Smartphone wars shift from gadgetry to price

REUTERS, *Barcelona*

The mobile phone industry is now looking to the fast-growing demand for smartphones priced at $100 or below as the market for fancier high-end devices has become saturated, but not all handset makers are able or willing to trade down.

Much of the talk this week at the Mobile World Congress in Barcelona, the industry's biggest annual trade fair, has turned from the latest big screen, premium-priced devices to the new, entry-level smartphones that analysts say now overwhelmingly represent the industry's best hope for growth.

"All the phones now look the same," said industry analyst Ben Wood of CCS Insight after surveying the eight vast halls of phones and other mobile gadgets on show.

"The ability of top brands like Samsung, Apple and Nokia to differentiate themselves is getting harder," he said.

Growth in global smartphone shipments will fall sharply this year and keep slowing through 2018, with average prices dropping significantly as the demand shifts to China and other developing countries, market research firm IDC said earlier on Wednesday.

So now phone makers are touting new, low-cost devices which are intended to retail at near $100 or below. This class of device has some but not all the features of the current top end smartphones, which sell for several hundreds of dollars and until this year drew nearly all the media attention and marketing spend at Barcelona.

Early leaders in this new market are Chinese players, some with global brand names and others who remain virtually unknown outside China, who have made huge strides in acquiring the technical and design expertise that enables them to now drive down the costs without necessarily sacrificing quality.

The biggest winners so far look to be Huawei, Lenovo, TCL Communications and still unfamiliar upstarts like Gionee, Oppo and CorePad that are poised to

REUTERS
New Samsung Galaxy S5 smartphones are seen on a display at the Mobile World Congress in Barcelona. The four-day event ended yesterday.

become big international names in the coming years, said Wood.

All benefit from having a home field advantage in China, the world's largest phone market.

This shifting landscape has already forced Nokia, the former mobile world-beater now struggling to stay relevant, to adopt Google's Android software to gain entry to the low-end smartphone market, despite Android being an arch rival of Nokia's new-owner-to-be Microsoft.

Launching the 89-euro ($120) Nokia X, Stephen Elop, chief executive of the Finnish group, called the sub-$100 range, "a massive opportunity" with that segment of the smartphone market now growing four times faster than the rest of the market.

Wood said Nokia's move spoke volumes about the pressures the whole industry was feeling.

"The cheaper end of the smartphone market has become such a big opportunity that, eventually, Nokia had to go to a rival software system -- Google's Android," he said, describing the move as "hugely controversial, but necessary".

The cheap stripped-down smartphones, which often sacrifice big screens, memory, and camera quality and have fewer novelty features such as fingerprint recognition, are designed to reach potentially billions of new consumers in emerging markets.

Smartphone sales last year overtook for the first time sales of so-called basic 'feature' phones, which focus on just calls and texts with a pared down Internet access, according to market tracking firm Strategy Analytics.

And IDC analyst Francisco Jeronimo said smartphone sales in the sub-$100 category alone more than tripled to hit 159 million last year from 45.4 million in 2012. Sub-$50 smartphones grew even faster, up from just 900,000 in 2012 to 19.5 million last year.

However, this growth in demand is pushing up the cost of components, a surprising twist in an industry more familiar with falling material prices as technology evolves.

China's ZTE Corp, whose mobile business is aiming for 50 percent growth in shipments to 60 million phones this year, has seen the component supply crunch.

"All vendors face the challenge of the cost of key hardware components such as screen displays, memory and keyboards," said Qian Hao Lv, head of ZTE's device strategy. "These are crucial to differentiate one model from the next."

Nonetheless, Kan Yulun, another ZTE executive, said that the company was working on new technologies to drive the cost of smartphones down to $50 or below without compromising on quality.

"We will find tech solutions to reach the $50 price target by the end of this year," Yulun said.

He said he often hears from telecom operators in Africa, who still sell lots of feature phones, that they were now hungry for smartphones but need prices to come down to below $50.

