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The Impact of Wireless Technology in the 21st Century (part Iii)

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OPINION

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America's resurgence since the 1990s, digital convergence has provided three powerful boosts to America's mobile leaders. The first evolved in the early 1990s with the San Diego-based QUALCOMM and its CDMA which is now the core technology for the 3G era. The second wave followed in the late 1990s when the US based IT enablers (Microsoft, Intel, IBM, followed by Apple, Real Networks and others) entered the business and absorbed mobile capabilities worldwide. The third, and the most recent, wave came in the early 2000s, when the US-based content providers(media and entertainment, music and record companies, publishers) established a foothold in mobility. In the past, voice drove mobility. Today, data enables mobile content that makes or breaks new mobile services. US players are now better positioned to capitalize on these trends.

By the end of 2004, mobile service innovation were more than 16 million 3G/UMTS customers subscribing to 60 networks based on WCDMA technology in 25 countries, and many more networks were either in advanced testing or in pre-commercial launch phase. Due to NTT Do Como's early lead, Japan accounted for 53 per cent of the global 3G/UMTS market, while Europe contributed a further 42 per cent to the global WCDMA base.

In Europe Vodafone, after exploring Do Como's success in Japan, pioneered its own service portfolio (Vodafone Live); in the US, Verizon Wireless followed with its services (Get it, V Cast). The arrival of dynamic mobile content, particularly mobile phone television, provides new opportunities to US media and entertainment. Yet these prospects are not as promising as some US players would like to think. Unlike classic Hollywood cinema and popular US television, multimedia can be a very local medium. Just as mobile users in Silicon Valley are unlikely to get excited over Chinese SMS campaigns, mobile users in Bangalore or Mumbai may not be particularly intrigued by local news in New York City or Los Angeles.

From mobile devices to multimedia, mobile TV among equipment manufacturers, the US- based Motorola has made a great comeback. The design of cell phones has undergone a metamorphosis, through the ingenious brand language of moto-morphing. During the past year or two, the ultra-thin Moto Razr V3 has electrified users in lead markets.

Global scale matters, Digital convergence, US innovation, the role of IT-enablers, the entry of Hollywood studios and Madison Avenue, not to speak of Fortune 500, virtually ensures that American momentum is about to play a more powerful role in the mobile business than ever before since the mid-1990's. American players are not loosing; the competition has caught up. However, the US can no longer dominate the mobile business. As markets globalize, the play ground grows with more space for new players. Since global scale is now critical, the greatest opportunities are in the greatest volume and growth markets- that is China, India and Africa.

As the biggest mobile phone maker and exporter, china's mobile phone exports increased 56 percent with the production of over 56 million sets. As the most populous market, Chinese consumers will continue to maintain a high demand for mobile phones and the country is estimated to have about 48 million mobile phone subscribers this year, the Chinese ministry of communication forecasts. According to Nationwide International

News;

"China's mobile phone industry grew faster in 2005, with the annual output hitting 303.67 million units, a year-on-year growth of 30 percent, accounting for about 36.8 per cent of the global total. By the end of 2005, mobile phone subscribers have totaled 393.4 million, with each 100 subscribers sharing about 30.3 units."

The ministry however noted that though China has been an important force in global mobile phone production, its export still relies on foreign-invested companies. "Though the figures are growing rapidly, about 90 percent of the exports were foreign brands," said Jiang Lifeng, an analyst at the Chinese ministry of Information. Among the overseas producers Nokia has made over 200 million mobile phones since it began operations in China. Last year, the world's NO 1 phone maker's exports from Chinese branch were worth over USD 230 million. Sony Ericsson, Samsung and Motorola have also increased production capacity in their Chinese factories. And Chinese firms are extending overseas to combat a supply surplus in the domestic market. The number of mobile phone subscribers continues to grow reaching over 388 million by the end of November 2005, as usage also continues to grow in the world's largest market.

China's mobile position at the top of all other competitors attests not only to the phenomenal growth of the Chinese mobile market and prospects for future growth, but also to the strength of its brand relative to those of competitors. It is noticeable that China's Mobile's brand contribution is higher than that for all other companies. In China, the mobile phone is still seen to denote a certain status, as it is a sign that you are part of the real world making a brand value deriving from the market's explosive growth. Such a factor is no longer present in markets such as the UK, France and the US. The perception of the Chinese brand is also an advantage. People choose Chinese mobile because of the advertising and the way it appeals to customers. China mobile has also built a proper brand and commands a premium price.

Mobile phone usage in Africa, host of the last world summit on the information society, is booming as companies innovate to meet the specific needs of people on the world's poorest continent. According to the International Telecommunications Union, the UN agency that organized the Tunis summit,

"The number of mobile telephone subscribers increased more than tenfold in five years to exceed 75 million by the end of 2004. The mobile's market penetration, although still only a low 6.2 percent compared to developed countries, has more than doubled that of the fixed line system".

The main factors encouraging the boom include strong demand and the willingness of cash-trapped African governments financially unable to extend and maintain traditional networks to grant licenses to GSM phone operators. In Nigeria for example, one of the first acts of President Obasanjo's government in the wake of his election in 1999 was to issue license for what is potentially the leading market in Africa with 130 million inhabitants. Such measures, encouraged by foreign donors, have boosted investors like South Africa's Vodacom and MTN or Dutch Celtel. As in other parts of the World, the mobile phone quickly spread from being an expensive status symbol a decade ago to being an easily affordable and useful tool. In Kenya, for instance, a phone which cost 275 dollars five years ago can be just 14 dollars today.

