

The marketing strategy: A Case Study OF CHINA Unicom

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Abstract---*The prime of is to examine the marketing strategies in the Unicom industry of China. Over the past three years, China has added over 312 million mobile subscribers to overtake the US. China Unicom Limited (China United telecommunication Corporation), with more than 35% of china's 312 million subscribers at the end of the December 2004, is the second largest operator in China market. Due to the large part to access to capital and a regulatory that allows it preferential pricing, the issuance of additional license 3G license and the impact of China became a member of the world Trade Organization (WTO) will transform the competitive landscape in telecommunication market. China Unicom now operates the largest CDMA network in the world with subscribers spread over widely diverse market conditions. In the past three years, CDMA's performance is under the expectation. How well prepared is China Unicom management to assure continued growth in this new environment? How does China Unicom to convert CDMA market position. The findings exposed that there are many factors are affecting positively as well negatively to the market strategies related to the Unicom in China.*

Keywords---*Unicom, Marketing Strategies, telecommunication, Chines Organizations*

I. Introduction

China Unicom Corporation Limited China Unicom Limited, through its wholly-owned China Unicom Corporation Limited, operates nationwide international and domestic long distance calls, data communications and Internet business, radio paging and other related telecommunications value-added services. China Unicom Corporation Limited operates GSM and CDMA cellular businesses in the twelve provinces (or municipalities), namely Beijing, Shanghai, Tianjing, Guangdong, Jiangsu, Zhejiang, Fujian, Liaoning, Shandong, Anhui, Hebei and Hubei. Unicom New World Telecommunications Corporation Limited China Unicom Limited, through its wholly-owned Unicom New World Telecommunications Corporation Limited, operates GSM and CDMA cellular businesses in the nine provinces (or municipality and autonomous regions) in the PRC, namely Shanxi, Hunan, Hainan, Yunnan, Gansu and Qinghai provinces and Inner Mongolia, Ningxia and Xizang autonomous regions (Chen, Ma, Chen, & Fractals, 2009; De Silva et al., 2018a; De Silva et al., 2018b; Nikhashemi et al., 2013).

China Unicom International Limited, China Unicom Limited is engaged in telecommunications businesses in Hong Kong through its wholly-owned subsidiary, China Unicom International Limited ("Unicom International", a private company with limited liability incorporated in Hong Kong). These telecommunications businesses include voicewholesale business, telephone cards business (with brands such as "Global Roaming IP Phone Card" and "Unicom Express"), international line

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leasing service, managed bandwidth services and mobile virtual network services (with brands such as China- HK "1SiM" and China-HK "Ru Yi Tong"). Unicom International also operates wholesale business of voice traffic between the US and mainland China, international private leased circuits (IPLC), ATM and FR services, etc. through China Unicom USA Corporation, its wholly-owned subsidiary in US. China Unicom (Macau) Limited China Unicom (Macau) Limited was registered and incorporated on 15 October 2004 and won the CDMA license in Macau Special Administrative Region ("Macau") in March 2005. China Unicom (Macau) Limited will provide roaming services for visitors from various countries and regions including Mainland China, Hong Kong, Taiwan, Japan, Korea and North America (Gao & Lyytinen, 2000; Dewi et al., 2019; Pambreni et al., 2019; Tarofder et al., 2017).

The committee consists of three independent non-executive directors. One of the committee members is an investment banker and he possesses expertise and experience in financial management. The major responsibilities of the committee include: considering and approving the appointment, resignation and removal of external auditors and their fees; reviewing the quarterly, interim and annual financial statements; discussing with external auditors any problems and comments raised during the statutory audits; reviewing any correspondence from the external auditors to the management and responses of the management; and reviewing the relevant reports concerning the internal control procedures of the Company. The committee meets every three months, and assists the Board of Directors in its review of the financial statements in order to ensure effective internal controls and efficient auditing.

The committee consists of two independent non-executive directors and one non-executive director. The Chairman of the committee is an independent non-executive director. The major functions of the committee include: considering and approving the remuneration plans proposed by the management, remuneration scheme of executive directors and the Company's share option scheme. The committee meets at least once a year. The Remuneration Committee conducts performance appraisals for the Chief Executive Officer and determines his year-end bonus pursuant to the performance target contract entered into between the Board of Directors and the Chief Executive Officer. The Chief Executive Officer is responsible for the performance appraisal and determination of performance-based year-end bonuses for the other members of the Company's management. The results are subject to the review of the committee (Hongmin, 2003; Doa et al., 2019; Maghfuriyah et al., 2019; Nguyen et al., 2019).

