

Firm taps rural area and data services to boost users and profits

China Mobile stays on top by creating uncontested markets

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China Mobile chairman Wang Jianzhou has revealed the secret of success of the nation's largest mobile operator, which announced record profits of 66 billion yuan last week.

It is all down to an international best-selling business book, *Blue Ocean Strategy—how to create uncontested market space and make the competition irrelevant*, by economists W. Chan Kim and Renée Mauborgne.

"Our Blue Ocean Strategy is that we won't aggressively seek customers from our competitors [China Unicom, China Telecom and China Netcom]. We are not only chasing after volume. We won't compete on the price of different packages. We need to explore new markets to increase our user base, our revenue and our profit," Mr Wang said. "By exploring new market segments like rural areas, new services like mobile data services and driving up existing users' usage, we have created our own niches to compete on new grounds."

China Mobile's spotlight is firmly on the rural market where the company has boosted capital expenditure to about 99 billion yuan this year to expand its network coverage.

The company estimates mobile-phone penetration will reach 50 per cent by the end of 2009 with half of that growth coming from the rural market.

"The Blue Ocean Strategy in the rural market is not limited to China Mobile," said Mr Wang. "At present only 15 people out of every 100 in rural villages use a cell phone. All are welcome to do business there, no matter if they are fixed-line operators or mobile operators."

"In the past several years, over 50 per cent of our new subscribers have come from rural areas, the market potential is huge. More than 700 million people out of the country's 1.3



Chairman Wang Jianzhou says China Mobile will explore more data services such as a mobile payment service and entertainment services. Photo: Oliver Tsang

billion population are farmers. China Mobile's network covers over 90 per cent of the rural areas, which means our network covers 97 per cent of the population in China," Mr Wang said.

China Mobile offers not only voice service to rural subscribers, but also information packages such as agricultural product prices through its short-message service. The average spending per rural user is 50 yuan per month, compared with the 90 yuan average overall.

However, Mr Wang declined to speculate on how long the strong rural growth could be sustained, adding: "The market environment is changing."

But it is not only the rural market that China Mobile is targeting. It has launched many non-voice services, such as short messaging, mobile newspapers and mobile music.

"China Mobile treats the mobile phone as a personal information tool with multi-functions. Over 23 per cent of our revenue comes from non-voice services, a situation that was unthought of five years ago," Mr Wang said.

China Mobile users send more than one billion short messages a

day, reaching a record 2.8 billion on the eve of Lunar New Year.

The company has a lot of expectations for the mobile music operation, given that more than 170 million subscribers pay 4.40 yuan per month for a ring-back tone service, which allows them to listen to hit songs.

The short-message service ac-

counts for 46 per cent of total non-voice income, having grown 30 per cent last year to 32 billion yuan.

Revenue from the ring-back tone service rose 97.2 per cent last year to 6.7 billion yuan, up from 3.4 billion yuan in 2005. Mobile internet WAP service revenue surged 92.6 per cent to 6.8 billion yuan.

Mr Wang said China Mobile would explore more data services this year such as a mobile payment service and more mobile entertainment services, but gave no details.

Appointed chairman of the world's largest mobile operator in November 2004 after working at rival China Unicom, Mr Wang, 57, adheres to the goal of global "cellphone-isation".

"The mobile phone is extending the functions of our ears, eyes and mouths," Mr Wang said.

Mobile operator ready for 3G service

China Mobile is well prepared for the issuing of 3G licences, but the firm also believes its mobile data services can still thrive on the existing 2.5G network, according to chairman Wang Jianzhou. "We have prepared for 3G for many years. Our core network is 2.5G and 3G-compatible, so we don't need to build a

new core network," Mr Wang said. However, he was tight-lipped about the home-developed TD-SCDMA service, which is due to start trials in October, saying only that the parent company, China Mobile Communications Corp, would be announcing details.

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