JIOPHONE EFFECT

Low-cost phones with smart features to hasten upgrades among users
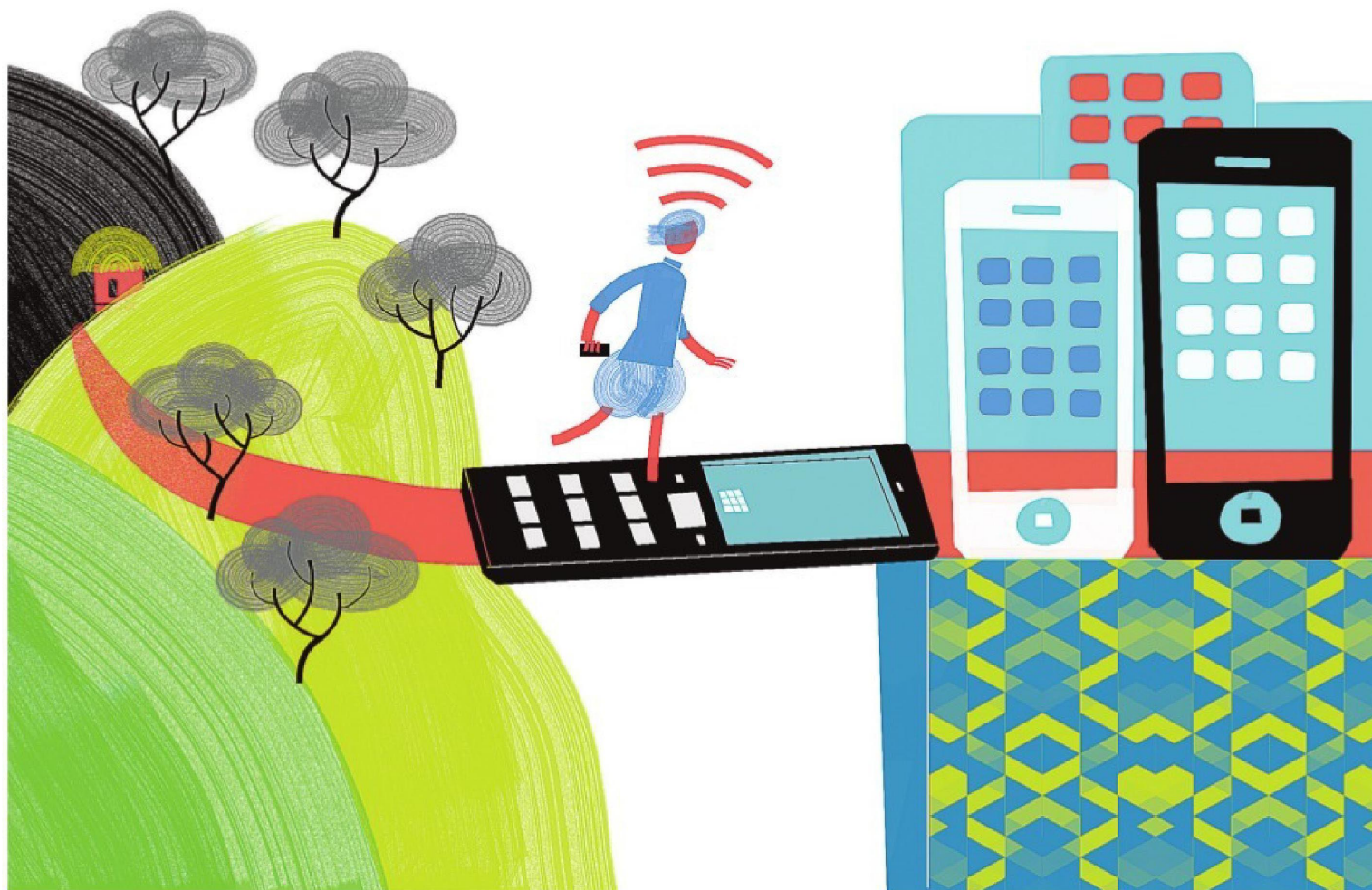

Illustration: C R Sasikumar

Adoption of 'walled garden' and potential quality issues are some of the hurdles that need to be cleared to ensure mass adoption of upgraded feature phones

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INDIA RANKS the lowest among its Asia-Pacific peers such as China, South Korea, Thailand, Myanmar, Malaysia and Japan when it comes to smartphone adoption as a percentage of connections. With the announcement of the JioPhone — a feature phone with smartphone functionalities, analysts believe that at its price proposition, the device has the ability to increase the pace at which feature phone users upgrade their handsets, but will have to clear potential pitfalls such as adoption of a 'walled garden' and possible quality issues.

