



SINOREACH

## *Opportunities in Chinese Mobile and Internet Markets*

*Seppo Selkälä  
Sinoreach Ltd.  
Beijing*

# *SINOREACH Business Development Services in China*

## **Market Research**

- Market size, Trends, Growth
- Competitive landscape
- Potential Customers
- Regulatory framework
- Customized research

## **Market Entry**

- Due diligence
- Partner identification & assessment
- Market segmentation
- Sales strategy & Product Positioning
- Technology strategy
- Customized consulting

## **Strategy Support**

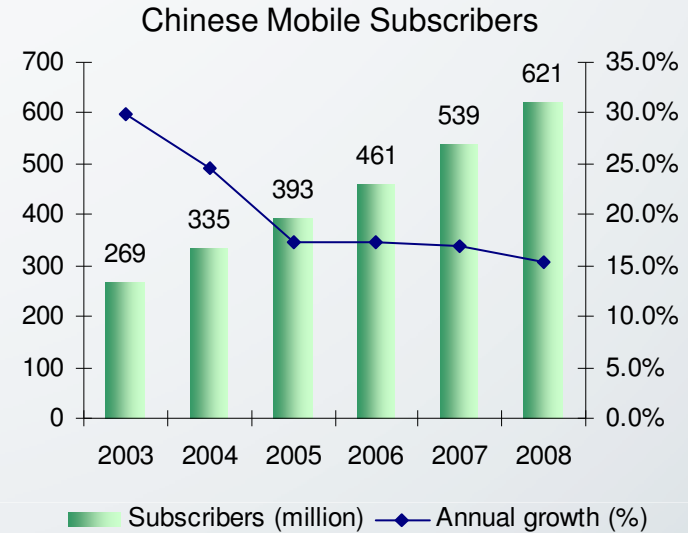
- Partner negotiations
- Government contacts
- Business development support
- Customized consulting

## **Training**

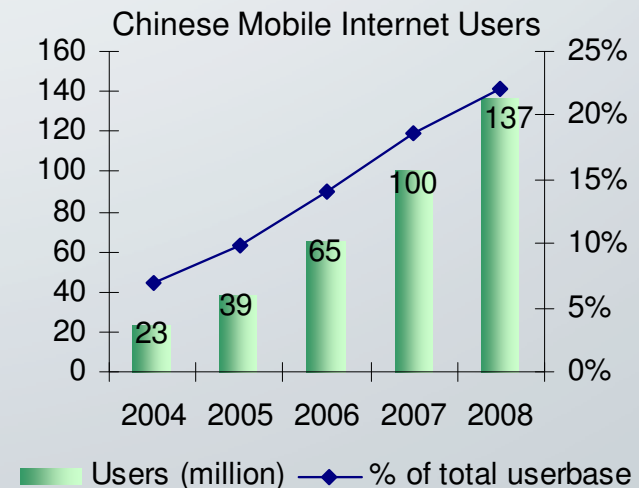
- Working with Chinese in China
- Chinese ICT markets
- Doing Business in China training
- Customized training and seminars

# Chinese Mobile Market Overview

- Two mobile operators
  - China Mobile (about 70% market share)
  - China Unicom
- No 3G yet
  - More operators to come after 3G licenses issued
  - In many other countries 3G has provided good growth base for data services and MVAS in general
- Chinese mobile subscriber base has been increasing rapidly and will achieve this year 539 million
- Even though the growth rate is stabilizing market is still growing with millions of users every month

