



As the global economic funk grinds on, consumers remain hunkered down with the things that mean the most to them, such as their iPhones and broadband. At the 2010 Tellabs analyst conference, 6 analysts discussed why consumers see value in telecom and how service providers can capitalize on that perception.

Following are some highlights from those conversations. An extended video version is available at www.tellabs.com/resources/multimedia.



Ray Mota, managing partner

for ACG Research: A lot of people really didn't pay attention to the economy. Now they realize that the economy has a major impact on technology.

What's happened is, you move from this concept of what we call "mindless consumption of data." A lot of carriers and a lot of enterprises would solve the problem by just throwing more bandwidth at it.

They're moving to, "I need to put more intelligence on the network." With that intelligence comes QoS capability, types of quality.

Even in a down economy with less discretionary income, people were willing to spend up to \$300 for the iPhone. It wasn't really anything new with that device from a wireless technology perspective.

But it created the front-end experience where they

made the device almost like dial tone, where you pick it up, and you can do things. So people are willing to pay for that experience, and they're willing to pay more.

We recently did a survey of about 41 service providers around the world. The No. 1 priority, at least from the executive perspective, was how do we bring more customer value?

No. 2 was service innovation: What service innovation is out there, and is there technology to align there to give that business value from that perspective? No. 3 was cost optimization.

Those are the 3 priorities from a carrier perspective right now, which was different than what I thought it would be. It's interesting that innovation had a higher priority than cost, even in a down economy.



Dana Cooperson, head of Ovum's network infrastructure practice:

We're seeing some technology shifts. For example, in optical we're expecting to see a lot more activity in OTN in 2011.

The industry's gone past the debate of do we need OTN? OTN as a technology has been in the network for a long time: It's been used as part of a digital wrapper to allow transport networks to more effectively carry packet traffic, for example. The move to OTN switching is what's new.

We're seeing two OTN switching trends. One is the inclusion of integrated OTN switching within a platform like the Tellabs® 7100 Optical Transport System that does photonics (WDM) along with a bunch of other things, such as SONET SDH and packet aggregation and grooming.

The other trend is the OTN switch that lets operators pack the wavelengths more effectively and efficiently so that the traffic can be transported. This "big, honking switch" is a standalone, multi-terabit switch that will take the place of the old SONET SDH switches and provide a point whereby the traffic can be groomed before it gets onto the long-distance wavelengths. It will also allow router bypass for traffic that does not require routing.

The standalone OTN switch is about network efficiency in the deep core, and about having a touch point in the network to look at the different kinds of traffic, Ethernet and so on, as it enters and leaves the core network. That's a very different application than the integrated OTN switching capability, which is more about improving multi-service, multi-layer efficiency in the metro.

There's also just the need for speed, the need for capacity and scalability. The need for folks like Tellabs to provide 40G/100G capacity wavelengths to their customers is becoming a very, very big thing.



Michael Howard, principal analyst and cofounder at Infonetics Research: I think the biggest difference between 2010 and 2011 will be an acceleration of what's been happening.

Between this year and 2014, for example, there'll be 1.5 billion new mobile subscribers, but 1.2 billion more mobile *broadband* subscribers. Mobile broadband is accelerating in all parts of the world.

With the increase in devices, and smart devices causing maybe 10 times more bandwidth on the backhaul networks, carriers have been rushing to increase the capacity of their backhaul networks.

Carriers have been moving to packet backhaul: IP and Ethernet. It's really the only cost-effective solution for the backhaul problem. In 2009, 57% of the spending for backhaul was on Ethernet equipment. In 2010, that's up at 65%.

CapEx: Capital Expenses

HSPA: High-Speed Packet Access

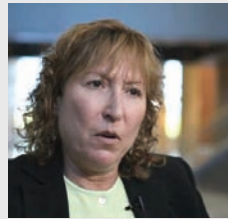
LTE: Long-Term Evolution

OTN: Optical Transport Network

QoS: Quality of Service

SDH: Synchronous Digital Hierarchy

SONET: Synchronous Optical Networking



Eve Griliches, managing partner at ACG Research: One of the things that you've done in the analyst conference is talk about targeted advertising. That's really where the service providers are going to be making some money.

Vendors are going to have to help the service providers do that. They can start adding levels of intelligence into the optical network to enable more of those services.



Iain Gillott, founder and president of iGR: The discussion is going to change from what *will* LTE be like to what *is* it like. All the people who, like AT&T, were planning it are going to get asked, "When are you going to do it?"

Even though HSPA+ may be 99%, 95% of the way there, it won't be seen as enough by the financial markets or the press. I think the discussion's going to change very quickly.



Andre Viera, telecom infrastructure program manager at IDC: There's a bit of a pickup in certain regions in terms of the demand for network infrastructure.

Service providers around the globe have been migrating their CapEx from more traditional areas to mobile Internet. Definitely you're going to see that trend continue.

It's the touch points that people have in their networks. Everyone around the world now has access to more devices that allow them to be connected to each other.

As the touch points increase and the bandwidth for those touch points increases, people are using more and more of that as if they were using their computers in their homes. So it's really a fantastic trend that's going on.

Because of the personalized use, I see that people are going to have their own personal applications on all the time. They want to stay connected to other people and to what's going on in the world. There's almost like an umbilical cord to the Internet. ■



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