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SPICE PHONE

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A cellphone with no flips, no folds - just a very low price

By Victoria Shannon
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PARIS: It looks a bit like a child's toy, a walkie-talkie circa 1975, a cheap plastic throwback to the good old days when telephones were made for talking.

But to Spice Ltd., a telecommunications company in the world's fastest-growing phone market, this new product embodies the latest, greatest innovation in cellphone technology today: a handset priced at less than $20.

Spice, which is based in Noida, India, unveiled what it is branding "the People's Phone" at a wireless industry conference in Barcelona last month. The handset is an anomaly among mobile phones today: The number keys are big and bold. It is chunky and has no color screen - in fact, it has no screen at all. Nothing about it flips, folds or slides. It is, as Spice's chairman, Bhupendra Kumar Modi, described it, "just a phone."

Yet if sales unfold according to Modi's plan, Spice could sell as many of the People's Phone as Apple sells of its iPhone, which sits at the other end of the coolness - and price - spectrum, with a price tag of $399 in the United States and more in some other markets. Both companies are aiming for sales of 10 million phones in their first year, which would be about a 1 percent share of the global market in 2008.

"There is a massive need for these phones," said Paul Shoker, president of Spice Mobile. "We are targeting an area from Iraq to Indonesia, and that area has a population of 2.5 billion."

India alone could keep the company in rupees. With more than 7 million handsets sold each month, the country accounts for more mobile phone sales than any other. Combine that with the fact that only 17 percent of the population now uses a mobile phone, and the potential is huge, analysts agree.

For now, Spice is a bit player, serving 7 million GSM customers in two small parts of India and trailing far behind the market leaders, Bharti Airtel, with 57 million customers and 32 percent of the market, and Vodafone-Essar, with 41 million users and 23 percent market share.

And Spice, which is listed on the Bombay Stock Exchange, is not the only company looking at cheap handsets. In Barcelona, Nokia also introduced new "emerging market" models, and LG Electronics and Samsung are moving strongly into the low end as well. Some analysts argue that the most ferocious market share battles this year will take place not among the high-end "smart phone" category but down in the entry-level devices.

But Spice's ambitions are vast, and for now it is relying in part on its aggressive marketing instincts, as evidenced by the glitzy appearance it made in Barcelona.

"We're making a lot of noise," Shoker said on the Spice stand, with Bollywood rock pumping out over the speakers, "and the noise is that we've arrived."

Spice has orders for about 1 million of the People's Phone, and expressions of interest have come in from Mexico, Africa and Indonesia, Modi said, as well as Europe. "They're asking about the phone in the market for the very young and the very old," he said.

The phone is made by ZTE Technologies in China from a design by Spice, a point of pride for a country that tends to do a lot of back-office work for other, more industrialized economies.

"India also has to give its products to the world," Modi said. "We have some products that are world-class, designed by us."

Previous attempts to make a sub-$20 phone, he said, have not made a big difference because manufacturers started with mid-grade phones and began removing features.

"We went zero-based. We designed a special chip for it, we designed a special battery for it," he said. "We are starting at $20, but we can get it further down."

Isn't India a big enough market to contain Spice's ambitions? "I don't think so," Modi said with a laugh.

Notes: