

Interesting Trends in ICT Services

by

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Some people may have noticed a new advertisement showing how you can watch the business news on the small screen of your hand phone. A new technology upgrade for the hand phone system is reaching our shores, and it is called the third generation mobile system, or 3G in short. The present technology of voice and short message service (SMS) over the hand phone is based on the GSM (Global System for Mobile Communications) standard or the 2G system. It is evolving to a 2.5G before turning to 3G sometime next year. Basically, the 3G is a technology upgrade that will bring streaming (or moving) video, internet and e-mail into the hand phone. The 3G allows speedier and cheaper data transmission, meaning that you get more than voice over the hand phone. It is quite difficult to imagine browsing the webpage on the tiny screen and the small buttons of the hand phone, but that looks like the way forward. Ever wonder why people go for larger TV screens and PC monitors?

Then there is the wireless Internet connection, or Wi-Fi (wireless fidelity) in short. Apart from the wired broadband, you can now get wireless internet over your laptops in certain areas such as restaurants and hotels in major cities in Malaysia. According to one source, there are about 377 or more places in Malaysia where you can connect to wireless Internet, but you will most likely have to pay to get online. Wireless connection is seen to be a solution for linking up to remote or hard-to-reach places in the move to narrow the digital divide. The trend of the near future is for some increasingly common appliances, such as hand phones and laptops, to be wireless and mobile at the same time. True enough, soon information will literally be right in your hands all the time wherever you are, and communicating will be so easy.

Trends in the information and communications sector (ICT) generally concentrate around services provided for the Internet and the hand phone. The Internet is at present more commonly seen as an information provider, while the hand phone deals with more of the day-to-day and short distance communications. E-mails are cheaper for communicating

long distance. But technology is evolving and converging at the same time. In the near future, the hand phone will serve as a communication tool as well as an info provider where one can connect to the Web and do e-mails.

Relatively cheaper prices of hand phones and computers have made these technologies more affordable to the public. As the usage of these devices reach critical mass, scale economies and competition will enable services to be provided at a cheaper rate. The service rates for cellular was liberalised in 2000, increasing the level of competition in the industry. However, it is not always the case that the public will easily receive and adopt new tech gadgets all the time. It seems that, in Malaysia at least, a reasonably priced item that can provide basic and necessary services such as the hand phone has been well received by the public. The growth in the usage of short message system (SMS) has been phenomenal, reaching 6.2 million messages in 2003, especially among the younger generation.

Although prices of laptops and personal digital assistants (PDAs) are coming down, they are still relatively expensive and you don't see many people carrying them around. Anyway, many households have desktops that can be shared by the whole family, so there is no need to buy one and risk carrying the laptop around in Malaysian weather. The same story goes for digital camera, the DVD player or the satellite TV, one item per household should be sufficient in most cases. Price is not the only criteria that increase the likelihood of technology adoption, but it is certainly a major factor. For the hand phone, it is almost like a personal item that both young and old alike would like to own. And like other personal things, such as the watch or the handbag, you will want to have your own unique ring tone and phone cover.

With the rapid growth in hand phone subscribers, it is reported that both Maxis and Telekom will spend a huge amount of RM7.8 billion in the next 10 to 15 years to bring the 3G to the whole country. It remains to be seen whether the additional video, web pages and e-mailing over the hand phone will appeal to Malaysians. It is clear that consumers have overwhelmingly accepted basic voice and text messaging, but additional

services may or may not be well received. The younger generation may probably like the extra “cool” things, but there is the risks of diminishing appetite for more “unnecessary” but pricey things. The technical argument is that, whether we like it or not, the global mobile platform is moving towards 3G, and to ensure compatibility with the rest of the world, we will have to upgrade as well. Like it or not, future hand phones will be compatible with 3G, and consumers may not have much choice but to change with the times.

