

# MWC: Phone Makers Look to Emerging Markets for Growth

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BARCELONA, Spain (AP) — Here's the rub for companies: A good part of the key markets they serve already own smartphones and use them to connect various Internet services. How do you grow from there?

Companies from Facebook to Firefox are looking to emerging markets for the next few billion people. They are not only targeting the obvious high-population countries such as India and China, but also see potential in Latin America, Africa and just about everywhere beyond the U.S., Canada, western Europe and a few Asian nations.

One message has been clear this week at the Mobile World Congress wireless show in Barcelona, Spain: Even as the affluent crave the latest iPhones or Android phones, most of the world can't afford the hundreds of dollars they cost.

So there's been a push to get mobile devices cheap enough to reach emerging markets without sacrificing so much performance that first-time smartphone owners will give up on the Internet and forgo a second smartphone down the road.

It's a delicate balance.

When Motorola Mobility introduced the low-cost Moto G smartphone last fall, the company emphasized how it was bringing the features of high-end smartphones to a device that starts at just \$179. But even then, it had to sacrifice camera resolution and connectivity to the faster 4G LTE cellular networks. And \$179 is still expensive for many.

At the Barcelona show this week, Nokia Corp. unveiled the Nokia X series, starting at 89 euros (\$122).

"In the growth market . a couple of bucks make a huge difference," said Timo Toikkanen, Nokia's executive vice president for mobile phones.

Still too expensive? Try some of the \$50 to \$70 smartphones based on Firefox OS, a system adapted from the popular Firefox Web browser. Mozilla, the organization behind Firefox, announced a partnership with Chinese chipmaker Spreadtrum Communications Inc. to create a blueprint for any phone maker to make \$25 smartphones.

Microsoft Corp., meanwhile, said it was relaxing hardware requirements to keep phone costs down. For instance, phones no longer need physical camera and control buttons. Those can now be done through software instead.

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It is also working with Qualcomm Inc. on blueprints for any phone maker to quickly design a Windows phone. While global brands such as Apple and Samsung reign in industrialized countries, smaller, regional manufacturers thrive in emerging markets because of lower distribution costs and better tailoring to local needs.

Internet services also see opportunities in finding the next few billions in emerging markets.

In fact, getting the smartphone and the connectivity is just the beginning, Facebook CEO Mark Zuckerberg said during Monday's keynote. More important, he said, is giving people a reason to connect: basic financial services, access to health care information and educational materials. He sees Facebook as the "on ramp" to all those services.

In many ways, emerging markets provide unmatched opportunities.

Apple has insisted on making premium smartphones. Even last fall's iPhone 5c was just \$100 cheaper, at \$549, than the more-advanced iPhone 5s. That's way beyond the reach of many people in poorer countries.

"They are focusing on the premium segment," Lenovo CEO Yang Yuanqing told The Associated Press. "Their market has become mature, saturated. So now, if you want to further grow, you must focus on those emerging markets, particular those poor people."

He said Lenovo releases 40 or 50 smartphones a year to meet the diversity of needs in those markets.

And making cheap phones available will help companies expand in developed countries, too. Even in the U.S., not everyone wants or can afford a high-end smartphone, Sony Mobile President Kunimasa Suzuki said in an interview.

But emerging markets also pose challenges unfamiliar in the industrialized world.

The easy one to solve is to support two SIM cards in the same phone. Pricing and plans vary so much in emerging markets that it's common for people to use different carriers for different circumstances. The Moto G, the Nokia X and Sony's new Xperia M2 phone support that, and Microsoft will enable that in Windows Phone this spring.

More challenging is dealing with expensive data connections, something Zuckerberg posed as a bigger barrier than smartphone affordability. Firefox phones have FM radio tuners built in so owners won't waste data connection on streaming services, while another emerging system, Ubuntu, tries to make sure it has apps that work well offline.

And to address the lack of credit cards in emerging markets, Nokia replaced Android's card-based app store with one that permits billing directly to mobile

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operators.

Ultimately, companies need to figure out what to sacrifice to bring costs down. Forget high-resolution video or a giant screen, such as the 5.1-inch display on the Samsung Galaxy S5 that was announced Monday. Not only are those features expensive, they require faster processors and longer battery life, adding to expenses.

Cellular connectivity through 4G is also something often dropped, as many emerging markets are lucky just to have the slower 3G.

But what's good enough? Leo Li, CEO of Spreadtrum, said phones using his company's blueprints work as good as Apple's iPhone 4. But that's a 4-year-old phone. Nonetheless, he said performance is better than the basic phones that first-timers are upgrading from.

By upgrading, people can truly access the Web and aren't limited to the few services that phone makers already included.

"To spend a little more for a true Web experience is pretty good, even if the resolution isn't as good as the iPhone," said Jay Sullivan, Mozilla's chief operating officer. "People want to be connected. They want to be online and have access to all the information and all the things we do, like maps, as they explore new places."

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