T-Mobile's Significant Contract With Nokia Signals Aggressive Share-gain Intent, Emerging 5G Cloud Architecture and Nokia's Growing End-to-end Competitiveness
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IDC's Quick Take
The sheer size and scope of T-Mobile's contract with Nokia underscores the carrier's desire to be a 5G first-mover and the belief that moving swiftly to build a nationwide 5G network will drive market share gains and growth. From a network infrastructure perspective, the details of the contract demonstrate the emerging 5G era procurement model, which includes the purchase of traditional RAN infrastructure (e.g. radio platforms) and packet-core, but important to note, the inclusion of NFVI infrastructure (MANO software, automation and commodity hardware) and services. The contract also validates Nokia's end-to-end strategy which could provide an advantage during other contract negotiations. For example, carriers which have fallen behind on software-mediated network rollouts, could opt for a similar bundle to catch-up in the rapidly approaching 5G era.

News Highlights
On July 30th, Nokia and T-Mobile announced the finalization of a $3.5 billion multiyear contract encompassing a wide array of infrastructure, software and services. Specifically, Nokia will supply its AirScale radio platform, cloud-native core, AirFrame hardware, CloudBand software, automation-focused SON solution, and 5G Acceleration Services. The infrastructure and services will help to accelerate T-Mobile's 5G rollouts, with T-Mobile stating plans to build a nationwide 5G network leveraging 600MHz and 28GHz spectrum. Using 5G, Nokia and T-Mobile will develop, test and launch the next generation of connectivity services that will cover a wide range of industries, including enterprise, smart cities, utilities, transportation, health, manufacturing, retail, agriculture and government agencies.

IDC's Point of View
The significant multiyear contract with Nokia is clearly indicative of T-Mobile's desire to swiftly deploy infrastructure to support its commercial 5G timeline. As we articulated in this IDC link, "T-Mobile and Sprint Join Forces; Move Potentially Accelerates 5G Rollouts Across All U.S. Carriers", T-Mobile's three-year capex hike (announced along with the announcement of the deal) signals imminent 5G rollouts with the combined network leveraging both T-Mobile's 600MHz spectrum and Sprint's deep trove of 2.5GHz licenses. The announcement of this Nokia deal signals T-Mobile does intend to follow through with its post-merger plans and aggressively attempt to gain share in the lucrative US market.

The breadth of the contract is also significant in terms of the architecture of 5G infrastructure likely to be deployed. The contract includes not only Nokia's traditional mobile infrastructure solutions such as the AirScale radio platform and the cloud-native packet core, but also its Network Functions Virtualization infrastructure (NFVI) software stack (CloudBand Virtual Infrastructure Manager, VNF manager and NFV Orchestrator), NFV hardware (AirFrame), Automation solution (SON) and services. It is
reflective of the future 5G procurement model as CSPs look to build their 5G infrastructure in cloud-native and automated architecture, which is designed for network slicing and hence supporting several 5G use cases.

The deal also demonstrates a vote-of-confidence in Nokia’s portfolio, particularly through the inclusive nature of hardware, software, and services. In IDC’s view, it is reflective of Nokia’s strong competitive position not only in its traditional mobile infrastructure business but also in emerging strategic CSP priorities of cloud infrastructure and automation. Going with multiple solutions from a single supplier and hiring Nokia services is clearly designed to accelerate the 5G deployment process. We also note that AirScale radios can service LTE, LTE-A and 5G that supports operating in 600MHz and 28GHz mmwave bands, depending on T-Mobile’s final service strategy across its markets.

From a competitive supplier perspective, Ericsson may also play a role, as in February, it announced it is supplying T-Mobile with 5G radio and baseband solutions in New York, Los Angeles, and Las Vegas. Ericsson could garner additional share as T-Mobile expands its procurement to expedite nationwide rollouts. Samsung has also been announced as a supplier to T-Mobile in the past and IDC believes Samsung’s inclusion in Sprint’s 5G plans may drive T-Mobile to consider Samsung, particularly related to 5G FWA, of which Samsung has garnered early experience through its role in Verizon’s 5G FWA rollouts. The result of a U.S.-based mmWave auction, proposed for November, should shed more light on how far T-Mobile intends to leverage the 28GHz band in its rollout plans.

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