The head of the pack in the sub-$100 race is the Alcatel Onetouch brand owned by TCL. Its brightly-coloured Idol family of phones have already proven a hit in Latin America and Europe and the firm launched two new phones for under $100 at the Mobile World Congress this week that can run on 4G mobile networks being rolled out in China, Brazil, and elsewhere.

But while many players are now chasing the lower end of the market not all are, fearing that stripped-down hardware features can only lead to a commoditized market where no one can differentiate and maintain a worthwhile profit margin.

Huawei, the world's third-biggest phone maker, prefers to aim higher by increasing the proportion of its phones that sell for 300 euros ($400) or more as opposed to the low-end it defines as under 150 euros.

"We are not interested in the sale

Boeing Black: This smartphone will self-destruct

REUTERS, *New York*

Boeing Co on Wednesday unveiled a smartphone that appears to come straight from a James Bond spy movie.

In addition to encrypting calls, any attempt to open the casing of the Boeing Black Smartphone deletes all data and renders the device inoperable.

The secure phone marks an extension of the communications arm of the Chicago-based aerospace and defense contractor, which is best known for jetliners and fighter planes.

Such a phone might have prevented damage to Washing-ton's diplomacy in Ukraine from a leaked telephone call. A senior US State Department officer and the ambassador to Ukraine apparently used unencrypted cell-phones for a call about political developments in Ukraine that became public.

Boeing's tamper-proof phone is aimed at government agencies and contractors who need to keep communication and data secure, according to Boeing and filings with the US Federal Communications Commission.

Made in the United States, the phone runs on Google Inc's Android operating system. The 5.2-by-2.7-inch (13.2-by-6.9 cm) handset, slightly larger than an iPhone, uses dual SIM cards to enable it to access multiple cell networks instead of a single network like a normal cellphone.

Due to the phone's security features, Boeing is releasing few details about the wireless network operators or manufacturer it is working with, and has not provided a price or date by which the phone might be widely available, but said it has begun offering the phone to potential customers.

Boeing's website says the phone can be configured to connect with biometric sensors or satellites. Other attachments can extend battery life or use solar power.

The phone can operate on the WCDMA, GSM and LTE frequency bands and offers WiFi and Bluetooth connectivity.

The company has been developing the phone for 36 months, said Boeing spokeswoman Rebecca Yeamans.

"We saw a need for our customers in a certain market space" that Boeing could meet with its technology expertise, she said.

A sample purchase contract submitted to the FCC says the phone would be sold directly by Boeing or its agents.

Yeamans said Boeing combined its own engineers with the talent of people who joined Boeing recently through acquisitions that included Argon ST Inc, Digital Receiver Technology Inc, Kestrel Enterprises Inc,

JAMUNA BANK
Kanutosh Majumder, chairman of Jamuna Bank, inaugurates the relocated premises of the bank's Banani branch at block-E on Kamal Ataturk Avenue in Dhaka recently. Shafiqul Alam, managing director, was also present.

AB BANK
Atiur Rahman, governor of Bangladesh Bank, presents a loan cheque worth Tk 10 lakh on behalf of AB Bank to a creative publisher, Chandraboti Academy, at Ruposhi Bangla Hotel in Dhaka recently. Shamim Ahmed Chaudhury, managing director of AB Bank, was also present.

LBFL
Khurshed Alam, head of retail finance of Lanka Bangla Finance (LBFL), and Md Nazmul Hasan Chowdhury, chairman of Apartment Design and Development Ltd, attend an event recently when the firms signed a deal to provide home and mortgage loans on special rates to the clients of the developer and discounts to LBFL clients.

Programmes to redistribute income good for growth: IMF

AFP, *Washington*

The International Monetary Fund came out Wednesday in support of the fight against income inequality, with Fund economists saying income redistribution efforts can strengthen economic growth.

Plunging into a debate over the gap between rich and poor that is fueling political battles from the United States to Brazil to Thailand, economists from the Fund said there is already general agreement that inequality can fuel economic and political instability.

But do policies to redistribute income help or hurt growth? asked economists Jonathan Ostry, Andrew Berg and Charalambos Tsangarides.

