Chapter XXX
Mobile Commerce in Emerging Economies

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ABSTRACT

This chapter discusses the opportunities and challenges of mobile commerce in emerging economies. It analyses the profound impact of a mobile device on the way products and services are bought and sold in developing nations. The chapter argues that many mobile applications can have a much larger impact on emerging economies than those of the developed world. The chapter is aimed at creating an understanding of the unique social, technological and economic drivers that can help entrepreneurs and solution providers to build and deploy compelling and revolutionary mobile commerce applications in these emerging markets.

INTRODUCTION

This chapter looks at mobile commerce ecosystems in the developing world. It explores the opportunities that manifest themselves in the evolving mobile marketplace, and the underlying value drivers. Furthermore, it also discusses sample mobile commerce applications and the impetus and obstacles to the successful deployment of such mobile commerce applications.

Finally, it considers the future of these mobile applications in the context of the emerging nations.

BACKGROUND

The topics discussed in this chapter are based on the author's entrepreneurial experiences in introducing mobile commerce services in India.

Figure 1. Mobile commerce value chain
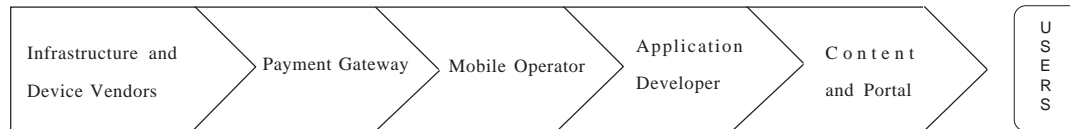
During these experiences, the author has had various opportunities to interact with end consumers, mobile operators, and service providers in India as well as other parts of Asia. The resultant knowledge and experiences can be potentially extrapolated to many economies in the developing world, and will hopefully provide invaluable learning opportunities to the reader.

THE MOBILE COMMERCE ECOSYSTEM

The mobile commerce ecosystem consists of the end user, the content and portal, the application developer, the mobile operator, the payment gateway, and infrastructure and device vendors, as shown in Figure 1.

The end user has a mobile device that would have basic voice and data capability. The content is information about the vendor of goods and services (e.g., a movie theatre selling tickets), accessed by the user through a mobile portal. The application developer provides a mobile commerce platform to the mobile operator or directly to the content vendor. The mobile operator provides the wireless network, and markets various voice and data services to its subscribers (i.e., the end users). The payment gateway consists of a clearinghouse for payments via credit/debit cards, bank accounts, and Internet banking. The infrastructure and device vendor provides the wireless equipment for the network and the handsets for the end user.

The following factors affect the mobile commerce value chain: lifestyle of consumers, applications developed to cater to that lifestyle, marketing of those applications, network technology, and security.

LIFESTYLE

People in the emerging economies of Asia spend a lot of time commuting in public transport. They use this "downtime" productively by getting work done through their mobile phone. This has historically led to the rapid adaptation of mobile phones in these markets, as is evidenced in the high levels of 'SMS' text messages used in Asia (Infocomm Development Authority of Singapore, 2003) vs. developed western nations like the United States. In contrast to their western counterparts, chances are that consumers in a developing country may never have used (or seen) a computer, and the mobile is their first electronic device that is used for communications (voice and data) and as a "computer". This convergence provides the impetus to emerging nations to leapfrog the developed world in mobile penetration and usage.

In a country like India, at the time of writing this book, the penetration of mobile phones is already more than 10 times that of the personal computer, and growing rapidly. The number of incremental wireless connections added every month has already exceeded the number of landline ones. Many farmers in rural India are

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