In a market where the term 'feature phone' stands for a cheap and affordable device, which does not have scope of high recurring cost that come with feature-laden smartphones, the JioPhone aims to reach out to the bottom of the pyramid with several data-driven functionalities bundled into a device that can be acquired with a refundable deposit of Rs 1,500.

"One major impact of JioPhone will be that it will accelerate the upgrade cycle of feature phones. Currently, there are 400 million feature phones in use right now in India. The innovation in feature phones has been the least in the past one decade, while smartphones have shifted from 2G to 3G to 4G, feature phones remain predominantly on a 2G network, and a lot of people are using the feature phone only for voice. With the emergence of VoLTE feature phones, the voice users can be converted to data users, and we'll have more data users at the bottom of the pyramid," said Tarun Pathak, associate director, Counterpoint Research.

"Right now in rural areas, feature phone

INDIA'S FEATURE PHONE SHIPMENT MARKET SHARE FOR Q2-2017:

6.3% Intex	**35.3%** Others	**26.6%** Samsung
7.5% Lava	**8.6%** Micromax	**15.7%** itel
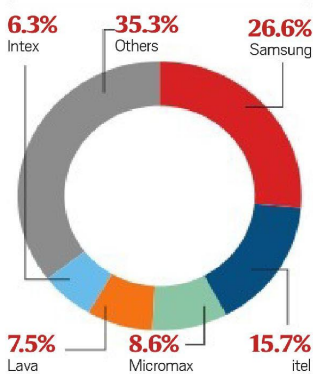
Source: Counterpoint Research
Market Monitor Q2 2017

users are spending around Rs 100 a month on an average but consuming only voice services, but with JioPhone for another Rs 53 a month they'll be able to use data services as well. Average upgrade cycle for feature phone is 48 months, and in the short-term that can reduce to almost 24 months because a lot of people will be shifting from 2G to these 4G phones in a quick span," he added.

For Rs 153 a month, Jio is offering unlimited voice and SMS services, with 4G data capped at 500 MB per day, beyond which data will be available at slower speeds.

Pathak also pointed out that a number of

mobile phone consumers have been upgrading from one feature phone to another feature phone due to factors such as lack of comfort with the touchscreen, higher prices, among others, because of which the rate of adoption from feature phone to smartphone has declined, and isn't happening at the rate anticipated by the industry. As per GSMA's Mobile Economy Asia Pacific Report 2017, smartphone adoption in India was at 28 per cent in 2016.

Furthermore, considering that a number of features that are found on relatively more expensive smartphones — such as 4G connectivity, Voice over LTE (VoLTE), digital payment support, etc — would be available on the JioPhone when it is launched for the public in September, the device is expected to have an impact on a segment of the feature phone market, especially given the price range.

"It will likely attract the feature phone users in the upper price segment who are thinking of buying a device in the price range of Rs 1,000-Rs 2,000 ($15-$30) since with some incremental spend they get the many additional benefits i.e. unlimited access to music, movies, GPS and NFC services. In future, it will be easier for these users to migrate to smartphones for a better experience as they start getting the experience of the data and its uses," said Jaipal Singh, senior market analyst at IDC. Singh added that the device would face a challenge to convert the larger sub-Rs 1,000 user base that makes up around 40 per cent of the feature phone markets.

In an attempt to retain the users, JioPhone has taken what is being called a "walled garden" approach to ensure that the churn is at a minimum. "The apps for the phone will come from Jio's own store. Thus, Jio will provide a 'walled garden' to its subscribers, which goes beyond the traditional connec-

tivity. We note that Jio already has an entire spectrum of apps spanning the social, content, payments verticals. Thus, JioPhone user will likely have a very low churn both due to the 'refund feature' and the software platform," said Deutsche Bank in a research note.

However, analysts also suggest that lack of a familar ecosystem could be a hindrance for the device's mass adoption, considering the little success that bundled phone have seen in India. A Jio official, on condition of anonymity, confirmed that the device will be based on KaiOS, which is based on the now discontinued Firefox OS. While the operating system will have some major apps such as Facebook and YouTube, it lacks one of the most popular messaging service WhatsApp. Furthermore, the JioPhone will be a single-sim device that will be locked to Jio's services, meaning a user will not be able to use any other connection on the handset.

"... bundling of apps with the phone remains a tricky issue because of concerns of a 'walled garden'. It remains to be seen whether the device offers the flexibility to use other apps, primarily those based on Android platform without which it offers very restricted use," said Harsh Jagnani, sector head and vice president, corporate ratings, ICRA.

Apart from the restricted ecosystem, experts also raised red flags with the quality of the handset and the data services considering it is effectively being offered at no cost. "...Reliance Jio will have to be careful on few fronts — product quality of this device, Quality of Service — blanket coverage to tier-3-4 towns where most of the demand will come from as well as from component supply especially for the low-configuration memory in this device," said Neil Shah, partner, Counterpoint Research.