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Riding the Mobile Innovation Wave in Emerging Markets

Eight emerging-market mobility trends that will drive high performance for communications and high-tech companies

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If communications and high-tech companies are to achieve their growth targets over the next few years, they must look to the emerging economies. These markets, with large populations, hold great promise. Although many consumers in these areas live in rural areas and rely on more limited means, their disposable income has risen in recent years. Many such consumers have become more confident about the future, and are now willing to buy aspirational products such as mobile phones and services, even on credit.

To achieve high performance in this environment, companies must understand the key mobile trends as they evolve in developing economies. They must develop a deeper understanding of the mobile value proposition to emerging-market consumers as well as their distinctive service needs. New distribution networks must be created. Content, products and services need to be tailored to local populations. These challenges will require new models of collaboration to succeed in a more complex ecosystem.

The importance of emerging markets

The extraordinary growth of the mobility industry has been one of the most remarkable business and technology success stories of all time. More than 3 billion people on the planet are now mobile subscribers, and until the recent economic downturn, double-digit revenue growth had become almost a way of life in the mobile industry. Over the past couple of years, the global mobile market has added more than one billion new subscriptions, sold two billion new devices, and generated more than \$300 billion in mobile data revenues.¹

Much of this growth has come from a relatively small percentage of the global population—consumers in industrialized nations. As these markets become increasingly saturated—in some areas of the world, mobile penetration exceeds 100 percent of the population—communications and high tech companies are turning their attention to emerging economies. In 2009, the global mobile market grew 14 percent to add approximately 550 million new subscriptions. In the next

five years, according to a recent report, the global market will add another 1.7 billion subscriptions; India and China will add 27 percent of them.²

New Accenture research³ has found, in fact, that interest in consumer technologies and mobile services is in many instances higher in emerging markets than in mature markets. For example, emerging-market consumers are more likely than others to have spent money on consumer technology products in the past year, to have spent more money on those products, and to report they engage in a broader range of activities with those products.

Companies face many challenges in serving emerging markets, however. In many cases, consumers are spread across large geographies supported by poor network and technology infrastructures, as well as inefficient distribution channels. Knowing and serving customers is more challenging because of the diversity of the markets and the presence of multiple cultures and sub-markets. Cost control is especially important, as intense

competition erodes margins even where markets are growing.

To achieve profitable growth through innovation in emerging markets, mobile products and services providers must understand today's most important mobile trends and the key success factors that can make them more competitive in these challenging years ahead.



Mastering eight mobile trends to drive high performance

Serving consumers in emerging markets requires understanding some of the key trends in mobile technologies and how they are likely to be embraced by consumers in these economies. Accenture research and experience point to eight trends in particular that must be well understood. Applied innovation in these areas drives electronics, high tech, communications and media & entertainment companies to chart a course toward growth and achieve high performance.

1. Devices targeted to the population and environment of emerging markets

Although incomes are rising in emerging nations, manufacturing and communications companies still must be attuned to the need to provide lower-cost handsets that also retain relatively sophisticated capabilities.

Research and development teams also must take account of the varied and harsh environments in many emerging markets, necessitating unique features in phones such as dustproof keypads and

dust-resistant paint to adapt to tough weather; built-in flashlights for security; and long battery life to accommodate the scarcity of reliable power supplies—or a device that can be recharged using renewable sources of power (e.g., solar and wind).

Manufacturers will also need to create innovative device features that integrate with the ways of life in emerging markets, in an attempt to shift consumer perceptions of mobile devices from “nice to have” to “necessity.” Nokia has taken the lead here by introducing innovative service offerings such as “Nokia Life Tools,” which appeal to lower-income people in rural areas. Nokia Life Tools give users language training, knowledge quizzes and fun content. It also provides farmers with information about the price and availability of agricultural supplies and produce, to help them save money and increase profits.⁴

2. Mobile gaming

Because of insufficient wireline infrastructures in many developing

nations, many consumers are experiencing Internet services, including entertainment, for the first time through a mobile device. Because of its convenience and portability, and because of the available of applications for downloading, the mobile phone has become a preferred device for entertainment such as gaming.

