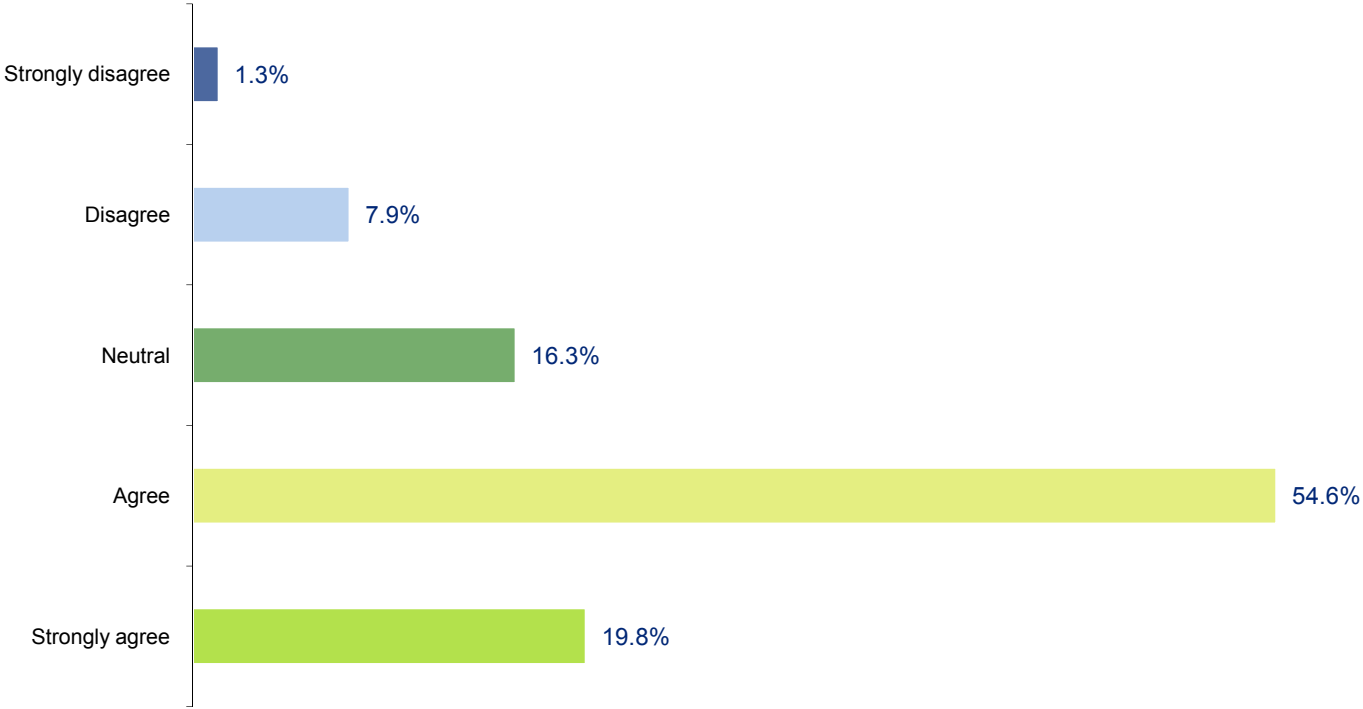
Today, the wireless sector is on the edge of a seismic shift (an unprecedented and disruptive shift) – one precipitated by accelerated technology development and changing consumer demand. Survey results reveal that 53 percent of surveyed network carriers believe their current closed business models will no longer exist by 2012. However, only one-quarter of those same executives believe their companies have formulated an open mobile strategy for capitalizing on this industry-wide shift.

**In 2012 the “closed garden” business model will be over. The future of mobile will be driven by open content and mobile software application providers.**

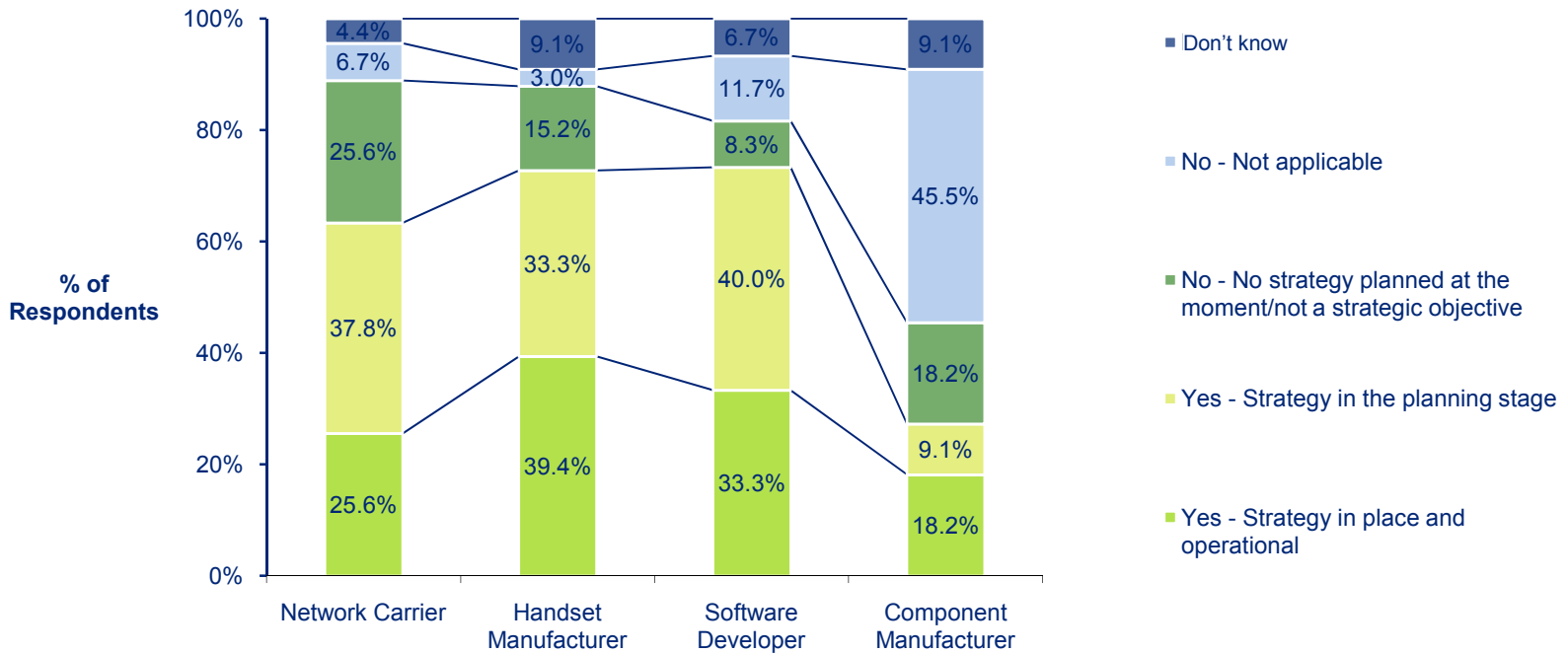


Note: Responses are by industry segment

# Survival in an open mobile wireless sector will be dependent on making the transition from “closed gardens” to “open ecosystems”

