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CAN 5G HALT SMARTPHONE COMMODITISATION?

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CAN 5G SAVE THE SMARTPHONE MARKET FROM COMMODITISATION?

With the ubiquity of smartphones has come an increasing unwillingness for consumers to pay for premium models. The market is fast becoming commoditised and the great white hope for smartphone makers is the advent of 5G but are they clutching at straws?

In the current smartphone space, perfectly good mid-range models offer a high percentage of the same features as the exorbitantly priced premium models on offer from the likes of Samsung and Apple.

Indian smartphone shipments and annual growth
Canalys Smartphone Market Pulse: Q2 2019

Vendor	Q2 2019 shipments (million)	Q2 2019 Market share	Q2 2018 shipments (million)	Q2 2018 Market share	Annual growth
Xiaomi	10.3	31%	9.9	30%	4%
Samsung	7.3	22%	9.9	30%	-27%
Vivo	5.8	18%	3.6	11%	63%
Oppo	3.0	9%	2.4	7%	25%
Realme	2.7	8%	0.7	2%	303%
Others	3.9	12%	6.6	20%	-42%
Total	**33.0**	**100%**	**33.1**	**100%**	**-0.5%**

canalys

Source: Canalys Smartphone Analysis (sell-in shipments), July 2019

Whatever Trump may say about China's trade policies, over the past five years that country has succeeded in bringing high quality affordable smartphones to the market worldwide.

Speaking from personal experience, I was all set to upgrade from my Apple iPhone 6 to the new "budget priced" iPhone XR, prepared to accept an old technology LCD display, non-expandability, and single SIM slot (are carriers offering eSIM usability yet?), until I saw the A$1300 price tag!

This was not even the premium flagship iPhone XS series.

That was enough for me to look around for more affordable alternatives in the Android world - other than Samsung and Google.

It was there that I discovered a plethora of Chinese brands such as Xiaomi, OnePlus, Oppo, Vivo, and of course Huawei.

Most of these brands offer premium versions in similar price brackets to the top end Samsung Galaxy and Apple iPhone range but their big sellers are the mid-range models which now start from as low as A$300.

I ended up **buying a Vivo v11** smartphone for about A$550 and I am happy to say that I haven't regretted my decision. This is the best phone I have ever owned.

Of course, I am by no means alone in making such a purchasing decision.

The latest intelligence from market researchers all tell the same story.

Chinese brands such as Xiaomi, Opposition, Vivo and Huawei are eating into the market shares of both Apple and Samsung worldwide.

Both Samsung and Apple have unambiguously signalled their intentions to halt the slide with premium priced 5G phones.

Apple has even bought Intel's smartphone chip business so it can make its own 5G modems instead of paying through the nose to Qualcomm.

The question is will it work?

Unfortunately, in the long run the answer must be a resounding no.

5G will be a boom market for telecommunications carriers - IoT, smart cities, autonomous vehicles, faster and high volume downloads.

However, for smartphone makers 5G handsets will initially just be a high priced novelty - especially with ubiquitous 5G networks still a few years away.

Meanwhile, the Chinese makers will be busily working at bringing mid-range 5G handsets to market because they know where their bread is buttered.

