A Case Analysis of the Marketing Strategies for China United Telecommunications

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ABSTRACT
China United Telecommunications Co., Ltd. ("China Unicom") was established on July 19, 1994 by the state Council, as the only Chinese operator that has a license to provide a full range of services, the second national carrier to provide basic and value-added service, mobile, and telecom networks such as mobile and engineering service, and to provide long-distance and local phone services to the general public. The finding of this study is that there is several factors affect China Unicom marketing strategy. China became a member of the world Trade Organization (WTO), the uncertainty policy by government and the bad performance of CDMA service are main factors that affect the company’s marketing strategy. This paper takes a fresh, in depth look at China Unicom and the issues it face, and provides insight into the future shape of China Unicom marketing strategy.

INTRODUCTION
China United Telecommunications Co., Ltd. (‘China Unicom’) was founded by the State Council on 19 July 1994 as the only Chinese operator approved to provide a full range of services, the second national operator to provide basic and value-added services, mobile and telecommunications networks such as paging, mobile and engineering services, and to provide long-distance and local telephone services. The Company’s largest shareholder is China United Telecommunications Corporation ("Unicom Group"). By 31 December 2004, Unicom Group, by China Unicom (BVI) Limited and China United Telecommunications Corporation Limited, held indirectly and essentially 57.92 per cent of the Company’s stock. A Stock market’s public investors in Shanghai hold indirectly and essentially 19.49 per cent of the Company’s stock. Public investors in Hong Kong and New York hold the remaining 22.59 per cent of the shares.

The number of CDMA cellular subscribers of the Company exceeded 27.81 million, which ranked the Company as the world’s second largest cellular operator of CDMA. (J. Yu & Tan, 2005; Dewi et al., 2019; Pambreni et al., 2019; Tarofder et al., 2017).

The Board also reviews and approves the Company’s annual report about its financial performance and operational activities. Membership in the Board ensures ample international and wide representation. The Board members are prominent individuals from different fields in mainland China, Hong Kong and abroad. The board members include the company’s elected non-executive directors, who make up more than one-third of the board membership, and a non-executive chairman. Both independent non-executive officers and non-executive directors are society’s active leaders and have strong expertise and experience in various aspects. They play an active part in the Company’s growth. We maintain close contact with the company’s management and often represent completely different concerns and opinions at board meetings, which are of interest to shareholders and the stock market. These views and viewpoints help the Board in seeking the best interests of the shareholders. These independent non-executive directors have no commercial or financial relations with the Company, its holding company or subsidiaries except the shareholding relations as stated in this annual report and have verified their independence with the Company (Chen, Ma, Chen, & Fractals, 2009; Doa et al., 2019; Maghfuriyah et al., 2019; Nguyen et al., 2019).

The company also arranges appropriate compliance training for the directors, such as lawyers and accountants, to be provided by the company’s qualified advisors. While the organization is using its best efforts to incubate its management skills, significant focus has also been placed on career growth for middle-tier management officers. In 2004 more than 600 workers had completed these school. The Company has improved technical maintenance organizational skills training and cooperated with a variety of major system suppliers in providing training to over 400 network service and maintenance personnel from different provincial branches. The normal job schedule for the Company included preparation for sales and marketing as well as customer support personnel. It is expected that such preparation would improve their marketing and sales skills, as well as service level.

The efficient strategies regarding the marking of the products are being applied by China Unicom as a solution to the emerging customer needs. In this highly competitive age, this company is introducing unique designs, names, and unique features in the products. While developing any product, it always takes care of the quality of products, and its packaging which should not any case defect its brand name. It provides products having quality which fulfills the current preferences of consumers at the international level. China Unicom brings evolutions in the features of its products and services as per the requirements of the global market. The efficient marketing strategies help the firms to ensure their higher sustainable position among competitors in the modern market places. If proper
policies are maintained about the prices of products it would surely affect the marketing of products and services in a positive manner. Thus appropriate marketing policies raise the level of economic performance. The investigation in the marketing strategies of China Unicom demonstrates that this technical institution always tries to introduce its high quality based products on minimum prices. It keeps the prices of its products lower than those of its customers and it gives a discount on the purchase of products at bulk. So much lower prices of its products and services enhance the marking of its products. Customers prefer to buy its products as it provides higher quality at minimum cost. China Unicom is the only one full set of Chinese telecom services providers. It offers basic access, value-added, internet, and broadband networks. The marketing purpose of China Unicom is maintain GSM marketing share and try using CDMA service as a strong weapon to fight with its competitors to get more total marketing share. After CDMA launched in marketing two years, the result is not as the top management's expectation. Besides that by the guarantee of opening telecom market to foreign companies and the uncertain about the standard 3G license force China Unicom to rethinking its marketing strategy (Bria Low, 2005; Pathiratne et al., 2018; Rachmawati et al., 2019; Seneviratne et al., 2019; Sudari et al., 2019; Tarofder et al., 2019).

