

## International roaming

HERE we go again. When NTT DoCoMo, Japan's dominant mobile operator, last ventured abroad, the results were painful. Between 1999 and 2001 it spent almost ¥2.2 trillion (about \$20 billion) buying minority stakes in a handful of mobile operators around the world. But it ended up booking a loss of half the value of these investments in 2002 and scuttled home. In the past couple of years, however, DoCoMo has been buying stakes in foreign operators once again, with investments in South Korea, the Philippines, Malaysia and Bangladesh. Its latest move: India.



I'm going shopping in India

On November 12th DoCoMo said it would pay \$2.7 billion for a 26% stake in Tata Teleservices, the mobile-telecoms arm of the Tata Group, one of India's biggest conglomerates. The price, valuing the privately held Indian business at \$10.4 billion, is steep: the operator is India's sixth-largest, with barely 30m customers in a crowded market that boasts more than 300m. The company is believed to be unprofitable and is about to begin a costly network upgrade.

But DoCoMo, like other foreign operators piling into India, is attracted by the country's potential. India is the world's fastest-growing mobile market, adding almost 10m new subscribers each month, and is the second-largest, after China. Moreover, only a quarter of the population has mobile phones, so there is lots of room to grow. Last year Vodafone paid \$11 billion to take over Hutchison Essar, and Telenor of Norway paid \$1 billion for 60% of Unitech Wireless, another Indian operator, in October.

Staying at home is unappealing to DoCoMo: most adults already own a mobile phone, and growth is stagnant. Like many Japanese firms sitting on big cash reserves, DoCoMo finds the idea of foreign acquisitions attractive because the yen is strong and foreign share prices are low. So far this year Japanese firms have spent over \$71 billion abroad, a record sum, at a time when merger-and-acquisition deals have declined globally.

But more than opportunism is at play, the firm insists. DoCoMo says it will make money from dividends, international roaming and technology licensing. It thinks its knowledge of advanced mobile networks will prove useful in developing countries in Asia, where such networks are just about to be introduced.

Can lessons from Japan really be applied in India? In Japan, DoCoMo is the market leader and handset-makers and partners must dance to its tune. Fancy data services are popular and the average revenue per user (ARPU) exceeds \$50 a month. India's market is far more competitive, services are basic and ARPU is below \$5. So opinion is divided as to whether DoCoMo's new foreign foray will be more successful than its last one.

International Roaming. **The economist**, New York. Disponível em: <  
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dez. 2008.