Google's Android One adds to Samsung's worries

REUTERS, *Mumbai*

Google Inc's partnership with three Indian phone makers is set to rev up fast-growing demand for lower priced smartphones, and spell more trouble for Samsung Electronics which is rapidly losing share in emerging markets.

Micromax Infomatics Ltd, Karbonn Mobiles and Spice Group are the first phone manufacturers to sign up for Google's Android One initiative, which provides specifications for key hardware parts. Some of the new phones are due to hit the market this month.

The aim is a vast improvement in quality that would lead to a surge in demand for low-end Android phones. Currently many cheap emerging market smartphones run different and somewhat customised versions of the Android operating system, which along with the many variations in hardware make apps on those phones prone to glitches.

While Google plans to push Android One globally, India, the world's third-biggest and fastest growing smartphone market, offers fertile ground for immediate results. Many Indians are buying a smartphone for the first time and a strong reception for Android One could promote common standards and consolidation in a market where more than 80 smartphone companies operate.

But any boom for higher-quality low-cost smartphones in India and other price conscious markets has the potential to exert intense pricing pressure on Samsung. The South Korean firm uses a customised version of the Android operating system but focuses on higher-margin offerings like its Galaxy S series.

"A major threat for Samsung is that Android One will accelerate the race to the bottom on smartphone pricing," said Neil Mawston, a UK-based analyst at Strategy Analytics. "Android One now makes Google a foe, not just a friend, for Samsung."

A major strategy rethink for low to mid-tier products is now in order for the world's biggest phone maker and top seller in India, analysts say, particularly as Samsung is also losing share to Apple Inc at the higher-end.

For Google, a strong uptake of Android One smartphones should increase access to the Internet and Google's suite of products.

Analysts and industry sources also note the potential for Google to expand revenue in ways more favorable to itself than in the past, as Android One phones won't come with the heavy customisation that Samsung and other phone makers using the Android operating system provide.

That will mean more default settings for Google products and less competition from rival search engines and other app stores.

For the Indian phone manufacturers, they are banking on Android One to be the weapon that helps them grab further share as well as providing a launch pad for more exports.

Karbonn hopes the programme will expand its overseas revenue to near 20 percent in the next two years, from 5-7 percent now. It is looking to export to markets such as Europe, South Africa and Russia, Chairman Sudhir Hasija told Reuters.

Samsung still leads India's smartphone market - a segment expected to propel the country's annual cellphone shipment revenues to as much as $20 billion by 2017, up from more than $14 billion this year, according to Counterpoint Research.

But its grip is looking shakier. Its second-quarter smartphone market share tumbled to 25.3 percent from 33.3 percent in the first quarter, while No. 2 maker Micromax jumped to 19.1 percent from 16.7 percent. Karbonn has 5.9 percent.

How much immediate pressure Samsung will come under will depend on prices.

Announcing Android One phones in June, Google touted pricing under $100 (6,000 rupees) but local media, citing industry sources, have said that may be too ambitious and the phones could be priced between 7,000 and 10,000 rupees.

Karbonn, Micromax and Google declined to comment on the reports. Spice did not respond to a request for comment.

While Samsung does sell cheaply priced phones in India, its marketing is focused on high-end products around 40,000 rupees. One of its most popular models sells for about 20,500 rupees. Samsung declined to provide its average selling price for smartphones in India.

Competition is coming not only from local players using Android One. Mozilla announced this month a low-cost smartphone in India based on its Firefox operating system and priced at just $33.

How Samsung responds to Android One in India is set to have big ramifications for other markets.

In China too, for example, Samsung has rapidly lost share, falling to rank No. 2 in the second quarter behind Xiaomi Inc, a firm which did not even place in the top five in the same period a year ago.

One key factor for Samsung to consider is whether it could and should adopt Android One for its cheaper phones.

"Samsung needs to figure out whether it's going to stay in (the) market at the lower end and come lower or whether it's going to maybe focus on higher level segments," said Rachel Lashford, a Singapore-based analyst at tech research firm Canalys.

Samsung declined to comment on its strategy in India and other emerging markets. It said in a July earnings call it plans to revamp its mid-to-low-tier line-up with more aggressive pricing and a focus on a smaller set of products.

REUTERS/FILES

Android mascots are lined up in the demonstration area at the Google I/O Developers Conference in the Moscone Center in San Francisco, California, May 10, 2011.

Germany bans car pick-up service Uber

BBC NEWS

Car pick-up service Uber has been banned across Germany. A court in Frankfurt ruled that the firm lacked the necessary legal permits to operate under German law.