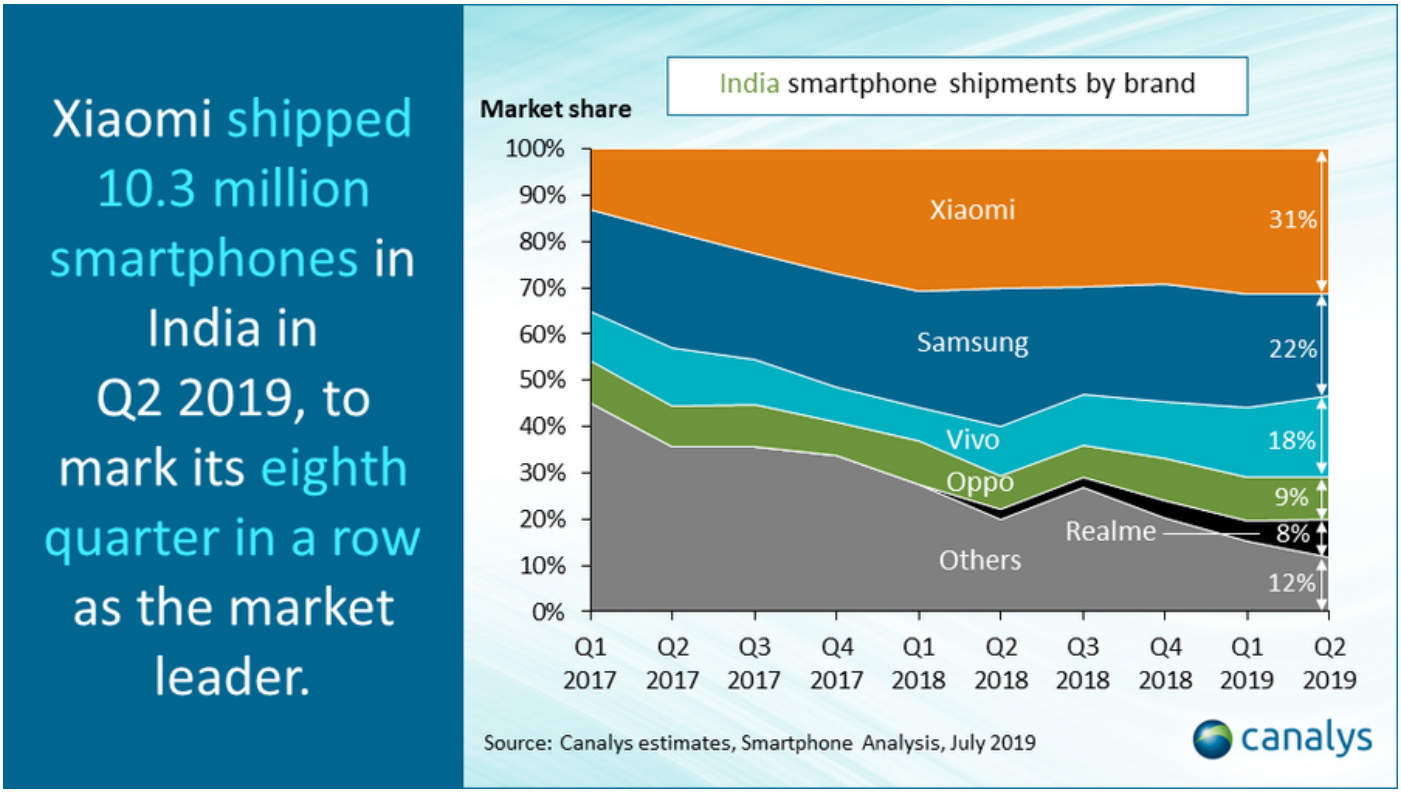
At the end of the day, the latest experience with contracting market shares at the premium end of the smartphone space while mid-range $400 and $500 segment continues to boom, is indicative of an ever more savvy consumer market will bear and 5G will make no difference to this.

Stan Beer

SAMSUNG WORRY AS VIVO SHIPS 5.8M SMARTPHONES TO INDIA IN Q2

Chinese smartphone maker Vivo is on a roll in India, smashing its previous record of 4.5 million units to ship 5.8 million smartphones in Q2 2019. Meanwhile, Samsung is languishing as its market share plummets precipitously.

Vivo market share hit 18%, up from 10% a year ago and 15% in Q1 2019 and its growing success on the sub-continent is in stark contrast to that of Korean smartphone giant Samsung, whose market share is declining rapidly.



Its performance streak is particularly impressive against an overall smartphone market which declined slightly in India, to 33.0 million units.

