Talk is cheap

In a saturated market, firms need customers to buy bells and whistles.

TAKE a taxi in Bangkok and the driver's mobile phone is sure to chirp. A long conversation ensues, usually by speakerphone, since few cabbies bother with headsets. It is not just that cabbies are chatty; it is also that talk is cheap. Once reserved for the rich, mobile phones are now ubiquitous in South-East Asia.

According to my smart-phone's GPS, I'm lying on a heap of watermelons

But what is good news for taxi drivers is less so for mobile operators. Price wars in nearly-saturated markets have mangled profit margins. One answer is to prod customers to use data services, such as e-mail, web-browsing and access to a variety of "applications"—all of which could, some analysts think, spur new growth.

Yet this new growth will not come easy. Mobile-phone firms have shown they can make profits from the poor. But can they persuade them to upgrade to smart-phones or cough up money for data services? This sounds like a stretch in Indonesia, where subscribers spend only $5 a month on mobile-phone services, one-tenth of the American average. That said, there are plenty of smart-phone users in Jakarta and Bali. Thailand has also seen a boom in these computer-like devices, despite a political upheaval that has repeatedly delayed the auction of licences for third-generation (3G) wireless networks, which allow for higher data speeds.

Elsewhere, operators are wary of investing too much in 3G networks. Most mobile users in South-East Asia are pre-paid customers who shop around for bargains. In the Philippines, juggling multiple SIM cards is common: users switch between them to take advantage of cheaper in-network calls or price promotions. This makes it hard for operators to build brand loyalty, let alone sell premium services.

Still, in some countries operators have rolled out 3G networks and begun to reap the benefits. In 2007 only 7% of subscribers in Malaysia had a handset capable of connecting with a 3G network. Last year, 25% did. And if "dongles" (devices that connect laptops to mobile networks) are included, Malaysia's 3G penetration may be closer to 40%, estimates Jayesh Easwaramony of Frost & Sullivan, a consultancy. As a result, data products and services now account for 10% of profits at Malaysia's Celcom and one-third of revenue growth.

In Indonesia and Thailand, most calls involve people actually talking to each other. Yet these markets will eventually pass an “inflection point” where data services outstrip other revenue growth, predicts Sachin Gupta of Nomura Securities, an investment bank. Younger markets may move faster: Cambodia, Laos and Vietnam already have 3G networks up and running.

Cheaper handsets should speed this process. The same happened with standard mobile phones, whose prices dropped sharply, particularly after they were unbundled from operator contracts. Another attraction will be smart-phone applications, such as Facebook. The world’s largest social network is becoming increasingly popular in Indonesia and the Philippines. Finally, smart-phones could become a substitute for broadband access at home, which still is not widespread in South-East Asia.

Even mothballed Myanmar is coming along, albeit slowly. Until recently, its military rulers did not permit pre-paid mobile services on its network. Obtaining a local SIM card meant shelling out at least $1,500, assuming you had the right connections. No mobile roaming was allowed. Recently, however, the government began selling pre-paid cards to anyone with $20 to spare. Alas, the numbers cannot be topped up and expire after a month. It seems that the generals understand as little about building customer loyalty as they do about earning the political sort.

Fonte: The Economist, Aug. 19th 2010. Disponível em: <www.economist.com>. Acesso em: 20 ago. 2010.