According to Pyramid Research, the number of gamers globally grew from about 55 million in 2005 to about 183 million in 2008, and global revenue in 2008 amounted to \$6.9 billion. Emerging markets contributed significantly to this growth, with China and India being among the most important in terms of new mobile gamers.⁵

Companies are responding to this opportunity. Some have estimated that 40 percent of the mobile gaming industry will come from emerging markets by 2012.⁶ This represents a tremendous opportunity. For example, Qualcomm and Telecom Italia Mobile in Brazil have teamed to launch a white

label mobile gaming app store (called Plaza Retail) in the Brazilian market. The offering will support Qualcomm's own Brew handsets as well as devices that support other platforms such as Android, Windows Mobile, Palm and Symbian. The app store itself will be offered to all 40 million consumers as an on-device store.⁷

Currently, standalone gaming applications dominate the marketplace. But look for multiplayer mobile gaming to experience significant uptake among emerging-market consumers, a trend of great importance to companies providing bandwidth. Accenture also sees an important opportunity for game developers and operators to create more applications with local relevance, rather than only importing game ideas from developed nations.

3. Mobile reading

"Mobile reading" refers to the consuming of books or other publications on a mobile device, which could be a specialized device such as

the Amazon Kindle or a portable media player, PDA or smartphone. There is good reason to believe that the ability to read various kinds of content on a mobile device will drive uptake of mobile usage in emerging economies. In China, for example, reading is one of the most popular mobile applications. One recent study reports that more than 10 percent of the Chinese population ages 14 to 70 now do some form of reading on mobile devices. And almost all young people ages 14 to 17 have used digital reading in one form or another.⁸

Public sector interest will also spur greater take-up. Governments in emerging nations are interested in mobile reading applications as a way to promote literacy and greater educational opportunities.

Mobile reading applications can also be a compelling component of a service bundle which can increase usage and improve the overall customer experience and improve retention. For example, by offering a mobile newspaper service, China Mobile saw a sevenfold increase in multimedia messaging service (MMS)

messages per month from the start of 2006 to the end of 2008.⁹

Some publishers are rushing to develop reading applications unique to the capabilities of a smartphone—capabilities that a standalone reader cannot duplicate. For example, musician Nick Cave recently released a novel on the iPhone that incorporates the book's text as well as videos, music and audio of the author reading the novel.¹⁰ As these kinds of applications increase, it will put a burden on providers to become much more well-versed in digital rights management (DRM) and cross-border intellectual property rights. Failure to get such rights will be an impediment to grabbing greater consumer market share.

4. Mobile social networking

Mobile social networking has experienced explosive growth around the world over the past couple of years, driven especially by younger users, and this holds true in both emerging and mature economies. For example, one study has predicted that the number of



mobile social networking users in China would reach 33.4 million by the end of 2009, up from 14.5 million in 2006. This uptick amounts to a compounded annual growth rate of 32 percent. In India, mobile social networking sites outnumber online sites.¹¹

In emerging economies, 3G networks are becoming increasingly available, creating new opportunities for driving revenue growth (both usage-based and advertising -based) through social networking applications. In these emerging areas, one important trend is the manner in which short messaging service (SMS) and 3G can come together to create a social networking experience more geared to the realities of the consumer base and technology environment. For example, services such as communications or location updates can occur over SMS, because only a small amount of data is involved; while image uploads and sharing can take place over 3G.

These kinds of innovative models will be critical to capturing market share in emerging economies. Another example

comes from Microsoft, which has introduced OneApp, a free application for consumers in emerging markets that enables feature phones to access services such as Facebook, Twitter, Windows Live Messenger and related games and applications.

OneApp was designed to accommodate the potential limitations of less expensive handsets in emerging markets with more limited functionality, memory and processing capability. The required on-phone footprint is only 150 KB. It can dynamically launch only the parts of an application the consumer wishes to use, eliminating additional installation time and storage requirements. In addition, OneApp includes cloud services to offload processing and storage from the device to the web.¹²

Various kinds of collaborations between providers, social networking sites and software companies are increasing each month. For example, Virgin Mobile India has a partnership with MySpace for making its social networking services available on Virgin Mobile WAP-enabled phones in India.¹³

5. Mobile video

Although take-up of mobile video worldwide has been less than impressive to date, the advent of 3G networks is likely to change that situation and result in new services across both established and emerging markets. Pyramid Research predicts that, globally, the number of users paying for mobile video services delivered directly to their handsets will grow five-fold between 2008 and 2014.¹⁴

Emerging markets will be an important part of the story of mobile video growth. Latin America will help lead the way in mobile video adoption by offering a more diverse selection of packages and prices than in some developed markets such as the United States, where accessing mobile TV is charged in kilobits and often obliges subscribers to sign up for long contracts. For example, with the launch of 3G services in Brazil in 2008, all mobile operators have introduced some form of mobile TV or video streaming services in their 3G handsets. Pyramid Research expects mobile video subscriptions in



