



Webinar: Accelerating affordable smartphone ownership in emerging markets

Low cost handsets RFI :
Application process with Q&A session

GSMA Connected Society &
GSMA SSA Strategic Engagement Team

27th November, 2019

Today's webinar:

- **The challenge**
- **Influencers** of smartphone affordability
- **Business models** for enhancing affordable smartphone ownership
- **Case Studies**
- **Recommendations**
- **GSMA supported Low Cost Smartphone RFI**
 - Low Cost Smartphone RFI Working Group
 - Process on how to apply
 - Q & A



Challenging the key barriers to digital adoption



Accessibility: Facilitating access to handsets, electricity, agents and formal IDs



Affordability: Tackling affordability including handsets, tariffs, data and transactions fees



Usability and skills: Improving usability of handsets and services and building digital skills and awareness



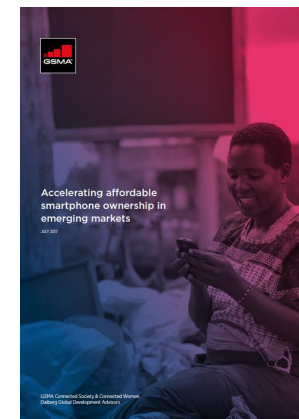
Safety and security: Enhancing security and safety by addressing harassment, theft, fraud and data protection



Relevance: Promoting local, relevant content products and services



Triggering mobile internet use in cote d'Ivoire and Tanzania



Accelerating affordable smartphone ownership in emerging markets



MISTT: Tigo Rwanda pilot evaluation



Triggering mobile internet use among men and women in South Asia



Handset cost is a barrier to mobile internet adoption and use



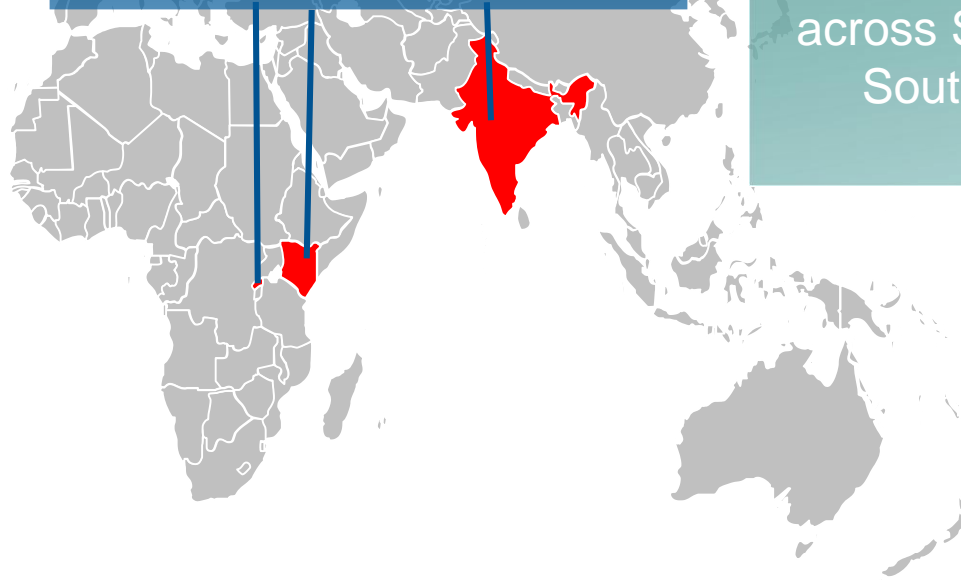


Investigating how we can make smartphones more affordable in low- and middle-income countries

Secondary research* into the **influencers of cost & affordability** of smartphones in emerging markets



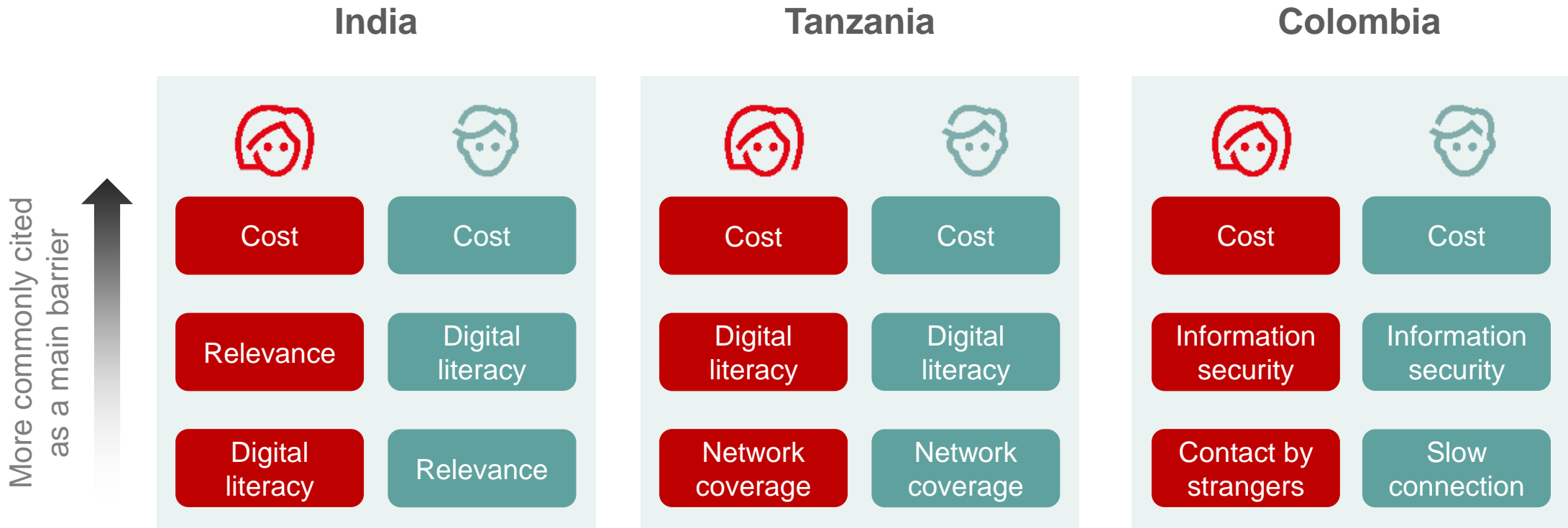
Qualitative research in 3 markets* to support **case studies & consumer stories**



Landscape research* & analysis of **30+ business models** for affordable smartphone ownership across Sub-Saharan Africa, South Asia, and Latin America



The greatest barriers to using mobile internet are cost-related (among those who are aware of it)