The Company places a lot of emphasis on staff development. Management officers at various levels of hierarchies are selected from internal appraisals and promotions, as well as by way of recruiting internally and externally. China Unicom improve the overall qualities of their staff by way of experience sharing, job relocation between provincial branches in the eastern and western parts of the PRC, as well as job exchanges among officers and staffs at different levels of the Company. The Company systematically organizes on the job training to develop potential of its staff, and provides a working environment that can leverage on their capabilities and facilitate their career development. In 2004, the Company arranged training for 22 newly appointed officers on international capital market management, such as corporate governance, laws and regulations, listing rules as well as sales and marketing. In addition, management related training has also been given to the recently promoted deputy general managers and the proposed candidate for succeeding as deputy general managers, through which corporate management standard was enhanced.

Without any doubt, China Mobile is the first intense competitor of china Unicom. It takes more than 50% marketing

mobile share. China Mobile is better placed than its rival for this new more competitive environment. With its GSM 'Quankuitong' brand, it controls cellular telecommunications in China through 21 of its wholly owned mobile telecommunications companies. After China Unicom's CDMA service, launched in January 2002, China mobile launched GRPS service on 17th May 2002 to compete with CDMA (Loo, 2004; Pathiratne et al., 2018; Rachmawati et al., 2019; Seneviratne et al., 2019; Sudari et al., 2019; Tarofder et al., 2019).

II. Literature Review

The Company is the exclusive operator of high quality CDMA wireless service in China, and has CDMA international roaming business with 15 operators in 12 countries and regions. In August 2004, the Company successfully launched the "World wind" dual-mode handset business based on GSM and CDMA networks, realizing truly seamless roaming worldwide. As of 31 December 2004, the total number of CDMA subscribers was 27.81 million, with a net addition of 8.86 million from 18.94 million subscribers at the end of 2003. Of this total, post-paid subscribers reached 25.82 million, representing a net addition of 7.84 million from 17.98 million subscribers at the end of 2003; pre-paid subscribers were 1.99 million, with a net addition of 1.02 million from 0.96 million subscribers at the end of 2003. The proportion of the pre-paid subscribers was 7.2%. In 2004, under the accelerated competition for high-end users in the market, the monthly average churn rate of CDMA business increased to 1.49% from 1.1% in 2003.

The "World wind" dual-mode handset business developed rapidly. As of 31 December 2004, 200 thousand "World wind" dual-mode handsets have been sold and the subscribers of "World wind" dual-mode handsets business. Leading by market requirement, the Company constantly enhanced R&D and promotion of wireless value-added services, to improve the penetration, usage and attractiveness of value added services, further transforming technology edge to market edge. In 2004, SMS volume reached 44.22 billion messages, representing an increase of 26.9% from 34.84 billion messages in 2003. Of which, CDMA SMS volume was 11.83 billion messages, representing an increase of 72.7% from 6.85 billion messages in 2003; GSM SMS volume was 32.39 billion messages, representing an increase of 15.7% from 27.99 billion messages in 2003. The Company made breakthrough in the development of CDMA 1X wireless data services under the unified brand of "uni", which included sub-brands of "Uni-Info", "U-Info", "U-Mail", "U-Magic", "U-Map" and "Uni-Web", and "U-Net", which represents wireless internet access service for laptop. As of 31 December 2004, the subscribers of CDMA 1X wireless data services reached 8.71 million, of which, the subscribers of "U-Info" reached 8.37 million and the subscribers of "U-Net" were 340 thousand (Bria Low, 2005).

China Public Long-distance Communications Network-Unicom 193 Long-distance Network is approved by the Chinese State Council to operate basic long-distance telecom services and value-added services; it is an integral part of the National Public Communications Network. 193 Long-distance Network now covers over 300 cities across China and offers international telephone services to 200 countries and regions. Unicom's 193 Network enables easier long-distance dialing, clear voice and cheaper rates. Its future vision is an integrated service network featuring packet core network, separate service control and diversified access technologies. Unicom 193 Long-distance Network mainly offers long-distance call services targeted at businesses, individuals and households with both domestic and international long-distance calls to make. Unicom currently offers three service options: 1. registered DDD and IDD service; 2. 193 Long-distance Telephone Card sales; and 3. dedicated line access. 193 Long-distance Telephone Card is a prepaid card with different face values, say RMB50, 100, 300 and 500. Account transfer between cards is possible. The cards are available at Unicom's outlets and sales agents. By

simply registering the card No. and password with a dual-tone telephone, the user can dial both DDD and IDD on that phone machine.

