

## Chapter XVII

# Individual Telecommunications Tariffs in Chinese Communities

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### ABSTRACT

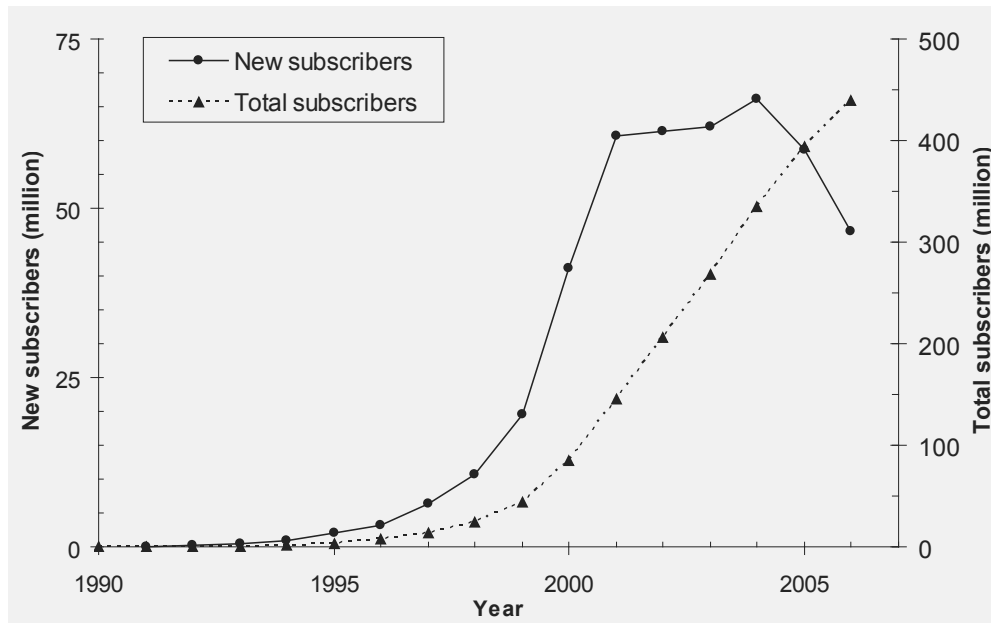
*The chapter addresses mobile service pricing and affordability issues in China. The goal is to assist fast diffusion and sustainable development of mobile services through pricing mechanisms. Diverse situations exist with a split between a large number of mostly rural people still lacking basic services; and some affluent mostly urban users wanting personalized value-added services. A historical perspective is taken and tariff data are reported. Focussing on content and interactions, solutions are found in community-based individual tariffs; this business model fits especially well with the community culture rooted in Chinese tradition. Such a solution can facilitate the diffusion to all types of users, and also allow community members themselves to satisfy their own demands. Two cases are described: the gaming communities of Lianzhong; and the “Tianfu” rural communication communities in Sichuan province. Concluding remarks are made about existing technologies and standards needed by this approach, and about how to close the gap between the current situation and the envisaged implementation.*

### INTRODUCTION

In mainland China, the first public mobile operator—China Telecom—started its mobile services in 1987 under heavy government involvement and as a state-owned enterprise, with 700 subscribers. Due to the booming domestic economy, the mobile

communications market has developed rapidly since its initiation (see Figure 1). This is reflected in the number of mobile users as well as in the number of mobile operators. In terms of absolute volume, there were about 400 million mobile subscribers at the end of December 2005 (National Bureau of Statistics of China, 2005). In terms of

Figure 1. Mobile subscriber growth in China (1990-2006)



penetration rate, wireless communications had an overall penetration rate of 30.1% among the total population (December 2005). Although fixed telephony had been introduced many years before mobile, it had never enjoyed such a fast growth and the penetration rate was only 26.8% over the whole population in December 2005. There are now four mobile operator groups, two dominant ones: China Mobile and China Unicom; plus two minor ones: China Satcom and China Telecom. Each has subsidiaries at the provincial level.

The sheer number of mobile subscribers implies diverse demands for mobile services. This is further complicated by unbalanced development in regional economics and in urban planning. While people in the more developed areas are demanding more value-added services, people in less developed areas are still lacking basic services. It is challenging, if not impossible, for the service providers (e.g., operators) to elicit such diverse demands from individual users. Furthermore, service creation costs can be prohibitive therefore

leading to high tariffs; which are contradictory to the significantly less affluent purchasing power in the less developed regions. This chapter addresses the mobile service creation and pricing issues in China by introducing community-based individual tariffs. The concept and its business model can help to create mobile services that meet exactly user demands at a group level. More importantly, the concept and its business model allow a user to pay what he/she is willing to pay. Thus community-based individual tariffs can facilitate the fast diffusion as well as sustainable development of mobile services in China.

The chapter is structured as follows: In the second section, the current mobile services and tariff situation in China are analyzed. Without immediately offering a solution, in the third section, we proceed to provide a vision of mobile services in the near future enabled by emerging technologies. The emphasis of these services is on content and interactions in communities. We then introduce community-based individual tariffs and a business

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