Latin America to grow at the fastest pace globally, increasing at a CAGR (compounded annual growth rate) of 39 percent from 2009 to 2014.¹⁵

Despite the challenges of dealing with different platforms and revenue models, most carriers and analysts believe the effort will ultimately pay off. For example, Julien Dutronic of TV5Monde Asia's distribution and marketing department notes that, in emerging markets, mobile TV can reach consumers that marketers would otherwise struggle to find.¹⁶

Accenture believes that one key to success in the mobile video area is the creation of more locally relevant content. Video sharing services, for example, are more likely to spur increased usage—if the content feels more local to key consumer segments.

Standards, as usual, will play an important role in driving competitive advantage in mobile video. In China, for example, the China Mobile Multimedia Broadcasting (CMMB) is a mobile television and multimedia standard developed and specified by the Chinese State Administration of Radio, Film and Television (SARFT). Thanks in part to the establishment of the CMMB standard, the pace of mobile video and TV development has increased over the past couple of years, and the standard shows strong potential as a candidate for becoming the national mobile TV standard. Although the standard will initially be deployed in China, it is expected that, longer-term, it will expand outside China into the international market.

6. Mobile finance

The ability to use a mobile device to conduct a range of financial activities—mobile banking as well as payments—is valuable to consumers everywhere, but especially in emerging and rural markets where traditional financial services are not as prevalent. Mobile payments has the potential to be a “killer application” in developing markets because it allows for small-denominated and frequent top-ups that fit the needs of cash-starved populations. Accordingly, mobile operators worldwide are looking for ways to establish themselves in the mobile finance segment, which to date has been largely dominated by financial institutions.

Africa has been one of the most active markets of mobile banking and payment offerings, taking advantage of the lack of banking and Internet infrastructure and high penetration of mobile services. India has also seen a rapid growth of mobile financial services, mostly pushed by banks to their existing customers as an extension of online services. ICICI, Citibank and Standard Charter all offer basic banking services on the phone, with support from major mobile operators and vendors such as mChek, Obopay and Paymat.¹⁷

Ticketing via a mobile device is another important application. Kingfisher Airlines, India's premium airline, became the first Indian airline to launch an SMS-based ticketing service, called FLYBUYSMS. The service enables customers to search, book and pay for tickets on their mobiles and works across all mobile networks in India. The service is based on a strategic alliance that Kingfisher has with PayMate, a mobile commerce solutions company based in Mumbai.¹⁸

7. Location-based services

Location-based services (LBS) are mobile services that provide location-specific information to users such as personal navigation, points of interest and location-specific information, as well as services that help locate friends and family. An ever-increasing number of handsets are equipped with this capability. Location-based services offer carriers and other companies several advantages. For example, more relevant services can be pushed to mobile devices, improving customer satisfaction and retention. At the same time, information gained through these services can make it possible for companies to improve their knowledge of the customer base.

Latin America is witnessing some important innovations in LBS. For example, Nokia and America Movil recently signed a strategic agreement to disseminate Nokia Maps and offer voice turn-by-turn navigation. Although the first country to be offered the service is Mexico, it will soon be available in some of the other 16 Latin American countries where America Movil has operations.¹⁹

Beyond navigation services, companies must be thinking about the power of various kinds of mashups—for example,

combining restaurant and shopping information with a mapping application, or offering family location services. For example, Vivo has teamed up with U.S.-based WaveMarket to launch a GPS-based family location service. Using the application, parents can locate children, manage permission to leave school early, and receive alerts on the web or on their mobile phone.²⁰

8. Mobile advertising

Slowly but surely, mobile advertising is beginning to gain a foothold in different markets around the world—both as a stand-alone format and as part of multiplatform campaigns by advertisers. Mobile operators are pushing mobile advertising to help drive mobile data adoption, and also to stimulate calls and reinforce their own customers' loyalty.

Through advertising-sponsored messaging and content applications, customers can become more familiar and comfortable with data services and, as a result, more frequent users of paid connectivity products.