Frame Relay (FR) is a high-speed packet switching technology based on optical digital transport, intelligent terminal equipment and simplified X.25 Protocol. Compared with X.25, FR is more suitable for data application services demanding higher speed and creativeness. FR data transport protocol only preserves the core sub layer functions of the physical layer and data link layer. Data is forwarded in the network in the data link layer format. FR user has flexible access speed choice. FR adopts statistical multiplexing technology and allows users to utilize other free bandwidth to enjoy higher-than-promised speed. This not only makes full use of the physical transport bandwidth and well accommodates burst data, but also helps to substantially simplify the network topology and reduce hardware cost. As a telecom operator offering comprehensive telecom services, China Unicom continues to adopt new technologies and build new networks in order to provide customers with excellent services. "Customer in mind and service excel" has always been their pursuit. To enable comprehensive, standardized and more convenient customer services and meet diversified and personalized service demands of different levels of customers, China Unicom adopts leading Call Center technologies, unified business and technology norms and service procedures, and opens 31 customer service centers to provide 24x7 uninterrupted customer services in both agent and automatic forms (Brian Low & Johnston, 2008; Nikhashemi et al., 2017; Tarofder et al., 2019; Ulfah et al., 2019; Tarofder et al., 2016; Udriyah et al., 2019).

Unicom Operating Company owns a long-distance optical transmission network that covers the whole country (except Tibet), and is technologically advanced, secure, reliable and competitive. Its transmission system mainly adopts 160-wave DWDM system, and DWDM devices with a single-wavelength transmission rate of 10Gbps or 2.5Gbps. This network is mainly based on:

- ◆Two-way SDH fiber loop, self-healing system, once fiber is cut off, routing can be changed automatically to ensure unblocked circuit.

- ◆DWDM technology, which allows transfer of multiple wavelength-transmission signals on one fiber, thus improves transmission capacity

- ◆DXC system, which is special high-speed digital channel cross connection device, allows more efficient management of service routing and path organizing.

Unicom Operating Company's long-distance backbone transmission network can meet the high quality and high reliability bandwidth needs for its operation of integrated services, and can provide circuit and fiber sale and lease services for other telecom operators and group customers. While constructing domestic transmission network, Unicom Operating Company began to take part in international undersea cable construction in order to develop international service and adapt to the competitive situation of international telecom development. Unicom Operating Company has participated in APCN2 cable consortium and opened fifteen 155Mbps international half circuits and two-way circuits. The leased international circuit bandwidth is 581Mbps. To fit in with the Chinese mainland-Hong Kong service needs, Unicom Operating Company has opened two 2.5Gbps transmission systems with Reach and other companies of Hong Kong. By the end of June 2002, Unicom Operating Company had owned about 7.5Gbps international circuit bandwidth (J. Lu & Weber, 2007).

Unicom Operating Company's broadband access network provides customers with integrated data, image and voice access, can realize tele-education, tele-medicine, VOD and other services, and can realize broadband networking by better utilizing FTTB and FTTC. In regard to broadband access network construction and solving "last mile" access, Unicom

Operating Company is implementing "ten thousand buildings project" (i.e., access to buildings densely populated by high-end customers like high-grade office buildings and hotels in 119 prefecture-level cities throughout China). Faced with the intense market competition within the telecommunications industry, the financial operating results of the Company maintained steady development in 2004. The operating revenue sustained their steady growth. Free cash flow (i.e. net cash inflow from operating activities minus capital expenditures) was further improved, with the balance sheet remaining sound. Operating revenue in 2004 increased by 17.3% from 2003 to RMB79.33 billion. EBITDA increased by 8.5% from 2003 to RMB27.02 billion. Operating profit decreased by 6.6% to RMB7.96 billion. Net profit increased by 4.0% from 2003 to RMB4.39 billion. Basic earnings per share were RMB0.349, up by RMB0.013 per share from RMB0.336 in 2003. Capital expenditures were RMB18.39 billion. Free cash flow further improved from RMB2.81 billion in 2003 to RMB5.43 billion. On a pro forma basis, in 2004, operating revenue increased by 9.7%, EBITDA decreased by 0.7%, operating profit decreased by 23.7%, and net profit decreased by 24.0%.