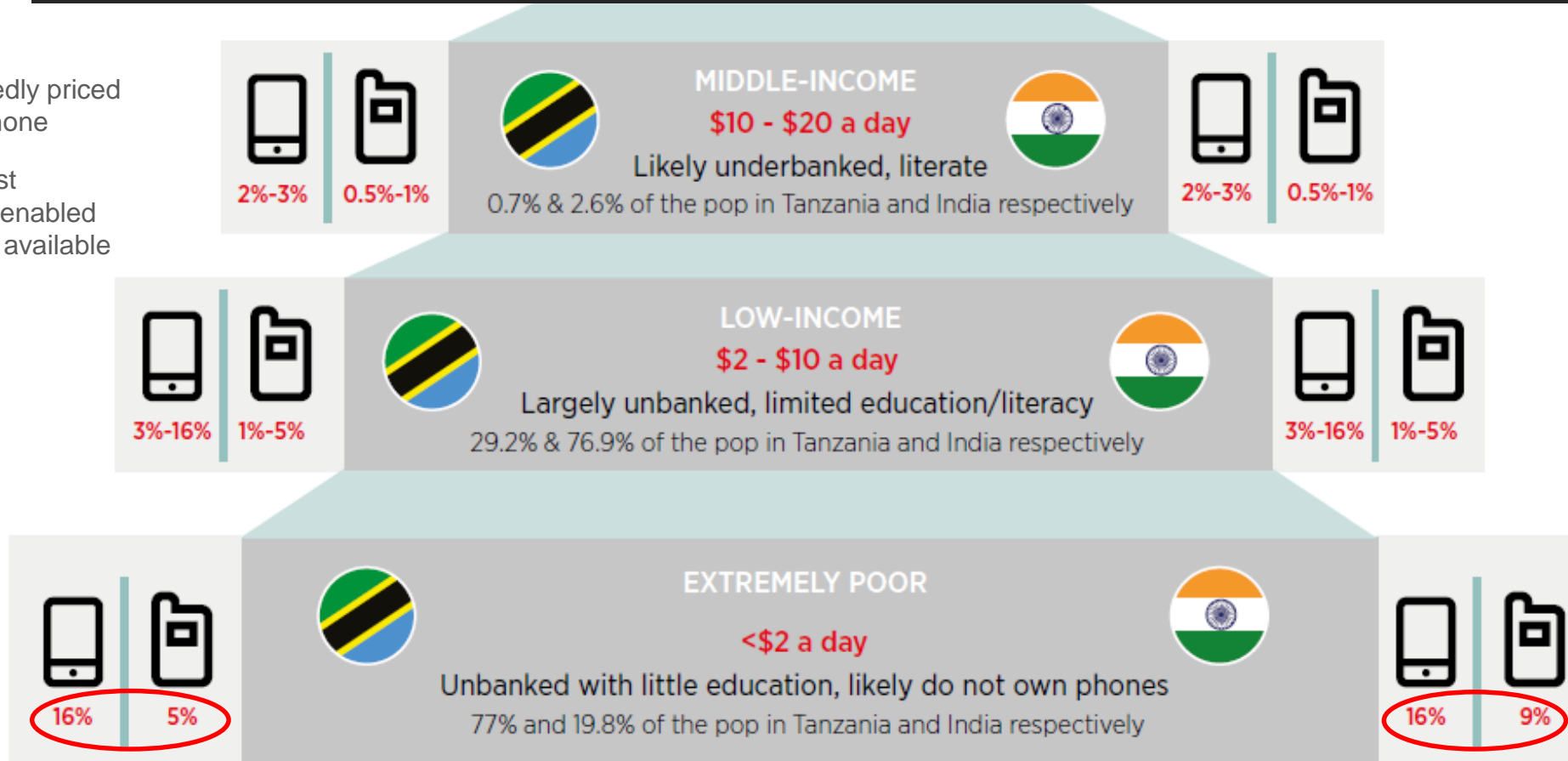
Women often experience these barriers more acutely than men, which is likely due to underlying social norms



Even the cheapest internet-enabled phone can represent a significant cost

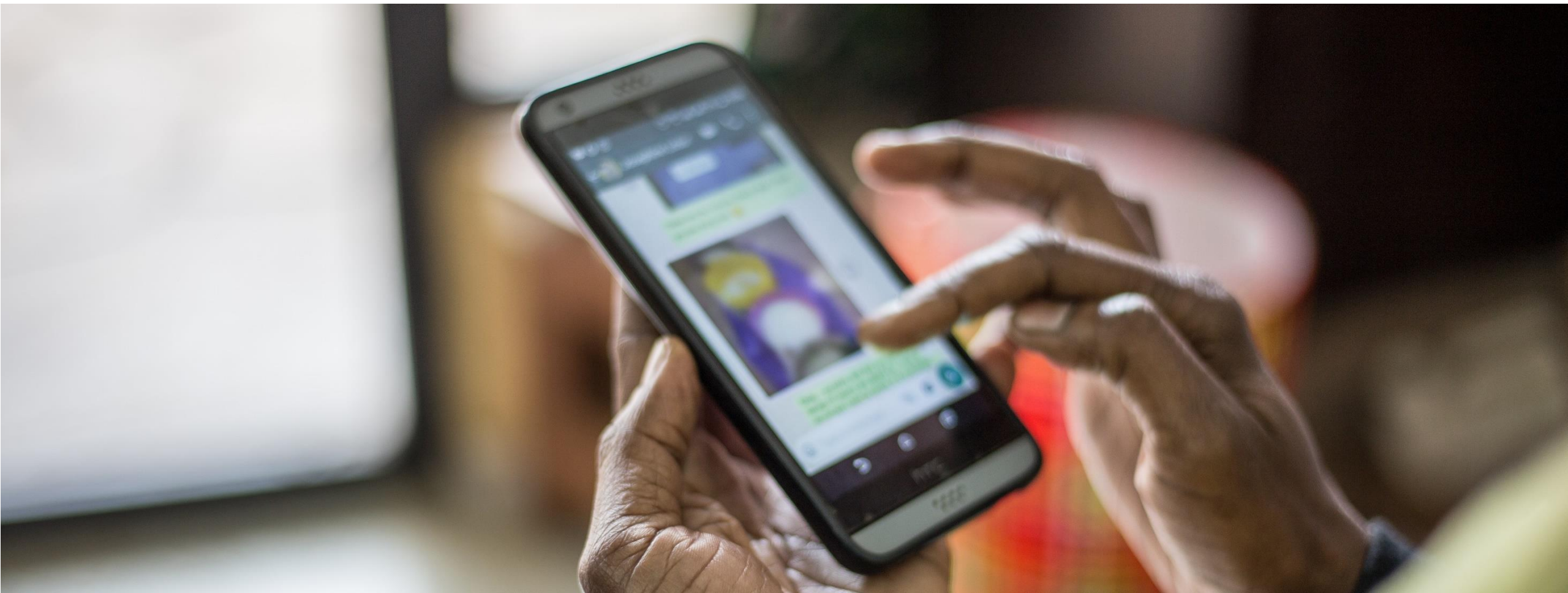
Income pyramid, showing percentage of annual income required for a device in Tanzania and India.
Based on average SP prices and cheapest available internet-enabled handset*

