



## | Reality Check: MWC 2017 – we need to talk about 5G ... or do we?

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Opinion, Reality Check

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### **MWC 2017 was big on 5G hype, but mobile operators are in need of solutions today that can help deal with growing video content.**

***Editor's Note:** The RCR Wireless News Reality Check section is where C-level executives and advisory firms from across the mobile industry share unique insights and experiences.*

Let's be honest: there was very little new at this year's Mobile World Congress event. Of course, this fact didn't discourage the industry "genies and myth makers" from pulling out their annual MWC magic crystal balls. Ironically, it was very reminiscent of past shows when the then panaceas for all things mobile came in the form of 3G and 4G hype. Now 5 is the magic number.

The "5G" hype was impossible to miss. The large infrastructure vendors were loud and proud, no doubt hoping to change the narrative away from their dour financial performance of recent years. The fact that 5G standards do not exist was merely a minor nuisance to the myth makers. It is estimated that 25 operators are already lab-testing 5G and by media accounts they are achieving impressive speeds. While network providers are testing the 5G waters, many operators – especially those outside the U.S. – are still struggling with the less glamorous task of managing profitably and the explosive growth of data on their current networks while securing a solid return on investment on previously hyped 3G and 4G technologies.

## **Clear and present problems**

According to Cisco Systems, data traveling on mobile networks increased 63% in 2016. Every month carriers are delivering over four exabytes of videos to their subscribers. To put that into perspective, that's more than 4 billion gigabytes every 30 days. The same study found 4G technology accounted for nearly 70% of traffic with 3G technology at 24% and ... 5G at 0%. That's why most operators at MWC this year had more pressing business priorities than "the future of 5G." They wanted to learn about real-world solutions to the conundrums they are facing in the here and now.

For example, how do you manage their network performance more efficiently and monetize mobile video more effectively? Video makes up 50% or more of today's traffic pie. Given the continuous rise in data, this must be front and center of almost every operator's company strategy.

## **The OTT encroachment**

Operators are facing a pincer attack. The bulk of video traffic on mobile networks is being generated by over-the-top services such as Netflix, Amazon Prime and YouTube. To put this into a MWC perspective: Think of OTTs as out-of-town guests who come to eat fine cuisine in a restaurant, consume spectacular wine and then walk out on the bill. That's what OTTs are doing to operators.

OTTs are applying rigorous encryption protocols and their secure data (https and UDP) is preventing network providers from using traditional tools and analytics to ensure a satisfactory subscriber quality of experience. OTT traffic is consuming vast amounts of bandwidth while this new encryption is preventing carriers from being able to monetize these services. It's like trying to drive a car at top speed without a steering wheel.

A survey conducted by the GSMA found customer experience came out tops on the list of carrier priorities for 2017. That mirrors research that revealed subscribers who suffer poor video QoE on their current mobile network provider would not hesitate to churn to a competing mobile operator. In fact, subscribers will only tolerate six seconds of buffering before they abandon the video in frustration. The onus is firmly on the carrier to manage QoE.

## **Happy binge watching**

A couple of years ago, T-Mobile US grabbed the mobile video bull by the horns and launched its Binge On service. The move helped the U.S. carrier to boost average revenue per user, subscriber numbers and importantly, profits. The initiative has inspired other carriers to launch innovative zero-rated plans that go one better than Binge On. Powerful data management technology allows operators to zero-rate popular services like gaming, streaming or even roaming to boost ARPU – and minimize the impact on the network.

Binge On's "secret sauce" was network data optimization. That enabled the U.S. operator to deliver video at 480p video quality instead of 720p or 1080p. Subscribers were happy and the zero-rated video did not break T-Mobile US' network. Why? On a small screen, the distinction between 720p and 480p is negligible and intelligent data management technology relieves network loads. What's important is delivering subscribers real value and ensuring that they enjoy contextually superb QoE.

How do you monetize mobile video traffic? In the past, when partnering with OTTs, operators had to manually configure their network to recognize each qualifying service. Not anymore. New network functions virtualization-based application monetization solutions allow operators to accurately identify and differentiate traffic streams dynamically. New technology can recognize and fingerprint data flowing from services such as Netflix, YouTube or Hulu. This means operators who may not have the resources to negotiate individual OTT deals can now launch and monetize services within weeks or even days, giving carriers a considerable competitive business edge.

## **The 5G genie ball**

Like any new increase in bandwidth, 5G will eventually be crucial to operators. However, carriers need to get 4G to a better profitability level first and not put the cart before the horse. New technologies will create new demand and no doubt increase consumption, as we saw with 4G. However, that does not, as the industry has learned in recent years, necessarily convert to new revenue and profits. Getting QoE, traffic management and monetization capabilities in place today are fundamental to a profitable mobile operator business – while others drool over those 5G speeds and dream of all the new 4K videos that they can watch in real time. Well it is time for the genies to put away the crystal balls and go back into their lamps – until next year at least.