Even in countries where the traditional fixed line service is functional, mobile phones are now preferred. Morocco, for instance, saw the cellular phone industry's turnover, at 1.25 billion euros, overtake that of the fixed lines in 2004. The particular feature of the African market includes the preponderance of prepaid phone cards, first introduced by the continent's market leader Vodacom and now used by 95 percent of subscribers. Seen by both consumer and operator as the best system to avoid overspending and unpaid bills, the cards are costing less and less as competitors battle to keep their market share. In the Democratic Republic of Congo (DRC), the cheapest card now costs just 30 cents, which gives one minute of outgoing calls but allows unlimited reception. DRC's Celpay company, owned by South Africa's First Rand banking group, has developed software to enable mobile telephone users to access and manage their own bank accounts, obtain cash and even pay bills. Celpay has accords with the Celtel provider and four banks, so that subscribers can withdraw money from the thousands of Celtel offices across the country, or convert prepaid phone cards back into cash.

Africa's Hot Cell Phone Growth Prospects Propel Millicom; gets unsolicited offers; Small Company providing Services to many parts of developing countries. According to the Investors Business Daily Feb, 9th 2006;

"Ghana and Senegal might not sound like wireless hotbeds, but one of their main mobile service providers is considered a hot takeover prospect. Shares in Millicom International Cellular have soared amid speculation that the service provider ----which operates in Africa, Southeast Asia and Latin America---could be acquired. Millicom's stock has climbed 56% in 2006 and 135% since early October. That's a torrid run for a wireless phone company that had only 7.9 million customers as of Oct.31."

There is therefore plenty of headroom for subscriber and revenue growth, making Africa the fastest growing nation in terms of cell phone use at any estimate. In Senegal and The Gambia, meanwhile, rural farmers and consumers can receive text messages on their phones giving them the price of produce in markets across the country so that neither buyer nor seller is cheated.

Apart from the African market, the Indian mobile phone market is also emerging as the world's fastest growing wireless mobile market. According to the Business Times Singapore;

"The Singapore investment company this week announced that it would be buying a 9.9 percent stake in mobile phone operator Tata Teleservices for about \$553 million. Temesek picked up the stake in the Tata group company after breaking off talks with the Reliance Infocomm. Last year, the world's leading mobile operator, Vodafone Group, bought a 10 percent stake in Indian private telecoms major Bharti Tele-Ventures for about \$2.4 billion."

There is therefore good reason for the International scramble for a share in Indian telecoms. India's communications service industry has been clocking annual growth figures of more than 20 percent over the past four years. While the industry as a whole achieved a US\$10 billion turnover, the mobile-phone part of it crossed US\$1.5billion in the financial year 2003-2004. According to Earnst & Young study,

"There are expected to be more than 200 million phone subscribers in India by 2007 and revenues are expected to rise to US\$23 billion-US\$25 billion by next year. This has therefore placed Indian telecommunications network as the fifth largest in the world and the second largest among the emerging economies of Asia".

It is nearly doubling in size each year, but still just one in 10 of the Indian population of more than a billion people has access to a telephone, leaving plenty of opportunity for growth. According to Siddhartha Srivastava of the Business Times, March 11, 2006,

"To double the present access to the telephone system, India is expected to require a capital injection of US\$10 billion or US\$15 billion over the next five years-which is expected to come from companies such as Temasek and Vodafone. Foreign direct investment (FDI) in information technology and telecoms sector is expected to double to more than US\$4.5 billion this year."

The telecoms industry boom in India is largely led by cellular telephones; the landline network and Internet connections are on the up, though not at the same pace. More than 90 percent of phones last year were mobile phones, and these now accounts for more than half the country's 110 million total connections. Eighty percent of the new connections are by non-state-owned providers. Monthly growth in mobile phone ownership has been exponential- up from 50,000 in 1997 to 1.4 million in 2003 and a record 4.5 million in December 2005, which is the same monthly growth figures as seen in China.

India is therefore considered to be a ripe market as less than 40 percent of the country's total area is covered by mobile networks, and fewer than eight in every 100 Indians use mobiles, compared with China's 30 percent. The potential for growth and expansion is immense. Intense competition between the four major main private groups -Bharti, Hutch, Tata and Reliance and the government owned Bharat Sanchar Nigam and Mahanagar Telephone Nigam- has brought about a significant drop of tariffs. According to the Associated Press World stream January 6th 2006;

"India registered nearly 32 million new phone connections in 2005- a record for growth that still leaves hundreds of millions among the country's more than 1 billion people without a phone. India's telecommunication regulators said that the year 2005's new connections brought the total number of users to 125 million, or 11.45 percent of the population."

Sales of mobile phones spurred by the fast-growing market were the highest ever for a single year and nearly equal to the total number of users in India just four years ago. In December alone, a record 4.92 million users-

4.46 million mobile and 460,000 fixed lines were added, authority officials claim.

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This paper was written with references and support from the following academic resources:

Nationwide International News

The International Telecommunications Union

The Investors Business Daily Feb, 9th 2006

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EARNINGS AND YOUNG STUDY

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