In Malaysia, the ownership of hand phone is growing at a much faster rate than Internet subscription. This is understandably so because the mobile nature of hand phone and the ease of communicating have made it almost a necessity. Even if one already has a fixed line, a hand phone just serves a different purpose. The number of hand phone subscribers in Malaysia surpassed the 11 million mark in November 2003, after growing at an annual average rate in excess of 50 per cent since 1997. The growth rate has moderated as more and more people used hand phones. The penetration rate of hand phone is far ahead of Internet. For every 100 people, there are about 44 hand phone owners while only 11 persons would have Internet subscription and 17 persons owning a PC. For broadband, only 2 per cent of Malaysian households have it, but subscribers are increasing fast with the improving service and lower charges since last year. Compared to Korea’s 75 per cent dispersion for households, we have plenty of catching up to do. At the present penetration rate, there is still room for further growth in the ICT sector. The government said that Malaysia’s ICT industry would grow by 8.0 per cent to RM34.5 billion in output in 2004 from RM32 billion last year. Besides telecommunications and Internet, the ICT includes a variety of market segments including hardware, software, broadcasting and consulting services. Investment in ICT was reported to average at RM6 billion per year during 2000-2002.

Consumers are generally quite satisfied with local ICT services, according to a consumer satisfaction survey on ICT services conducted by the Malaysian Communications and Multimedia Commission (MCMC) in 2003. On a scale of 1 to 10, with 10 being the highest satisfaction, the mobile phone service was rated an average of 7.85 points. This

shows that consumers are quite satisfied with the present cellular services. Consumers rated telekom's fixed line services at 7.93 points. However, a 2002 survey reported a rating of 5.91 for public payphone services, suggesting some disappointment over public phones. Internet services were also rated quite highly (7.43 points), and could improve further with the reduction in costs for broadband. Generally, consumers are quite satisfied with local providers of ICT services. Of course, it is naturally quite impossible for consumers to benchmark local services unless they have experienced similar services abroad.

A notable finding from the survey is that 34 per cent of consumers said they have received unwanted SMS from some unknown persons. Furthermore, 42 per cent said they received these messages regularly, a few times a month. Understandably so, many (37 per cent), though not all, disapproved of them. This is one major setback of having hand phones. Once your number gets around and into some kind of database, you could end up receiving unsolicited SMS in any form of unwelcome messages. Complaints have been made but it is difficult for individuals to fight this unhealthy trend unless the authorities take steps to minimise such personal intrusion. Imagine, once hand phones can handle e-mails with 3G, be prepared to deal with a major spam problem which is persistently troubling the e-mail system at present.

In general, the economic impact of any technology that allows easy access to information and reduces the cost of communications will translate into higher efficiency and productivity. This, in turn, will, on a broad scale, result in higher economic growth. In mid-90s, early studies on ICT show that it has little impact on productivity. However, as the effects of ICT diffuse further, later studies, particularly for the case of US, do find some contribution of ICT to economic growth. The statistical evidence seems to be clearer for the manufacturing side of ICT, but for the services side, the results are rather less visible. This is understandably so because measurement could be a problem when dealing with services. As the argument goes, even when you have a computer in front of you in the office, there is little output of value being produced if it is used for non-work related activities. So, instead of improving productivity, many distractions from the

Internet or the e-mails could be counter productive instead. Even in a developed country such as Japan, where almost 80 per cent of mobile phones are Internet ready, one survey found that only 14 per cent of respondents write business notes or advice in their e-mail. Around 70 per cent send e-mails to family and friends, while only 20 per cent to business associates. Increasingly so, this shows that only a small part of ICT technology usage is business or work-related, while the rest is more for communicating with family and friends, and even more so for entertainment. The increasing power of the PC will not make you type your report any faster but it will allow you to play fancy games with superb graphics and download movie or music files faster.

Just like other kinds of technology, the mobile phone can be a double-edged sword. You can use it wisely to increase productivity, efficiency and reduce costs. The cellular is extremely important at times of emergency especially during accidents and other kinds of catastrophe. Information is just a click or a punch on the button. On the hand, there is also room for abuse. Socially undesirable impact of easy and fast communication has appeared in the news. Unfortunately, the ease of communicating has allowed many kinds of trash materials to be distributed freely real fast. The case of how divorce can be declared through the SMS has ignited a major public debate among Muslims. The social impact of wireless technology was hard to anticipate until these unexpected acts start popping up.

The trends in ICT services look interesting and promising. This will create new businesses and new jobs. Technology is supposed to make life easier. However, many consumers will be financially challenged by these ICT services if they want to keep up with the neighbours, or the kids. The consumer will have to pay if he wishes to taste satellite TV instead of free TV, or if he wants to use the hand phone, or surf the net. But if someone asks where are those new sources of growth from services, just invite him to look around and he will notice.

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