CCS Insight's Top 12 Predictions for 2012

Research firm CCS Insight has again gazed into its crystal ball to predict events over the next 12 months and beyond. Here's the top 12 predictions, together with a brief explanation of why each event might take place.

China Mobile's efforts to expand in Europe trigger a wave of global consolidation in 2012 and 2013. China Mobile will try to buy Deutsche Telekom. Its move will meet considerable resistance in Germany, allowing France Telecom to step in and lead a Franco-German merger. This will prompt a rash of consolidation that affects Telefonica, Telecom Italia and several networks in Scandinavia. China Mobile will snap up some of the assets that the newly merged entities will be obliged to divest to satisfy regulatory concerns. These could include operators in Eastern Europe, which may then deploy Chinese TD-SCDMA networks.

In 2012, O2 UK will become the first major European operator to generate more revenue from data services than voice. Non-voice traffic already accounts for 46 percent of O2's revenue in the UK. The high penetration of smartphones, and the iPhone in particular, on O2's network has fuelled consistent rises in demand for data over the past three years. Next year will see O2 passing the headline-grabbing milestone of data service revenue exceeding that from traditional voice calls. This will prompt debate about how operators account for voice revenue as networks move to all-IP infrastructures.

RIM restructures into two divisions: a services unit and a hardware unit. In an effort to provide sharper focus on the two most important elements of RIM's business, the company divides. One entity centres on the BlackBerry service and network infrastructure; the other is responsible for developing BlackBerry devices and mobile operating systems.

Apple and Facebook become hardware and software interfaces for the Internet of things. As more and more home appliances support an Internet connection, the so-called "Internet of things" becomes a reality. The popularity of Apple's iOS products like the iPhone and iPad mean these devices emerge as the primary hardware controllers for developers of home automation products. In tandem, Facebook's global reach and the increasingly rich variety of its open graph APIs sees it becoming the online control panel for many connected homes.

Google acquires Netflix by 2013. Exponential demand for video content and the growing importance of YouTube to Google's revenue streams see Google buying online movie provider Netflix. Netflix offers a richer video distribution platform that complements the largely free ad-funded distribution of short clips on YouTube. Given the mounting proportion of revenue derived from services like Netflix, the acquisition improves Google's relationships with major studios and rights holders.

Google creates a Web "app store" by indexing HTML5 applications. Developers are taking a growing interest in HTML5 as a cross-platform application environment for a variety of reasons, including a desire to sidestep Apple's dominance of application distribution and the 30 percent it takes from all transactions. As the number of HTML5-based applications grows, Google will create an ad-supported "store" for these currently disparate products, in the form of lists generated by its search algorithms.

Digital reputation agencies become a feature of life online. The challenge of coping with the proliferation of online personal data will lead customers to take a growing interest in their "digital footprint". New digital reputation agencies will allow consumers to get a snapshot of their online profile. In a similar manner to credit-scoring companies like Experian, these agencies will help people manage and collect their "digital garbage".

The current version of iOS will be a pinnacle for Apple's mobile operating system, prompting a radical redesign. Following its introduction in 2007, iOS has been successfully developed to introduce many disruptive innovations. However, like other operating systems, the rate of innovation has slowed as the platform has matured. Although capabilities and features of iOS will continue to advance, it will face mounting limitations compared with newer rivals. This will force a system redesign and compatibility break by the end of 2014.

Android's share of the smartphone market starts to fall in 2013. Android currently accounts for 58 percent of the market. However, Google's mobile operating system faces major challenges. Licensees are trying to reduce their dependence on Android and offer a more balanced portfolio of devices. Android has also started to attract a growing body of patent litigation cases which threaten to increase the cost of using it. By 2013, these factors, and growing consumer interest in rival operating systems, will cause Android's market share to dip for the first time.

Amazon's growing success in the tablet segment makes it the target of several patent lawsuits. To defend its position in the connected device market Amazon is obliged to buy companies with relevant intellectual property assets. Recent frenetic acquisitions in the patent field leave the online retailer with few options, leading to speculation that it might launch a bid for BlackBerry-maker Research In Motion in 2012.

Google creates a subsidized Nexus tablet using Motorola assets. The device uses advertising to offset its relatively low purchase price, as well as promoting Google services and content. Although this risks alienating established Android licensees such as HTC and Samsung, Google is prepared to take the risk in an effort to counteract both Apple's dominance of the tablet market and the innovative business model of Amazon's Kindle Fire.

QR codes and NFC become major new ways to attack security. As more smartphones gain the ability to read two-dimensional (QR) barcodes and extract information from NFC tags, they will become attractive to criminals. Smartphones will continue to be more secure than PCs, but the lack of obvious human-readable data in QR codes and NFC tags means they will be used to direct users to phishing and malware sites.

The full set of 40 predictions is here:
http://hotline.ccsinsight.com/article/CCS_Insight_Predictions_for_2012_and_Beyond

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