And that success is mirrored throughout the Asian market where Chinese mid-range price point phones are delivering impressive features that rival those of prohibitively priced premium phones from vendors like Samsung and Apple.

Xiaomi, the Indian market leader, extended its reign to eight consecutive quarters as it shipped 10.3 million smartphones and achieved more than 30% share for the second quarter in a row.

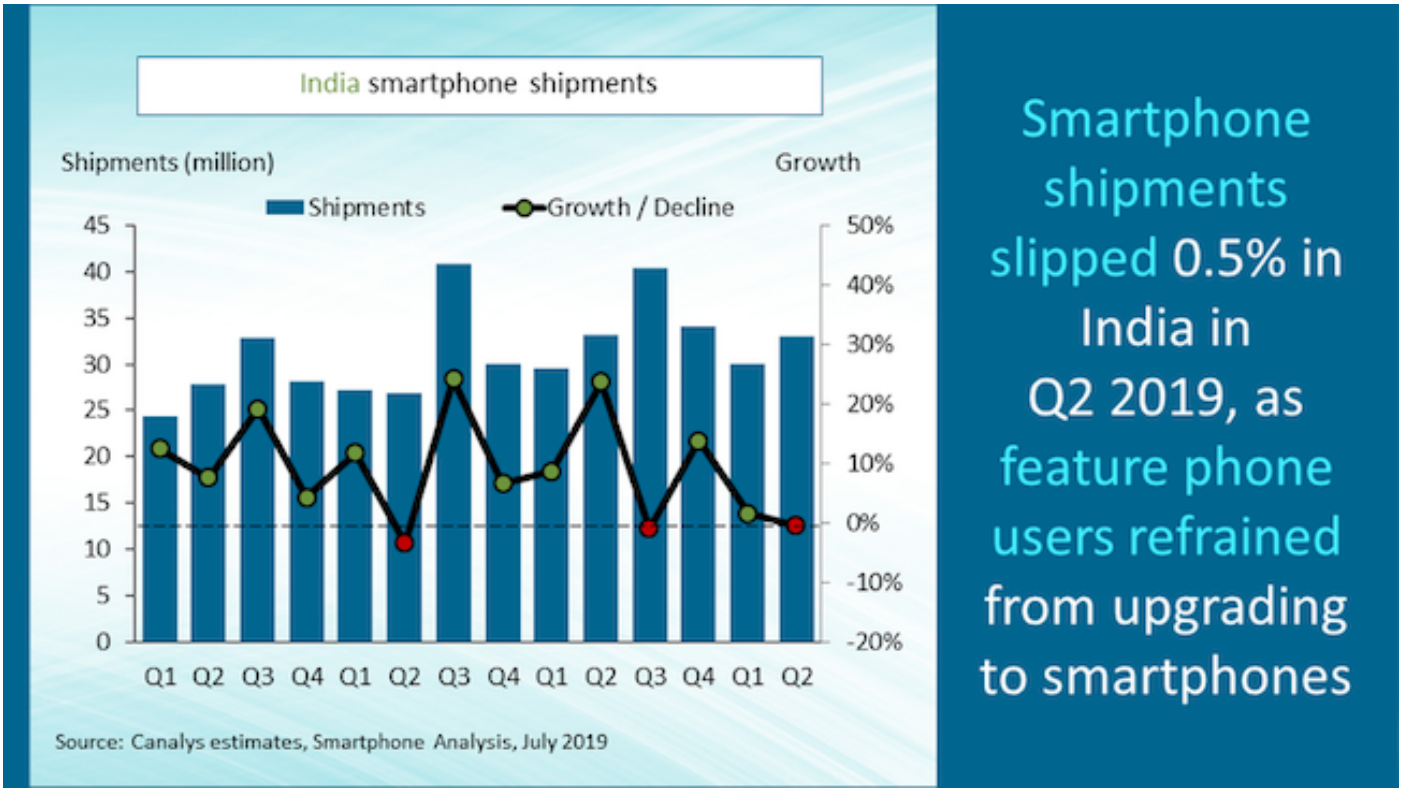
Meanwhile, second-placed Samsung was the only vendor in the top five that declined, seeing shipments fall by 27% to 7.3 million units.