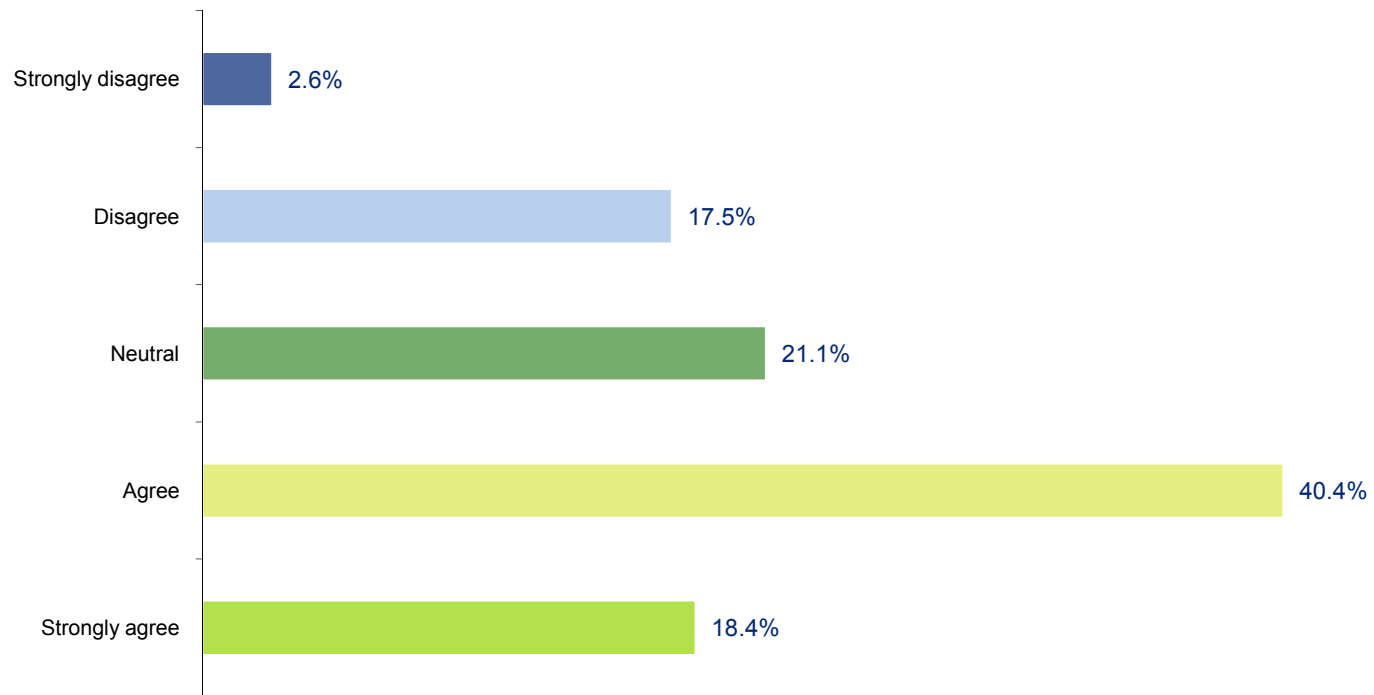


## Does your company have an open mobile strategy in place?



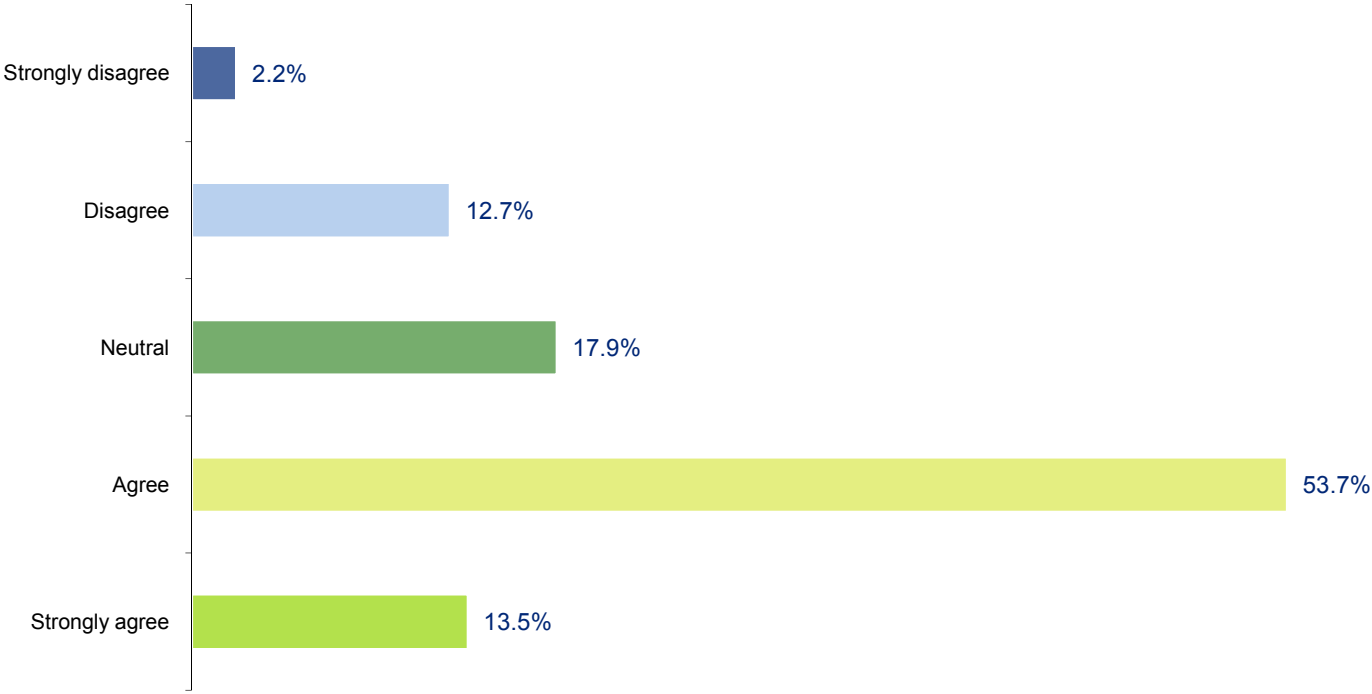
More than half of the executives surveyed believe by 2010 the future of mobile will be driven by open mobile content, with 67 percent of the respondents believing it will be a “game changing” force within wireless in the short-term. Further underscoring this point, when asked which mobile operating system has the greatest potential to be the U.S. de facto standard in five years, Google’s open source Android operating system was the runaway favorite with 43 percent of all votes—more than double the score of the next highest finisher. In fact, 27 percent of those surveyed say that Internet companies, rather than network carriers and handset makers, will dominate the U.S. wireless sector in five years.

