

Pep and Google in smartphone move

By [Arthur Goldstuck](#)

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The most unlikely player in the South African mobile market is working with Google to build a version of its Android mobile operating system that takes account of local needs.



Google's partner in code? It's Pep Stores, the low-budget chain that claims the title of biggest single-brand retailer in Africa. A less well-known fact is that it is also the biggest cellphone retailer in South Africa. In the year to June 2014, it sold 6.7million handsets in a total market of about 15million.

Almost all of these were in the prepaid market, giving the company a unique insight into movements in that market.

The most dramatic movement yet in that customer base, revealed this week, is a rapid shift from feature phones to smartphones.

The shift is being driven heavily by the availability of low-cost phones running on the Android operating system. The Huawei Ascend Y220 initially sold for R450, the MTN Steppa for R499, the Alcatel Pixi for R550 and the Samsung Galaxy Star for R599.

A drawback

The drawback of this shift, however, is that the phones are being sold to a market that is highly price-sensitive, and therefore heavily resistant to purchasing data bundles. Yet, because of the capabilities of the phones, these customers are increasingly using data on an ad hoc basis, which can cost up to R2 per megabyte on most networks.

The instant messaging tool WhatsApp is a major attraction in this market, due to the low cost of text messages when compared with SMSs. However, it tends to act as a "gateway" to other, more data-hungry apps. And then there are apps that run in the background, using data simply through updates and maintaining a connection with the internet.

The potential backlash from these users, should they be faced with the "bill shock" that comes with unintended data usage, could be damaging to retailers and mobile networks.

However, rather than wait for the networks to come up with a solution or lower data rates, Pep has gone to one of the origins of the data challenge: the makers of the most popular smartphone operating system in the market.

Looking to be more 'Africa-friendly'

"Pep and Google are working together to come up with Android propositions that are more Africa-friendly," Pep Stores cellular executive John Edwards revealed this week. "They are working on a user interface that will let the user control his data usage."

Edwards says he first raised the problem with a Google director of Android platforms during the Mobile World Congress in Barcelona in February. This led to meetings with Google in London, and finally a visit by an Android team to South Africa.

"They had a gut feel they needed to regionalise. Google people from London went around stores in Soweto. We took them to stores to show them what staff and customers want. They are suddenly waking up to how many Android phones are selling in South Africa, and we dominate that market."

In the last six months of 2013, only 1% of phones sold by Pep were smartphones. For the full year to June 2014, however, the figure had rocketed to 13% - and is expected to keep accelerating.

However, the cost of data from apps running in the background is the Achilles heel of these devices.

"The common refrain is that 'the phone steals my money'," says Edwards. "If you can make that visible and controllable, you've got a winner."

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