Growth in the operating revenue of the Company continued to remain steady in 2004, and was RMB79.33 billion, up by 17.3% from 2003. On a pro forma basis, the increase was 9.7%. The Company operating revenue is mainly generated by the GSM and CDMA Cellular Businesses, the Long Distance, Data and Internet Business. The table 3 below sets forth the changes in revenue composition for the years 2003, and 2004 (Y. Lu, Zhang, & Wang, 2009).

Table 1: Revenue Composition 2003, 2004.

	2003		2004	
	RMB in Million	Percentage of total	RMB in Million	Percentage of total
Operation revenue:				
Cellular, Include: GSM CDMA	59,746	88.4%	73,804	93%
	41,166	60.9%	47,466	59.8%
	18,580	27.5%	26,338	33.2%
Long distance, data and internet	5,733	8.4%	5,528	7%
Paging	2,157	3.2%	-----	-----
Total Operating revenue	67,636	100%	79,32	100%

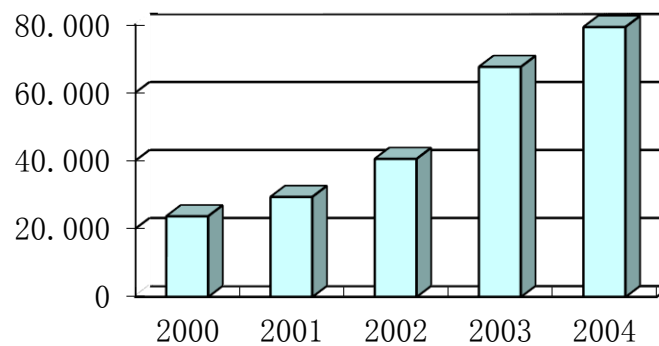


Figure 1: Operation Revenue Histogram 2000-2004

As market competition became intense, and the newly added subscribers were mainly from the low end market, rate of growth in costs was greater than that in operating revenue. In 2004, the company operating profit reached RMB7.96 billion, a decrease of 6.6% from 2003. On a pro forma basis, the decrease was 23.7%. Operating profit from the company GSM Cellular Business decreased to RMB8.26 billion, a decrease of 15.8% from 2003 on a pro forma basis. Operating loss from the company CDMA Cellular Business was RMB0.59 billion in 2004, which was decreased by 5.0% from the loss of RMB 0.62 billion on a pro forma basis in 2003. Operating profit from the company Long Distance, Data and Internet Business increased to RMB0.47 billion in 2004, a decrease of 67.3% from 2003 on a pro forma basis. The decrease in operating profit from the company Long Distance, Data and Internet Business were mainly attributable to competition in the market becoming more intense, which resulted in a slow growth in business income. Rate of growth in operating costs exceeded that in revenue by 13.8 percentage points (Pitt, Levine, & Yan, 1996).

Finance income in 2004 fell to RMB 0.10 billion, a decrease of 36.6% from that in 2003 on a pro forma basis. Finance costs were RMB 1.69 billion, a decline of 27.2% from 2003 on a pro forma basis. Net finance costs fell from RMB 2.16 billion on a pro forma basis in 2003 to RMB 1.59 billion, a decrease of 26.5%, which was mainly attributable to fund raising by way of syndicated loans, which is a low-cost financing method, whilst maintaining turnover on its capital to enhance its efficiency. Net other income of the Company in 2004 was RMB 0.10 billion. The company income tax increased to RMB2.08 billion in 2004, a decrease of 15.9% from that in 2003 on a pro forma basis. The effective tax rate was 32.2%. The company net profit reached RMB4.39 billion in 2004. Basic earnings per share were RMB0.349, an increase of 4.0% from RMB0.336 in 2003.

EBITDA of the Company is increased by 8.5% from 2003 to RMB27.02 billion in 2004. On a pro forma basis, a fall of 0.7% was recorded. EBITDA margin (EBITDA as a percentage of operating revenue) fell from 37.6% on a pro forma basis in 2003 to 34.1%. EBITDA for the GSM Cellular Business in 2004 was RMB24.43 billion, which was comparable to that on a pro forma basis in 2003. EBITDA margin fell from 52.6% on a pro forma basis to 51.3%. EBITDA for the CDMA Cellular Business changed from -RMB0.33 billion on a pro forma basis in 2003 to -RMB0.15 billion in 2004. EBITDA for the Long Distance, Data and Internet Business was RMB2.8 billion in 2004, a decrease of 11.4% from that in 2003 on a pro forma basis. EBITDA margin for this business fell from 37.5% on a pro forma basis in 2003 to 31.6% in 2004 (Sibao & Tingjie, 2006).

