

Financial damage of grey-market handsets underestimated by African mobile operators warns WDSGlobal

Demand for high-end feature phones, sourced on the grey-market, threatens end-user profitability says new report.

3rd February 2009. Johannesburg, South Africa: WDSGlobal has published a report that suggests grey-market mobile phone ownership will present an increasing challenge for African mobile operators in 2009, despite a global drop in their circulation.

The report suggests that while reduced import taxes and component costs have moderated demand for low-cost grey-market handsets across the continent, African consumers are showing increased demand for high-end feature phones. Such devices often can't be accurately identified, supported or configured to access data services on an operator's network. This immediately threatens subscriber profitability concludes WDSGlobal, a global leader in mobile device management and knowledge and support services for the mobile industry.

"Grey-market handsets are defined as those sold through unofficial and unauthorized channels," explains Brett Thomas, Regional General Manager, Africa, at WDSGlobal. "The demand for high-end feature phones on the grey market is being fuelled by substantial savings of up to 50 per cent and a desire to own a handset sometimes not even available locally. Many are sourced from Europe and North America and sold through high street retailers, markets and online retailers."

The report cites four key areas of concern:

- 1) Support calls may not be effectively resolved, either because of internal policy or simply because the operator does not have the knowledge available to resolve a problem on a non-official device.
- 2) Grey-market handsets may not be correctly configured for an operator's high-margin data services; such as mobile Internet. These handsets are typically limited to basic voice and messaging services.

- 3) A parity of service is hard to achieve across the installed base of subscribers. Grey market handsets may not feature an operator's branded firmware, bundled applications and softkeys.
- 4) Without a device detection module on its network, an operator may not even recognize a grey-market handset attaching to its network or a subscriber making a handset switch. This can lead to incorrect CRM data about the subscriber.

Each of these areas can have a negative effect not just on profitability but also loyalty, suggesting that mobile operators need to build strategies and implement processes that allow them to cost effectively manage grey-market handsets on their network.

The way in which consumers acquire and share handsets is changing across the continent and mobile operators must decide where their support for the end-user finishes, the report warns. An inability or refusal to support users with grey market handsets, on the basis that it breaches the service contract, serves only to alienate the end-user and potentially limits the use of the handset to lower margin services such as voice.

Many operators are unprepared, with substantial gaps in their internal systems argues WDSGlobal.

"The grey-market challenge highlights the need for validated repositories of data to feed internal systems such as customer care and device configuration. If a grey-market handset hits a customer care touchpoint, a support agent must have the knowledge available to resolve the issue quickly and efficiently. If they can't then profitability is quickly damaged. Likewise, device management platforms, used to remotely configure handsets for data services, must be able to identify the device, understand its capabilities and how to provision it," finishes Thomas.

The grey-market for mobile phones is prevalent across Africa and many parts of Asia. In many countries up to a quarter of all mobile users own a grey-market handset. There are many routes through which mobile phones find their way into the grey-market. Refurbished handsets and those within recycling schemes represent a major share, while many European dealers now view Africa as a convenient channel for unsold stock.

WDSGlobal's report; 'Managing the Evolution of Grey Market Handsets in Africa' is available to download for free at <http://www.wdsglobal.com/grey-market/>

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About WDSGlobal

Since 1995, WDSGlobal has been dedicated to helping mobile operators, handset manufacturers and service providers deliver more profitable products and services to end-users. From handset validation and readiness testing to mobile device management and end-user support, WDSGlobal offers the industry's most complete solution for the management of end-users, devices and services. Believing end-user profitability lies in effective problem prevention and user experience management and not in problem management, the company's GlobalMine framework continually collects, validates and shares data about devices, services and user trends. This is used to enhance the effectiveness of its carrier-grade products and services and to help customers drive service adoption, increase loyalty and drive-down support costs.

To find out more, please visit www.wdsglobal.com

For more information, please contact:

Tim Deluca-Smith

VP Marketing

Tel: +44 (0) 1202 713 725

Tim.deluca.smith@wdsglobal.com

www.wdsglobal.com