Vivo was placed third, followed by Oppo and Realme, in fourth and fifth place respectively.

“Vivo’s growth-stamina is commendable,” said Canalys Analyst Shengtao Jin.

“Its current trajectory would see it displace Samsung by the end of 2019, dealing a major blow to the Korean vendor.

“However, Samsung has now completed a disruptive portfolio refresh, which has positioned it to fight harder for share with tight margins.”



Vivo focuses on the market for smartphones priced in the range of INR 10,000 to INR 15,000 (US$150 - $200).

Its top shipping smartphones this quarter were the Vivo Y17 and the Vivo Y91, which shipped over 1.5 million units in Q2 2019.

“The decline in the market is not a cause of worry,” said Rushabh Doshi, Research Director at Canalys.

“However, the lack of growth is against the expectation of several major vendors.

“Feature phone users are not taking to smartphones as quickly as the industry had expected and the bulk of growth in the Indian smartphone market is now coming from users who are upgrading their devices to a US$200 (~INR 15,000) or even a US$300 (~INR 20,000) smartphone.

“India must now brace for further sluggish volume growth, as vendors stop focusing on sub-10,000 INR (~US$150) devices and move on to beef up 10,000 INR (~US$150) to 20,000 INR (~US$300) portfolios. However, the silver lining to this shift will be a brisk uptick in ASPs.”

Stan Beer

OPPO AX5S SHOWS THAT GOOD THINGS NEED NOT COST THE EARTH

There are two very good reasons why the OPPO AX5s is a good buy: the price, $299, is somewhat unbelievable in an age when a good smartphone costs in excess of $500 unless one is willing to settle for something that lacks features.

The second major plus point of the AX5s is the battery, a large-capacity 4230mAh which lasts and lasts and lasts. I used the test device supplied by OPPO Australia for 18 days and only charged it thrice.

Indeed, the price is the main reason why I asked for a device for review; it costs the same as my first smartphone, an LG Optimus Black, which I picked up back in 2012. I was curious to see what one could get for the same price today.

The AX5s was released in April but it took a while for the manufacturer to send through a device for testing.

The good points do not end there; about the only latest features it lacks are a fingerprint sensor and USB C charging. It has a mini-USB charger and offers a number lock plus facial recognition.

Taken with the OPPO AX5s indoors.

The AX5s has an 8-megapixel (f/2.0) front-facing selfie camera with a waterdrop screen. The near-fullscreen 6.2-inch LCD display means a 89.35% screen-to-body ratio. There are dual rear cameras, 13-megapixel (f/2.2) and 2-megapixel (f/2.4), which take reasonable pictures.

The quality of the photos can be seen from those within the article, though one must be aware that comparing the camera on the AX5s to that on a Pixel 2XL - a device I have been using - is somewhat unfair.

The Pixel 2XL is said to be among the top three smartphones when it comes to photography. Still, one can get some idea of how good the camera on the AX5s is through the comparison. But the Pixel 2XL costs $1399!

The manufacturers claim that the AX5s can play video for up to 13.5 hours; I never got that far, with the maximum time spent watching videos at one stretch being 3.5 hours during which time the charge ran down from 51% to 30%. The device has two SIM slots.

There are three new apps in this version of ColorOS: Smart Bar, Smart Scan and video editing. Smart Scan can transform paper business cards into electronic versions and document and image translation for overseas travel. Smart Scan also converts images into editable text.

Smart Bar allows quick switching between apps, conveniently replying to text messages and transferring files while playing games or watching videos.

