

Investing in Wireless Communications: POPOTE Wireless Case

By
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Abstract

Landlines are very much in demand as they are cost effective. Due to the difficulties experienced in obtaining landlines in the past, many Kenyans rely on mobile phones for their communication needs. This is where the Popote services come in handy. This paper presents how Popote Wireless filled in a niche and took advantage of this lucrative communication business.

1. Introduction

Popote Wireless is the brainchild of Eric Muthi and Edwin Muthi who got the idea of wireless landline communications in the United Kingdom and decided to come back to Kenya and make it a reality locally. While in Kenya, they partnered with Ian Kabiru and Fred Gatiramu. Initially the company was registered as EM Communications in 2000. Around that time the telecommunications sector, which had been closed in the previous years, was liberalized and small investors could now tap the lucrative sector.

After registration of the business, it took the four directors two years to set up the operations of the business. During this time, they engaged local investors and vendor financiers to capitalize the business. It was later licensed in 2004 as a Local Loop Operator. EM Communications was a holding company so they wanted a brand that Kenyans could identify with. After a thorough research exercise the directors came up with POPOTE as a brand name. They felt that this name was relevant both locally and worldwide. The brand name was appealing as it was easy to identify and pronounce. Initially the company set up was small but now the company's growth has been phenomenal with 80 employees now working for the company and 300 employees in its distribution network.

2. The Business Niche

Popote Wireless aims at supplementing Telkom Kenya's role of supplying landlines to meet the communication needs of Kenyans. Currently the landline supply is way below the demand from local Kenyans. It is currently at 1 percent which is below the world's average of 10 percent. What this means is that the current landline capacity or lines registered under Telkom Kenya is 500,000 - of

these, 300,000 lines are under voice utilization with Internet utilization at 50,000 points.

There is a gap in the communications industry and Popote Wireless is here to fill it. Landlines are very much in demand as they are cost effective and the type of technology that Popote Wireless has adopted, can potentially reduce local calls to 3/- per minute compared to the current cost of calling which is between 5/50 for local landline calls and as high as 50/- for some local mobile calls.

Due to the difficulties experienced in obtaining landlines in the past, many Kenyans rely on mobile phones for their communication needs. This is where the services offered by Popote come in handy. They make landline acquisition very simple as one gets instant connection with no waiting periods; also it enables the subscriber to surf the net with ease. This is a major plus as the communication needs of Kenyans are moving in that direction and in the future the Internet will be the main communication facility. In economic terms, a 1% increase in voice tele-density is US\$ 250 GDP per person while the same in Internet tele-density is over US\$ 500 GDP per person.

3. The Technology

In keeping with modern technology, an American technology known as CDMA (Code Divisional Multiple Access) is used at Popote Wireless as opposed to the regular GSM technology found locally. The main advantage of this technology is that it is low cost and uses radio frequency more efficiently. With the CDMA technology fewer base stations are required thus requiring a lower capital investment. This technology also has better data capabilities. This translates to lower costs and more efficiency. Due to these good qualities of CDMA technology, Popote Wireless is able to offer unlimited Internet subscription for a small fee of only 3,500/- Kenya shillings + VAT.

The Popote Wireless landline handset comes with its own PABX and offers limited mobility, but at very low prices. This equipment is extremely feature rich and has conference calling whereby one can have a meeting with several people on the phone. It comes in handy when one wants to communicate with several people simultaneously. Another feature on the handset is the VoIP that drastically lowers international calls to as low as 10 shillings which makes international communications very simple and affordable.

To make it more convenient to the consumer, Popote Wireless has introduced both post-paid and pre-paid billing options. Post-paid is whereby a customer uses the facility then receives a bill on a monthly basis. On the other hand pre-paid involves purchase of calling cards that are loaded first onto the equipment

before communication takes place. The handset costs are inclusive of VAT and one gets an instant connection similar to that of mobile phones.

The company's goal is to identify customer needs and make sure the product meets the needs of Kenyans. Today's consumer is very sophisticated and demands quality, excellent service. It is with this in mind that Popote Wireless invested in good customer care and set up a call centre that is there to take care of customers. They also recently launched vibrant advertisement that has been well received across the country. The company relies mainly on direct marketing and this advertisement has certainly boosted the company's sales.

4. The Challenge

The main challenge that Popote Wireless faced was raising the high capital that was required to set up the company. Most local banks were sceptical and reluctant to support as they are a start-up. Recruitment was another problem as getting the right calibre of staff with the right skills proved to be rather difficult at the beginning. The other hurdle was dealing with other operators in the industry. Initially the company had an agreement with Telkom to use their network at a reasonable interconnection rate but later on things changed when Telkom increased the interconnection rate above the cost of a local call.

Popote wireless is engaged in aggressive marketing activities such as demos and trade shows. The company recently participated in various trade exhibitions, conferences, and is also involved in road shows in residential neighbourhoods as part of their marketing campaign. The idea is to interact with people in the estates and educate them in this new wireless landline service. The wireless landline communication service fits snugly into the life of a busy individual as it enables him to plan his family and social life by having this basic communication service at an affordable rate with better performance and more features. It makes communication really smooth and easy.

5. Conclusion

All in all, the local ICT sector is vibrant due to the current liberalization and also an enabling environment has been created by the government. This is a classic example of how the government and private sector can work in harmony. ICT by nature of technology is always changing. Kenya has finally opened up to global trends.

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