

# Special Report: Global M-Commerce Set For Strong Growth Potential

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Amazon phone The constant rollout of newer technologies in the sphere of communications, the growing saturation of the global mobile phone market and the increasing affordability of information technology and associated devices are allowing for the expansion of new retail market areas.

Mobile commerce (m-commerce) is one such sector and it holds the potential to revolutionise the way consumers conduct their shopping, while allowing businesses to extend their marketing reach to a ready client base. Â

## Key Points

M-commerce is the purchase of goods and services via wireless handheld devices such as mobile telephones, smart phones or other devices. Global mobile telephone subscriptions increased from 2.2 billion in 2005 to 5.1 billion in 2010. In 2010, most developed countries recorded a household mobile phone penetration rate of over 90.0%, with developing countries catching up rapidly. Growing market competition and eager take up of communications services by consumers are allowing increasing affordability of technological devices and services;

Global real consumer expenditure on communications increased by 18.1% over 2005-2010, with the sector seeing some of the most robust growth and innovative expansion over the period. The global economic downturn of 2008-2009 held back both retail and communications growth, however, somewhat limiting progress;

Â Â Â Technological advances are providing new markets that can be utilised as a platform for m-commerce opportunities. The launch of several Apple products (iPhone, iPad etc.) alongside Android devices have boosted growth in the smartphone, PDA (personal digital assistant) and tablet segments. Global annual smartphone sales swelled from US\$7.8 billion to US\$83.1 billion between 2005 and 2010. Internet access underpins this growth and mobile phones have already overtaken household PCs as the most common tool for web use globally;

Â Â Â This expanding market has already launched the most successful m-commerce segment to date, that of apps (application software). Relatively low-cost and riding a wave of trendy innovation targeting the youth market, apps include entertainment, novelty services and practical uses;

Â Â Â M-commerce is the natural progression from e-commerce, using the same idea of electronic processes but allowing for a more personalised and direct business model. The global Internet retailing market is booming, proving there is a ready platform for m-commerce to tap into. Emerging markets such as India and China are home to vast numbers of mobile phone users, offering massive m-commerce potential, but at present developed nations offer the strongest markets for Internet retailing and 3G penetration.

Note: Retail Value RSP excl Sales Tax. Sales of consumer goods to the general public via the Internet (attributed to the country where the consumer is based). Includes mobile retailing (m-commerce): consumers use wireless devices such as mobile phone, PDA, BlackBerry, to connect to Internet and purchase the goods online. Excludes sales of wallpapers and ringtones. Includes digital music and movie downloads. Internet retailing excludes sales of: (a) Products generated over consumer-to-consumer sales sites, such as eBay. (b) Sales of motor vehicles, motorcycles and vehicle parts; (c) Tickets for events and travel; (d) Sales of holidays; (e) Revenue generated by online gambling sites; (f) Quick delivery services of food, magazines, household goods and DVD rentals; (g) Returned products/unpaid invoices.

## Regional comparisons

Developing nations are driving global demand for mobile phone subscriptions. India and China together were responsible for over 177 million new mobile phone subscriptions in 2010, more than the entire growth rates in Europe and the Americas combined, and are the largest mobile telephone markets in the world. China had almost 839 million mobile phone subscribers in 2010 (62.8% of the total population). Smartphone sales totalled US\$11.3 billion in China in 2010, the worldâ€™s highest;

Latin America recorded the strongest growth in Internet retail sales of all regions over 2005-2010 at 155.7% in real terms. The region also saw the largest real-term rise in consumer communications expenditure over the same period, with a 60.0% increase. Latin Americaâ€™s rapid economic development and its youthful and expanding population, especially in Brazil, offers fertile territory for m-commerce opportunities;

Â Â Â M-commerce may be better suited to developing nations, as income restrictions of their citizens, as well as

underdeveloped fixed-line infrastructure, often prohibit purchases of PCs, so mobile phone ownership becomes more likely. This is opposed to developed nations, where household PC ownership is standard;

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Nonetheless, advanced economies currently offer more in terms of Internet retailing. The USA was the largest market for Internet retail sales in 2010 (US\$109.8 billion), with the top six nations by market size all developed countries. Higher per capita disposable incomes in advanced economies, as well as market maturity present considerable opportunities;

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Asia Pacific's telecommunications market is further strengthened by the presence of Japan, with 99.0% of the country's mobile phone subscribers holding 3G handsets in 2010 and 81.0% of these also mobile Internet subscribers, according to national statistics. These are the highest such proportions in the world. Japan has the most developed environment for m-commerce although South Korea is not far behind.

