

**CMP**

United Business Media

**CMP Worldwide
Media Networks**

INTERNATIONAL ADVISOR

[Click Here For Previous Newsletters](#)

CMP WORLDWIDE'S INTERNATIONAL ADVISOR July/August 2003

CMP Worldwide Media Network's (www.cmpworldwide.com)
Monthly e-Newsletter on Global Marketing Trends and Tactic

THIS ISSUE'S ARTICLES

- **There's Light at the End of the Tunnel**
 - **You Call It a Computer, I Call It a Phone**
 - **India: A World Leader in IT Outsourcing**
 - **Double Agents**
 - **Short Takes**
 - **Doing Business in China: Ten Tips**
 - **Upcoming Opportunities**
-

There's Light at the End of the Tunnel

At least, according to AOL Time Warner Vice Chairman Ted Leonsis and other industry leaders who gathered recently in San Diego.

The venue was the "D: All Things Digital" conference, hosted by Journalistic heavyweights Walt Mossberg and Kara Swisher. The roster of speakers who were interviewed live on stage by the two was a veritable Who's Who of the digital world. On hand: Bill Gates, Steve Jobs, Steve Case, Terry Semel, Barry Diller, Marc Cuban, Meg Whitman, Rob Glaser and a host of others. Paying close attention in the audience were hundreds of industry players, major investors and venture capitalists.

The verdict was that the glass is at least half full, especially at the point where communications, computing and entertainment converge. While anticipating up

to two more difficult years, speakers pointed to such technologies as digital cameras, digital music, wireless networking and broadband communications as having particular promise. And don't forget tablet PCs, says Mr. Gates. Microsoft projects the company will surpass its first-year target of manufacturing 500,000 units. Other topics that had the group buzzing were Google and Apple's iTunes as well as RealNetwork's announcement of RealOne Rhapsody.

And it would seem that the money boys are starting to open their wallets again, on the theory that the bottom of the trough is the best time to invest. Costs being what they are, it's now an inexpensive time to go into business. So, for instance, North Bridge Partners reported having completed seven deals in the past three months. While nobody's about to throw money at just any start-up anymore, Good Technology has corralled more than \$100 million to fund its wireless e-mail technology and Infinera has raised \$150 million, even though it plans to sell optical material to the telecom industry.

The key to optimism? Reasonable expectations. Making management decisions as if the downturn will last. And a recognition that in maturing industries, growth comes slowly.

You Call It a Computer, I Call It a Phone

Have we got it all straight? Palm buys Handspring (at least no introductions are needed) and releases the Tungsten C, which offers Wi-Fi-enabled email, Web surfing and synchronicity; Sony's Clie line includes MP3 players, color screens and built-in cameras; RealNetworks starts delivering sports, news and video to phones; while Samsung sells smart phones with capabilities similar to both Palm and PocketPC handhelds.

With worldwide Wi-Fi hot spots now topping 100,000 according to IDC, convergence and competition are reaching a boil in the hottest technology market of the day: handheld wireless devices. Lines between PDAs and cellphones are blurring, along with the crystal ball that foretells who'll win the battle.

At present, the handheld computer is still out in front, with about 12 million units sold last year, compared to four million smart phones. But according to Gartner Inc., smart phone sales are expected to skyrocket to nearly 20 million units by the end of next year, compared to some 16 million handheld organizers.

One reason for that, according to observers, is that consumers are simply more used to using the phone. So, despite glowing reviews for products like Handspring's Treo, sales have been slower than projected. H-P and Palm maintain that their devices, such as the H-P's iPaq 5400, are better for business users because of larger color screens that display more data, but that hasn't stopped them offering features that turn PDAs into multimedia entertainment centers closer in character to smart phones.

Even as devices converge, the success of Palm's \$99 basic Zire shows there's still strength at the low-end of the data-only market. One possible reason for that, according to surveys done by IDC, is that consumers still favor having separate devices for each function. Buyers are used to working with multiple devices, and they'd rather use something that does one thing extremely well than

many things only acceptably.

That said, it's looking more and more as though convergence will mean that both phone and handheld manufacturers will end up making very similar products. No one is about to ignore the signals showing that the biggest growth area will be combined voice/data devices, especially those shaped like a phone.