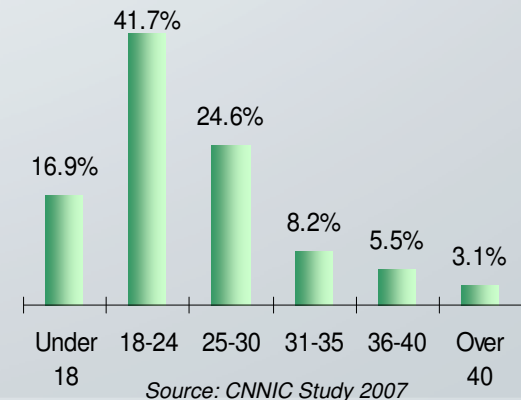
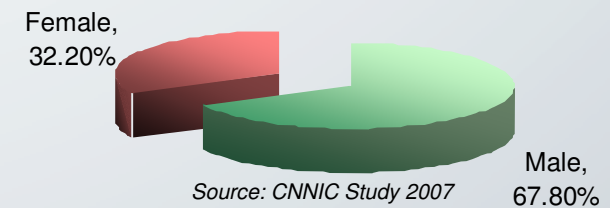
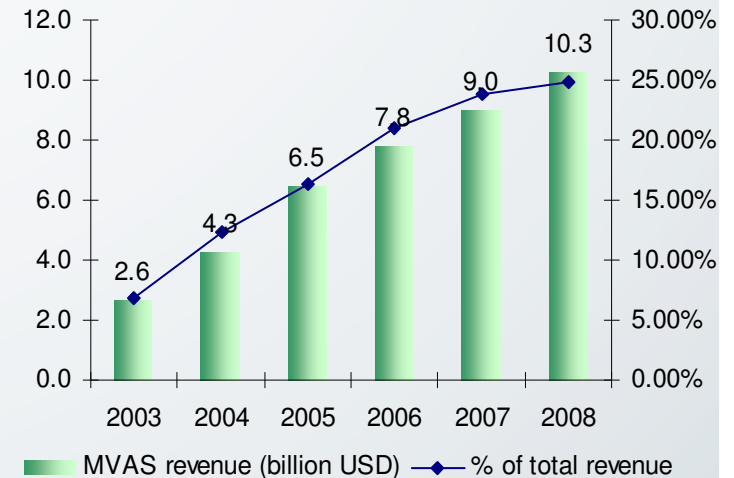


- The number of Chinese mobile internet users is increasing rapidly due to operators promotion and ever expanding service offering
- Mobile internet user number is estimated to reach 100 million by end of 2007 growing with over 50% from previous year
- Growth rate will continue strong for next few years
- Market scale is already considerably high
- Active mobile internet users represent one third of total mobile internet users
- In 2007 19% of all subscribers use mobile internet
- 2.75G network updates (edge) in main cities and 3G network launches will contribute to the growth in addition to more appealing content offering and better terminals



# Chinese Mobile Market Overview

- Use of MVAS services is popular in China, 80% of all mobile subscribers have used value added services
- This year we estimate MVAS revenue to constitute 23.9% of total mobile operator revenue
- Strong development of MVAS market provides good growth basis for various forms of mobile advertising
- According to CNNIC 2007 study:
  - As in internet most mobile internet users are male, about 68%
  - Mobile internet is popular among young people, under 25 years category occupies 58.6%
  - 66% are single
  - 31.5% are employees, 30.9% students and 13.6% entrepreneurs
  - 81.4% live in urban area
- Typical Chinese mobile internet user is male, single, aged 18-24, working and lives in a city



## Most Used Mobile Internet Services

Email 72.2%

News 30.9%

Downloads 19.4%

Chat 15.5%

Search 8.2%

Internet communities 6.3%

Banking 5.3%

Blog 2.6%

Online video 2.3%

Others 0.6%

## What Are Most Popular Services?

- *Most popular service is email, followed by news, downloads and chat (CNNIC study 2007)*
- *Most popular categories are quite similar to those of general internet users*
- *The main difference is that mobile internet users are not using as many services on mobile as in normal internet due to cost and not being familiar about services and service providers*

## What Are Most Common Problems?

- *Users name high cost, low speed, lack of good content and unreliable connection as most common problems (CNNIC study 2007)*
- *Chinese mobile operators haven't yet properly adopted flat rate pricing for mobile data, this hinders the wide spread development of mobile internet*
- *Most users can only use GPRS with relatively low speeds*

