Chinese Mobile Business in a Nutshell

Market, Operators, Nets, Suppliers, Phones, Services

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Mainland China Market – quick data

Population and income
- 1.3 billion inhabitants July 2008, 803 million can work
- GDP per capita 8 percent annual growth last three decades
- Income per capita 1,230 SEK / month
- Very uneven income distribution

Mobile penetration, usage and production
- ~500+ million subscriptions (2007)
  Mats Olsson, Ericsson China: 500+ are distributed over 350 million persons
- ~8 million new subscribers each month
- ~1 billion SMS sent every day
- 229 million mobiles shipped from companies with China HQ (2007)
  Output 1.141 billion units world-wide, 52 % from Mainland China (594.4 million units, 548 legal, 46.4 illegal).
- 180.7 million units sold in China = 16 % of world market (2007)
  25 percent of those were on the grey market

- Who are serving this growing market?
Operators – June 2008

-~400 million mobile subscribers (April 2008)
-GSM with GPRS and EDGE
-no fixed lines
-67.5 percent of the Chinese mobile market (2007)

-110 million mobile subscribers
-GSM with GPRS and EDGE
-fixed lines

-43 million mobile subscribers
-CDMA
-largest fixed line provider
China Mobile

Development of China Mobile

Million subscriptions (incl. pre-paid cards)

Billion SMS sent

Source: Mobi Trends
China Mobile

Market estimate of company value
(market capitalization)

Stock market value, May 21, 2008

Domestic companies

China Mobile 54
China Telecom 29
China Unicom 20
China Netcom

Foreign companies

Nokia 109
Ericsson 42

Reference companies

Microsoft 263
AT&T 231
Google 172

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What about 3G?

- 3G licenses not handed out yet, many speculations
  - Waited for June operator re-shuffle?
  - Not until TD-SCDMA is ready?
  - TD-SCDMA to China Mobile?
  - W-CDMA to? 1xEV-DO/CDMA2000 to?

- TD-SCDMA
  - China’s own 3G (Time Division-Synchronous CDMA)
  - Developed by Datang and Siemens

- Rationale
  - Keep competition out
  - Not dependent on Western technology
  - Avoid patent fees and royalties
  - Competency development
Suppliers in China

- International players
  - Ericsson 13 billion SEK 2007 (excluding Sony Ericsson) = 35 percent of Chinese market
  - Nokia networks and mobiles for 54 billion SEK 2007
  - …and others

- Huawei
  - HQ Shenzhen, 68,000+ employees (2007), Kista office
  - Total revenue: 97 billion SEK (2007)
  - Network equipment and services
  - Some mobiles and other equipment – to be sold?
  - Co-operative: employees borrow shares while employed, CEO around 1 percent

- Challenges: price, cut costs, efficiency

- ZTE (Zhong Xing  中兴  Telecommunication Equipment)
  - HQ Shenzhen, 48,000+ employees (2007), Kista office
  - Total revenue: 25 billion SEK (2007)
  - Mobiles, network equipment and services

- Challenges: price competition leading to damaging cost cuts
Mobile Phones Sold to Consumers in China

- International (64 percent)
  - Nokia (35 percent)
  - Samsung (14 percent)
  - Motorola (11 percent)
  - Sony Ericsson (4 percent)

- Domestic (36 percent)
  - ZTE
  - Lenovo
  - TechFaith Wireless (Nasdaq: CNTF)
  - Huawei
  ...

- Many consumer brands available
  Aimo, K-Tonch, Tianyu, Zarav, Holleycom, Gectk,
  Gionee, Daxian, Vcall, Jin Peng, Yaxunda, Newsmy,
  Hitel, Pulid, Changhong, Shentai, Mastone, Skyworth,
  Elitek, Cayon, Cect, GT, ZTC, NCBC, Dopod, Bird, Dopod, Hedy, Konka, …
# Mobile Phones World-wide

## Mobile phones, world market share (percent)

<table>
<thead>
<tr>
<th></th>
<th>Q1, 2008</th>
<th>Q4, 2007</th>
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<tbody>
<tr>
<td>Nokia</td>
<td>39,1</td>
<td>40,4</td>
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<tr>
<td>Samsung</td>
<td>14,4</td>
<td>13,3</td>
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<td>Motorola</td>
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<td>11,9</td>
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<td>LG</td>
<td>8,0</td>
<td>9,0</td>
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<tr>
<td>Sony Ericsson</td>
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<td>Rim</td>
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<tr>
<td>Tianyu</td>
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</tr>
</tbody>
</table>

Source: Gartner, NyTeknik

- **Observations**
  - Tianyu nr 10 in the world
  - Gionee almost on top-ten in the world
  - ZTE not anymore on top ten, due to operator brand sales
**Mobile Services**

- **China Mobile**
  - Average revenue per user ~70 SEK
  - Mainly voice
  - SMS (11.8 percent)
  - Ring-back tones and WAP (8.5 %)

- **Mobile service and billing platforms**
  - China Mobile: Monternet
  - China Unicom: UniInfo

- **Chinese demands**
  - Fun and games
  - Adaptation to domestic regional markets

- **Well-known internet services providers**
  - QQ, Kongzhong, Sina, Tom,
  - Tencent, Linktone, Hurray!,
  - Mtone
China in a Nutshell

- Many potential consumers, high growth but low average revenue per user
- Very tough competition
- Mobile consumer services controlled by state-owned operators
- After restructuring: China Mobile dominant operator, two "smaller" operators
- Popular services: SMS, ring-tones/ring-back tones, fun and games
- Domestic 3G technology: TD-SCDMA
- 3G licenses yet to be handed out
- Many large international, domestic and regional mobile phone brands: ZTE, Tianyu, Gionee + many more
- Services: Voice, SMS, some ringtones/ringback, WAP through ISPs

Thank you for your time!
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