At least, that is, until Motorola starts releasing its "wearables" line in 2005.

India: A World Leader in IT Outsourcing

India is currently the fourth-largest economy in the world, attracting global demand for its information technology (IT) services and software. According to NASSCOM and McKinsey & Company, India's IT market was valued at US \$13.5 billion at the end of 2002 and is expected to grow to US\$87 billion by 2008. Over the next five years, India's IT industry is on track to create more than 2.2 million jobs, attracting foreign direct investment in the range of US\$4-5 billion. During this time, much of India's IT growth will be driven by foreign demand for its IT services and software development.

The IT Enabled Services (ITES) segment is projected to be valued at US\$17 billion by 2008, representing 19.5% of India's IT sector then. ITES covers manpower-based services delivered over telecommunications networks or the Internet, comprising mainly back-office operations like accounting, financial services and data processing.

At present, companies in more than 102 countries are purchasing Indian IT services and software - 62% of this revenue is currently derived from North America, 24% from Europe, 4% from Japan, and 10% from the rest of the world. Demand for such services is expected to steadily grow over the next five years, with the top offshore services identified as enterprise application integration (EAI); applications outsourcing; packaged application implementation and integration; and maintenance services.

According to research analysts, International Data Corporation (IDC), India's call center services industry is expected to grow from US\$277 million in 2001 to reach US\$1.59 billion by 2006. As India does not yet have the spending power to support an in country call center industry, growth in India's call center services market will be driven primarily by overseas demand. Key multinationals that have already sited call centers in India include GE Capital, The Hongkong Shanghai Banking Corporation and Standard Chartered Bank.

India's main competitive advantage in the global IT arena is its large pool of English-speaking technical talent. However, to continue to be a player in today's knowledge economy, India needs to further educate and train this massive workforce. The government is continually expanding and upgrading training facilities across the country. Currently, there are over 1,832 educational institutions and polytechnics enrolling more than 67,000 computer software professionals annually.

Since many of India's IT services are delivered over telecommunications networks or the Internet, the main threat to India's growth as an IT services outsourcing hub is its telecommunications infrastructure bottlenecks - including lack of bandwidth, low-speed leased lines and slow servicing. To ensure that India reaches its full potential, it will have to invest an estimated US\$106 billion

in its telecommunications infrastructure. Without such investments, India stands to lose as much as 30% of its target IT outsourcing market in the future.

This article was written by Cindy Payne, Managing Director of Asia-Pacific Connections Pte Ltd (cindy@apconnections.com). For a more detailed analysis of India's IT market, please visit <http://www.apconnections.com/perspective.html>

Asia-Pacific Connections (APC) is the leading provider of integrated marketing services to IT companies in Asia-Pacific. APC's individually-tailored services include market research and development, channels assessment, public relations, promotions and events, direct marketing and branding, copywriting, and collateral design and production. To understand how APC's innovative marketing approach has produced effective results for a multitude of clients, visit www.apconnections.com

Double Agents

Solution providers are increasingly embracing agent programs to boost their bottom lines as they expand the number of products and services they offer. But writing in CRN, Craig Zarley finds that agent programs may be growing in popularity, but they're not without risks. Frequently, they require companies to adapt or change their business models. To read the full story, go to <http://vb.channelsupersearch.com/news/crn/42317.asp>

Short Takes

Don't always look up-market: American households earning less than \$35,000 a year spend 50% more time playing video games than those with incomes above \$74,000, according to Jupiter Research. Chips and dip?: Wafer starts reached close to record levels in Taiwan and elsewhere in May, possibly on fears that SARS would interrupt supplies. Analysts question whether demand can sustain current robust levels of production... But can it play "Stairway to Heaven?": U. S. mobile carriers are expected to generate \$1 billion in revenue from the sale of ringtones by 2007, says a new IDC survey... Hindsight is 20/20: Internet father Robert Kahn tells the Toronto Star, "If I'd known what was to come, I would have spent more time thinking about what to do if you had thousands or even millions of networks."