LITERATURE REVIEW

The Company offers high quality cellular GSM services in China, providing GSM regional roaming coverage in 101 countries and regions with 211 operators. The total number of GSM subscribers as of 31 December 2004 was 84.26 million, with a net increase of 11.69 million from 72.57 million subscribers at the end of 2003. Of this number, postpaid subscribers reached 42.84 million at the end of 2003, representing a net addition of 3.28 million out of 39.56 million subscribers; prepaid subscribers rose from 33.00 million at the end of 2003 to 41.42 million, reflecting a net addition of 8.41 million. Prepaid customers accounted for 49.2 percent. In 2004, GSM's average monthly churn rate declined to 2.3 percent from 2.6 percent in 2003. Customers need to complete the contract, provide accurate usage details, and pay recurring lease fees to access this service. Customers enjoy simple voice contact service, international and domestic roaming service, and the organization offers a range of value added services functions. The consistency and effectiveness of the product distribution strategies are needed to be studied and adopted for the strong marketing system. Whether a company sells its products directly (without the involvement of middleman) or indirectly (through a middleman) it should share and communicate its marketing policies and procedures clearly and precisely as could be easily followed by the customers. China Unicom's past performance shows that its policies about the marketing of products and about the payment for products are flexible and convenient. It has a clear and fast communication system that facilitates its marketing channels. Thus its channel of sale of products is easier than its competitors. Its process of marketing is so much convenient that even an uneducated person can easily buy them. Thus the flexibility and convenience in marketing procedures increase the popularity of its products and enhances the rate of its marketing. The past performance of the business organizations proves that the more convenient is the channel of marketing, the greater is the rate of a marketing. The greater the rate of marketing of the products, the greater is the speed of the economic progress of a firm. The up to date and the efficient advertisement of products and services enable the firms to broaden the scope of marketing. Different efficient tools are used for advertisement. The efficient advertisement clearly defines the features and quality of products, it clarifies its channels to purchase the products and communicates about its policies about the prices of products. China Unicom also adopts promotional strategies to advertise its products and promote their marketing. For instance, it uses catalogs, runs trade shows, and mail campaigns to introduce its products. Research has proved that the Innovation based and efficient advertisement process is playing a key role in marking of China Unicom's products. The telecom network consists of such parts as transport, multiplexing, switch and terminal. Among them, the three parts of transport, multiplexing and switch combined are known as "transfer mode". ATM stands for Asynchronous Transfer Mode, which integrates the strength of both circuit switch and packet switch, i.e. both flexible bandwidth allocation and elimination of complex traffic control and error control. This greatly reduces the time delay in transport and is qualified for LAN interconnection to provide real-time multimedia services with QoS guarantee. ATM is a connection-oriented communication mode. Connection orientation refers to the establishment of a connection between the sender and receiver before communication, and the message or information is continuously transferred on that connection while in communication. Therefore the routing between the sender and receiver is fixed for multiple messages or information in a single communication. ATM is a packet switch mode with fixed packet length. In traditional packet switching the length is not fixed. ATM relies on cell switching technology. ATM offers statistical multiplexing capability. ATM can integrate multiple services (Y. Lu, Zhang, & Wang, 2009; Nekhashemi et al., 2017; Tarofder et al., 2019; Ulfa et al., 2019; Tarofder et al., 2016; Udiyath et al., 2019).

