

# The broader value of communication

The poorer you are, the more valuable communication is. People with little money are often willing to spend up to 40 percent of their earnings on mobile services. To them, each call is an investment from which they expect a positive return. And the value of communication is by no means only monetary. Understanding this broader value concept is crucial to every business strategy that targets the bottom of the income pyramid.



**THOSE WHO FOLLOW THE DEVELOPMENT** of the telecom industry could get the impression that advanced services are all that matter, and that games and entertainment are driving the evolution of communications. However, billions of people still lack access to communication services in a world where even a simple mobile phone call or SMS can make a huge difference to a person's life. The challenge is to reach this untapped market, and once that hurdle is overcome, to provide the kinds of services that fulfill people's needs and aspirations.

Companies with a commitment to corporate responsibility – that is, which conduct business in a way that meets social, environmental and ethical concerns – wrestle with the fundamental question of how they can apply their products and services for the betterment of society. For the telecom industry, realizing the broader value of communication is about using the full potential of our core technologies to ensure there is a positive impact on human lives. It's about offering the kinds of services that can literally change lives while still making a winning business proposition.

Mobile phones have implications for society as a whole. Mobile communication can improve access to education and healthcare services – even government efforts to fight crime and corruption are strengthened when people have access to mobile phones.

## **An SMS can mean so much**

Many studies show how important information and communications technology (ICT) is to development and growth. In this context, mobile communication is one area that can make an immediate and direct impact both on the daily lives of the poor and, just as important, on the business economies of some of the world's least developed nations.

ICT is about having access to information. It starts with calling somebody who has the information you want. When you need more information it can be evolved to provide specific services or to give access to any application on the internet. The collective

strength of providing basic telephony communication while offering affordable data services and internet access to institutions and individuals characterizes wireless systems. Whatever the level of information required, mobile systems are well suited to delivering a relevant service.

For society, the broader value of communication is about providing basic services, such as healthcare. An SMS, for example, can be used to transmit data from HIV/AIDS patients to their doctors. Or it could register a birth in a country where the infant might otherwise not have been counted, thereby avoiding a life without access to government services. It's about lessening the toll on the environment – avoiding a two-day trip on a bus to borrow money from a relative who isn't there. And, crucially, it is about helping to alleviate poverty, using mobile communications to generate new sources of income, and in some cases, establishing a livelihood.

## **Cutting transfer costs**

Mobile banking is taking off in the developing world. According to *The Economist*, about half a million South Africans now use their mobile phones to do their banking. More than half the adult population in South Africa lacks a bank account but, significantly, 30 percent of these people do have mobile phones. Mobile banking not only provides easy access to credit, but also establishes a financial identity for individuals who have never had the opportunity to build a business and improve their livelihood. In Kenya, Safaricom has launched a new mobile financial service called M-PESA, which targets millions of people who don't have traditional bank accounts.

Global remittances represent an enormous untapped market, estimated to be worth more than USD 200 billion per year. At the same time, remittances stand to serve millions, and ultimately billions, of people around the world who lack basic banking services, in many cases because of a lack of credit history. And these mobile services will drastically cut the cost of cash transfers compared with traditional banking.



Studies of emerging markets show that an increase in mobile use contributes to economic development and higher GDP, making continued expansion a win-win solution for everybody. Statistics from the GSM Association's Global Mobile Tax Review 2006-07 show that for every increase of 10 percentage points in mobile penetration, there is an increase in GNP of about 1.2 percent. A recent GSM Association report by McKinsey suggests that this figure, when considering the cumulative, or flow-on, benefits of the increase in mobile phones, might be closer to 8 percent.

Ericsson's own research, which looks at the economic impact of mobile phones at the household level, shows that the poorer peo-

ple are, the more they are prepared to spend on communications, because it fulfills basic needs. Thus, the benefits of mobile communications to the low-income segment are so substantial that people are often willing to redirect a higher-than-expected portion of their earnings to mobile services – typically 10 percent and in some cases up to 40 percent. For this segment, each call is an investment that is expected to provide a positive return.

In 2007, more than 3 billion mobile subscribers will contribute to the global economy, an economy that depends on instant and reliable communication. But only a small fraction of these users will use advanced services. The first challenge is to provide the



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access that will enable the industry to reach the next billion users; the next is to introduce useful and relevant services for vastly different markets.