**In 2012, the “closed gardens” business model will be over. The future of mobile will be driven by open content and mobile software applications providers.**

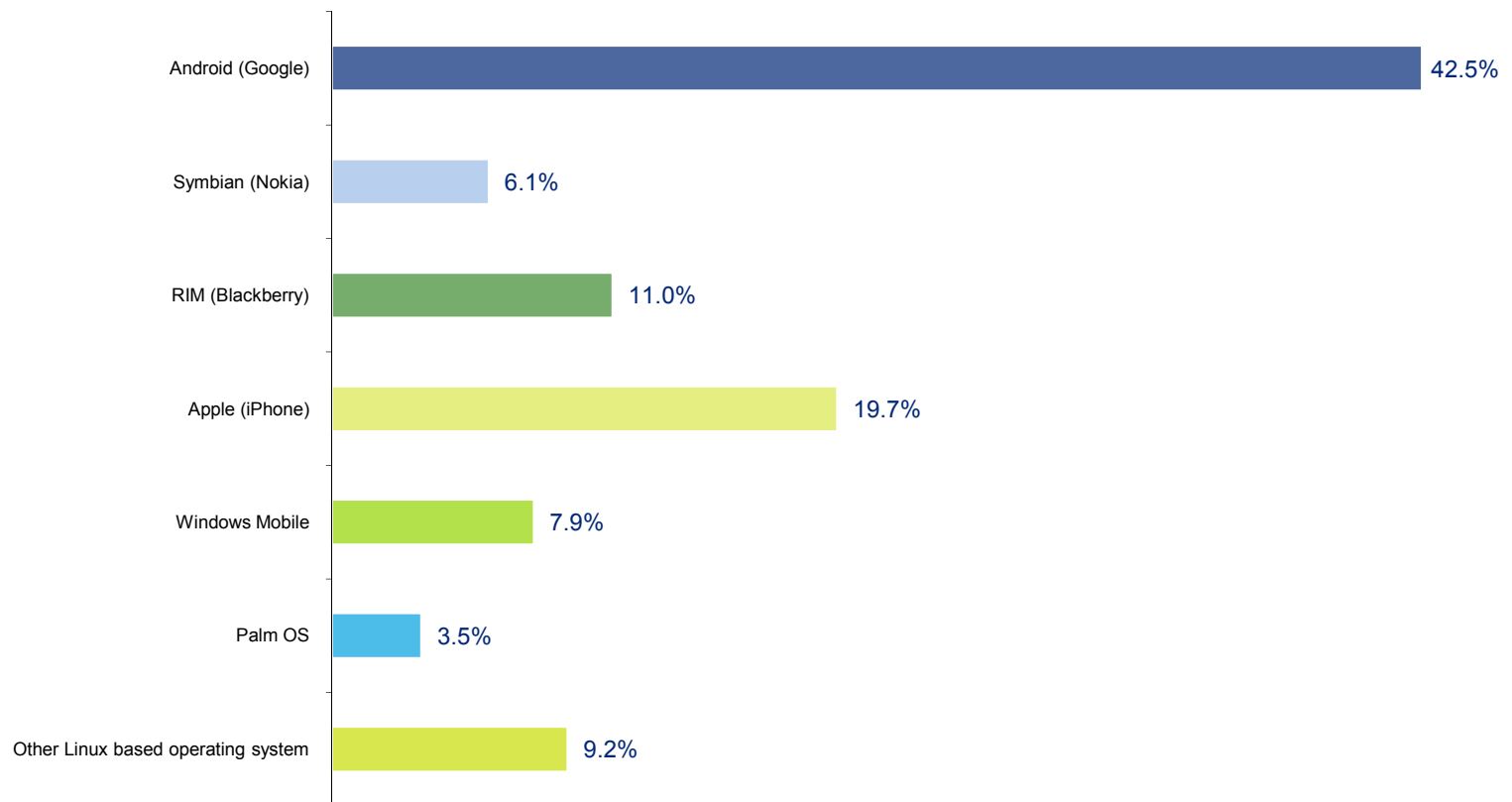


Note: Responses are from overall survey population

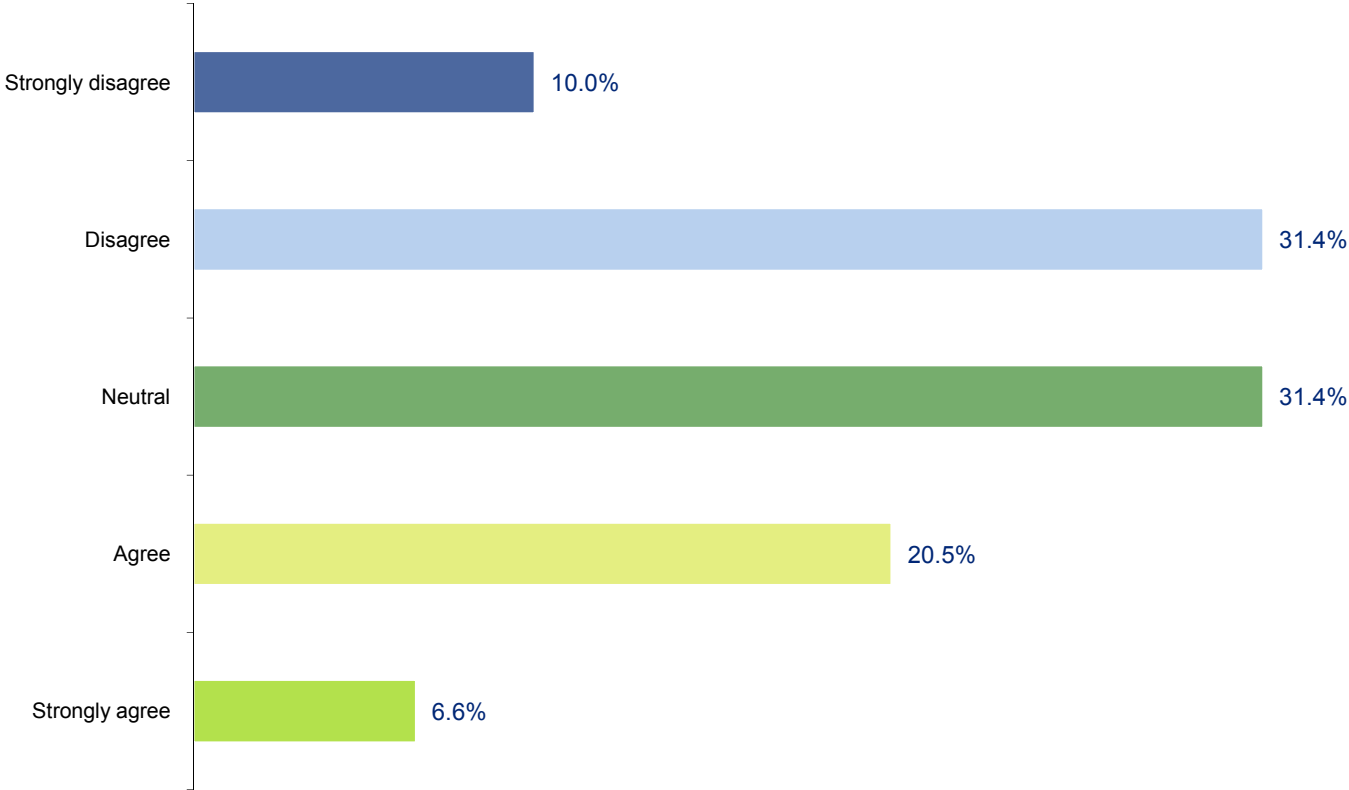
# Open source software as a wireless “game changing” disruptive technology is inevitable



## In your opinion, which mobile operating system has the most potential to be the de facto standard in the U.S. wireless sector 5 years from now?