The AX5s has an MTK MT6765 processor, 64GB of storage and 3GB of memory. An additional 256GB of storage can be added via an SD-card. Two previous tablets which I used previously also had MTK processors and both were characterised by the occasional slowing down when scrolling, The AX5s does not suffer from this disease; it is fast and responsive.

OPPO, one of the three brands sold by BBK Electronics - the others are vivo and OnePlus - has its own customised version of Android, which it calls ColorOS. On this device, the version is 5.2.1 and while I was using it there were a couple of updates, though the Android version itself stayed at 8.1.

In what is a departure from recent phone models and it what appears to be a touch of common sense, the AX5s has a headphone jack.

ColorOS has some weaknesses: sometimes a text arrives late. The little square on the front, which one touches to close applications, sometimes does not react at the first touch. The network connectivity is a little slower with Cat 4 LTE, and the clock speeds are somewhat slower (1.5Ghz) as well.

But at this price and with these features, the AX5s is a steal.

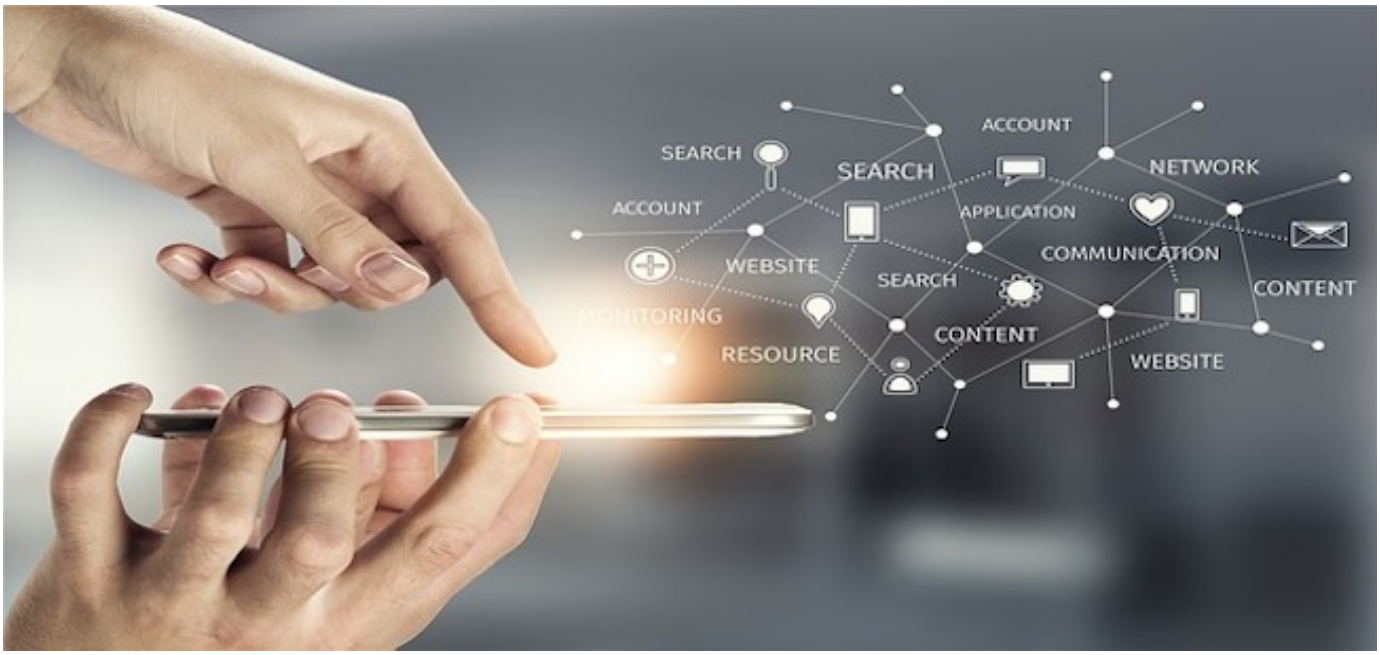
Available in red and black, the AX5s has been available from JB Hi-Fi, Telechoice, Yes Distribution and Mobileciti from 16 April while Optus has been selling the device from 29 April.

