

Android One won't make Google big bucks, so why bother with cheap smartphones?

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Time for an upgrade kiddo. Credit: sarahamina, CC BY-NC

Google launched its [Android One](#) initiative this summer, with the aim of bringing smartphones, apps and the whole mobile internet to the five billion people around the world who do not yet have access to a smartphone. The program targets worlds' most populous areas, especially in Asia, and the first devices have just [recently been announced](#) in India.

Google will not manufacture or sell the phones itself. The company provides a reference design for an affordable Android device to its partners in the developing world, and software tailored to its target users, such as an offline version of the YouTube app in order to save its users from racking up data transfer bills. Manufacturing partners can modify the reference design to differentiate their products from one another's. All will undoubtedly benefit from Google's massive marketing machine.

Producing and selling a high-quality modern smartphone at a price point that is affordable to billions of people sounds like a loss leader strategy. This is the strategy adopted by many [video game console](#) manufacturers (although [reversed](#) by Microsoft for its latest Xbox One), consumer inkjet printers or razors – the profits are made on sales of games, ink cartridges or blades respectively. This is not the case with Android One.

Most of the initial partners are brands relatively unknown in the west like [Micromax](#), [Karbonn](#) and [Spice](#) which operate with much smaller margins than global top-tier brands such as Samsung and Apple.

Cutting edge

They do not spend billions to advertise their products, for example. And while hardware components carry a cost, it is not nearly as much as the retail price of the latest Samsung or Apple kit would have us believe. The components of the cutting edge, recently launched Apple iPhone 6 cost [an estimated US\\$229](#), compared to its price tag of more than US\$600. Using cheaper components, it could be entirely possible to manufacture and sell a decent smartphone below US\$100, since most of the research and development costs are borne by Google.

So if Google is going to make hardly any revenue from the sale of Android One phones, why bother?

The push into developing markets is easy to understand when seen against the company business model and strategy. According to Google, its "mission is to ["organise the world's information and make it universally accessible and useful"](#). Google makes money by selling highly targeted advertising – primarily from all that information it has made universally accessible and useful. The more users there are of its Android mobile phones, the more valuable advertising targeting information and opportunities there are for monetisation. Android One can be understood as an attempt to secure future growth – with the emphasis on future. Like other major technology companies, Google is cash rich and in an extremely strong position, and this allows them to be very patient and play the long game in order to turn strategic initiatives into profits.

It is also tempting to speculate that Google wants to preempt the possibility that a potential competitor could, by dominating developing markets, gain the momentum to challenge Android – currently the [world's most popular](#) mobile phone operating system. Google can leverage its business model and massive cash resources to turn smartphone manufacturing into a highly competitive, low-margin business that will make it very difficult for any potential competitor to recoup research and development costs from subsequent hardware sales. In fact Google's efforts are [already destroying equipment manufacturers margins](#), changing the dynamics of the industry.

First world problems?

What about the consumers who will use these affordable Androids? One could be as unforgiving as [Shoshana Zuboff](#), retired professor at Harvard Business School, who [feels considerable unease](#) at the extent to which one company has expanded its ability to extract increasingly detailed data from the whole world's population. Perhaps these are "first world problems" that only the western intelligentsia has time for – but they can

hardly be faulted for being suspicious of the company whose former CEO famously [stated](#): "If you have something that you don't want anyone to know, maybe you shouldn't be doing it in the first place."

Most people are going to be, at least initially, happy to get their hands on a decent smartphone. There will be lots of ingenious applications that cater for particular social settings and needs. There are genuine social and economic benefits that stem from granting more and more people access to the digital, internet-connected ecosystem, and these cannot be dismissed as a public relations exercise or corporate profiteering.

At the same time, it would be naive not to see the [strategy](#) involved in Google's data-based business. Today's technology business behemoths command resources that exceed many national governments, and their activities can change the conditions of people's lives, whether or not this is their intention.

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