 = Averagedly priced smartphone
 = Cheapest internet-enabled handset available





Influencers of smartphone affordability





Multiple supply side factors affect the total end-user price for a smartphone

Manufacturing costs

Inbound supply chain

Outbound supply chain & distribution

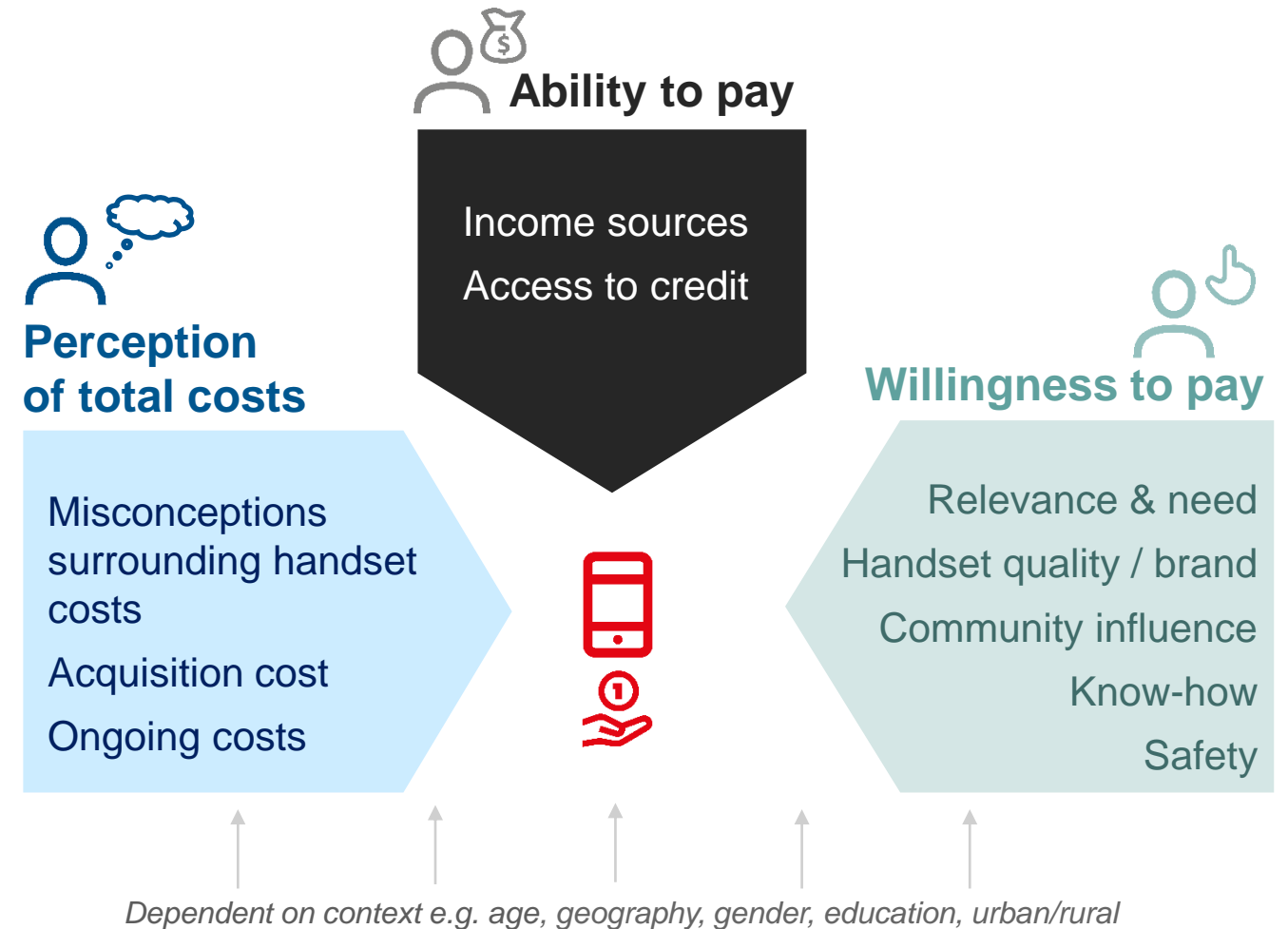
Advertising & marketing

Pricing decisions





Demand side elements also influence people's ability and willingness to pay





Business models to drive affordable smartphone ownership

Plan	Quota Utama	Unlimited SMS	Unlimited Nelpin & SMS
2 GB	2 GB	Unlimited SMS ke sesama	-
3 GB	3 GB	Unlimited SMS ke sesama	-
7 GB	7 GB	Unlimited SMS ke sesama	-
10 GB	10 GB	Unlimited Nelpin & SMS ke sesama	-
15 GB	15 GB	Unlimited Nelpin & SMS ke sesama	-
UNLIMITED	UNLIMITED	Unlimited Nelpin & SMS ke sesama	Unlimited Nelpin & SMS ke sesama

Baru! UNLIMITED
YouTube. Chat. Sosmed.
Gak habis-habis

im3
coredoo
Ini Baru Internetan Seru





Three types of business model for affordable smartphone ownership were identified

3rd party payment models

The smartphone cost is subsidised or offset by a third party, such as governments, non-profits, or private companies

Asset financing models

Smartphones are made more affordable by spreading the total cost over time rather than in one lump sum. Offered via finance from financial institutions, MNOs or alternative credit providers

Direct payment models

Total smartphone costs are lowered through highly efficient supply chains and/or device subsidies

‘Asset financing models’ offer options for consumers to buy smartphones via loans and/or savings schemes

The model

The provider

- **Lowere/eliminates the upfront cost of the smartphone**, by offering financing options that split the total price into smaller amounts which can be paid over time

The consumer

- **Purchases the device through payment in regular instalments** –via a loan or smartphone saving scheme

