

Mobility and Mobiles in China

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Nearly ten years after Deng Xiaoping's appeal for accelerating economic reforms, the telecommunication industry in China has gone through many changes. The promising prospects that mobile Internet services carry are coming to attention in China's telecommunication market. By 2002, China has become the biggest market for mobile phone services with an estimated 170 million subscribers, which can be compared with 35 million Internet users. The Chinese government is supporting liberalization in the telecom sector, which is considered one of the main engines for continued economic growth in the socialist market economy. China Mobile has constructed the so-called Monternet, and its counterpart China Unicom has recently launched the world's largest CDMA network. The capacity and bandwidth of these two networks makes services other than voice possible for cellular phones.

By Anders Ravn Nielsen

The activities of Chinese Internet Service Providers (ISP) illustrate the conditions and prospects for mobile Internet services. China's ISP industry has never been successful in terms of services for private Internet users mainly because of China Telecom's high rental fees for connection to backbone networks. Those ISPs determined on developing a strategy away from traditional services started to offer services that matched the technological progress and prospects of commercial Internet use. These are simple services such as domain registration, web hosting, and web design; while other ISPs have engaged in providing IT courses, software applications, e-commerce solutions, and consultancy services related to online marketing.

The ISP services have in common that they, by nature, are related to e-commerce, and most potential clients are companies and organizations. However, the conditions for e-commerce services in China have always been complicated. China does not have a nationwide transaction system for all bankcards and due to unclear regulations, companies are hesitant to get involved with commercial online services. An inefficient regulatory system does not encourage potential clients to take advantage of ISP services related to e-commerce.

Another significant concern for e-commerce and ISP services are Internet users. Online marketing and sales services become less attractive considering the profile. According to the biannual surveys on Internet use released by the China Network Information Centre

(CNNIC), less than 3 per cent of the total population uses the Internet. The majority of users are found in East China and the typical Internet user is young with a relatively small income. Furthermore, the preferences of Internet users for email, information search, news, downloads, and chat facilities show that they mainly use online services as a communication and entertainment medium, rather than as a marketplace. It is significant that income does not seem to be a determining factor in obtaining access to information and entertainment on the Internet.

Because of the underprivileged conditions for e-commerce services, mobile Internet services should be a potential strategy for Chinese ISPs. There are obvious reasons for this. Since the launch of the Internet, the Chinese ISPs have been cut off from

services to private users, but the development of mobile Internet technologies makes it possible for ISPs to offer services directly to private users with a mobile phone or to clients who want to engage in mobile Internet services.

Comparing the number of mobile phone users with Internet users, the market for mobile Internet services is bigger than the market for more traditional Internet services. Furthermore, the government's green light for competition between the telecommunication companies, which construct the backbone networks for telecommunication, will reduce costs and benefit all users.

At the moment the hottest mobile Internet service in China is no doubt SMS. Some companies have already been successful in offering services for mobile phone users. Linktone of Shanghai was set up in 1999 and began distributing melodies for incoming calls and quizzes earlier than any of its competitors. Tencent Technology, a provider of Instant Messaging Service in Shenzhen, has been experiencing amazing growth after entering into the SMS business. Tencent has acquired about one million subscribers and it recorded monthly sales of more than 5 million yuan in a single year. The larger content providers have started to

focus on distribution of pay contents to portable phones, as sales of Internet advertising have been relatively slow.

Attractive mobile Internet services will not only benefit the ISP industry but also the whole Chinese telecommunication industry, including sales of mobile phones and related equipment. The dark horse is still the government and the regulatory framework of the country. In terms of the use of Internet and e-commerce, the implementation of a regulatory framework has been ineffective due to the fact that different ministries are all trying to draft regulations within their own jurisdiction. The resulting highly bureaucratic process hardly encourages companies to engage in e-commerce services. Importantly, mobile Internet services, other than SMS and downloads, may require certain regulations, which will involve the growth of a bureaucratic process that can damage the expansion of mobile Internet services. ◀

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