The answer, they said, is a net gain, even if there is an initial cost to an economy from taxes and transfers which aim to close an income gap.

"While considerable controversy surrounds these issues, we should not jump to the conclusion that the treatment for inequality may be worse for growth than the disease itself," they said in a research paper, "Redistribution, Inequality, and Growth", and an accompanying blog comment.

"Equality-enhancing interventions could actually help growth."

The trio cited the benefits of taxes on activities of the wealthy that could hurt an economy, like excessive financial speculation, and payments to the poor to support their children going to school.

Much of the thinking has been that, even if a large wealth gap is bad, that the cures of taxes and wealth transfers to correct the problem usually hamper growth.

"Many argue that redistribution undermines growth, and even that efforts to redistribute to address high inequality are the source of the correlation between inequality and low growth," they said.

"If this is right, then taxes and transfers may be precisely the wrong remedy: a cure that may be worse than the disease itself."

But the authors said that experience across a number of countries has provided "remarkably little evidence" for that conclusion.

Indeed, they said, "faster and more durable growth seems to have followed the associated reduction in inequality."

"The average redistribution, and the associated reduction in inequality, seem to be robustly associated with higher and more durable growth."

The authors are cautious to avoid saying the effects of redistribution are positive in every case or situation, and note that extreme efforts can have a bad outcome.

But overall, they argue that redistribution programs should be not be excluded from policy out of fear they would hold back an economy.

"It would still be a mistake to focus on growth and let inequality take care of itself, if only because the resulting growth may be low and unsustainable.

"Inequality and unsustainable growth may be two sides of the same coin."

HSBC in talks to sell Pakistan bank to Meezan

REUTERS, *London*

HSBC said it is in talks to sell its business in Pakistan to Meezan Bank Limited, another possible sale by Europe's biggest bank from countries where it is unprofitable or lacks scale.

HSBC's Pakistan business has 10 branches and it has been trying to sell it for the last two years, but a plan to sell it to JS Bank Limited fell through last October after failing to get regulatory approval.

HSBC said on Thursday the talks with Meezan Bank "are at a preliminary stage" and will require regulatory approvals.

HSBC has sold or closed 63 businesses in the last three years to reduce risk and boost profitability, and on Wednesday agreed to sell its bank in Kazakhstan.

Greenpeace accuses P&G over Indonesian forest destruction

AFP, *Indonesia*

Environmental group Greenpeace on Wednesday accused US consumer goods giant Procter & Gamble of responsibility for the destruction of Indonesian rainforests and the habitat of endangered orangutans and tigers.

In an extensive new report, Greenpeace said the company was using Indonesian palm oil from suppliers with links to the destruction of ancient rainforest, haze-inducing forest fires and an orangutan "graveyard".

The company uses Indonesian palm oil in its popular household products, including Head & Shoulders and Pantene shampoos and Gillette shaving gel.

"The maker of Head & Shoulders needs to stop bringing rainforest destruction into our showers. It must clean up its act and guarantee its customers that these products are forest-friendly," said Greenpeace's Indonesian forest campaign head Bustar Maitar.

Procter & Gamble were not immediately available for comment. The company's website says it is "committed to growing our business responsibly" and has introduced sustainability scorecards for suppliers.

P&G is the latest company to be targeted by Greenpeace as the campaign group seeks to embarrass major firms it accuses of sourcing Indonesian palm oil and paper from suppliers that cause environmental destruction.

An AFP photographer accompanied by Greenpeace saw rampant forest destruction in the concessions of the company's suppliers on the Indonesian part of Borneo island.

Borneo, which is shared between Indonesia, Malaysia and Brunei, has lost half its trees to logging and mining in recent decades but still has vast tracts of untouched forest.

A man works before Versace show as part of the presentations of the Women's fashion week Autumn/Winter 2014 collections in Milan recently. Italian family-run fashion house Versace said yesterday it had agreed to sell a 20-percent stake to US private equity firm Blackstone in a deal that values the group at 1.0 billion euros ($1.4 billion).

AFP