GSMA Releases European Mobile Observatory outlining Key Developments in the mobile industry

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Mobile Communication Is a Key European Industry, Comparable to Aerospace and Larger than Pharmaceuticals with Total Revenues of €174 Billion in 2010; By Matching US ICT Investment Levels Europe Could Add €760 Billion to the Region’s GDP by 2020

8 December 2011, Brussels: The GSMA today released the European edition of its Mobile Observatory series, which provides a snapshot of the latest statistics and market developments, as well as a reference point for interested stakeholders in the mobile industry, including policy makers and regulators. It outlines the state of the industry, including the evolution of competition, innovation in new products, services and technologies and the industry’s contribution to social and economic development in Europe.

“The mobile industry has transformed the way in which we live, work and play by continuously improving and introducing new services and products and creating a more ‘connected economy’,” said Anne Bouverot, director general, GSMA. “The Observatory’s findings show that the mobile industry is a critical business sector in Europe; in just twenty years, the mobile industry has grown to become comparable in size to aerospace and larger than pharmaceuticals, with total revenues amounting to €174 billion in 2010 and creating an estimated 1.7 million jobs.”

Mobile Drives Considerable Socio-Economic Contribution

Mobile is increasing the accessibility of voice and data communication services for Europeans due to lower up-front and recurring monthly costs compared to fixed line communications. The mobile industry also makes a very substantial contribution to the European economy including:

- Mobile operator GDP contribution of approximately €174 billion (1% of total European Economic Area GDP);
- Contribution to public funding amounting to approximately €83 billion - of which €65 billion from mobile operators directly; and
- Direct employment of 370,000 Europeans and induced employment of 1.3 million more.

The industry’s investment in new technologies and infrastructure acts as an economic stimulus, helping regenerate economic growth and promote economic recovery. Investment in future technologies, both from operators and regulatory stakeholders such as the European Union, is vital for future economic growth. By matching US levels of ICT investment (of which mobile is inclusive), European states could add an additional €760 billion to their collective GDP by 2020, which represents a five per cent increase over forecasts.

The mobile industry is one of the most capital-intensive industries, with capital expenditures representing 12 per cent of sales on average in 2010. The mobile industry’s investment demand is considerably higher than for other fast-moving, innovation-based industries such as pharmaceuticals, telecoms equipment, semiconductor, software and internet services and adds to the economic health and sustainability of supporting industries.

From a societal standpoint, mobile is making an important contribution to improving the health and safety of European citizens by increasing emergency service response times, enabling remote mobile health services, and by permitting the development of innovative services to protect vulnerable groups such as children or the elderly.

Ubiquity of Mobile Services and Mobile Broadband Growth Stimulate Competition

Mobile services are ubiquitously available, with a population coverage rate of nearly 100 per cent and a mobile penetration rate of 128 per cent in Europe (versus 100 per cent in Japan and 104 per cent in the United States). This represents 656 million individual subscriptions (measured as active SIM cards) held by an estimated 456 million Europeans (89 per cent of the population), many of whom have more than one subscription. Indeed, mobile services are often the only regular communication for some socio-economic groups and it's likely that the current youth market will possibly never own a fixed line service.

Innovative data services have changed the dynamics of the industry and the way consumers use their handsets. This has resulted in a consumer-driven mobile ecosystem with a diverse set of players. Mobile Broadband is forecast to continue growing at over 90 per cent for the next five years. The explosion in mobile data that Europe is witnessing will continue to be driven by investment and innovation from players across the mobile ecosystem.

The competitive intensity of the industry and availability of a wide selection of pricing tariffs enabling consumer choice is clearly evidenced by steeply declining prices, to an extent rarely witnessed in any other industry. Across the EU27, mobile prices fell by an average of 11-13 per cent per annum between 2006 and 2010.

Creating Innovation in Services and Applications

Mobile apps are just one of the manifestations of how the mobile device is an increasingly important channel for information, entertainment and transactions. Innovation in the development of mobile-based services will continue to be a key factor in driving mobile data usage. Some of the key service innovation areas of recent years include:

- *Multi-media Communication* - Beyond traditional voice services, mobile VoIP and email services, there are a growing number of communication tools available to mobile users;
- *Mobile entertainment* - Initially focused on providing basic mobile music, gaming and short video services, mobile services now include multimedia rich content;
- *Mobile payments and services* - Near Field Communications (NFC) offers new mechanisms for carrying out mobile financial services, m-ticketing and other innovative transactions and services;
- *Mobile retail* - Retailers are already exploiting mobile as a channel to launch advertising campaigns, giving the ability to communicate with customers in more personalised and interactive ways;
- *Mobile monitoring* - Mobile technology is enabling companies to monitor equipment, people's health and the natural environment remotely; and
- *Cloud computing* - Mobile cloud computing allows on-demand network access to a shared pool of computing resources, such as storage, applications and services.

Continued Industry Investment to Advance Technology

Despite the current difficult macro-economic environment, the industry remains committed to investing in new technologies and new services. In Europe, future innovation is likely to come from the implementation of new technologies such as Long Term Evolution (LTE) and advanced devices to satisfy future requirements for "bandwidth hungry" mobile services. 20 operators have already launched commercial LTE networks, and widespread deployment of LTE is expected throughout Europe by 2014. Spectrum availability is essential to the success of LTE as a new technology platform. The ability to refarm existing GSM spectrum is an important development that will shape LTE deployment strategies and new service offerings.

Bouverot concluded, "Given the right opportunities and environment, the mobile industry is expected to continue investing strongly in new technologies and new services. Support of future technologies, by operators, vendors and regulatory stakeholders such as the European Commission, are vital for future economic growth."

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Notes to Editors:

The Aerospace market in Europe is estimated at €147 billion (Source: Aerospace Global Report 2011, IMAP), The Pharmaceutical and Biotech market in Europe is estimated at €95 billion (Pharmaceuticals & Biotech Industry Global Report - 2011, IMAP).

About the GSMA

The GSMA represents the interests of mobile operators worldwide. Spanning more than 220 countries, the GSMA unites nearly 800 of the world's mobile operators, as well as more than 200 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers, Internet companies, and media and entertainment organisations. The GSMA also produces industry-leading events such as the Mobile World Congress and Mobile Asia Congress.

For more information, please visit Mobile World Live, the online portal for the mobile communications industry, at www.mobileworldlive.com or the GSMA corporate website at http://www.gsmworld.com.

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