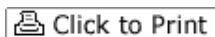




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Motorola, Nokia expect payoff in bridging the digital divide

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LAS VEGAS — It feels perverse to meet amid the spectacle of 108-inch TV screens, automatic scalp massagers and cars with 20,000-watt stereos and talk about the digital divide. It's like ordering a seven-course spread at Spago and then discussing world hunger.

But for at least two of the CEOs at this month's Consumer Electronics Show — Ed Zander of Motorola and Olli-Pekka Kallasvuo of Nokia — the billions of unconnected, undigitized, underserved people around the globe are often top of mind.

On the crass side, those billions are virgin potential customers, viewed by cellphone companies much the same as Starbucks sees the unfortunate souls who have never downed a half-caf mocha latte. As Zander noted during his CES speech, the number of new cellphone customers in India each month equals the population of Denmark.

But there's another, more magnanimous side. Cellphones aren't at all like mocha lattes. They are miniature self-improvement machines. They can make as much difference in individual lives as literacy, without the steep learning curve.

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"In places like India, the impact of cellphones on the gross domestic product is huge," Kallasvuo tells me as we talk in a conference room at the Las Vegas Hilton.

Stories abound, for instance, of farmers or fishermen who start using cellphones to sell goods to the highest bidder instead of the lone buyer in the village, thereby vastly improving their lot. In one little way after another, cellphones act like extra pushes on the economic flywheels of developing nations — actually improving economies so people can, well, buy more cellphones.

Kallasvuo later sends me numbers from a London Business School study concluding that an increase of 10 cellphones per 100 people in a developing country translates into GDP growth of 0.6 percentage points.

Motorola, in its enormous CES booth, showed off high-end inventions that are no doubt extremely vital to life in the Western world, such as cellphones that let you control your home digital video recorder while stuck in traffic. Yet during my visit, Zander and Padmasree Warrior, Motorola's India-born chief technology officer, animatedly talk about efforts to serve the lowest end of the market.

"The mobile device will close the digital divide in a way the PC never could," Warrior says. The PC, for most of the world's poor, is too expensive, too complicated and in need of a big ol' electrical power outlet that isn't part of every Chinese or Indian household.

Zander and Warrior tell me the remarkable story of one of Motorola's emerging hit products in India: the pared-down, retro-yet-futuristic Motofone, designed from scratch as perhaps the first cellphone aimed at the rural poor.

Motorola started out trying to make one of its existing phones very cheaply, but that didn't work. "We tried to just take costs out of a regular cellphone," Warrior says. "But we started sub-optimizing the device so much. So we started from scratch."

The most radical thing about the Motofone is the screen. It's the first cellphone to make use of technology from E Ink, a maker of electronic ink. E Ink is literally like ink embedded in the screen, and each molecule switches between dark and light depending on how it is zapped with electrical charges.

Once the ink is electrified into a pattern — say, the time — it stays that way without using any more power, behaving like ink on paper.

The result serves two important purposes for the Indian market. First, the screen uses exceedingly less power than a typical illuminated cellphone screen. The Motofone has about 400 hours of standby battery time. Second, the screen is clearly visible in direct sunlight, again like ink on paper. This is a nifty feature when marketing to farmers and fishermen.

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Anticipating that the Motofone would be used by millions of people who can't read, its menus rely on icons and spoken language commands — in Tamil, Telugu, Kannada, Malayalam, Bengali, Punjabi and Hindi. Thinking it would be used outdoors, Motorola made the phone dustproof. Knowing it had to be cheap, the Motofone has no camera or MP3 music player, so it costs only \$40.

One other thing: The Motofone still had to be cool. "When someone is buying a phone in an emerging market, it is a status symbol," Warrior says. It's not uncommon for two villagers who meet for business to first put their cellphones on the table as a way to show off, the equivalent of pulling up to a meeting at a Silicon Valley restaurant in a Porsche.

The Motofone was introduced in India in November and has been getting a ton of attention. A review in *PC World India* is typical: "The Motofone F3 will appeal not only to users in rural areas seeking a low-cost handset, but also first-time users in the urban market, too. Considering the price and form factor, this is a definite buy."

Zander seems particularly proud of another, albeit far more low-tech, invention displayed at Motorola's booth. It is a bike, outfitted with a generator attached to the back wheel. The generator is connected by wire to a cellphone holder on the handlebar. Millions of people who don't have electricity could use this to charge their cellphones while riding their bikes.

Still, this attention to emerging cellphone customers comes with a downside. On Friday, Motorola will report earnings, and analysts expect them to be a bit disappointing. Motorola is selling more phones than ever, but prices keep dropping. Nokia is bailing the same boat.

Zander is bracing for Wall Street criticism of low-cost, low-margin products such as the Motofone and the bike generator, and that strikes me as a pretty sad commentary on investors' short-term thinking.

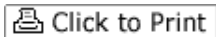
"People will question our strategy in a given quarter or year," Zander tells me. "Establishing a beachhead in India or China may cost now, but it will pay off. We feel we have to capture the emerging person who hasn't made a phone call yet."

That seems to be good for Motorola and Nokia — and better for the global economy than any number of head massagers or 108-inch TVs.

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