Pyramid Research expects that in most emerging markets, mobile advertising will grow to be as relevant as Internet-based advertising initiatives. By 2013, mobile and Internet platforms combined will account for roughly 12 percent of overall advertising spending in emerging markets and 30 percent in developed countries. South Africa and Indonesia stand out as markets where the mobile sector's share of overall advertising spending will surpass that of the Internet medium in the near future.²¹

New business models are evolving based on the potential of mobile advertising. In the U.K. and Europe, for example, Blyk has become the first mobile media service offered free to consumers, funded totally by advertising.²² This kind of model holds promise for emerging-market consumers looking to access less-expensive mobile services.

A key to mobile advertising success in emerging markets is to match the format of mobile advertising to each region. For example, in countries where prepaid contracts are more common, and where customers may use mobile phones only to receive phone calls, Vodafone offers a “Please Call Me” advertising format.²³

Another success factor is to use Web 2.0 and community-based strategies for global outreach, particularly to emerging markets. For example, InMobi (formerly mKhoj), a global mobile advertising network, and peperonity.com, the world's first and probably largest mobile Web 2.0 platform, are reporting strong results from their mobile web advertising working relationship. InMobi monetizes peperonity.com's mobile traffic in its top 10 markets including Indonesia, India, South Africa and Bangladesh. The collaboration delivers higher advertising revenue than other networks, and greater scale and effectiveness to InMobi's advertisers.²⁴



Keys to achieving high performance with mobile services in emerging markets

Based on Accenture analysis, here are some of the important strategies and activities that companies must get right if they are to achieve high performance by successfully riding the wave of mobile services in emerging economies:

Gain a deeper understanding of the distinctive service needs of customers in emerging markets

Companies must build and develop customer intimacy as a key differentiator. This begins by engaging in more detailed customer segmentation. A one-size-fits-all approach will not be successful. Across developing markets are a myriad of regions, segments and sub-segments, each with different needs and attributes. Deep segmentation analysis of target customers must be performed. Marketing capabilities capable of being "rural centric" must also be developed.

Then it is important to provide after-sales service appropriate to populations that in many cases are in rural areas.

The key to successful customer acquisition and retention is how a company treats the customer before, during and after the sale. Customer relationship management in emerging markets can be extremely challenging. Service must cater to the cultural idiosyncrasies and typical inquiries of varied populations with different attributes. This kind of service will require more effective training for service representatives. Service must be person-driven rather than system-driven.

Localize content and offerings

Communications companies should consider new and simple services which can be extremely valuable to local populations—for example, services that can help farmers monitor their crops, or that provide education to rural masses and assist in public health efforts. Media and entertainment companies need to make their content relevant to local audiences. Electronics and high-tech companies should define local products

and features or customize global products to local needs.

Adapt technologies and processes to the rural environment

Processes and information systems at most companies were created to serve mature, more urban markets. A fresh perspective will be required to deliver the necessary business processes and systems support to profitably expand their presence into emerging markets, especially rural areas.

Invest in distribution networks

Many electronics and high tech companies will need to invest in a distribution network to reach rural markets. Recent Accenture research²⁵ has found that rural consumers have a preference for retail outlets located in the nearest city, rather than in a customer's village or a nearby village. One executive participating in the research study discussed how his company's rural customers would travel



for many hours to get to a service center, just because they wanted to resolve their queries face to face. His company executed a plan to reach the after-sales service to the customer by establishing low-cost contact points at multiple locations.

Collaborate to address infrastructure challenges and meet local needs

A number of critical infrastructure issues need to be addressed to serve many emerging markets. Collaborative initiatives or an industry-wide collaborative strategy is of paramount importance. Companies should also consider working with local incumbents who know the market dynamics more intimately.

Conclusion

Extending digital mobile services to the underserved populations of emerging markets shows great potential in bringing economic advantages to the estimated four billion people globally who live in relative poverty. This group of people also constitutes an exceedingly large potential market. Analysis by International Finance Corporation (IFC), the investment arm of the World Bank Group, has found that consumers in the lowest part of the income pyramid represent a \$5 trillion market. A further 1.4 billion people with low and middle incomes wield \$12.5 trillion in purchasing power. The communications market for this segment of the pyramid is valued at \$30.5 billion, according to the IFC.²⁶

For companies willing to invest in the distinctive offerings and capabilities to serve emerging markets, the promise of driving breakthrough growth and high performance through innovative mobile services is great.

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A close-up photograph of two women in conversation. The woman on the left is wearing glasses and large hoop earrings, smiling slightly. The woman on the right is wearing a red top and a small hoop earring. They appear to be outdoors, with some foliage visible in the background.

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