

**T**elecommunications majors from around the globe are eagerly monitoring the roll-out of 3G (third-generation) services in India, as demand for 'smartphones' and 'superphones' – sophisticated handsets that offer multiple services – is expected to surge.

Leading handset manufacturers such as Nokia, Motorola, Sony Ericsson, Samsung and HTC, and even firms such as Research in Motion (RIM), provider of BlackBerry services, and computer giant Apple, have lined up a series of models that are expected to flood the marketplace over the coming months.

According to technology research firm Ascendia, the smartphones segment is expected to witness a compound annual growth rate (CAGR) of 23 per cent over the next two years, more than double the 10 per cent growth currently witnessed by all handsets. Last year, of the 108 million handsets sold in India, about five million were smartphones, says the firm.

"The smartphone category has remained relatively oblivious to the forces of recession," notes Alok Shende, principal analyst, Ascendia.

Demand for smartphones in India – the fastest-growing mobile phone market in the world – is growing at double the international rate. According to Gartner, an IT research and advisory firm, global smartphone sales expanded at 11.5 per cent in the third quarter of 2008, adding up to 36.5 million units. This was the weakest, year-on-year growth; the slowdown coincided with the global financial meltdown and the fact that many of the leading economies entered a recessionary phase.

"Going forward, we should expect the smartphone device market to continue to grow but at a slower pace," says Roberta Cozza, principal analyst, Gartner.

Ajay Sharma, country head, HTC India – a leading smartphone handset manufacturer – points out that the global slowdown has not had any impact on sales of high-end handsets in India. Sales of regular handsets have been hurt by the slowdown in the economy, but smartphone sales continue to expand.

"We are finding a niche segment of consumers evolving, who are willing to buy such handsets," explains Sharma. "They are mostly technology enthusiasts

or high net worth individuals."

Research firm IDC estimates that smartphones will account for more than 13 per cent of total handset sales this year, as against over 5 per cent last year. The roll-out of 3G services and the growing versatility of smartphones is fuelling demand.

"Smartphones are gaining popularity in India and sales are increasing," points out Sunil Dutt, country head, telecom division, Samsung. "Sales of high-end phones will inevitably go up over the coming years."

Indeed, with the price of high-end handsets falling sharply, demand for smartphones is expanding. "Prices have come down substantially increasing the affordability of smartphones," says Pankaj Mohindroo, president, Indian Cellular Association (ICA), the body representing handset vendors. "The fact that we are moving away from being a voice-only market to a data market has helped boost sales."

Mohindroo expects handset sales in India to pick up in the current year. Combined sales of code division multiple access (CDMA) and global system for mobile communications (GSM) handsets could top the 130 million-mark in 2009, he estimates.

Dutt of Samsung says growth will be sustained because of rapid expansion in the rural areas. In cities, handset sales will expand because the replacement market is becoming buoyant, he adds.

The biggest boost to smartphone handset sales is the roll-out of 3G services across India. State-owned Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) launched 3G services over the last three months, while private sector majors including Reliance Communications, Bharti Airtel, Vodafone-Essar and Ideal Cellular are awaiting the finalisation of the spectrum distribution policy of the government.

"3G is going to prove the trigger for growth of new handsets," remarks Dutt. It would positively impact the replacement market of mobile handsets because of the improvement in the efficiency of quality of voice and data transfer, he adds.

MTNL, which caters to the two biggest telecommunications market in India – Delhi and Mumbai – launched its 'Jadoo' service in the national capital recently and



# SMART GROWTH

Smartphone manufacturers are bullish about the Indian market, where demand for high-end handsets is expected to grow at a CAGR of 23 per cent over the next two years.

By **A. Kumar.**

Smartphones are gaining popularity in India and sales are increasing. Sales will inevitably go up over the coming years.



plans to launch services in the financial and commercial capital by April. MTNL's 3G services enable users of smartphones and laptops to access high-speed Internet at 256 kbps (kilo bytes per second) to 2 mbps (mega bytes per second) and value-added services including video telephony, mobile TV, streaming video-on-demand, gaming and local surveillance.

"We expect to get around 200,000 3G customers this year," explains R.S.P. Sinha, chairman and managing director, MTNL. Demand for 3G services is expected to expand dramatically as the cost of handsets decline. Kanwalinder Singh, president, India and South Asia, Qualcomm, expects prices of entry-level smartphones to come down to around US\$100, from over US\$200 at present.

The American chipmaker is collaborating with both handset makers and telecom operators in India to bring down

the price of 3G-enabled devices. According to Singh, the next four years would see the numbers of 3G-enabled devices rise to almost 100 million.

BSNL rolled out its 3G services across nearly a dozen cities towards the end of February 2009 and plans to expand services rapidly. The company has invested over US\$530 million for the initial stage of its 3G services, which would cover all district headquarters and major commercial cities.

"The widespread roll-out of 3G network will also help in propelling telecom and broadband growth and will help us meet India's target of 20 million broadband subscribers by 2010," notes Kuldeep Goyal, chairman and managing director, BSNL.

Swedish telecommunications giant Ericsson is BSNL's strategic partner for the 3G roll-out in 400 of the 700 cities that

the state-owned firm plans to extend the high-end services.

"The roll-out of the 3G service not only helps us in bridging the urban-rural digital divide, but is also a step forward in actualising our vision of driving communications for all," remarks Gowton Achaibar, president, Ericsson India and Sri Lanka. "Innovative services such as mobile health, m-learning and m-governance that are eventually offered to the masses shall ultimately drive socio-economic development in the country."