It has emerged that the firm was told last week that its "low-cost" UberPop service could no longer take passengers and faced a fine if it continued.

But an Uber spokesman said it had decided not to suspend the service, adding that the ban was not enforceable while an appeal process was ongoing.

"Germany is one of the fastest growing markets for Uber in Europe," he said.

"We will continue to operate in Germany and will appeal the recent lawsuit filed by Taxi Deutschland in Frankfurt.

"You cannot put the brakes on progress. Uber will continue its operations and will offer UberPop ridesharing services via its app throughout Germany."

A check of the firm's software confirms that drivers continue to offer UberPop pick-ups in Munich, Berlin, Hamburg, Frankfurt and Dusseldorf.

UberPop was launched earlier this year and involves drivers - who are not directly employed by the company - over the age of 21 using their own cars to transport passengers.

Taxi Deutschland suggested that Uber could face up to a 250,000 euro ($327,840; £198,342) fine per trip if the American firm loses the case.

The body described its rival as a "form of locust share-economy" indulging in "anarchy capitalism" that could leave passengers exposed in the case of an accident.

"In Germany there's insurance that applies to private drivers," explained spokeswoman Anja Floetenmeyer.

"But if your insurer learns that you are driving for an app and you want to make money on that, they say this is a multiple risk and refuse to [pay] insurance on that.

"Uber doesn't care because security costs money. We don't believe it has the interests of [German] drivers and citizens at heart."

But Uber's spokesman in Germany, Fabien Nestmann, has previously blogged that safety is one of his firm's key concerns, adding that "all the rides - and thus all travellers - are insured by Uber".

The summary judgment follows a decision by London's transport authorities not to pursue a case against Uber in June this year.

The San Francisco-based firm allows passengers to summon cars using an app on their smartphones and calculates the fare en route. It is often significantly cheaper than rival taxi companies.

But taxi drivers argue that Uber has fewer regulatory burdens placed upon it than they do, and poses unfair competition.

BANGLALINK

Nooruddin Chowdhury, country manager of DHL Global, and Ziad Shatara, managing director of Banglalink, attend the signing of a corporate agreement for voice and data services at a hotel in Dhaka recently.

JPMorgan in talks to sell oil-supply agreement to BoA

REUTERS

JPMorgan Chase & Co is in talks to sell its oil-supply agreement with a major Philadelphia refinery to Bank of America Corp, the Wall Street Journal reported Tuesday, citing people familiar with the matter.

Under JPMorgan's deal with Carlyle Group-owned Philadelphia Energy Solutions, the company supplies the refinery with crude oil and credit and receives refined fuel products that it can trade, the Journal said.

India's bright GDP just a small step toward sustained revival

REUTERS, *New Delhi*

Optimism that sunny growth figures herald an economic revival in India is probably misplaced - in fact there is little hard evidence to support the idea that Asia's third-largest economy is heading for a broader and sustained rebound anytime soon.

India's economy grew 5.7 percent in the June quarter compared with a year earlier, the strongest pace in 2-1/2 years, accelerating from 4.6 percent in the March quarter thanks to a rebound in industrial activity.

But the encouraging headline numbers masked the deeper malaise gripping the economy, which is being hobbled by slack consumption, weak business investment, creaking infrastructure and painfully slow structural reforms, economists say.

"The uptick in GDP growth was mainly driven by front-loading of government expenditure," says Izumi Devalier, an economist with HSBC in Hong Kong. "A curtailment in expenditure will make it challenging to sustain this pace of growth."

Prime Minister Narendra Modi, who won power in May's general election with a promise of "good times", trumpeted the growth data on a visit to Japan, saying it had "generated huge positive sentiment".

And economists at Citi declared after the GDP figures that the recovery was a matter of when, and not if: "While there is plenty of debate on pace and timing, India is on its way back to 7 percent growth and 6 percent inflation."

But there is a difference between sentiment and ground reality. Based on the evidence at hand, Modi's goal of scripting a broader, lasting upturn appears some way off.

Much of the growth in the last quarter came from robust government spending, the pace of which could slow down as Finance Minister Arun Jaitley seeks to stick to this year's ambitious fiscal deficit target of 4.1 percent of gross domestic product.

A pickup in private spending could help offset the slowdown in government spending. But stubborn inflation, which at nearly 8 percent is too high for the Reserve Bank of India to cut policy rates, and weak employment are hurting consumers.

The HSBC purchasing managers' index (PMI) for manufacturing in August showed no improvement in employment or inflation, clouding the consumer outlook.