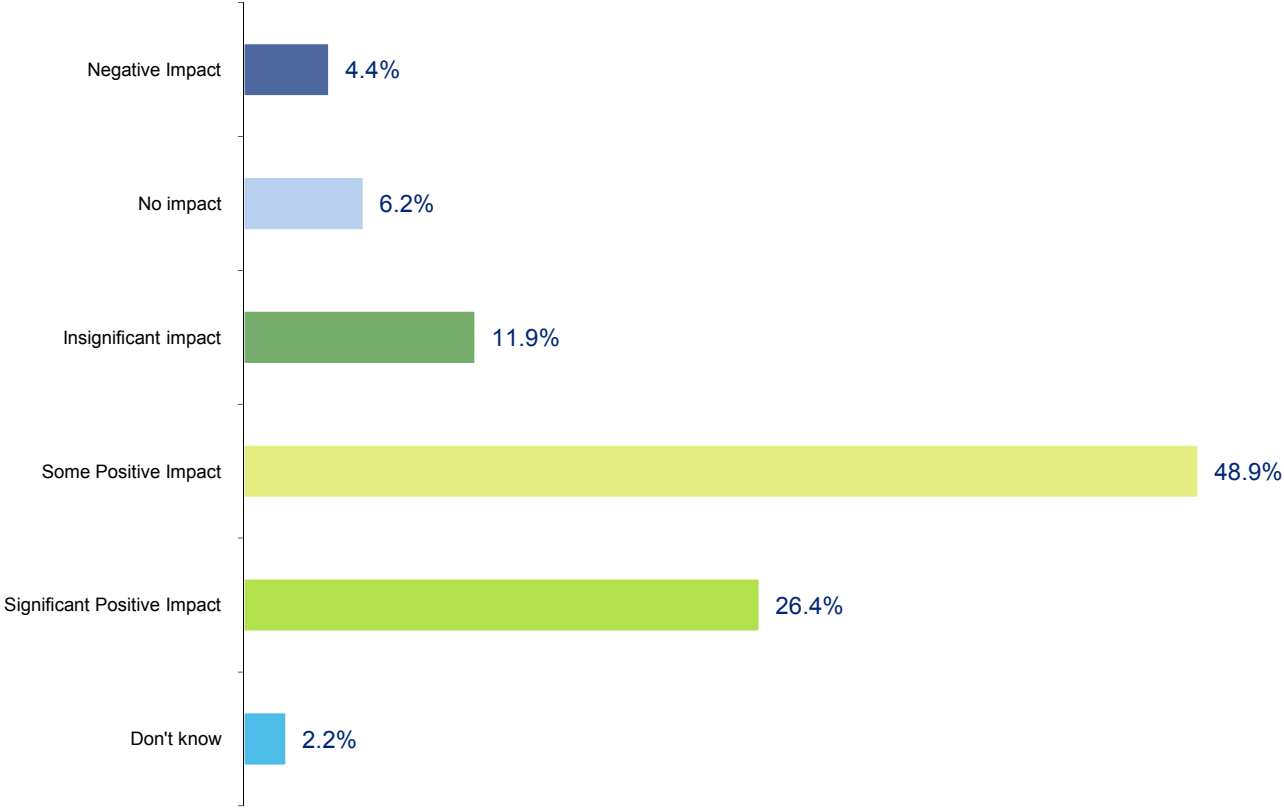


# In five years, Internet companies, rather than network carriers or handset device makers, will dominate the U.S. wireless sector

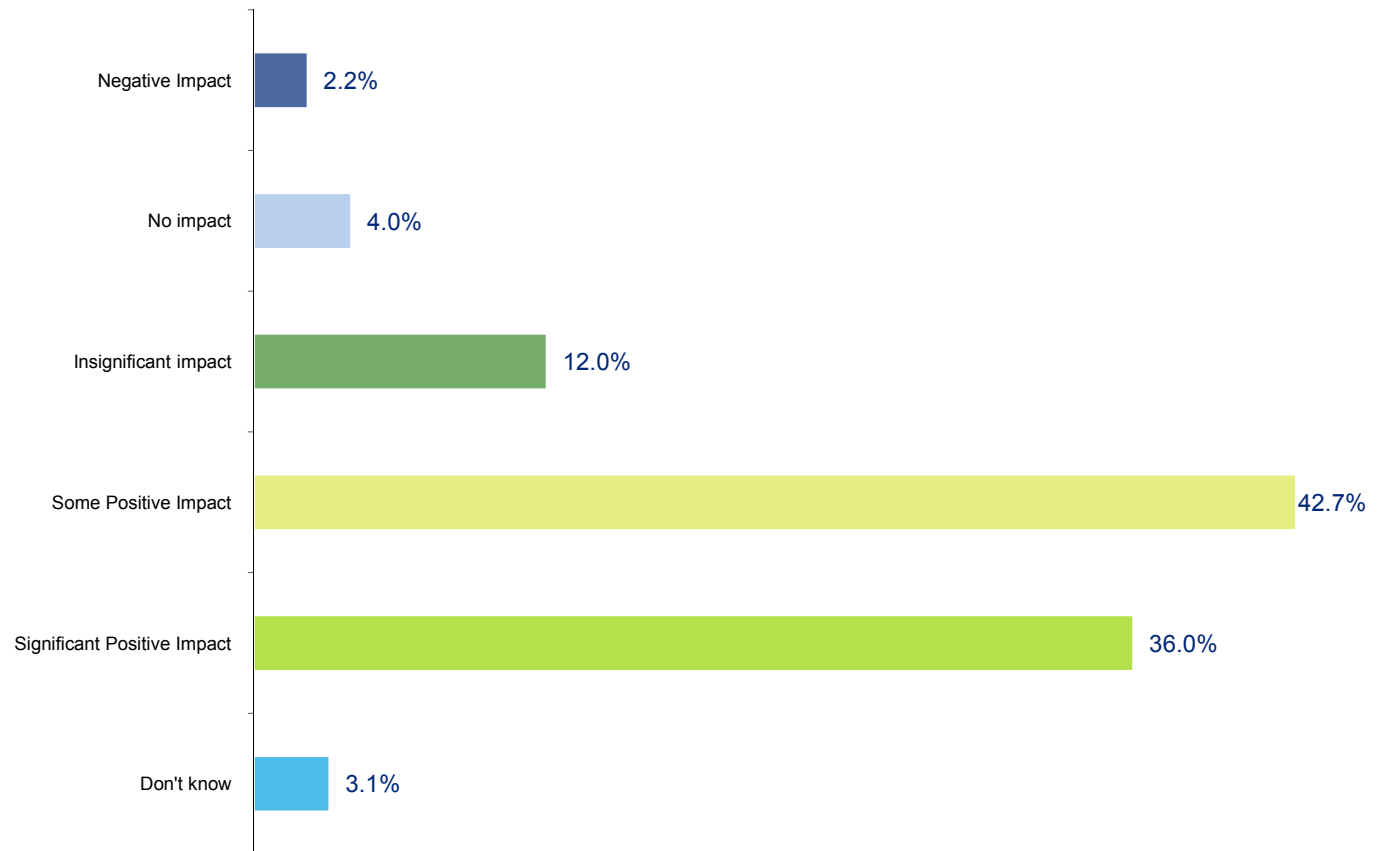


Among other key findings, the majority of those surveyed believe that open source technology will benefit consumers in multiple ways at the device level. Furthermore, over half of the industry respondents predict increased investment in open source within their companies over the next three years. However, established carrier incumbents, who have successfully delivered significant profits and a decade's worth of strong growth, may be reluctant to change business models for fear of substantial revenue loss through fear of losing control over access to products and services through their network portals.

