High bills may put damper on mobile growth

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Gone are the days when cell phones are used simply to make phone calls. For any trend-conscious user, having a built-in camera is de rigueur, while an MP3 player combined with the mobile phone is a must-have feature for many.

Yet even as manufacturers come up with ever more sophisticated, multi-functioning handset models, some industry analysts are wary that having more gadgets on a phone won't necessarily lead to more profits for companies.

According to a survey by tax and financial adviser group KPMG released Monday, many would-be buyers of high-tech phones are not willing to pay the premium that is required to get access to the converged services. In fact, 37 percent of respondents in North America said that they would not pay the higher price for additional services at all, while

20 percent said they would spend only up to 10 percent more than their current bill.

As a result, even though the most popular function on phones apart from making and receiving phones is Internet access, followed by taking and sharing photos, while sending e-mails ranked in at third place, if the cost of using such services is too high, then people would be less willing to use them on a regular basis.

"While holding the line on costs remains critical, executives expressed high levels of optimism going forward in terms of revenue growth," said Carl Geppert, partner for KPMG's Americas communications and media practice. "Growth, however, will not come easy, as convergence and intensifying competition are fueling a relentless decline of prices for voice, broadband, video and packaged services," he added.

So on the one hand, manufacturers are upbeat about the industry's future prospects in coming up with new products that would tickle the fancy of the consumer. And yet on the other, there is growing concern that unless there is a broad review of how mobile carriers bill for their services, many would-be buyers would stay away from using multi-functioning phones.

Indeed, the KPMG survey found that 52 percent of executives it polled felt that the pressure to cut costs and offer ever-lower prices would have a major negative impact on growth in the industry, while 17 percent said that market saturation itself would limit growth, while 11 percent were concerned about the shortage of qualified staff to allow companies to keep coming up with new products and provide the necessary follow-up services needed to enable customers to use the phones.

"Service providers should use enhanced and bundled services to deepen customer relationships and allow other parties to reach users, delivering a loyal subscriber base that is attractive to advertisers and digital commerce partners," Geppert said, adding that "attempting to exploit converged services purely to squeeze more cash from consumers on a traditional subscription model will not work."

The KPMG executive pointed out that this was a generation that was used not only to the freedom of the Internet, but all the free services that cyberspace provided. As a result, "service providers may need to follow the Internet business model themselves by doing what the major Internet search engines have been doing for years; providing a service offering so compelling that it attracts hundreds of thousands of eyeballs which - in turn - are attractive to third party advertisers," the KPMG executive said.

Meanwhile, the survey found that 90 percent of consumers in North America wanted to use just one single service provider for their mobile phones, with 89 percent wanting a single, consolidated bill for all the services they use on their phone.