## Problems Encountered Using Mobile Internet

High cost 86.4%

Low speed 33.4%

Lack of good content 23.4%

Unreliable Connection 21.1%

Unstable network 20.2%

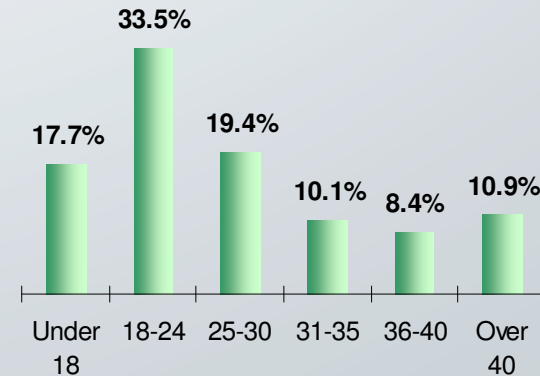
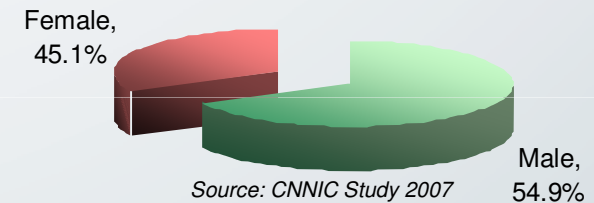
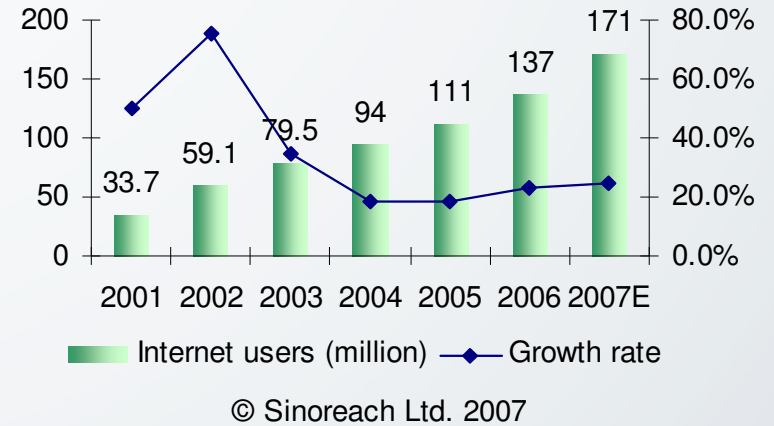
Fail to show pictures 7.5%

Virus 6.5%

Others 0.2%

# Chinese Internet Market

- By end of 2007 estimated to have 171 million internet users
- Over 70% has broadband access
- Internet penetration rate about 13%
- According to CNNIC 2007 study:
  - Most internet users are male, about 54.9%
  - Internet is popular among young people, under 25 years category occupies 51.2%
  - 57.9% are single
  - 25.3% are employees, 36.7% students and 9.9% entrepreneurs
  - 76.9% live in urban area
- Typical Chinese internet user is male, single, aged 18-24, working and lives in a city



## Most Used *Internet Services*

News 77.3%

Search engine 74.8%

Instant messaging 69.8%

Online music 68.5%

Online video 61.1 %

Internet games 56%

Email 55.4%

Online shopping 25.5%

Online education 24 %

Online banking 20.9%

## *What Are Most Popular Services?*

## *What Are Most Common Problems?*

## Problems Encountered *Using Internet*

Internet viruses 29%

Hacker attacks 17.2%

Rogue software 7.9%

Cheating 7.6%

Fake free charges 7.4%

Fake information 7.3%

Pop ups 7.2%

## *Interested...?*

- Huge markets but even bigger challenges
- Don't bother without acquiring expertise about the markets
  - Too easy to lose money, technology and plenty of time
    - Don't too same mistakes as most Finnish companies do
  - Hire person with expertise into your company or hire experienced consultant
    - Know the markets – people, business models, opportunities, strategies, risks & ways to control risks
- Financing – no free lunch – explore different forms of financing
  - TE-keskus
  - Tekes
  - KTM
  - Other
- Sinoreach together with Culminatum is starting at the beginning of 2008 export partnership (“vientirengas”) targeting Chinese mobile and internet markets
  - Looking for companies that would have synergies (mobile & internet)
  - KTM pays up to 2/3 of costs (SMEs)
  - Get experienced and connected persons
    - Enables inexpensive exploring of Chinese markets – good first step
    - Sinoreach has experience of helping foreign mobile related companies to Chinese markets

# Contact

Seppo Selkälä

Business Development Director

**mobile** +86 1350 1158 905 / +358 400 429 837 (until 23.11)

**email** seppo.selkala@sinoreach.com

**skype** sepposelkala

[www.sinoreach.com](http://www.sinoreach.com)

Sinoreach Ltd.

Beijing