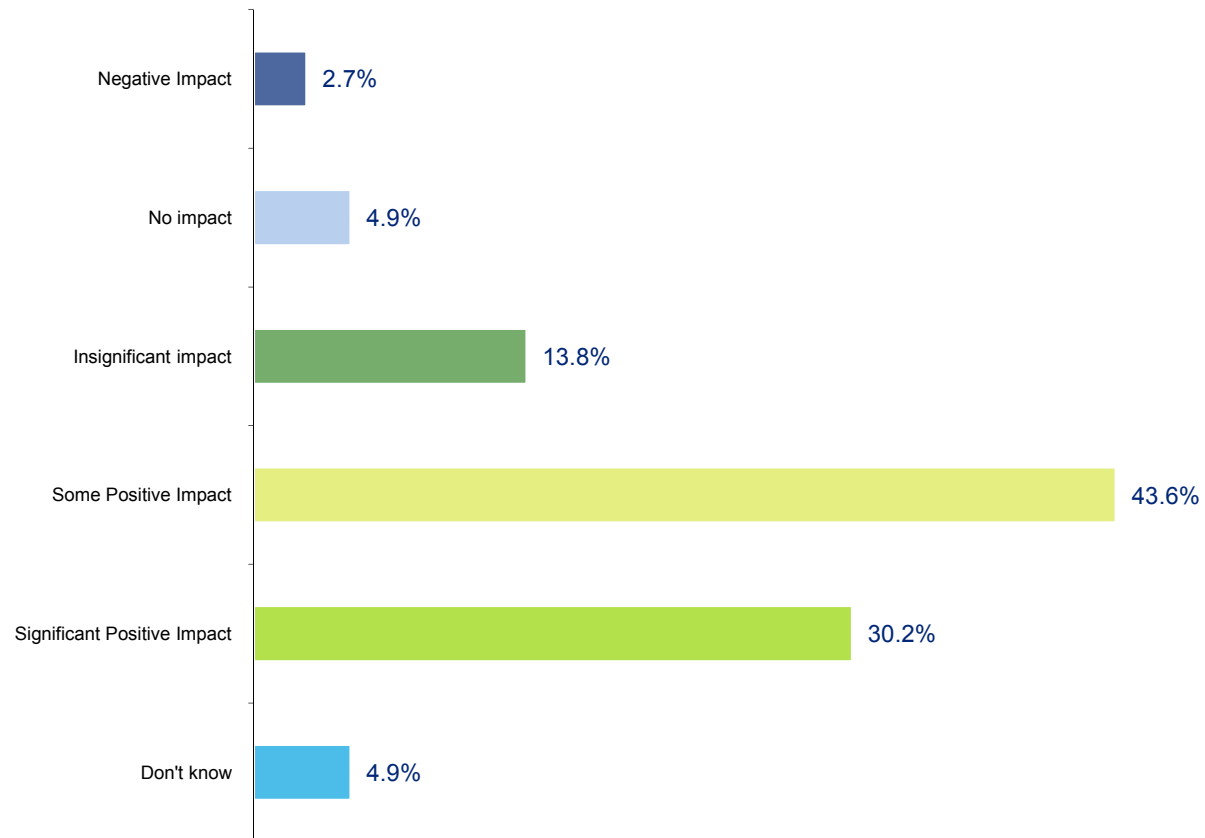
# Cost leadership – Impact open mobile will have on handset device product development/consumer pricing



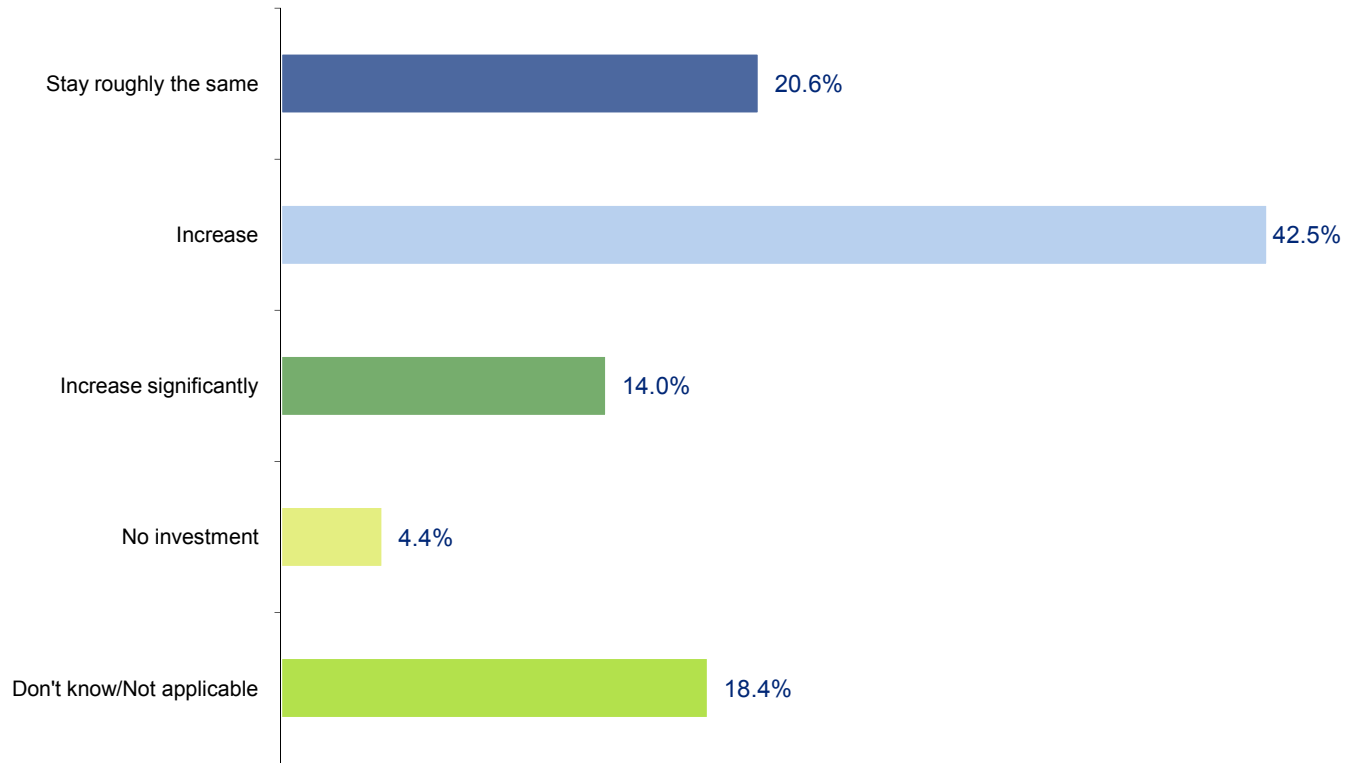
## Innovation – Impact open mobile will have on increasing the rate of innovation in handset product development