The total bandwidth leased for carrier operations in Asynchronous Transfer Mode ("ATM") and Frame Relay ("FR") amounted to 9007 x 2 Mbps. The broadband video-telephony service "Uni-Video" terminals accumulated at 337 thousand. The Business offered the "Uninet" Internet access service in 328 cities in China as of 31 December 2004, providing "Uninet" regional roaming service with 103 countries and regions. Internet subscribers reached 12.43 million in 2003, to 13.62 million by 31 December 2004, "Ruyi Mailbox" subscribers had reached 14.69 million (Xia, 2011). GSM is a 2 G, wireless mobile networking network based on TDMA. This was established first to facilitate the convergence and integration of telecommunications services within the EU. In 1987, telecommunications departments in 13 countries signed an MOU for implementing GSM standard across Europe. It has been widely put into commercial use across the world. GSM divides audio signals into certain data sequences, puts a certain length of data into channels according to a specific interval, and reorganizes sequence at the channel terminal. Unicom Operating Company's GSM network operates at the 900MHz band, and it has begun to operate GSM system at 1800MHz band in some cities to expand the existing network capacity. Unicom Operating Company has been approved to use 2x6MHz spectrum at the 900MHz band, and to use 2x10MHz spectrum at the 1800MHz band.
CDMA Development Organization is in charge of coordinating worldwide development of CDMA. This standard has been adopted by over 100 operators in over 60 countries and regions including Hong Kong, ROK, Canada and USA. CDMA 1X has been upgraded on the basis of IS-95, system performance greatly enhanced. Compared with IS-95, CDMA 1X has a marked advantage of higher data transmission rate (maximum rate up to 153.6Kbps), can provide subscribers with mobile Internet and other multimedia services. Moreover, CDMA 1X has other advantages such as large system capacity, backward compatibility with IS-95, and smooth transition to 3G. It has already had a large number of subscribers in the US, Japan and Korea. In March 1999, the State Council approved Unicom Group’s adoption of CDMA technology to construct and operate mobile communication network. Unicom Operating Company has been approved to use 2x10MHz spectrum at the 800MHz band (Shibo & Tingjie, 2006).

The Business has a state-of-the-art and secure fiber optic transmission network with nationwide coverage (except for Xizang). In 2004, the company initially set up an activity supporting transmission network system that covered 30 provinces in the country, conducted end-to-end circuit real-time control, and provided fast and high-quality services. As of 31 December 2004, the optical fiber transmission network had a total length of 712 thousand km, covering 326 cities in the country, 120 thousand km of which was covered by the optical fiber backbone transmission network. The Company cooperated closely with other companies to share and complement each other’s capital. The Company lowered the costs of network construction, service and maintenance by providing mutually protected transmission circuit for each other, jointly building networks, and buying foreign marine cable services. With the success of the national CDMA network Phase III project developed by Parent Company, CDMA network coverage and efficiency increased significantly. In theory, the high-quality CDMA network was developed, providing a stable network for better marketing activities. In 2004, the wireless link rate of CDMA network hit 99.6%, the rate of call drop was less than 0.45%.

The organization actively seeks to explore the potential of the ongoing GSM network and aims to supplement, refine and expand the network to meet customer demand. The GSM network was extended in trial to Tibet as of 31 October 2004, meaning all 31 provinces in the country were linked by GSM network. In 2004, the rate of wireless network communication in the GSM network hit 98.8% and the rate of call decline was less than 1.0%.

![Figure 1: Revenue Consumption](image.png)

Revenue from the CDMA Cellular Sector expanded further as CDMA customer base increased sustainably and rapidly. CDMA Cellular Sector operating revenue exceeded RMB26.34 billion in 2004, a rise of 41.8 per cent from 2003. On a pro forma basis, the rise was 26.9 percent. Revenue from the selling of telecommunications goods as a percentage of CDMA Cellular Business’ overall operating revenue decreased pro forma from 11.6 percent in 2003 to 8.0 percent in 2004 (Yan & Pitt, 1999).