All of the above endeavours – increasing broadband subscribers and widespread mobile-based services – allude to a growing market for the smartphone. In fact, the smartphone is set to increasingly becoming a way of life for mobile users and not just a productivity tool for business users. "For the success of smartphones in any geography, it is

## SURFING ON THE MOVE

Not all smartphone users are hooked on to music, or merrily clicking away visuals for YouTube. In fact, a growing number of them are checking their mails, sending replies and even surfing the Web.

According to the Telecom Regulatory Authority of India (TRAI), more Indians access the Web by using their smartphones instead of their PCs. About 38 million Indians browsed the Web using their handsets in 2008, which is four times those using PCs. In the previous year, just 16 million mobile phone users accessed the



Internet through their phones.

They also spend a lot more time on the Internet through their smartphones. The mobile Web browser spent an average of 2.7 days a week on the Internet, as against 2.4 days for a PC-user.

India's broadband Internet base is also growing significantly. In January 2009, 200,000 additional users signed up for broadband services, taking the total number to 5.65 million. But with 3G services being rolled out, an increasing number of users would be accessing the broadband through their smartphones.

## FASTEST MOVING PHONES

They are the hottest selling products in Indian cities. Despite the relatively high prices – ranging from US\$400 to US\$1,000 – thousands of high-end handsets are sold barely days after their equally high-profile launches.



Nokia, for instance, sold 60,000 smartphones – the 5800 XpressMusic – for about US\$400 each within three weeks of its launch recently. HTC saw a thousand pieces of its top-end Touch HD – costing almost US\$850 – being sold in over three weeks.

Buoyed by the success of its high-end handsets, Nokia plans to launch its top-of-the-line N97 in June. Though priced at almost US\$700, Nokia has been flooded with inquiries about its launch in India.

Sunil Dutt, country head, telecommunications, Samsung, says that the ‘superphones’ segment – with superior business and multi-media capabilities – is growing at an astonishing 100 per cent. Samsung launched its Omnia and Innov8 to cater to this segment.

The company plans to launch seven new models to cater to the 3G segment. “We already have nine models of 3G-enabled handsets (in the range of US\$150 and US\$800), and we intend to launch seven more such sets in the year,” notes Dutt. Samsung has invested US\$24 million in a new manufacturing facility in Noida; it plans to invest another US\$20 million in the second phase of expansion. The facility produces about half of the 50 models that Samsung sells in India, including some high-end handsets.

Ajay Sharma, country head, HTC India, says converged devices are now positioned as lifestyle products, rather than smartphones. They are popular not just among the affluent, but even among technology enthusiasts and the young. For HTC, India is one of the fastest-growing markets for its high-end phones.

The company, which hopes to sell a million smartphones in the country this year, also plans to lower the entry level of these phones to the US\$200 range. It recently launched its

touch-screen phone, the Touch Diamond, featuring a 2.8-inch LCD and a 3.2 megapixel camera. It is being sold for around US\$525.

American telecommunications major Motorola also plans to focus on smartphones over the coming months. The company, which last year launched 15 models in India, will be focussing on high-end phones that are Wi-Fi enabled, have a memory capacity of up to 32 GB, a 5 megapixel camera, a touch-screen and the Windows Mobile operating system, says Faisal Siddiqui, head, India, Motorola.

There is also a surge in demand for touch-screen phones (not all smartphones have touch-screen facilities). Apple launched its iPhone 3G last year, one of the most high-profile touch-screen phones. It combines the features of an iPod, a touch-screen phone and an Internet device.

A close competitor is the Nokia 5800 XpressMusic, also built around the idea of bringing music to the phone user; it comes pre-loaded with 200 songs. Besides, the phone has a 3.2 megapixel camera and affords a video recording time of over three-and-a-half hours.

Nokia has collaborated with Oscar award-winning music director A R Rahman to launch the first of its kind album for its XpressMusic devices. The album has nine original compositions from the maestro in different languages – Rajasthani, Punjabi, Hindi and Tamil.

“Music on the move is and will continue to be an important element of the mobile experience,” says Vineet Taneja, head, marketing, Nokia India. “Nokia has blazed a trail for music on mobiles – from handset personalisation via ringing tones to music composition through integrated FM radios and MP3 support. Nokia’s music innovation continues as we offer more and more localised and relevant content to our consumers.”

Another multi-utility phone is the BlackBerry Storm. This is BlackBerry’s first touch-screen phone to be launched in India. The scratch-resistant touchscreen has eliminated the need for a stylus. The virtual keyboard comes with automatic spell-check and dictionary typing. — **By Nayantara Lamaa.**

important to have an educated population, and India has it,” explains Christoph Lingenthal, vice-president, RIM, the Canadian firm that introduced BlackBerry services around the globe.

Bullish about the prospects for its services in India, RIM rolled out its BlackBerry Storm recently. “It is a combination of PC, TV, radio and a phone and will appeal to enterprise users as well as other consumers,” adds Lingenthal. The Storm is priced at around US\$550.

Indeed, the telecommunications revolu-

tion in India shows no signs of abating, despite the slowdown in economic growth. According to the Telecom Regulatory Authority of India (TRAI), the industry watchdog, the country added 15.41 million wireless users in January 2009, the biggest-ever monthly growth anywhere in the world. In December 2008, there were 10.81 million new mobile phone users.

There were 362.3 million mobile phone subscribers in India at the end of January 2009, as against 233.63 million a year ago. The total telephone subscription base –

landline and wireless – now adds up to over 400 million. Tele-density has shot up to 34.5 for every 100 people, way above the 1997 figure of three per 100.

International consultancy Gartner estimates that there will be 737 million mobile phone users in India by 2012. Demand for smartphones is expected to outpace those for regular handsets, as millions of Indians will migrate to higher-end handsets in the coming years given the increasing appeal of life-on-the-go facilitated by the roll-out of 3G services. 🌈