The Company implemented strict controls over the capital expenditures. Efficiency in investment was enhanced through

exploring potentials for the existing network and optimizing rest allocation. The Company made investments with respect to GSM cellular communication as appropriate in regions with high market demand. Capital expenditures for the company various businesses totaled RMB18.39 billion in 2004, accounting for 95.0% of total budget for 2004, i.e. RMB19.35 billion. Capital expenditures attributable to the GSM Cellular Business, the Long Distance, Data and Internet Business, infrastructure network and local transmission and gateway, billing system, customer services and information technology system and buildings were RMB6.40 billion, RMB1.34 billion, RMB3.06 billion and RMB7.59 billion respectively. Free cash flow in 2004 improved further from RMB2.81 billion in 2003 to RMB5.43 billion.

Capital expenditures planned for the Company in 2005 is RMB18.23 billion, which will be used mostly to improve the GSM network and construction of network infrastructure such as auxiliary system. The Company will rely principally on cash generated by operations for satisfying their capital expenditures (Xia, 2011).

Table2: The table below illustrates the capital expenditures of various major segments in 2004 and the planned expenditures in 2005.

	2004 (RMB billion)	2005(RMB billion)
Total	18.39	18.23
Cellular	6.4	7.59
Long Distance, data and internet	1.34	1.22
Infrastructure transmission network	3.06	3.05
Others	7.59	6.37

Since the implementation of economic reform and opening up, Chinese telecommunication industry has benefited a lot from the preferential national policies and good macro-economic environment. It has experienced rapid development and in-depth change. Since 1990s Chinese telecom industry has maintained continuous high growth for several years and become one of the fastest-growing industries in the national economy. The telecommunication network has developed from small capacity, analog technology and single service to large capacity, digital technology and diversified services. With the expansion of the network, the improvement of technology and the enhancement of comprehensive ability, China have possessed necessary conditions to enter the leading group in world telecommunication market. The United States is the birthplace for modern communication technologies such as telephone, telegraphy, computer and many other high technologies. And it is now gaining the leading position again in the competition of Internet age. As a superpower in information resources and information industry, it takes the lead in telecommunication technology, management and global telecommunication union. It is to some extent the telecommunication industry in US that drives the development of the world telecommunication.

The telecommunication regulation system is comprehensive and unique. It comprises NTIA, FCC, state public welfare committees or public service committees and the verdict of the courts. With the slowdown of the of US economy since the new century, people think that telecommunication as an infrastructure industry also enters a downturn. Tens of non-listed telecommunication companies and at least 6 listed ones all went bankrupt. The industry has cut off employment by 110 thousand, the most serious one in all US industries. The failure of US telecommunication operators has ripple effect on other related industries. The intergrowth of telecommunication with other industries is an important factor that worsens the

situation of telecommunication industry. When one company goes bankrupt, the partners, customers and agencies will be affected too. On average, the financial situation of one Telecommunication Company is closely related with other four companies. The overall level of telecommunication technologies in developing countries lags far behind that in developed countries (Yan & Pitt, 1999).

The regulating system and enterprise operating system in telecommunication industries of most developed countries are well designed. They have established scientific and intensive management approach such as cost accounting and fee accounting. And the telecommunication service industry has experienced revolutionary changes through two stages-- competition and globalization. However, laws and regulations on telecommunication market are far from perfection in developing countries. Monopoly in telecommunication service industry still exists and there is a long way to go before the realization of domestic and international competition. The telecommunication infrastructure in developed countries has developed from voice service provider to multimedia service provider. The Internet services have grown amazingly. However, in developing countries, the telecommunication infrastructure is still at the stage of providing voice services.

The regional differences among telecommunication industries are striking. In those least developed countries and areas, the prevalence rate of telephone is calculated on everyone thousand people while in developed countries every family owns a telephone. The prevalence rate of fixed telephone in certain developing countries is even lower than that of mobile phone in developed countries. The great difference in telecommunication development has enlarged the economic gap among different nations. Now room for further development in telecommunication industries of those developed countries is limited and these markets need new vitality. Compared with domestic development, the exploration of overseas market has lower operation risks while offers more profits. It is the development gap and the demand for self and co-development between developed and developing countries that will finally lead to the elimination of monopoly, deregulation and the liberalization in telecommunication industry of developing countries (J. Yu & Tan, 2005).