A late monsoon and coal supply crunch that has depleted fuel supplies to just six days of forward cover at India's thermal power stations could undermine rural spending and constrain output at energy-intensive businesses.

Consumers power nearly 60 percent of the economy, so getting them to spend more is essential for India to end its longest spell of sub-5 percent growth in a quarter of a century.

It needs at least 8 percent annual growth to create enough jobs for the 200 million Indians who will be reaching working age over the next two decades, the largest youth bulge the world has ever seen.

However, without an overhaul of India's strained public finances, stringent land acquisition laws, chaotic tax regime and rigid labour rules, economists say, it will struggle to consistently grow beyond 7 percent.

Modi's record as a leader of Gujarat has fuelled hopes among investors he can carry out these changes. But in his first 100 days in office, the prime minister has shown little appetite for structural reforms and has focused more on cutting bureaucratic discretion and speeding up decision making.

Shilan Shah, an analyst at Capital Economics, says there is no alternative to more serious and deeper reform because piecemeal measures collectively do not amount to much.

A slowdown in infrastructure output growth in July and the manufacturing sector last month suggests further moderation in industrial activity, which could drag down economic growth for the current quarter.

Worryingly, capital investment, which barely grew in the past two years, has still to show tangible signs of an upturn. Although capital investment rose 7 percent in the last quarter over a year earlier, it fell 7.4 percent from the previous quarter.

In a poll by the Economic Times last week, 46 percent of the respondents in a poll of 50 chief executives said they were watching for improved economic conditions before making planned investments that would help revive growth.

Last year, bumper harvests boosted sales of tractors, motorbikes and other consumer goods in rural areas, helping to compensate for weaker urban demand.

In a sign of things to come, tractor sales at India's largest utility vehicle maker Mahindra and Mahindra fell 1 percent year-on-year between April and August compared with 22 percent growth during the same period a year ago.

"We think that Q2's (April-June quarter) pickup in growth might be as good as it gets for the Indian economy for some time," said Shah of Capital Economics.

REUTERS/FILES

Sun rays beam through two under construction residential buildings in Noida on the outskirts of New Delhi on November 29, 2013.

Swiss economy most competitive once again; EU, US, Japan improve

REUTERS, *Geneva*

The European Union is becoming more competitive but Switzerland, Singapore and the United States are the three economies to beat, an annual survey by the World Economic Forum said on Wednesday.

The Global Competitiveness Report published by the Geneva-based body, which is most famous for gathering politicians and billionaires for an annual exchange of views at the Alpine resort of Davos, showed the same 10 countries filling the top 10 spots for at least the third year running.

Switzerland's slick efficiency, innovation and macroeconomic stability kept it on top for a sixth year in a row, although it was marked down for the difficulty of finding qualified workers.

"A potential threat to Switzerland's competitive edge might be the increasing difficulties faced by businesses and research institutions in finding the talent they need to preserve their outstanding capacity to innovate," the report said.

The United States muscled into ird place ahead of Finland and Germany, while Japan leapfrogged Hong Kong and the Netherlands to take sixth spot.

EU states such as Romania, Portugal and Latvia were among those rising up the ranks of competitiveness. Greece, which is still bringing up the rear for the EU, in 81st place globally, jumped 10 places up the rankings from 91st last year. Greece was helped by improvements in its goods and labour markets and a sharply reduced budget deficit, which improved the outlook despite still very high levels of government debt.

"All this suggests that the implemented reforms are starting to pay off," the report said.

China climbed one rank to 28th, Russia jumped 11 to 53rd spot, while India slid 11 to 71st and became the least competitive BRIC economy, 14 places behind Brazil.

Bottom-ranked this year was Guinea, lately in the news for being the source of the world's most deadly Ebola outbreak.

The Forum bases its assessment on a dozen drivers of competitiveness, including institutions, infrastructure, health and education, market size and the macroeconomic environment. The report also factors in a survey among business leaders, assessing government efficiency and transparency.

India has been sliding down the rankings since 2009, let down by basic healthcare and education, red tape, high business taxes, poor technology and a rigid labour market.

Russia's new-found competitive edge was sharpened by improvements to domestic competition and business sophistication that came befornoe the Ukraine conflict.

Reverberations from that conflict - sanctions and the impact on the gas trade, with knock-on effects on public funding - could blunt it again in the future, the survey said.

A major brake on competitiveness for many advanced economies, including the United States, Japan and many EU countries, was doubt about their macroeconomic environments.

In that category, the United States was ranked 113th worldwide, slightly better than 117th last year. The leaders in macroeconomic stability were Norway and Qatar, both blessed with energy bonanzas that have pushed GDP above $100,000 per head.