

Rationalization of Communications Services by Consumers and Small Businesses Will Headline Communications Industry Trends in 2009, According to M/C Venture Partners' Top-10 Trends To Watch List

Virtualization, Bandwidth Demand and Handset Innovation Will Grab Headlines in 2009, According to Venture Capital Firm

BOSTON, MA (December 18, 2008)—The economic downturn will slow growth and innovation in many areas but will create attractive investment opportunities in the communications and media sectors in the new year, according to M/C Venture Partners, which today is releasing its annual list of the Top-10 communications and media industry trends to watch in 2009. Consumer segmentation, increasing enterprise bandwidth requirements, expanded uses of virtualization and increased adoption of personal mobile services will also be at the forefront of the industry next year, according to the venture capital firm's list.

M/C Venture Partners created the list as part of its ongoing research to understand industry trends and discover investment opportunities in the communications, media, and information technology sectors.

The leading trend going into 2009, according to the firm's list, is an accelerating shift in consumer spending toward wireless services and replacement of landline services. "Wireless services have historically cannibalized landline services, and in this economic climate, we see the value of mobility accelerating as consumers try to rationalize their communications services expenses," according to James Wade, Managing General Partner, M/C Venture Partners. "The fundamental characteristics of mobile wireless services make them increasingly essential in tight economic times with customers choosing more pre-paid or unlimited service offerings over maintaining their landline services. This trend will affect wireless operators at the expense of telcos and cable companies."

Other trends on the M/C Venture Partners' list include:

- 2) Driven by the success of smartphones like the iPhone, Samsung Instinct and Blackberry Curve, consumer adoption of mobile data services will continue to accelerate.** These and other smartphones targeted at the wireless mass market will offer a much richer user experience resulting in consumers moving beyond SMS to using their mobile device for internet, video, social networking, maps and other data intensive applications.
- 3) Maturing communications services will drive consumer segmentation.** Cable, telephony and wireless markets will continue to mature in 2009, reducing the impact of technology innovation as a driver of demand. As a result, service providers increasingly will utilize segmentation of consumer offerings to drive demand and profitability. Prepaid and unlimited offerings are key examples of growth by segmentation.

- 4) **Smaller carriers will see an improved competitive landscape.** With the broad consolidation of communications companies over the past few years, and further consolidation frozen by the financial markets, smaller carriers will have room to differentiate themselves with innovative products and services.
- 5) **Consumer and mobility-driven video content consumption will drive network operators to revise their network deployment strategies to profitably accommodate changing usage patterns.** Innovations in this area will question current network norms and usher in new strategies that can deliver near-term profits with the required performance enhancements needed to meet demand. Examples of these changes include distributed antenna systems, wireless backhaul, higher capacity access concentrator devices, increased use of fiber networks and more aggressive capacity planning by network operators.
- 6) **Enterprise bandwidth needs will drive redundancy and quality requirements.** Ever-increasing enterprise consumption of bandwidth will highlight the need for more reliable and diverse network solutions. These increasing bandwidth requirements will further expose reliability weaknesses of existing copper networks and the relative advantages of fiber and fixed wireless networks.
- 7) **Virtualization will continue its trend of deepening penetration of the enterprise,** as maturity of virtualization at all layers of infrastructure can now genuinely support dynamically scaleable data services to the enterprise. Furthermore, with a slowing economy, enterprises will lower costs and improve operational flexibility through virtualization, which enables IT innovation during difficult economic conditions.
- 8) With a slowdown in advertising media spending, **scrutiny of media effectiveness will increase,** thereby accelerating the movement away from traditional media outlets and toward measurable media and tools for more effective media usage. Out-of-home media will become more local and direct. As technology improves, so too will efforts to tailor out-of-home advertisements to smaller, more specific consumer segments.
- 9) **New leadership at the FCC and Congress will create a more innovation-friendly regulatory environment for smaller competitors.** CLEC and wireless services in particular should benefit from broader opportunities to reach consumers with flexible product offerings and richer user experiences.
- 10) **'Personal wireless broadband' will become more widespread.** The increasing number of Internet-capable devices combined with lower monthly subscription costs will feed demand in spite of overall economic conditions. A key driver will be the millions of low-cost, mobile broadband-capable notebook PCs with small form factors and "out-of-the-box" connectivity.

About M/C Venture Partners

M/C Venture Partners is a venture capital firm focused exclusively on the communications, media, and information technology sectors. The firm has invested over \$1.8 billion into nearly 100 companies in those sectors. Companies M/C has backed include Accent

Health, Brooks Fiber, Fusepoint, GTS, ICG Communications (restructuring), Legendary Pictures, Lighttower (formerly National Grid Wireless), Melita Cable, MetroPCS, NuVox, Revol Wireless, and Zayo Broadband. The firm has strong institutional backing from leading pension funds and endowments as well as a long track record of success. M/C Venture Partners has offices in Boston and San Francisco. For more information, visit www.mcventurepartners.com.

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