China has licensed six national telecom service providers, China Telecom, China Netcom, China Mobile, China Unicom, China Railcom and China Satellite. The competition in telecom marketing become more fierce. Statistics released by China's Ministry of Information Industry (MII), show that China's six licensed telecom carriers made an overall investment of USD26 billion in 2004, 3.6% less than in the previous year. The bulk of the investment went to mobile communications, access networks, local communications networks, supporting networks, development of new services, and business operating supporting systems. With such an investment, the telecom carriers have successfully recruited an additional 114 million phone users in 2004, pushing the total number of Chinese fixed-line and wireless telephone users up to 647 million. The telephone penetration rate hit 50% by the end of 2004.

China Railways Communications (also known as "China Tietong") is the newest member of national operators in China. The company began to provide public service in December 2000 with 10.3 billion yuan (\$1.24 billion) in registered capital. Revenue for 2004 was 10.7 billion yuan (\$1.3 billion), up 50.8% from 2003, which represents about 2% of total telecom revenue in China; profit was 130 million yuan (\$15.7 million), up 67%. Railcom had 11.9 million fixed line customers and nearly 1 million broadband customers in 2004, up 53% and 2.4 times respectively. The company is headquartered in Beijing and operates in all 31 provinces. By the end of 2004, Railcom had 46.9 billion yuan (\$5.7 billion) in total asset and employed 70,000 people. For 50 years, Railcom had been a carrier for railways communications under the Ministry of Railways. In January 2004, it spun off from MOR and became a public service carrier, but most of its services are still designed for railways customers given its monopoly in the sector (L. Yu, Berg, & Guo, 2004).

Railcom operates the second largest fixed telecom network in China (after China Telecom). Its networks cover more than

300 local networks with 143,000 optical trunk lines and 3,600 kms of microwave range. By the end of 2004, Railcom operates 18.7 million lines of central office and 1.2 million toll lines. Although the company has built five DWDM rings across the country with 40Gbps in bandwidth, it lacks presence in local access market. To overcome the weakness, Railcom has introduced several services to offset weakness in local market, including VoIP ("17995" and "17996"), call center ("95105"), Internet access and ADSL in major cities. In late 2003, Railcom began trial of a broadband voice service based on NGN. Railcom also offers international services, including voice, data and video.

ChinaSat was established in 1985, and until 2000, was a subsidiary of China Telecom. Now called ChinaSat Communications Group, it is a government-owned independent operator regulated by the MII. ChinaSat consists of its own operations, China Orient Satellite, another satellite operator with which it merged in 2001, ChinaSat (HK), Space com, a satellite service reseller, and Space net Information, which provides data broadcast service. The company has 5.2 billion yuan (\$626 million) in asset. Revenue for 2003 was 800 million yuan (\$96 million), about the same as 2002. ChinaSat is headquartered in Beijing and has 360 employees. ChinaSat competes with SinoSat, a smaller satellite operator created by China Space Technology Group. ChinaSat grew rapidly in the mid-1990s when it began to purchase satellites from the West. At present, ChinaSat operates three satellites: ChinaSat-6, ChinaSat-8, ChinaSat-10 (renamed after ChinaStar-1 from China Orient) and has majority ownership of APStar-2R (operated by APT Satellite in Hong Kong). A high-capacity, high-power communications satellite is under development (Yuan et al., 2006).

It does not offer any direct residential services; most of ChinaSat customers are telecom operators, banks, securities brokerages, insurance, TV companies and the military. Its main service is leasing space segments to telecom operators, private networks and public broadcasters. ChinaSat also provides gateway and VSATs for fixed and mobile services such as voice and data (including Internet access), TV relay or direct broadcasting, overflow routing or emergency communications. As the result of acquiring Guomai, a national paging operator in 2004, ChinaSat has added paging and information delivery to its portfolio. In January 2005, ChinaSat began to offer satellite phone service ("Globalstar") which can roam in GSM networks. In August, ChinaSat launched a VoIP 800 service for business customers which may extend to low-cost toll service. ChinaSat has turned to distance education using VSAT links and LANs to distribute interactive coursework to university classrooms and training sites. It is also offering videoconferencing and international point-to-point links (SCPC) available to the US, Europe, Japan, and Southeast Asia. ChinaSat operates a satellite navigation network for ground and offshore fleets. In June 2005, ChinaSat launched NAV1000, a handheld GPS terminal. ChinaSat began a commercial pilot for 800MHz trunked radio service in Tianjin in June 2005. It has received a license for 3.5GHz FWA in Nanjing, East China (J. Zhang & Liang, 2011).