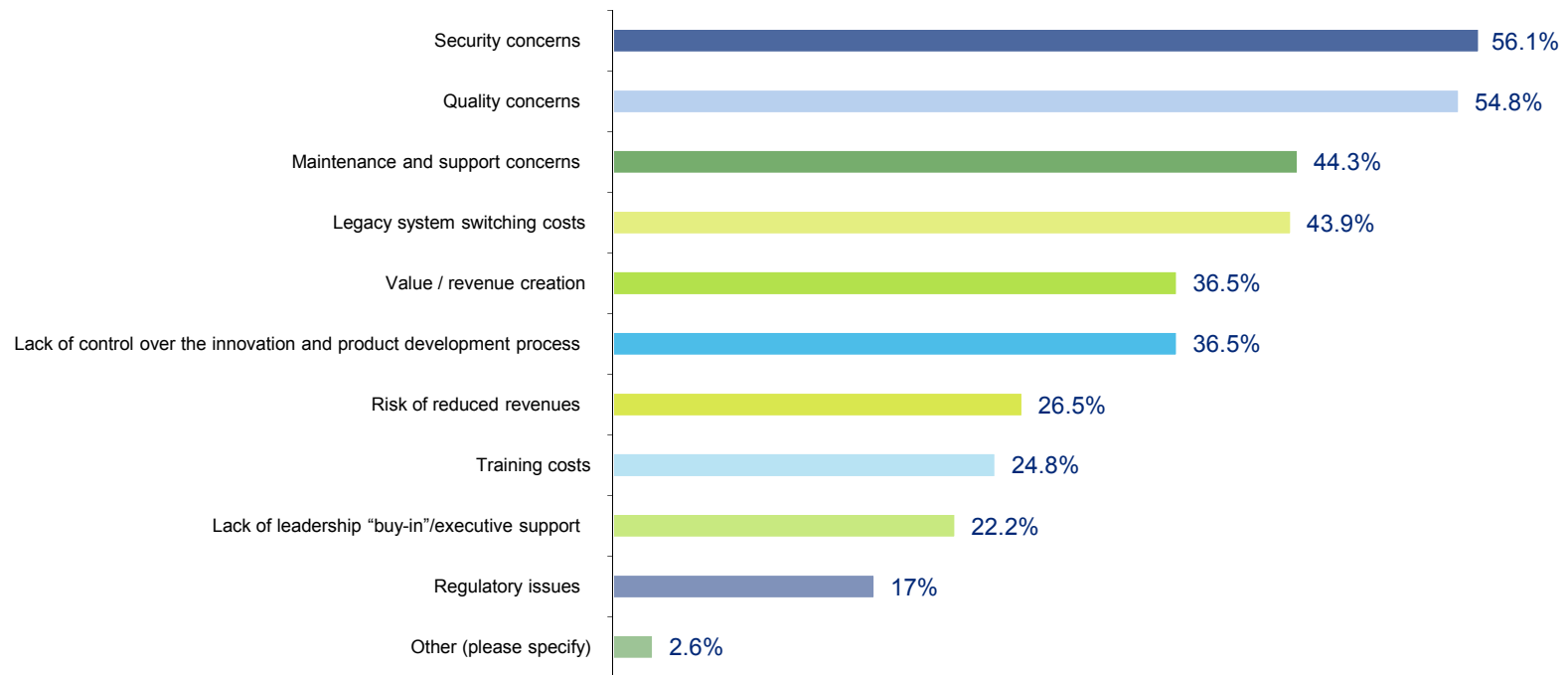
## Market segmentation – Impact open mobile will have on development of diverse/niche mobile devices and services



## How will your company's investment in open source technology change during 2009-2012?

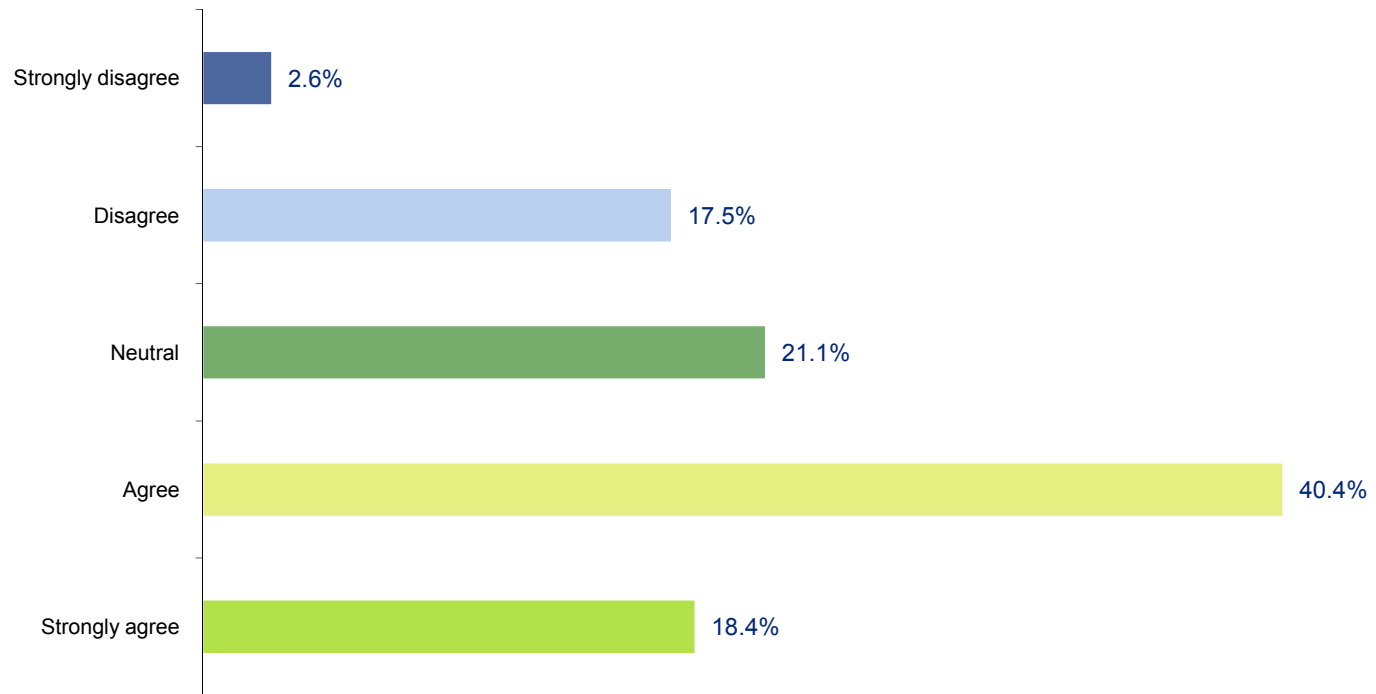


## What concerns will your company have when it comes to adopting an open source technology strategy?



Nearly 60 percent of industry executives surveyed agreed that the future of mobile will be driven by open content and mobile software application providers. However, application development by its very nature substantially outpaces network build-out. This trend, combined with the Federal Communication Commission's recently proposed net neutrality guidelines, increases both the importance and the perceived risk of investment in next generation networks.