**METHODS**

China’s telecommunications industry is still in its infancy and thus the available literature is still very sparse in terms of results from the industry. Nonetheless, there are a large number of qualified analyst reports on the telecommunications sector in China due to the enormous potential of the Chinese market which were forbidden from submitting as a source of information due to their exorbitant prices. Time constraints, as well as cost issues, have made it difficult to use informal interviews. Therefore the Internet has been the primary source of knowledge collection for this study, with little information in terms of standard books and traditional industry studies. While the amount of available knowledge is immense, it was difficult to disseminate all this knowledge and collect definitive proof that could be confirmed by various means or specific web sites. This has proven very difficult to check the information collected, because the sources have different reasons for disseminating information on the Internet, and so their opinions on the various topics of concern have sometimes diverged.

**ANALYSIS**

The Company has put a great deal of effort into improving its CDMA wireless data service, and will use its best efforts to turn CDMA’s technology and business dominance into a competitive advantage in marketing to improve competitiveness. Revenue from CDMA Cellular Business’ value-added business exceeded RMB2.38 billion and accounted for 9.8 per cent of CDMA Cellular Business’ overall service revenue in 2004, up from 4.5 per cent in 2003. GSM Cellular Business revenue rose by 15.3 per cent from 2003 and exceeded RMB47.47 billion in 2004, reflecting a pro forma rise of 2.4 per cent. (Yuan et al., 2006).

GSM Cellular Business service revenue as a percentage of GSM Cellular Business’ overall operating revenue rose from 97.9 per cent in 2003 pro forma to 98.1 per cent in 2004. GSM subscription fees reached RMB32.00 billion in 2004, representing 67.4 per cent of GSM Cellular Business’ total operating revenue, while monthly fees reached RMB6.92 billion in 2004, accounting for 14.6 per cent of GSM Cellular Business’ total operating revenue. GSM interconnection revenue amounted to RMB2.61 billion, representing 5.5 per cent of GSM Cellular Business’ overall operating revenue. Revenue from the Company’s GSM value-added services reached RMB4.86 billion in 2004, reflecting a 10.4 per cent share of GSM Cellular Business’ service revenue, an improvement from 5.0 per cent in 2003. Through exploiting the technical capabilities of the company’s integrated network infrastructure, along with a successful expansion of the international and domestic call volume for PSTN and IP telephony, China Unicom has proactively promoted distinguishing services such as: "Rudi Mailbox," "Uni-Video" and "Unicom OneNet." Revenue from the business Long Distance, Data and Internet Market dropped 3.6 percent from 2003 and reached RMB5.53 billion in 2004, a pro forma rise of 6.2 percent from 2003.
Japan has the third-largest market in telecommunications. Mobile phones are becoming one of the key driving forces for the Japanese IT revolution and the combination of wireless communication with the Internet is the hotspot in Japanese telecommunications industry’s growth. Japanese telecommunications operators emphasize new technology research and development. I also suggested creating “Five Sense Communication” to transfer olfactory, tactile, and gustatory information rather than visual auditory information so that people’s contact is more normal and actual. Even the Japanese information technology industry is extremely advanced. All large organizations have developed computer networks within them, and 80 percent of them have linked to external networks. Every 1.02 people in government departments own a single machine and every 1.96 people own one in the executive offices. Although Japan’s Internet technology lags behind that of the United States, it fosters strengths and circumvents weaknesses by setting up a “Mobile Global Communication Network” to compete on the world information market with the United States. The efficient strategies regarding the marking of the products are being applied by China Unicom as a solution to the emerging customer needs. In this highly competitive age, this company is introducing unique designs, names, and unique features in the products. While developing any product, it always takes care of the quality of products, and its packaging which should not any case defect its brand name. It provides products having quality which fulfills the current preferences of consumers at the international level. China Unicom brings evolutions in the features of its products and services as per the requirements of the global market. The Japanese government and industry are hoping information technology will support the development and growth of their sluggish economy. Since the 1980s, the Japanese telecommunications industry has slowly opened up and witnessed a few companies from predominantly state-owned operations to monopoly operations. The Japanese government has released Electronic Telecommunications Industry Legislation and TNT Restructuring to speed up Japan’s telecommunications industry reform. The Japanese government has agreed to carry out further changes in the telecommunications sector according to economic restructuring (J. Zhang & Liang, 2011). The three competitive fostering steps are the following. Firstly, it will deregulate, further open up the market and improve consumer vitality; secondly, it will use cable television to develop new methods for low-cost local communication; thirdly, it will abolish the cap on the percentage of foreign investment in the telecommunications industry and brace itself for the task of internationalizing the telecommunications sector. China has close business relations with Japan. Thus in these two countries the telecommunications industries are planning a sequence of collaboration in many fields. Japan Telecommunication Corporation and China Telecom Company, for example, have reached a cooperative agreement on the development of ATM’s international express data transfer service network. In joining the Chinese telecommunications market Japan has lagged behind European and American telecommunications operators. If Japanese enterprises will take the first step in the next round of competition for Chinese market share, Japanese economy and Japanese overseas business restructuring would benefit greatly. Since Japanese firms are willing to penetrate the Chinese market, and are as open to overseas markets as their European and American counterparts, it is very likely for Japan to gain first-move advantage. Additionally, the Japanese government gives stronger advice on industrial policy than the governments in Europe (J. Lu & Weber, 2007). To GPRS and laptop users China Mobile also operates China’s biggest wireless LAN. [www.chinamobile.com] (Loo, 2004). Netcom hires about 150,000 people (Pitt, Levine, & Yan, 1996). Netcom is China’s third largest operator (after China Mobile and China Telecom) and competes with China Telecom in fixed and broadband networks and, to a lesser degree, with Xiao Ling cellular operators (Hongmin, 2003).