Approaches

Asset financing via an MFI or MNO

E.g. Bank / MNO SP loan – Customer credit profile



Alternative approaches to asset financing, and/or credit scoring

E.g. Customer info – Informal FI data – 3rd party



Benefits:

- ✓ Provides access to finance for those who cannot afford the upfront cost of a handset
- ✓ May address ongoing costs of data (depending on the scheme)

Limitations:

- ✗ Risk of customers defaulting on payments
- ✗ Challenges of insufficient credit history
- ✗ Still potentially challenging to afford total device cost



Examples of ‘asset financing models’

Initiative			Price/month
Equitel	Equity Bank & Airtel	Kenya	\$10
FNB Connect	Cell-C & First National Bank	South Africa	\$4.50
Smart Snehidi	Vodafone India & Hand in Hand	India	\$10
Fenix	Fenix International & MTN	Uganda	\$6.70
Paymax	Paymax	China	\$12.50
M-Kopa	M-Kopa & MNO	Tanzania, Uganda, Kenya	\$0.50

‘Direct payment models’ leverage supply-side strategies to offer lower-cost devices

The model

The provider

- **Lowens the upfront device price, by driving down supply-side costs**
- Devices are often offered as part of a data/free content bundle which lowers the total cost of ownership and usage

The consumer

- **Uses their own income / savings to purchase new or second-hand devices**

Approaches

Device subsidies and bundling

E.g. Loyalty points – ‘Locked’ devices – Trade-in



Supply chain optimisation

E.g. JIT – Direct sourcing – Demand-resp. buying



Creative distribution networks and retailers

E.g. Agents network – e-commerce – Rural retail



Benefits:

- ✓ Lowers the cost threshold of the handset
- ✓ Typically bundled with other services, potentially addressing ongoing data costs, customer know-how

Limitations:

- ✗ Consumers may still be unable to afford the upfront device cost



Examples of ‘direct payment models’

Initiative			Price
Phonetrader	Airtel	Nigeria	<i>Varies</i>
Steppa	MTN	South Africa	\$ 45
Ruma	Ruma & savings groups	Indonesia	Sub-\$100
Killimall	Infinix & Safaricom	Kenya, Uganda	<i>Varies</i>
Orange Rise 31 Special Edition	Orange & Google	Jordan and 14 African markets	\$ 40
Neon	Safaricom	Kenya	\$ 38



Case studies: initiatives for making smartphones more affordable





Copia sells smartphones via a catalogue and agents-model to the rural and peri-urban in Kenya

Business model:

Direct payment

How it works:

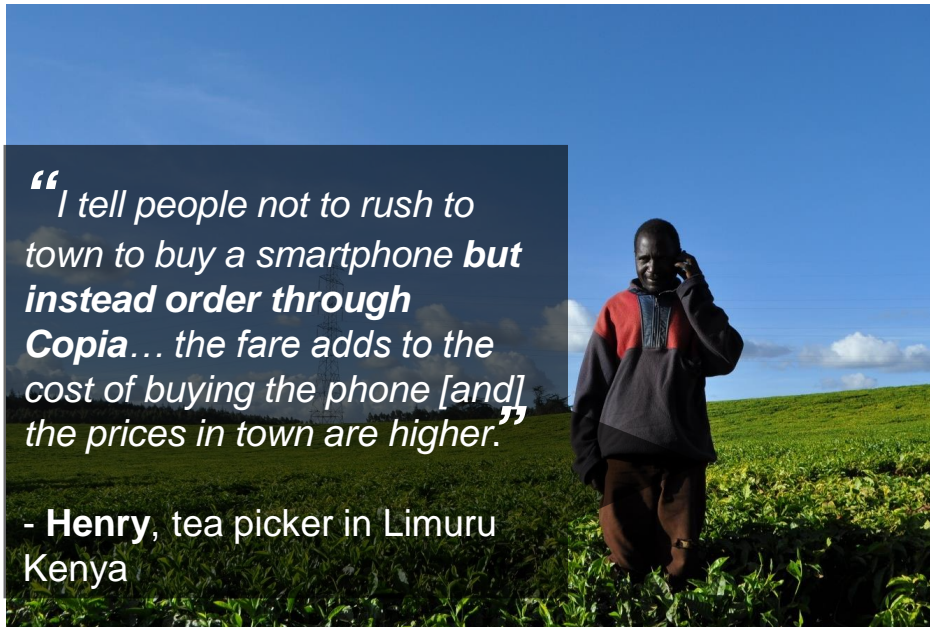
e-commerce platform using an agency model to provide goods to rural populations at urban prices



Impact and optimisation:

- ✓ **1,200 agents** and 100,000 customers*
- ✓ **Reduces rural handset price** and eliminates consumers' cost of transport and time – '*Nairobi prices*'
- ✓ **Layaway plan** allows for saving with agents until able to pay

Potential to increase impact further by combining with digital literacy training and financial products



*"I tell people not to rush to town to buy a smartphone **but instead order through Copia**... the fare adds to the cost of buying the phone [and] the prices in town are higher."*

- **Henry**, tea picker in Limuru Kenya



“I use my smartphone mainly for business.... My smartphone enables me to communicate with my customers by calling, texting with them [and to] chat by using WhatsApp or Facebook applications.”

- **Christophe**, taxi driver in Kigali, Rwanda

Mobisol and MTN Rwanda enable access to finance and smartphones for low-income and off-grid populations

Business model:

Asset financing

How it works:

Bundled solar home system and smartphone loan is offered through an alternative credit assessment model



Impact and optimisation:

- ✓ **Loan approvals based on alternative data** benefits consumers with no prior credit history
- ✓ **Flexible payment terms** caters for seasonal income flows
- ✓ **Solar-system and free data-bundle** reduce ongoing costs

Local content, consumer training and expanded distribution could further enhance customer uptake and value of the programme.

Vodafone India's Smart Snehidi programme offers smartphone loans to rural women micro-entrepreneurs

Business model:

Asset financing

How it works:


Smartphone microfinancing is offered to savings group members through MNO and NGO partnership



Impact and optimisation:

- ✓ Jan-April 2017: 2,000 women reached
- ✓ Clear business use-case and digital literacy training mitigates cultural pressures that can prevent women from owning phones
- ✓ Generous data allowance means low ongoing costs

Quicker and more regular business and digital skills training post disbursement of handsets could further propel success



“When everyone is having a smart phone why should I not have one? I speak with my family members [and] my customers.”