Sam Varghese

CLOUD TECHNOLOGY DELIVERS $9.4B TO AUSTRALIAN ECONOMY

Cloud technology has delivered $9.4 billion in productivity benefits to the Australian economy in the past five years, according to a newly released research report.

The report, by Amazon Web Services and Deloitte Access Economics — The Economic Value of Cloud Services in Australia' — covering 500 Australian businesses using cloud services, found that 78% of businesses had already increased their productivity by consolidating IT infrastructure and streamlining processes using cloud services.



And this is despite more than half (57%) of the businesses surveyed only adopting the cloud technology recently – or between one and three years at the time of the survey.

According to the report, cloud service uptake is growing rapidly, with 42% of businesses currently using at least one paid service, compared with 31% in 2016, but there is still significant room for growth.

The report also found that the main drivers for cloud adoption in Australian businesses are the improvement of customer service, and the desire to remain competitive, with each selected by over a third (38%) of respondents.

And more broadly, 7 out of 10 businesses said they have experienced direct benefits from using cloud services such as scalability and achievement of business strategies.

AWS Commercial director for Australia and New Zealand, Adam Beavis said, “Access to cloud computing is changing the way Australians do business by opening up new market opportunities and allowing entrepreneurs to bring new ideas and innovations to life”.

“Our customers are not only migrating to cloud for better compute power, storage, and security, but to use data analytics to improve their own customer experience.

“For example, Airtasker, an online platform that connects people who need to outsource tasks, created a chatbot, which pulls in external data from sources such as Wikipedia to learn about current trends and terminology so it can provide more efficient and relevant responses to user requests.”

Deloitte Access Economics partner, and report principal author, John O’Mahony, said, “Our analysis shows there are clear benefits for Australian businesses that use cloud services.”

“From a technology perspective, cloud can deliver cost savings, but it also allows businesses to be agile and elastic by accessing and scaling resources up and down as required.

“This means they can better manage peaks in customer demand, easily expand to new markets, and innovate with new technologies on a small scale before rolling out widely across the business.”

The research also revealed 41% of businesses have seen an increase in non-IT staff since cloud adoption, which has been driven by the need to hire more employees to keep up with business growth and transition to new business models.

However, the two biggest barriers to adoption are challenges in educating staff on cloud and migrating from legacy technology, each cited by 37% of respondents.

“AWS has seen great results when we work with customers and our extensive partner network to upskill and train their teams. For example, at National Australia Bank, the NAB Cloud Guild has certified more than 500 bank employees from a wide cross-section of functions in AWS skills, which has helped to significantly lift the company’s cloud knowledge,” Beavis said.

“The skilled workforce has helped the company drive an average of 30% to 40% in cost reductions when moving workloads to the cloud.

“Our goal is to help even more Australian businesses succeed, innovate, and lower operating costs with AWS to help transform our nation into the digital powerhouse we know it can be,” Beavis concluded.

Deloitte also cites a report from the Australian Bureau of Statistics which notes the use of cloud per industry:

- Information, media, and telecommunications industry – 64%
- Mining – 53%
- Healthcare and social assistance – 45%
- Retail trade – 42%
- Agriculture, forestry, and fishing – 25%
- Transport, postal, and warehousing industries – 29%

Peter Dinham

SWIFT TRIAL CUTS AUSTRALIA-SINGAPORE CASH TRANSFER TO 13 SEC

Global payment services provider SWIFT has completed a trial to integrate its cross-border instant payments service into Singapore's domestic instant payment service, Fast And Secure Transfers (FAST) – a trial from Australia into Singapore took only 13 seconds.