### **Simple yet powerful services**

In lower-income segments, communications translates into simple but powerful opportunities that save time and money, and create new revenue opportunities. Mobile health and education are also important opportunities for emerging markets. For example, people in remote areas can call ahead to pre-order medication and therefore avoid a wasted trip to the pharmacy.

The mobile connection can also generate additional income, for example, when day laborers call employers to line up work, or when a business owner orders supplies only as needed. Mobile phones in themselves contribute to the generation of new business opportunities for entrepreneurs, such as selling top-up cards, phone repairs, and in offering to recharge phones for subscribers in communities without electricity.

Simple mobile services, such as mobile banking or e-health transactions, can revolutionize social and economic development. Based on the sheer number of people that see these services as a necessity these basic services may well comprise the majority of traffic volume in the future. At the same time, these are the services that can create profitable and viable business cases for operators in emerging, yet high-growth, markets. Today's new users may well be tomorrow's advanced users, so the value of capturing each additional subscriber is significant.

### **Emerging markets are good business**

The emerging markets of today are likely to become the fully fledged, world market drivers of tomorrow, based on the sheer number of people who are demanding communications services. The demand for affordable services is building momentum among operators in high-growth markets that will be difficult, if not impossible, to stop. It will create new levels of profitability that will challenge the developed markets.

In markets where lower-income levels are prevalent, and people

live on USD 1-3 per day, operators are forced to be lean in their operations. Achieving profitability with such low user-spending levels is no simple feat. It is this cost pressure that will potentially revolutionize the telecom industry, as these operators create new business cases to meet their burgeoning markets. The more established players have begun to take note of how this evolution is taking shape. Indeed, we are already seeing examples of how operators, such as MTN in South Africa, with its MTN@ccess project, are beginning to take advantage of this potential (see p. 34, Internet for All).

In Bangladesh, the flow-on effect of mobile communication is illustrated by GrameenPhone, which started with a simple business idea of a village phone in the late 1990s. Today, it is an established business, bringing connectivity to millions. (see p. 37).

For the industry and society, there are mutually beneficial reasons for wanting to expand into these new markets. For the people in these areas, it brings the benefits of communication and all the services that it can bring. And establishing a mobile network is far less costly and easier to maintain than establishing a fixed network. But more than this, better access to communications can help to lift a country's economy by stimulating business and creating revenue opportunities.

### **Shaping more sustainable societies**

Environmental groups such as the World Wildlife Fund (WWF) have begun to understand the possibilities of applying telecom solutions to drive sustainability. WWF, together with the European Telecommunications Network Operators' Association, has launched a broad campaign, At the Speed of Light, that examines the impact telecom can have on energy consumption and the level of carbon dioxide emissions. With advanced telecom solutions, countries such as India and China have the potential to leapfrog some of the unsustainable consumption patterns of the Western world, thereby avoiding carbon dioxide emissions.

With almost 3 billion people connected already, mobile communication is most likely to have the biggest impact on social and economic development. Indeed, concepts that can utilize or take advantage of the benefits of the mobile phone, such as micro

credit, are already being heralded as important factors in attaining greater social freedom and release from poverty. Muhammad Yunus and the Grameen Bank jointly received the 2006 Nobel Peace Prize for their work with micro credit and the important part it plays in societies where women in particular have to struggle against repressive social and economic conditions.

Operators in developing markets are now delivering services in urban areas and want to expand to outlying communities. But in rural regions that lack basic infrastructure they often must start from scratch.

There are numerous solutions under way, from microwave technology to alternative energy sources, such as solar, wind, biofuel and fuel-cell technology, combined with the most energy-efficient base stations available. The Ericsson-GSM Association Development Fund biofuels projects, for example, with MTN in Nigeria and Idea Cellular in India provide a source of power that enables mobile connectivity. What is more, the locally produced biofuel products contribute to the local economy, creating a ripple effect in the social and economic development of rural communities.

Understanding the broader value of communications presents an opportunity to make an active contribution to economic and social development in parts of the world that are quickly emerging as vital contenders in the global market. It is also an opportunity to be part of trends that are reshaping and redefining how we think about communications, and along the way, creates new business models that will be as profitable for operators and service providers as they are for the people who will benefit from communications in their daily lives. ■

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