- Gajalakshmi, sari distributor and high-school tutor in Tamil Nadu, India



Recommendations for accelerating affordable smartphone ownership



Research suggests four broad consumer segments based on ability to afford smartphones

(within low- and middle-income groups in emerging markets)

1. Beyond their means

e.g. Unemployed youths, Gatimayu, Kenya



2. Cannot afford lump sum, but could afford instalments

e.g. Ammu, tailor, Tamil Nadu, India



3. Can save and pay lump sum

e.g. Nadiso, vegetables seller, Limuru, Kenya

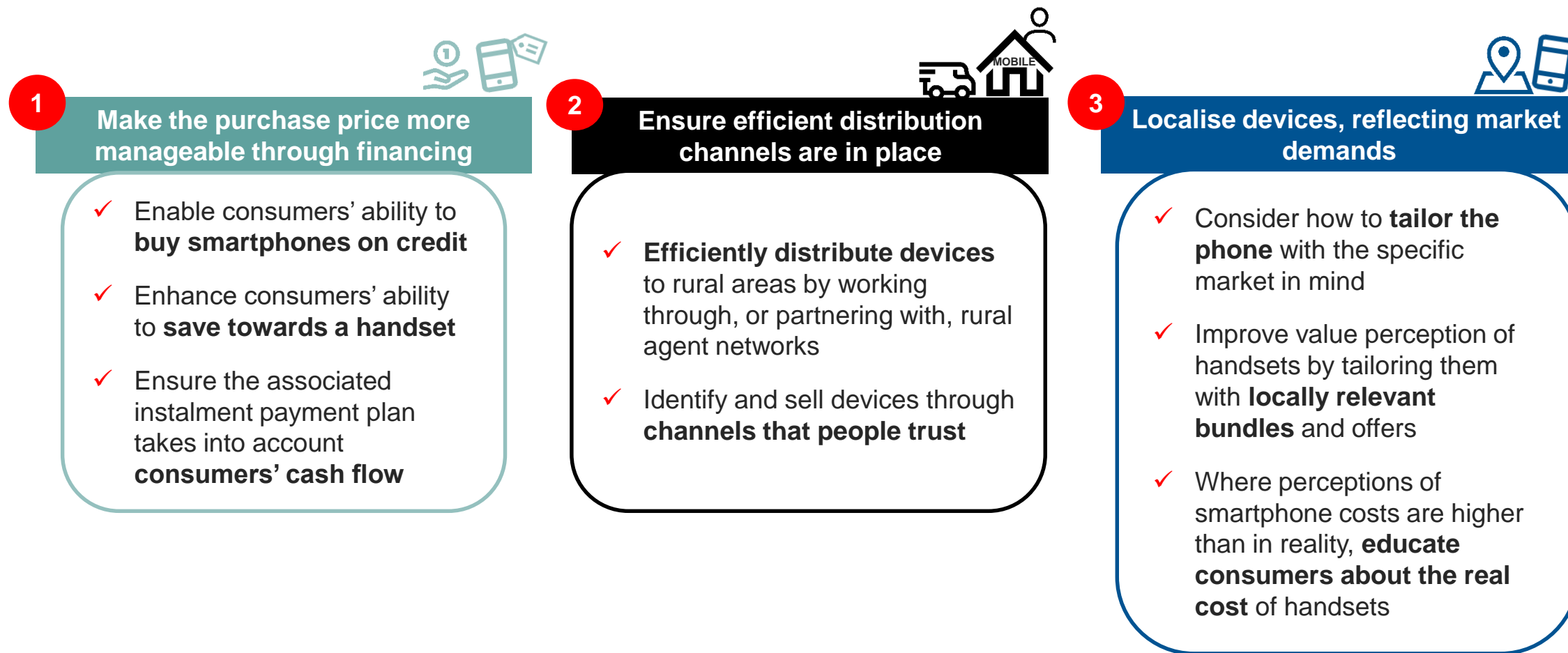


4. Can afford lower-priced smartphones, through a lump sum payment

e.g. Justin, agribusiness owner, Gathika, Kenya



Three strategies stand out above all others for enhancing smartphone affordability



CONSIDERATIONS FOR DELIVERING SUCCESSFUL AFFORDABLE SMARTPHONES SCHEMES*

- ✓ Ideally provide a handset from a brand trusted (and desired) by the target consumers
- ✓ Prioritise a smaller, more focussed range of handset models for economies of scale and to avoid consumer confusion.
- ✓ If launching pre-installed content on the smartphone, aim to include locally relevant (and generated) content in the local languages of the specific market, in order to drive uptake among a broader customer segment.
- ✓ Capitalise on happy customers' word of mouth, by encouraging them to recommend the smartphone to friends and in return reward them (e.g. with a free data pack).
- ✓ Make sure smartphone sales agents are well trained in the product, to be able to confidently explain and sell the smartphones to novice smartphone users.
- ✓ Provide agents with live network active handset samples to let apprehensive first-time smartphone customers see and test the device before buying.
- ✓ Incentivise agents to sell and to encourage regular use of smartphones through carefully constructed commission schemes.
- ✓ Begin planned education schemes for smartphone offers immediately after the handset purchase, to maximise the consumers' benefits of use, and to establish healthy usage habits early on.
- ✓ Ensure the marketing of the smartphone initiative utilises effective channels to reach the target consumers, and is clearly explained.
- ✓ Consider the value of post-sale customer care, e.g. smartphone repairs and customer queries, and establish a plan for how to distribute such services especially for more rural customers.
- ✓ For smartphone trade-in schemes - ensure agents are provided with the required resources and know how to verify used handsets' authenticity.
- ✓ To maximise the impact of the smartphone initiative, take a holistic approach to address the broader consumer barriers to smartphone uptake. For instance, encourage increased usage by including an attractive mobile bundle, combined with training to improve consumer's digital literacy and ability to use more sophisticated internet use.

One last thing..

You can find a **considerations-checklist** for designing affordable smartphone initiatives in the report back pages.

- ✓ Practical tips and ideas for maximising the impact of your programme.



GSMA Supported Low Cost Smartphone RFI



Handset affordability remains a primary challenge to internet adoption and data consumption across emerging markets such as Africa and India.



The need arises for an affordable handset with smartphone capabilities, that enables these entry-level users to take the next step in the data usage journey.