**DISCUSSIONS AND CONCLUSIONS**

Based on the above statement, the author would like to give some marketing strategies to China Unicom to achieve its marketing objectives. China Unicom is the second telecom operator in China. Its services cover more than 300 cities in China. It has 112 million subscribers. It gives the company an opportunity to develop M-commerce. Telecom operators have begun to tap into e-commerce business while they are focusing on the value-added services. This new idea is thought to bring new blood to both telecom value-added business and e-commerce market. Telecom service and e-commerce business have been so distinct that no one had expected the two would be bundled together. However the boom and further development of value-added services and e-commerce business made the combination between them possible, and such cooperation and innovation are already under way. The M-Commerce market players can theoretically be broken down into three types:

- Network operators,
- Suppliers, and
- Content providers.

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**Figure 2: Main product revenue changing Graph 2000-2004**

Yet industry analysts have forecast that the U.S. telecommunications industry will navigate through this tough time as economic downturn is just a phase in the economic cycle and not the end of the telecommunications revolution. The growth momentum for manufacturers of telecommunication equipment is far from over and more prospects lie ahead. With the advent of many new innovations and telecommunications regulation’s improved performance, the telecommunications industry will retain strong growth imputations. While the 11 September 2001 terrorist attack has had negative effects on the US telecommunications industry, several new business opportunities have arisen. For example, more businesses are introducing videoconferencing systems within, and the demand for communication equipment is greatly growing. Perhaps we might also assume that after the terrorist attack “9.11” the telecommunications sector is gaining. And in the long term the event should have some impact on the world telecommunications industry (L. Yu, Berg, & Guo, 2004).

![Graph showing Main product revenue changing 2000-2004](image_url)

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All the three player types have capital that can diversify into the M-Commerce market. Network operators like NTT DoCoMo already have an existing customer base in Japan, and control networks. Suppliers include manufacturers of handsets and network hardware, creators of software systems, as well as security specialists. Such makers are both suppliers and players as they are all willing to provide the requisite elements of infrastructure for a stake in the M-Commerce game. Content providers are made up of existing companies seeking to add wireless connectivity to their options or startups seeking to focus on M-commerce for innovation delivery. Currently, telecom operators are not the leaders in e-commerce business, but followers. The entertainment content of value-added services is still much more than that of e-commerce. But the world keeps on changing and no one can tell what e-commerce will look like in the future. For example, from the user viewpoint, they use messaging capabilities on their Japanese handsets, and customers of financial institutions in Europe like in the future. For example, from the user viewpoint, they use messaging capabilities on their Japanese handsets, and customers of financial institutions in Europe produce most of the M-Commerce market. M-Commerce, however, has the ability to gradually become part of the life of any customer, as companies extend their IT resources to include M-Commerce.

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