Doing Business in China: Ten Tips

With SARS seemingly on the wane, business travelers are beginning to return to the People's Republic. Here are some things to keep in mind if you're among them.

1. Prepare for a Long March: Expect prolonged and numerous negotiations over a span of time. And realize that if you're an impatient Western type, you're giving away an advantage.
2. Leave Your Color Brochures at Home: Unless you're thoroughly versed in

Chinese culture, black-and-white materials are your safest bet. Colors can have deep significance here.

3. **Keep It Under Control:** The restraint and modesty you'll be expected to exhibit extends to your physical self. Keep your facial expressions and your gestures to a minimum.

4. **Take a Break:** In fact, you may have to. In many parts of the country, everything stops between noon and 2 PM even manually- operated elevators and switchboards.

5. **At the Banquet:** Chances are, you'll be treated to one (and you'll win points when you return the gesture). You could be offered up to 20 courses, so eat sparingly at first. Remember, too, if you finish your bowl, you'll be inviting it to be refilled, because it may be interpreted that your host didn't give you enough.

6. **Don't Take No for an Answer:** By custom, your Chinese colleague may politely refuse your gift as many as three times. Be persistent, though. In this case, no doesn't really mean no; it's a way of showing that the recipient is not greedy.

7. **What's in a Name?:** Married women retain their maiden names, so to be strictly proper, use the honorific "Madam" before that name, rather than calling her "Mrs." and her husband's name.

8. **Leaders First:** When entering a business meeting, your group's most senior member should go first, so that the hierarchy is clear to your Chinese colleagues.

9. **And While We're On the Subject:** Business discussions should be conducted between senior members. Subordinates should not speak up unless directly invited or questioned.

10. **While You're There:** How can you go wrong at the Qingdao International Beer Festival, held every year from July 8 to 23? The Qingdao Summer Art Festival, On-water Sports Competition and sand sculpture competition take place at the same time. If you have time to venture farther afield, the end of August sees the Horse Race Festival in Qiangtang, Tibet. Along with the races, you'll find archery and horsemanship competitions and a major bazaar.

Upcoming Opportunities

China's Calling All New Advertisers

CBI Weekly China's #1 IT Channel Publication is offering all new advertisers this special offer!

Buy 6 pages in CBI Weekly by December 31, 2003 and receive: one free bonus page (value \$3,961) and 300,000 banner impressions on CBInews.com (100,000 per month for 3 months)

Total Cost: \$22,146 gross

Total Value: \$33,427 gross

TARGET: IT Manufacturers, Distributors, Systems and Network Integrators, VARs, Retailers and Corporation and SMB Buyers

CIRCULATION: 200,000

EDITORIAL COVERAGE: Provides critical coverage of industry trends, market analyses, cutting-edge technologies/products and IT services to channel and business buyers especially at regional levels all over the country. Offers insight into the latest movements in IT distribution, reselling and VAR business.

PUBLICATION FACTS:

- CBI is #1 with 23% market share in IT channel business in China
- First IT channel publication in China since 1992
- Deep local market touch and connection compared to competitive magazines
- Unique operation mode and strong distribution channel with 30 local offices covering 7 regional markets around the Peoples Republic of China

MARKET RESEARCH:

Current growth rates, based on Q1 performance:

IT Services: 26% PC Market: 14.0% Servers: 15.5%

Notebooks: 32% Software: 15.5% Telecom: 23.0%

**FOR MORE INFORMATION PLEASE CONTACT
Your Sales Rep Today or go to www.cmpworldwide.com**

Julie Southern
London, UK
Tel: 44-20-7579-4837

Victoria Stewart
Washington, DC
Tel: 540-788-9056

Pat Bianchi
Irvine, CA
Tel: 818-780-7061

Liz Kestler
Irvine, CA
Tel: 949-223-3659

CMP Worldwide NetSeminars

Supercharged Leads! With CMP Worldwide's NetSeminars

Measurable Cost Effective Fully Qualified

We offer audio only NetSeminars in Asia, China & Korea.

NetSeminar packages are customized for individual budgets.

Coming soon: Europe & Latin America NetSeminars

For Package Details Contact Your Sales Rep Today