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Defining "Developing Markets"

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The wireless industry, or rather telecommunications in general, has a long-held belief that the developed markets lead the world in terms of technology rollout and innovation. The reasoning is simple: since new technology usually comes with a premium price tag, it is most likely that only those markets that can 'afford' new tech will implement it.

In due course, when economies of scale are achieved, it is also assumed that developing or emerging markets will happily accept the older and cheaper technology and make do with it. So the cycle goes; or does it?

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That may well have been the case in years gone by but it is now the developing markets that are taking the lead, particularly with regard to innovative pricing and charging models, the core chunks of revenue management so critical for success. Before we examine the evidence supporting this, let me take a few moments to debunk some other myths about 'developing' markets.

Firstly, ask yourself this: are there actually any of these markets left in the world? How do you define a developing telco market, let alone find one? Countries long perceived as still developing are not only mature; they manage many millions of customers effortlessly in the process. The 'BRIC' countries lead and they are now making their technology available to other 'less-developed' markets at much lower cost, establishing a foothold that is now filtering back to more mature markets. The term 'emerging' market is often interspersed with the 'developing' tag but is an equally condescending term intimating immaturity of some type.

Communications Service Providers (CSPs) establishing themselves in new markets strive initially to attract customers using whatever means they have at their disposal. Even though the potential customer base may be huge it is usually accompanied by a very low customer spend limit with a subsequent low ARPU (Average Revenue Per User) for the operator. CSPs cannot afford to subsidize handsets or tie the predominantly pre-paid base to long-term contracts, so they must determine what their customers really want or need and provide it to them as simply, as economically and as quickly as possible.

Creative tariffs and charging models are used extensively and effectively to target sectors that are not simply attracted to low prices. Chinese and Indian CSPs work with sub-one-cent per minute call rates but have tens, and even hundreds of millions of customers happy to spend a considerable chunk of their disposable income on voice calls and content. Simply offering low price calls is easy, but not very profitable. Creating tailored plans and offering attractive content at an affordable price is the name of the game. Stickiness is key and loss leaders are offered to firstly attract customers and then to keep them.

Offering farmers realtime data services—the means to check current market prices for produce, timely weather reports, agricultural advice like optimum sowing and harvesting times, etc.—generates loyalty and generates revenue in other areas like voice calls. Some of these services are even offered free or on sliding scales - 'the more you use the cheaper it gets.'

With little or no fixed-line access to the Internet, mobile operators in developing markets have found their customers sweet spots by offering access to the web, via WAP, by the minute rather than by the Kilobyte - something the user can easily keep track of - and free or reduced-price access to the most popular social networking sites such as Facebook. Promotions like this have rocketed markets like Indonesia into

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one of the highest number of Facebook users and created not only loyalty but referral customers from happy and prolific Facebook users! Who'd have thought of that in the mature markets?

Banks seem to not be keen in chasing or acquiring low-yield customers so banking infrastructure in the poorer developing countries has never been given priority. Enterprising mobile operators in Africa saw this as an opportunity and by utilizing systems originally developed for pre-paid balance management, they were able to offer service to the great unbanked. In many developing markets, CSSs are the more trusted parties to do business with.

Remittance payments from foreign workers to families at home have always been expensive for those who can least afford them, yet enterprising telcos, originally in the Philippines, worked out how they could offer their customers top-up services in the country they worked in that could be converted to cash by family members at home. Guess who they used to make all those calls home to family as well?

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While the mature markets are looking to Near Field Communication (NFC) handsets with the capability to be used for debit and credit card purchases, the developing markets are happy to use SMS and WAP payment methods that utilize the network and provide PIN security in real-time.

Mobile payments, or m-payments, are wallowing in the developed markets where all the players cannot agree on who gets what share of the spoils, yet in the emerging markets it has been a runaway success. Mobile customers in Thailand can not only top up their prepaid account at their local convenience store they can also buy goods with the balances. In one case, the mobile operator acquired the convenience chain and now extends loyalty bonuses between telephony and groceries, e.g. buy bread and get one minute free calls or some free SMS. This can be best described as a 'live loyalty' system offering instant rewards.

The need for creative charging and accounting models has driven the development of real- time Business Support Systems (BSS) in order to monitor customer usage. The subsequent profiling this enables means that these customers can be offered products that will likely appeal to them rather than being bombarded with constant offers that will most likely antagonize them. Developed markets are only now realizing the importance of this but with BSS geared for the traditional majority of postpaid accounts the task is considerable.

Doing more with less has allowed developing market operators to create high-volume, high-throughput, lower-cost based BSS that is fast becoming the envy of their more mature cousins stuck, in many cases, with unwieldy legacy systems. The emergence, in particular, of Chinese network and OSS technology and the massive role being played by Indian systems integrators and software houses may be the tip of the iceberg. Emulating Western BSS requirements is giving way to introducing home grown technology to a more accepting developed market place. Letting the early adopters try out new technology and then being able to select only those that do succeed is another benefit of not being first.

Keep an eye on fully integrated BSS suites emerging from 'developing' markets that include all the traditional BSS functions plus advanced business intelligence, dynamic charging, bundling and provisioning capabilities rolled in coming out of high volume markets like China, in particular. We may soon have to redefine the concept of developed and developing markets altogether!