This RFI was drafted based on technical alignment on the base level of the device requirement across the MNO working group,

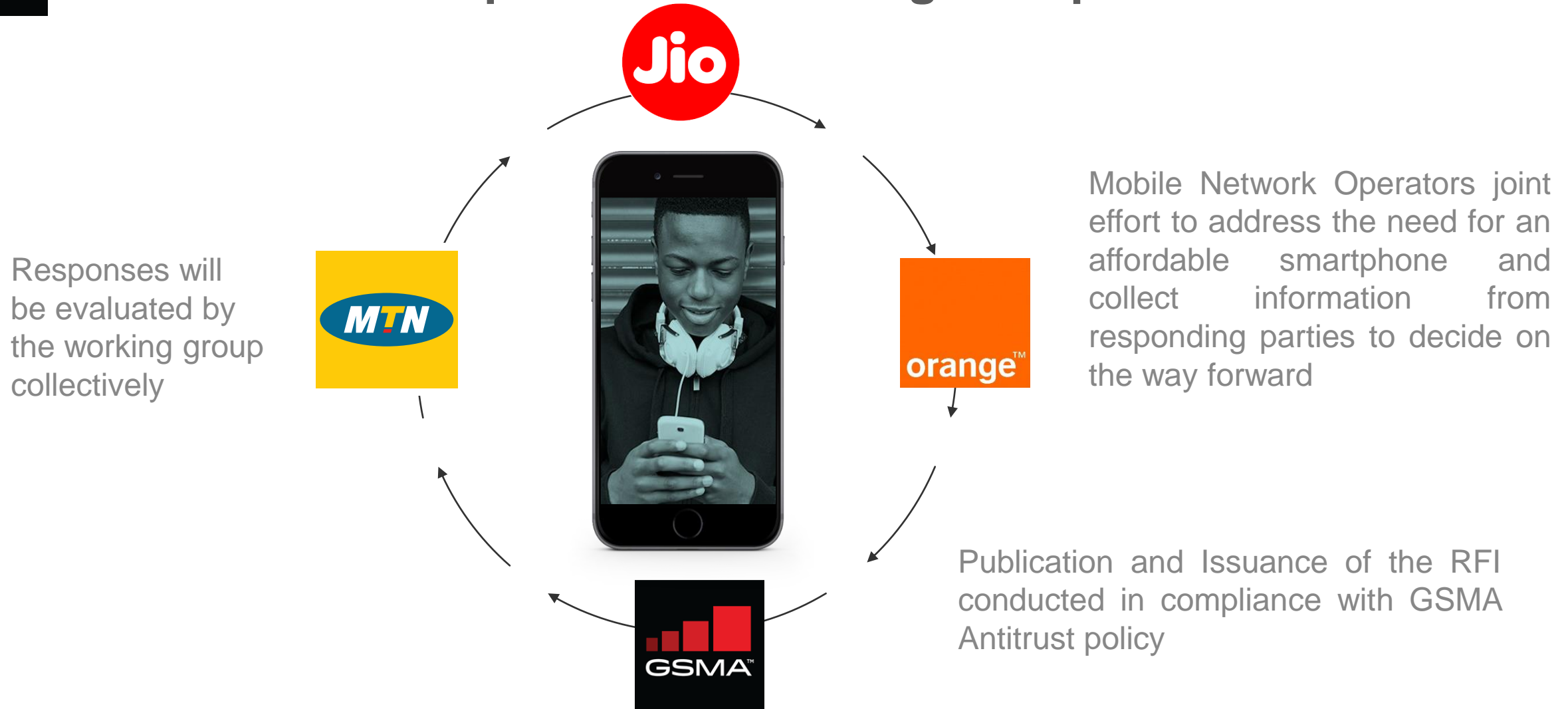


An initiative is seen by the GSMA as one way attempting to challenge a cost barrier to global connectivity for the low-income user.





Low Cost Smartphone RFI Working Group





Process on How to Apply



- ✓ General Information on the RFI can be found here -
<https://www.gsma.com/subsaharanafrica/resources/rfi-affordable-smartphone>
- ✓ Download Low Cost Smartphone RFI as an editable word document
- ✓ Once completed, please return the duly completed by submission through rfi@gsma.com . Submit the completed RFI in doc format and include your organisation at the end of the file name '*GSMA-Affordable-Phone-RFI_- Distribution (organisation name)*'
- ✓ The deadlines for submission of duly completed RFIs is **31st December 2019.**



Questions

- Please use the chat function in bluejeans for questions now
- We will cover only generic questions on the RFI process
- Specific questions for RFI application to rfi@gsma.com
- MNO technical teams will coordinate answers
- GSMA will facilitate the ongoing Q&A via this email
- Any questions on the report can be covered now