The successful trial which involved 17 banks across seven countries — Australia, China, Canada, Luxembourg, the Netherlands, Singapore and Thailand — saw cross-border payments between these continents settle within 25 seconds.

The successful global trial comes on the back of a 2018 test with a group of banks and Australia's New Payments Platform in which payments from China to Australia took just 18 seconds, and ahead of an upcoming test with banks and the TARGET Instant Payments Settlement in Europe.

SWIFT says the "major advance" extends the speed and transparency of SWIFT gpi deeper into domestic markets, reaching a wider set of ultimate beneficiary accounts around the world.

"The final leg of cross-border payments often introduces delays due to domestic clearance and settlement.

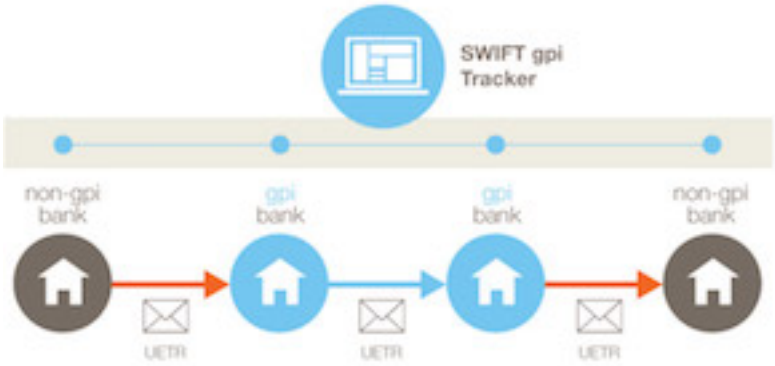
"However, (Swift's payment service) gpi Instant capitalises on the 24x7 availability of instant payment systems such as FAST, to enable payment settlement in the destination market, even outside normal business hours," SWIFT said.

The ANZ Bank's Luke Perkins, director, Clearing Services, said, "At ANZ we believe it is important to support initiatives such as the gpi Instant Payments service in order to continue the innovation delivered when SWIFT gpi was first introduced".

"SWIFT gpi is constantly re-imagining how cross border payments are processed to deliver an enhanced and improved customer experience and the gpi Instant Payments service is a case in point.

"The gpi Instant Payments service provides the opportunity for banks to push the boundaries of conventional cut-off times allowing a far more real time experience than is available today and significantly improving the last mile in the cross border payment lifecycle."

Eddie Haddad, managing director of SWIFT, Asia Pacific, said: “We are systematically linking domestic instant payment systems on the gpi platform through our existing rails, and Singapore’s track record for payments innovation makes it a fitting launch pad for gpi Instant".



"The successful testing of the Thailand-Singapore corridor also confirms the scalability of gpi Instant towards a pan-ASEAN cross-border instant payments service essential for integration across the region.

“The trial is a nod to SWIFT’s vision of ensuring that cross-border payments become as seamless and convenient as domestic ones, and speaks to the global scalability of gpi for ubiquitous cross-border instant payments.”

According to SWIFT, the trial further demonstrates the global scalability of gpi to integrate with multiple domestic instant payment systems and, as well as the 13 second fastest payment from Australia to Singapore, results showed that:

- The fastest payment from Asia into Singapore and processed onward took 14 seconds; 15 seconds from Europe and 20 seconds from North America.
- All payments were processed end-to-end within 25 seconds.
- Eleven banks initiated cross-border payments into Singapore, and six banks in Singapore processed the payments domestically via the FAST system.
- Six country corridors into Singapore were involved in the trial, with a maximum time difference of 12 hours on the Canada-Singapore corridor.

SWIFT says that together, the TIPS, FAST and NPP instant payment systems are the first of many domestic real-time infrastructures, connected via the banks and using gpi that will enable a globally-scalable instant cross-border payments service.

And SWIFT says additional tests are planned in other markets with instant payment systems, ahead of the planned global launch of gpi Instant later this year.

Peter Dinham