

Message-Based Service in Taiwan

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INTRODUCTION

The number of cellular phone subscribers has increased 107% in Taiwan, based on the Directorate General of Telecommunications reports (<http://www.dgt.gov.tw/flash/index.html>). Meanwhile, Internet users have reached a total of 8.8 million, and mobile Internet users have broken the record of 3 million in 2004. The combination of information and telecommunication technologies has brought people a new communication method—cellular value-added services, which have become a lucrative business for telecommunication providers in Taiwan.

One result of the cellular value-added services presented to the public, which brought the information-based, messaging-based and financial services into one kit, was that people not only could communicate through the cellular phones, but they also could use them as versatile handsets. DoCoMo, a famous Japanese telecommunication provider, has successfully cultivated the cellular value-added services. Its success lies in two areas: (1) content and Web site providers are willing to share their technical support; and (2) an automated payment system was established to assist cash flow between providers and even beef up the whole industry by associating related business partners (Natsuno, 2001).

In addition to DoCoMo's case, the telecommunication service providers in Taiwan have provided various cellular value-added services. However, the popularity of the service did not turn out to be as good as expected. We are wondering why. Telecommunication providers began to adjust the fee of short message service (SMS) down to 25% maximally since June 2004 in Taiwan. The idea of lowering fees is to stimulate the popularity of SMS usage. Would that bring a collateral effect to the providers of cellular value-added service positively or negatively? Therefore, this research will discuss the challenges facing

Taiwanese cellular value-added service providers. Hinet, Taiwan Cellular Corporation (TCC), and Flyma (online service providers) have been chosen as research companies.

BACKGROUND

The great innovation of Information Technology (IT) has brought both cellular phone and Internet technology to a reality; a high penetration rate of cellular phone subscribers and a great popularity of the Internet has completely changed communications among people. With these two new technologies, people can communicate with each other without a concern about when and where. The created value of cellular value-added service has been considered as a significant issue in this research.

According to the Marketing Intelligence Center, the cellular value-added service can be categorized as message-based service, entertainment service, financial service, and information service. Table 1 shows the categorization.

This research focuses mainly on message-based services (short message service (SMS), e-mail, and Multi-Media Service (MMS)). Three different types of cellular value-added service industries have been chosen as case studies, including a System Service Provider (Taiwan Cellular Corporation), an Internet Service Provider (ISP) (Hinet), and a Value-Added Service Provider (Flyma). Taiwan Cellular Corporation (TCC) (www.tcc.net.tw) is one of the biggest telecommunication providers in Taiwan. It specializes in network infrastructure, product offering, technology development, and customer services. The value-added services in TCC include SMS, MMS, entertainment, and so forth. HiNet (www.hinet.net) is Taiwan's largest ISP and has, by far, the largest number of users in Taiwan. Hinet's value-added

Table 1. The cellular value-added service categorization (marketing intelligence center, <http://mic.iii.org.tw/index.asp>)

Category	Description	Application
Message-based service	Providing users real-time message services	Short message service(SMS), e-mail, multi-media service
Entertainment service	Providing users recreational services	Downloading hot pictures, music tunes, and games
Financial service	Providing users services of financial issues	Mobile banking, mobile shopping, etc.
Information service	Providing users up-to-date information	Information of weather, news, sports, mapping, etc.

service includes voice over IP (VOIP), games, MMS, and so forth. Flyma (www.flyma.net) is a small enterprise company specializing in wireless value-added services such as MMS, e-mail, and so forth.

The perspective analysis is based on the Balance Scorecard (BSC) (Kaplan & Norton, 1992, 1993, 1996a,b,c,d). BSC has been used as a strategic management system and performance measurement. The BSC suggests that we view the organization from four perspectives and to develop metrics, collect data, and analyze them relative to each of these perspectives: the learning and growth perspective, the business process perspective, the customer perspective, and the financial perspective. In this article, we customize the BSC's four perspectives to be cellular value-added service: Service Charging, Customer Relationship, Business Partnership, Innovation and Learning. We illustrate the four perspectives' relations with each company's vision and business strategies.

PERSPECTIVE ANALYSIS

Based on the four fundamental perspectives of BSC, we customize the perspectives to be the following cellular value-added service perspectives.

1. **Service Charging:** Due to the company's internal financial confidential information, we focus mainly on the charging comprisal of SMS fee.
2. **Customer Relationship:** We focus on the customer segmentation of each case and the process of CRM.

3. **Business Partnership:** We discuss the relationship between these related business partners.
4. **Innovation and Learning:** We compare the program of human resource enhancement for each case.

Figure 1 shows the proposed cellular value-added service perspectives with their relationships.

Service Charging

The service charge consists of an MSN fee per cost, an estimated production fee, and an access fee. The access fee is the administration fee to the ISP provider. The access fee charge is 20% of MSN per cost minus the production fee. In other words, only the value-added service provider (Flyma) needs to pay ISP providers, whereas both Hinet and TCC do not need to pay the access fee, because they are the ISP. Table 2 shows MSN service charging structure in Taiwan. The figure is shown in NT dollars.

Customer Relationship

Due to the saturated market of cellular phone subscribers, telecom providers begin to provide subscribers cellular value-added service. Based on the completed network of information infrastructure, Hinet successfully brought its services into each subscriber's home, which resulted in a good customer relationship. Moreover, TCC has considered the high quality of customer service as the company vision and has established a customer service department as an

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