Accelerating affordable smartphone ownership in emerging markets



Thank You

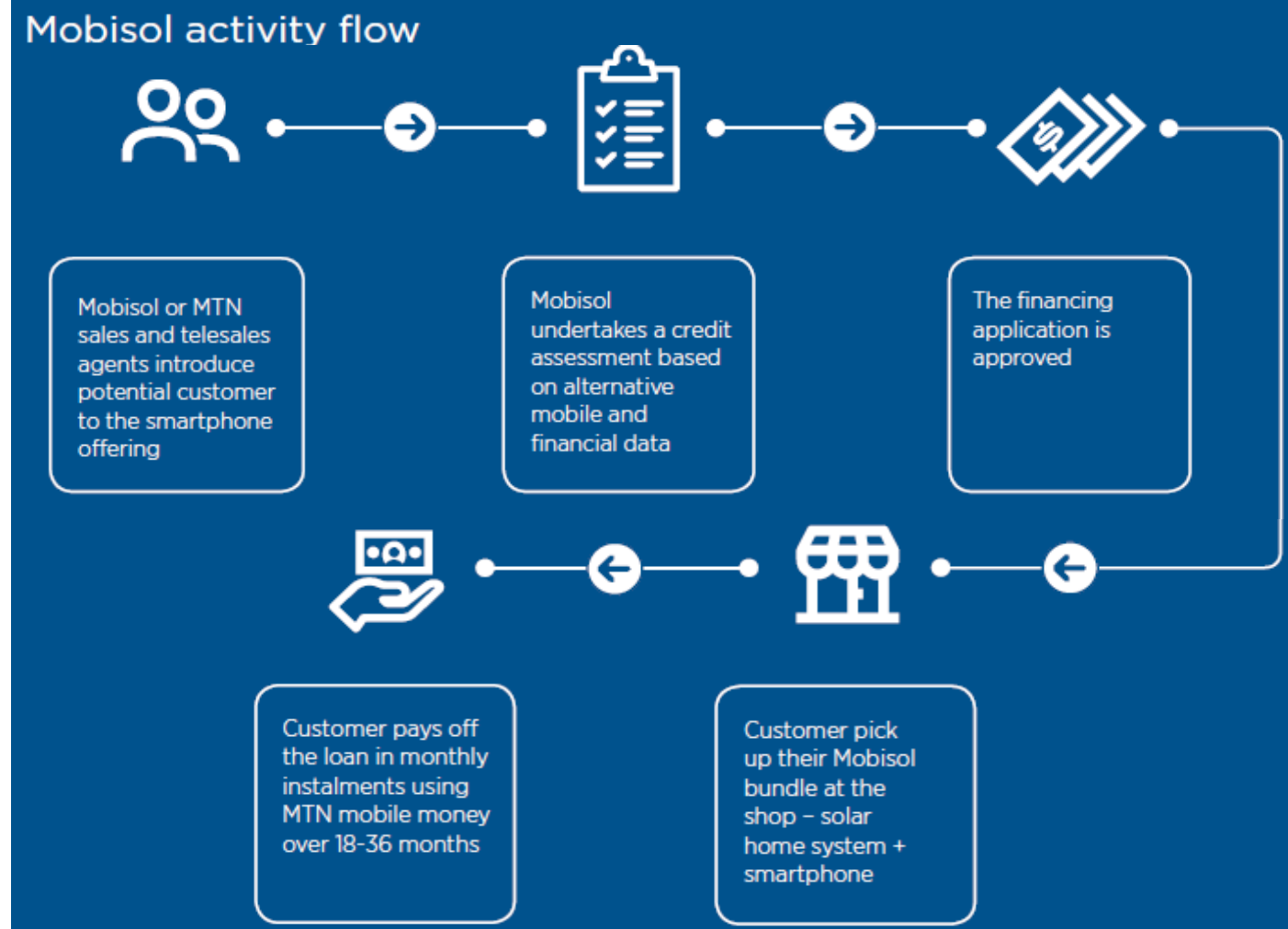
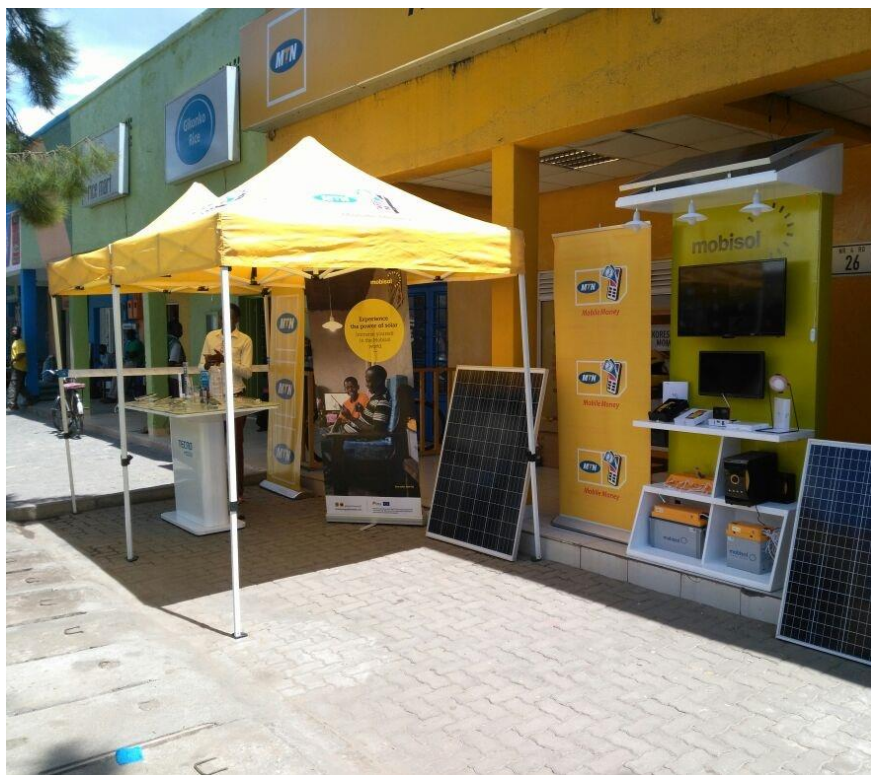
For further information:

