



## The Growing Influence of Emerging Markets

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In this analysis on the just concluded 3GSM conference in Barcelona, Spain, **Efem Nkanga** writes on the new direction of the global telecoms industry and the force of the emerging markets which can no longer be ignored as the world targets the next one billion subscribers.

The just concluded 3GSM Conference that took place in Barcelona for three days may have come and gone, but the reverberations of the conference will echo for a long time to come. The conference which featured participation by over 60,000 participants made up of leading global players in the telecommunications sector has become sort of an annual pilgrimage undertaken by telecommunications stakeholders in a bid to seek for new ideas and chart a new course for the direction of the dynamic telecoms industry. A major focus at this year's congress was the growing influence of emerging markets and the fact that major players can no longer ignore its potential as a major key to their market share drive. The issue of emerging markets was on the front burner for the duration of the congress, with industry experts agreeing that operators seeking investments and subscriber growth will have no option than to look to the emerging markets in Asia and Africa for the predicted and expected next one billion mobile subscriptions. The monumental subscriber growth recorded by countries like India, Bangladesh and Nigeria in a few years are undeniable reference points of the untapped growing potential of the emerging markets. The acquisition of the fourth largest operator in India, Hutchinson Essar by Vodafone for over 11 billion United States Dollars was also a major reference point that showcased the growing importance and influence of emerging markets to investors. Also in focus was the expected acquisitions of operators and companies in emerging markets as operators look to unserved areas for market share. Motorola at the conference signed a USD50 million network expansion deal that will see Celtel Nigeria possibly achieving its goal of reaching a projected 20 million subscriber base. Emerging markets, according to a report by Wireless Intelligence, an organisation that tracks cellphone industry data, such as China, India and Africa as at 2006 account for about 1.6 billion mobile subscribers globally. This represents 59 per cent of the global market. Another recurring theme at this year's conference was the theme of convergence characterized by the play of voice, video and data on one platform. In fact, operators and industry experts were unanimous that mobile communications especially with the mobile phone will undergo a radical revolution that will see the mobile phone being deployed as a major tool for entertainment. The concept of the mobile TV at the conference moved from being a concept to an undeniable reality especially with the launch of a pilot project of 10 short films championed by the Sundance Institute through its director and President, Actor Robert Redford and the GSMA. Five exclusively 'made for mobile' short films from six new and established independent film makers tailor-made for viewing via the mobile phone were premiered at the congress. Also, a number of companies exhibited their technologies and devices at the congress unveiled different technologies that will aid the deployment and growth of content via the mobile phone. The mobile phone has definitely evolved and from a voice instrument enabling communications, it has now evolved to a device that can be used for entertainment via mobile television and commerce via the deployment of the phone for money transfer, among others.

A number of initiatives unveiled at the congress were either related to or targeted at meeting the needs of emerging markets. For instance, the GSMA's launching of a pilot programme geared at making it easier, speedier and safer for the more than 200 million migrant workers living and working abroad, apart from their loved ones to remit money back home, was one of such initiatives launched at the congress. The laudable initiative is driven by a group of 19 mobile operators representing over 600 million customers with networks in over 100 countries working in partnership with Mastercard to pilot a global hub that will link together national markets and their various payment systems run by mobile operators in partnership with their local banks. The way the initiative works is that the important mobile phone will be deployed as an instrument to trigger international money transfers that will enable the benefiting families of the money transferred to also receive it via their own mobile phones. Mr Ray Durkin, President, Global Technology and Operations, MasterCard Worldwide, in a presentation at the conference, reiterated that migrant workers who live and work abroad to give their families a better standard of living need peace of mind of knowing that their funds will get to their loved ones in a fast and safe manner with reduced cost of transferring such funds. He declared that the pilot provides a unique opportunity for MasterCard to use its global payments products and platform to help open up new business opportunities in developing countries. The CIO expressed the belief that the programme could double the number of recipients of international remittances to more than USD1.5 billion, while helping to quadruple the size of the international remittances market to more than \$1 trillion by 2012.

The GSM Association, the congress organisers also made two critical calls that have potential to drive the growth of mobile communications in the developing world, if adhered to. One was the call for the removal of every barrier that impedes the growth of mobile communications, especially the barrier posed by taxation. In a latest tax update released by the association in conjunction with Deloitte in Barcelona, it was revealed that a 10 per cent rise in a country's mobile penetration has the potential to increase its annual rise in GDP by 1.2 per cent. The update revealed that 14 out of 16 countries that levy mobile specific taxes could realise a positive medium to long term gains if these taxes were lowered or removed. The GSMA advocated that if there was an effective collaboration between the telecoms industry and government to examine tax issues in their domains in detail and look at lowering and restructuring tax regimes then there will be an increase in affordable mobile services worldwide. Another call made by the association was for policy makers to realise the gains of liberalisation by liberalising their gateways to positively impact on innovation and investment. There is currently a supplier monopoly of international gateway services in 70 countries connecting domestic callers to international numbers, despite the long standing and clear economic and social benefits arising from competition according to a study conducted by the GSMA. The GSMA asserted that the introduction of competition into the international gateways market can reduce call prices by up to 90 per cent and double call volumes enabled by competition. The Nigerian example was reference point, where the price of international calls have fallen by more than 90 per cent since liberalisation in 2001.

The importance of the mobile phone as an essential life management tool for mobile users was also highlighted with the introduction of an initiative that brings payment capability into the mobile device, thus enabling users to benefit from the ability of purchasing items in a secure and convenient way from the comfort of their own mobile phone, hailing an end to bulky wallets full of notes and coins. The 'Pay-Buy Mobile' initiative is being powered by operators, representing more than 900 million mobile users, like Cingular Wireless, now part of the new AT&T China Mobile; KALL; KTF; MCI; MTN; NTT DoCoMo; Rogers Wireless; Smart Communications; TeliaSonera; Telecom Italia; Turkcell, and Vimpelcom, among others who are collaborating on a 'Pay-Buy Mobile' initiative geared at defining a common global experience for mobile phone payments on which seamless interoperable services will be provided.

Another major initiative targeted at emerging markets was the launching of the \$10 million public-private partnership, between leading players in the mobile phone industry and the U.S. Government to fight HIV/AIDS and other health challenges in 10 African countries. The initiative tagged 'Phones for Health' is a cutting-edge \$10 million public-private partnership, which brings together mobile phone operators, handset manufacturers, technology companies – working in close collaboration with ministries of health, global health organisations, and other partners – to use the widespread and increasing mobile phone coverage in the developing world to strengthen health systems.

Dr. Howard Zucker, Assistant Director-General of the World Health Organization (WHO), representing the WHO at the partnership stated that the explosive spread of mobile phone networks across the developing world has created a unique opportunity to significantly transform how countries can tackle global health challenges.

Phones for Health will allow health workers in the field to use a standard Motorola handset equipped with a downloadable application to enter health data.

That emerging markets is the key that will unlock the industry's drive to connect the unconnected is no longer in doubt. With the traditional markets already saturated and in a stagnant state with no more frontiers to conquer, the emerging market has become the new bride that operators will fight to conquer and have a market share in. Africa and Asia welcome the attention they are currently attracting because there is no doubt that the unconnected populace that has over the years been denied the privilege of being connected, will in line with a new initiative being championed by industry experts, have a piece of the action that the benefits of global communications can bring.