Analysis

There is increasing competition among the six national telecom carriers to better serve the growing telephone subscriber base. As such, Chinese telecom carriers will concentrate more on increasing their return on investment, driving down operational costs, developing differentiated value-added services in order to win new customers, and making sure they retain existing users. China Unicom is the world's third largest mobile operator. The company is the largest CDMA network in the world, it Cover331 cities in 30 provinces and municipalities and its CDMA capacity is 70 million by the end of 2004. China Unicom is the second largest CDMA operator worldwide in terms of subscribers. China Unicom's mobile Subscriber (in million) and Market Share trend is as the table10 below.

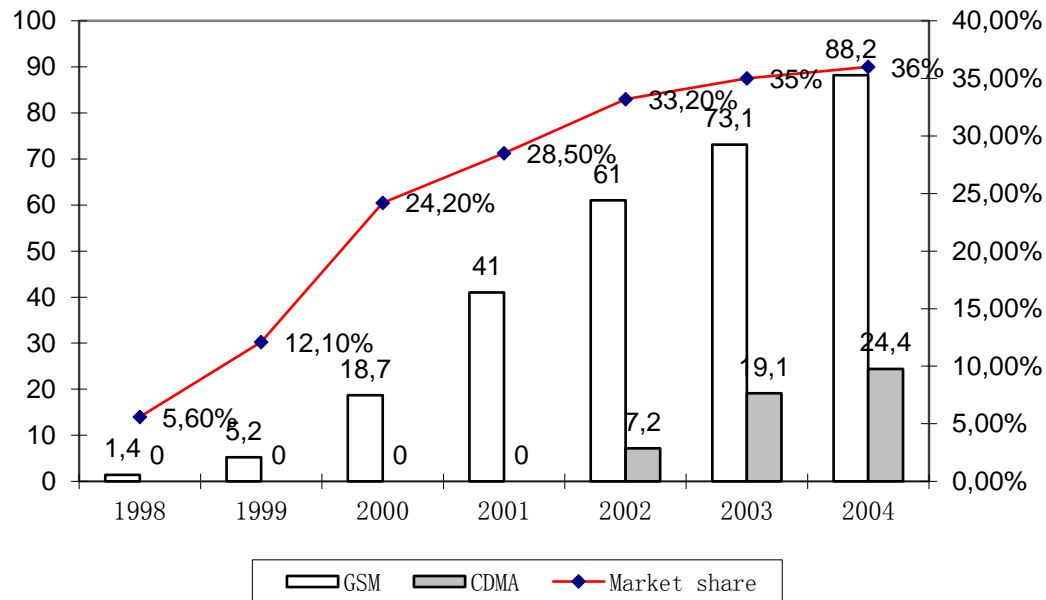


Figure 2: Mobile Subscriber (in million) and Market Share Trend

This category includes Shanghai, Beijing, Guangdong, Zhejiang, Tianjin and Tibet, which have a per capita annual cash income of over 10000 RMB Yuan. The ranking from the highest to the lowest are respectively Shanghai (14747 RMB Yuan), Beijing (12560 RMB Yuan), Guangdong (12520 RMB Yuan), Zhejiang (11874 RMB Yuan) and Tianjin (11141 RMB Yuan). This category mainly includes Fujian, Jiangsu, Yunnan, Shandong, Guangxi, Hunan, Hebei, Chongqing, Ningxia, Sichuan and Hubei, in which per capita annual income is between 7000 RMB Yuan and 10000 RMB Yuan. The average of this category is 7849.78 RMB Yuan. Income is between 7000 RMB Yuan and 10000 RMB Yuan.