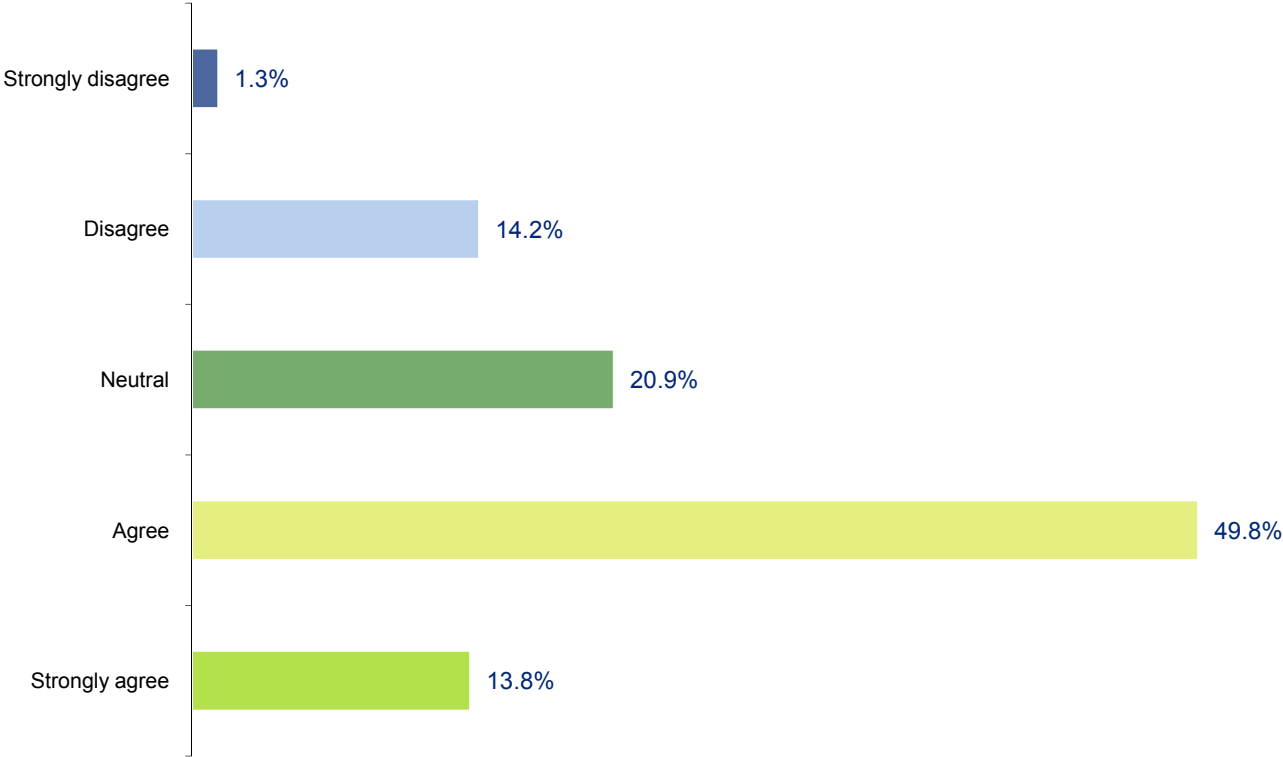
**In 2012, the “closed gardens” business model will be over. The future of mobile will be driven by open content and mobile software applications providers.**



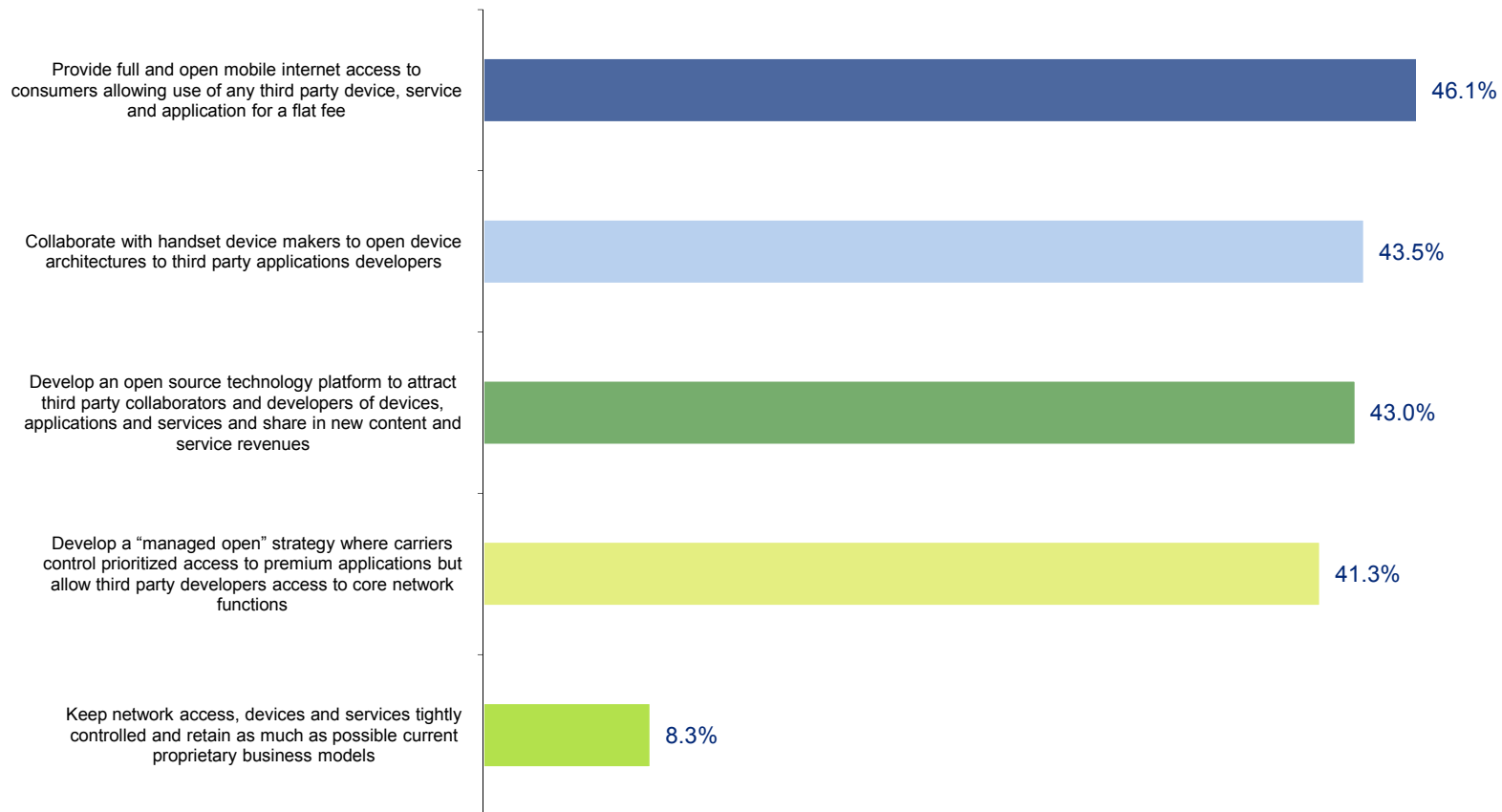
While almost two-thirds of the survey respondents believe that open access regulations will accelerate the commoditization of U.S. wireless network carriers, companies that focus too narrowly on regulatory issues as the key catalyst for change may in fact miss the real market opportunities being driven by open platforms and technologies. The regulatory debate, while important and in need of refinement, is not the end game. In fact, when respondents were asked on the best course of action for network carriers to sustain their competitive advantage, keeping network access, devices and services tightly controlled and retaining as much as possible current proprietary business models was the least popular response.