<https://www.gsma.com/subsaharanafrica/resources/rfi-affordable-smartphone>

rfi@gsma.com

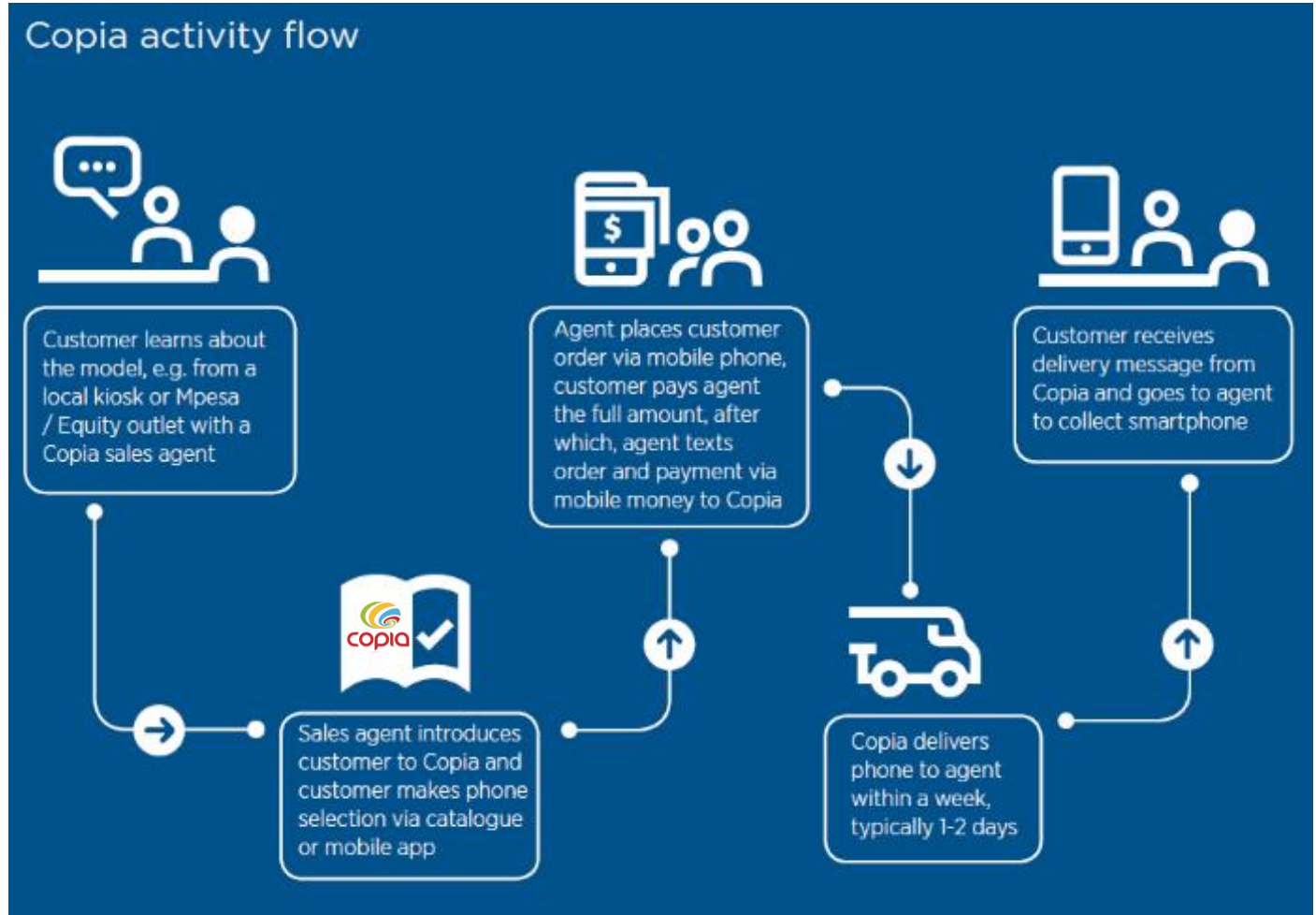


Mobisol and MTN Rwanda conduct alternative credit assessments and offer 'rent-to-own' smartphones

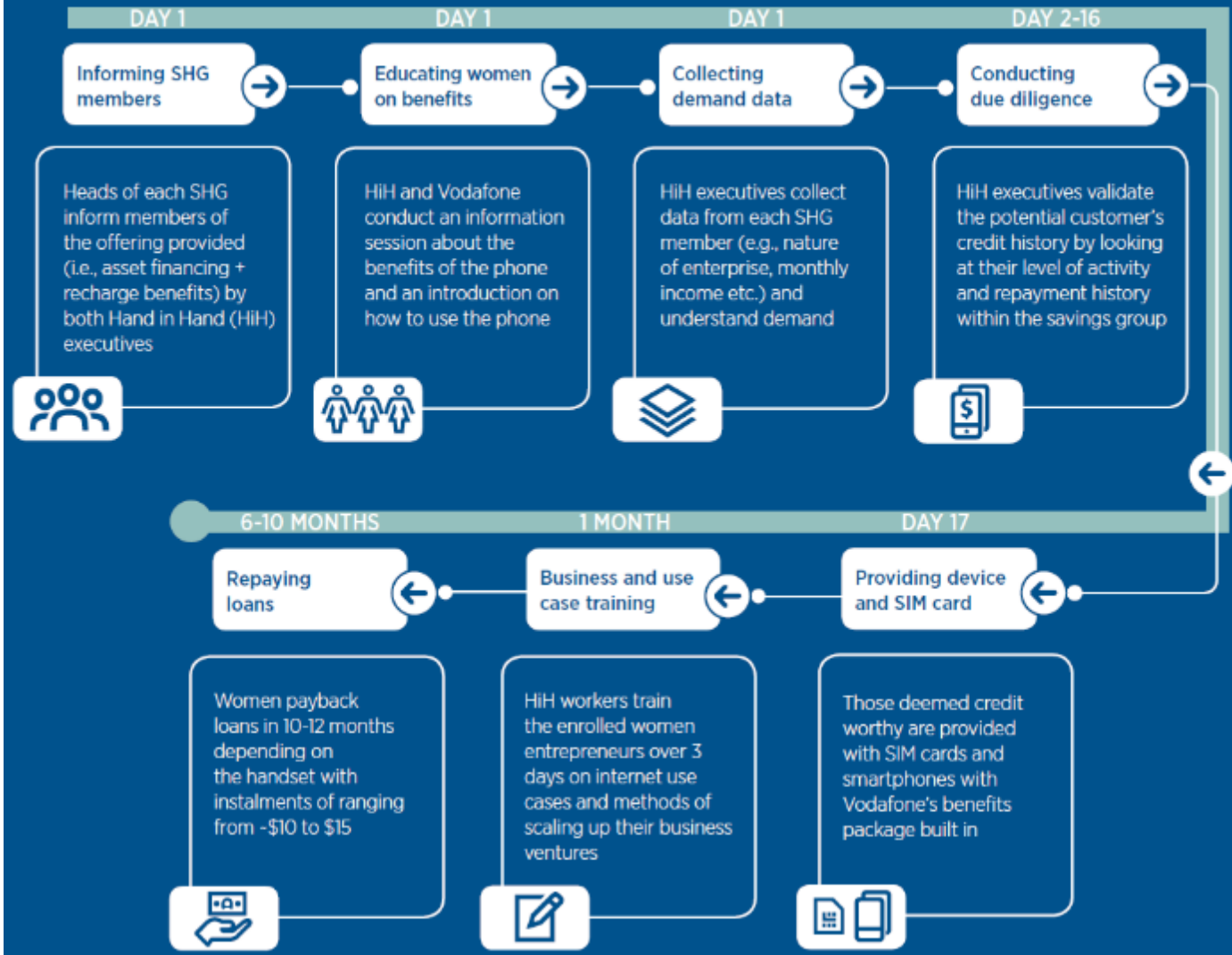




Copia sells smartphones via a catalogue and agents-model to the rural and peri-urban in Kenya



Smart Snehidi activity flow



Vodafone India's Smart Snehidi programme offers microfinance to rural women micro-entrepreneurs to buy smartphones





Findings are based on 49 stakeholder interviews and 58 touch points with end users

Case	Interviews and end user research completed
Stakeholder / Expert interviews	Completed 18 stakeholder interviews with mobile sector stakeholders, MNOs, M4D experts, academia, NGOs, sharing economy experts, creative distributors
Copia case study	Completed 13 in-depth end user interviews (8 women and 5 men), one mini focus group discussion of 3 men and 9 stakeholder interviews
Smart Snehidi case study	Completed 10 in-depth end user interviews, two focus group discussions of 6 women each and 11 stakeholder interviews
Sonata case study	Completed 8 in-depth end user interviews* and 1 stakeholder interview
Mobisol case study	Completed 7 in-depth end user interviews (5 customers and 2 potential customers), one mini focus group discussion of 5 men (4 customers and 1 potential customer) and 10 stakeholder interviews

*Interviews were not conducted by Dalberg