In this category, per capita annual income is below 7000 RMB Yuan. The ranking from the highest to the lowest are Xinjiang, Shanxi, Liaoning, Inner Mongolia, Hainan, Anhui, Qinghai, Guizhou, Gansu, Shanxi, Jiangxi, Jilin, Heilongjiang and Henan. The average per capita annual income is 6290.25 RMB. The average Expenditure of Urban Residents in the three regions on communication is 8.5%. The rate is increasing as the income increases. By opening their minds, consumers tend to seek more personalized service and product. Their demands keep on changing. And they are easier to adopt the new service and technology than in the past (X. Zhang & Prybutok, 2005).

PEST Analysis-technological

New technologies such as 3G, Wi-Fi and many others are coming to update into China market. To help compete more effectively with China Mobile, China Unicom was granted monopoly rights by the State Council to deploy CDMA standard networks in early 2000. After signing a strategic alliance with SK Telecom, South Korea's biggest mobile operator, to gain valuable technical expertise, the operator changed its mind and decided it would not be rolling out CDMA. Its position changed again with the July 2000 news that the government had transferred the military's commercial CDMA cellular telephone networks - Great Wall Telecommunications and Century Mobile Communications - to Unicom. At that time the military CDMA network had 550,000 users and spanned five provinces and three of China's biggest cities - Beijing, Shanghai and Tianjin.

SWOT Analysis-strength

As a new telecommunications operator, China Unicom is supported by the top management of the government. It is born from the reform of China's telecommunication industry. It is the symbol of the monopoly broken. It has boosted and developed the telecommunication marketing in China. China Unicom is the new competitor in China's mobile market. It brings benefit to consumer. It has a good image among the consumers. For the government practicing "the dissymmetry control" policy, it gives China Unicom a price advantage. Compared to China Mobile, China Unicom's price is 10% lower.

SWOT Analysis-weaknesses

In order to launch CDMA, China Unicom has invested RMB65 billion. It brings financial problem to China Unicom. After launching CDMA the company is facing slowing revenue growth due to competition and market pressures and a decline in near-term demand for their services. Prices for traditional telecommunications services have declined significantly due to increased competition across customer segments and technologies. Demand for new telecom services, especially application services, remains subdued.

SWOT Analysis-opportunity

Among the people of China the income level is continuously being raised. People would like to pursue outstanding service or products. They are eager to adapt new service or product. They are less sensitive about the price. They are more concerned about the service quality such as after sales service.

SWOT Analysis-threaten

China Mobile dominates the mobile market. It has more power than China Unicom in the market. It uses "good service" strategy in GSM to resist China Unicom's CDMA, trying to keep its market share from losing. China Mobile launched GPRS service on 17th May 2003 only after China Unicom launched its CDMA service for 6 months. Because of GPRS can provide the similar service and quality, it has really threatened China Unicom's market share.

III. Discussions, conclusions and Recommendations

According to the ARC Group, worldwide mobile entertainment services will generate more than \$ 27 billion by 2008 and service more than 2.5 billion users. The state of the telecoms industry and investments made in third generation licenses demand identification and development of services and content that will become successful and produce a tangible ROI. Already mobile music applications are returning almost \$4 billion and this figure is set to increase by 75% from 2003 to 2008. Mobile games revenue is set to explode, increasing over this same period by 638%. Mobile music will be the key market driver through the early stages of development, which will also be helped by mobile gaming services and applications. Musical content adds to the attractiveness of the mobile device as an entertainment portal, enhanced by development including polyphonic ring tones and music download and streaming technologies. Mobile video will further enhance this experience, although truly compelling video content relies on next-generation networks which are unlikely to be prevalent until 2008. Furthermore, the various categories of mobile entertainment will collectively produce a forecast CAGR of 27.56% between 2003 and 2008 compared with a forecast CAGR of 6.41% for voice revenues over the same period (Zhu, Ao, &

Dai, 2011).

The mobile phone is increasingly being recognized by banks in Asia as a cost effective channel to deliver banking and trading services. In Asia's technologically more advanced countries like Korea, Singapore, Hong Kong and Japan, mobile phone market penetration is more than 40%. Millions of mobile phone transactions are carried out every day throughout Asia, opening huge direct marketing opportunities for banks. Moreover, it can be expected that e-commerce, both B2B and B2C, will grow exponentially as mobile banking takes over in Asian nations. Mobile banking is a fusion of mobile technology and financial services, which has emerged after the advent of portable Internet and smart-chip-embedded handsets. Mobile banking services will inevitably expand into the untapped Asian markets, including China, where currently almost 312 million people own cell phones, but where mobile banking has yet to gain broad consumer acceptance.

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