# Open access regulations will accelerate the commoditization of U.S. wireless

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## What is the best course of action for U.S. network carriers to sustain competitive advantage in the 3-5 year timeframe?



Note: This is a multiple select question. So percentages may not add to 100. Base used for percentage calculation is 230.

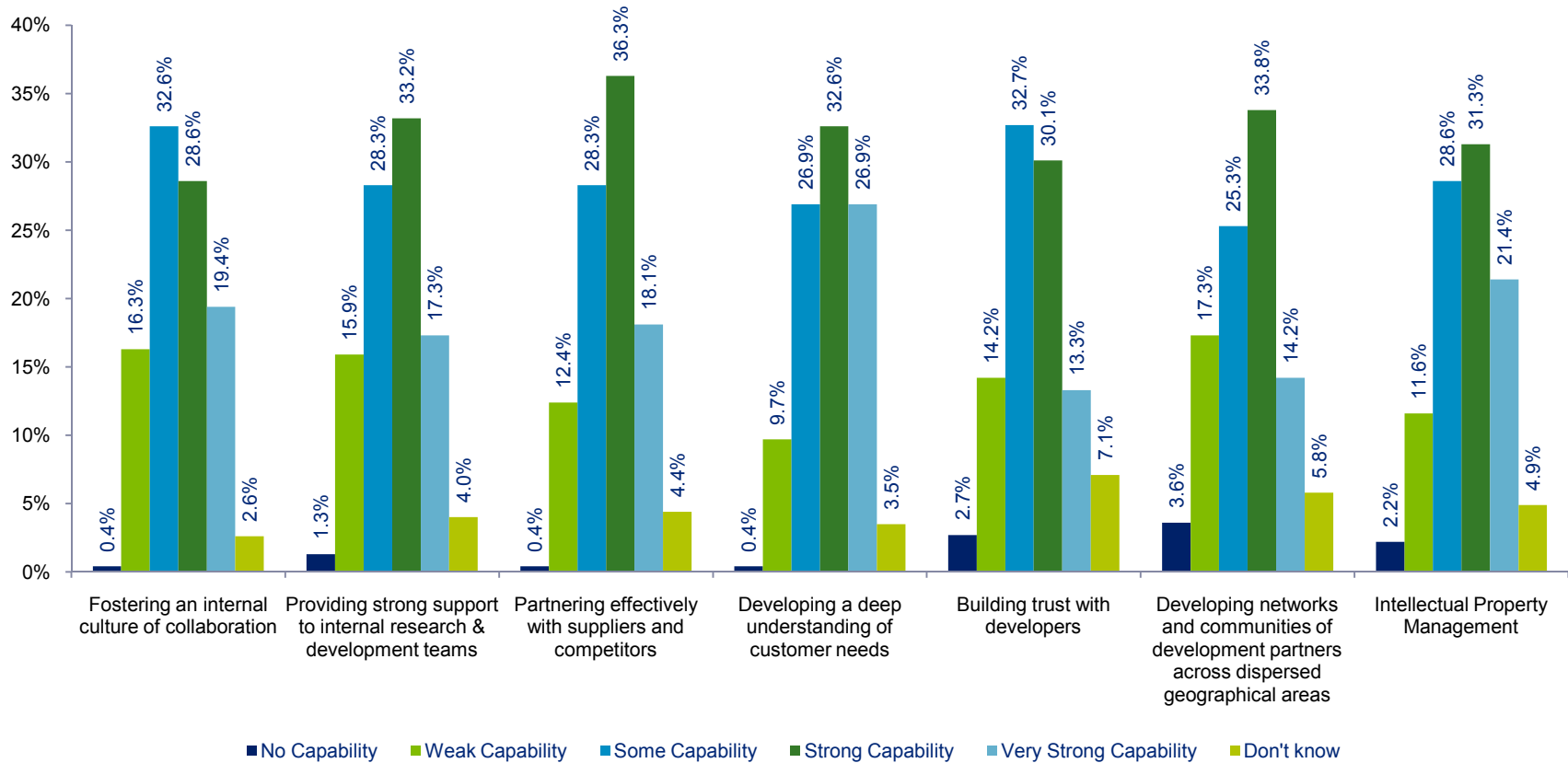
In order to execute a strategy for migrating to an open mobile business model, organizations will require a range of capabilities including ecosystem building, platform development, effective partnering with third parties, understanding customer needs and effectively managing intellectual property. Among survey respondents who self-assessed their organization's capabilities, those capabilities that rated the strongest included:

- Providing strong internal support for research and development
- Partnering effectively with suppliers and competitors
- Developing a deep understanding of customer needs

Conversely, those capabilities that posed the biggest challenges for survey respondents included:

- Building trust with developers
- Developing distributed networks of partners and developers
- Managing intellectual property

## How strong do you feel your company's current capabilities are in the following areas?



## **Strategic conclusions:**

- Significant disruption in the wireless competitive landscape could occur within three years and with new entrants looking to capitalize on the commoditization of the network, wireless companies must act quickly to reach what could be a fundamental shift in how their business models will operate in the immediate future.
- By being an early adopter of open mobile models and timing the shift correctly, companies across the wireless ecosystem can gain a considerable competitive advantage.
- The shift to open mobile is predominantly consumer led, and as such is a necessary evolution for the industry. Those that embrace new business models will be rewarded, while those that fail to adapt may struggle to retain even their current set of customers.
- Organizations executing a strategy for migrating to an open mobile world will require a range of capabilities including ecosystem building, platform development, effective partnering with third parties, understanding customer needs and effectively managing intellectual property.

## For additional information

- Also available is a full survey report *The democratization of wireless: Assessing the impact of open mobile* and a companion piece, *The promise of open mobile: Capturing value in a brave new world*, that outline an effective capabilities strategy that companies can follow to facilitate the transition from the “closed” business models of the past to the new open landscape of the future
- To request a copy or to schedule a meeting to discuss these reports and other detailed findings, please email us at [TMT@deloitte.com](mailto:TMT@deloitte.com)

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