#### M-commerce for consumers

Content purchase via handheld devices is already popular and includes information services as well as the delivery of digital goods directly to the consumer, usually through downloads. Auctioneering and the purchase of apps is also a strong growth area. In 2010, eBay consumers bought and sold more than US\$2.0 billion of merchandise via wireless handsets, according to the company, while Apple generated US\$1.8 billion in sales from its mobile-device apps in the same year;

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Consumer demand for online shopping and new technologies is expanding rapidly. Global Internet retail sales per capita have risen by an average of 12.8% annually in real terms over 2005-2010. Consumer expenditure per capita on communications increased by 11.4% in real terms worldwide over the same timeframe;

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Wireless handheld devices can be used to redeem coupons and discounts at retailers, buy tickets, authenticate the genuine quality of products and scan goods via barcodes at supermarkets. McDonald's Japan already has an active m-coupon service for its customers;

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Mobile financial services is another growing market. It includes m-banking, m-wallets (handheld device replacing bank cards), m-transfers and m-trading. Consumers can use their handheld devices to check bank accounts, transfer money or remittances, pay bills, or buy stocks and shares. The market for remittances in particular holds strong potential in developing nations; India recorded US\$53.1 billion in remittances inflows in 2010, more than any other country;

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M-commerce offers fast-tracking and an all-in-one system, where all consumer technologies are consolidated into one device on the move. All modern consumer trends are geared to mobility, convenience and timesaving;

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Consumers can control their marketing environment through m-commerce, opting for personalised mobile marketing that is permission-based (unlike email, TV or post, mobile marketing is strictly regulated) and has a two-way dialogue.

Consumers can request information from advertisers and receive it immediately due to the "real-time" nature of m-commerce.

#### M-commerce for businesses

Businesses have direct access to consumers without geographic limits or time restrictions, saving both time and money on alternative marketing techniques that are severely restricted. More people have access to mobile phones than PCs globally, while consumers tend to upgrade their handheld devices more frequently than desktop computers, permitting greater adoption of new technologies;

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The entire purchase cycle can be implemented directly via a handheld device, starting from advertising and promotion, trials and extended information, followed by product comparison, authentication, ordering and payment. Post-purchase services such as loyalty schemes, instructions and recalls are also accessible;

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Mobile telecommunication revenues are likely to go up as a result of greater global m-commerce implementation. The USA's mobile telecommunication revenues made up only 47.9% of total telecom revenues in 2010, while in Nigeria the figure was 93.8%, highlighting the significance of mobile telecoms in developing markets;

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The prospects of the advertising industry and associated sectors are enhanced by m-commerce, which presents more opportunities in digital and mobile marketing. Online adspend globally stood at US\$58.8 billion in 2010, having expanded by 127.2% in real terms over 2005-2010.

#### Prospects

All forecasts point to a conducive environment for m-commerce growth. Global mobile phone subscriptions are to increase to 7.6 billion by 2020, with the strongest growth in the Middle East and Africa.

Consequently, this will be supported by a surge in global consumer communications expenditure, which is forecast to rise by 57.5% in real terms over 2011-2020, backed by technological innovation and a drop in prices.

As a greater proportion of the world's population holds a web-enabled handheld device, opportunities for marketing and

sales will increase. World Internet retail sales are expected to expand by 62.6% in real terms over 2011-2015, making up 60.6% of total non-store retail sales by 2015.

E-commerce will still account for the majority of the online retail market over the longer term, but m-commerce is expected to expand its market share annually.

However, challenges remain for m-commerce growth. Technological and cost barriers mean that many in the world still do not have a web-enabled handheld device, while mobile Internet access in developing countries is often limited to urban centres and can be slow.

Nonetheless, wireless high-speed Internet access (such as 3G) is now available in most countries and handheld devices that have web browsers, such as smartphones, are increasingly replacing outdated models. Â

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