A Competitive Strategy Analysis on China’s Emerging Mobile TV Industry

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ABSTRACT

This paper investigates the fast-growing mobile TV industry in China. It uses a competitive strategy perspective to examine relations among main players and forces, including the incumbent 3G mobile operators, cable operators as new entrants, other emerging techniques, content providers as the suppliers and subscribers as the demanders. Two critical factors, the platform competition among operators and the switching costs of subscribers, are highlighted in the convergence context. This study offers insights on the above issues and contributes to our understanding on mobile TV market with a characteristic of convergence between network and content. Some questions on the regulation are discussed as well.

Keywords: 3G Network, Content, Mobile Operators, Mobile TV The SARF

1. INTRODUCTION

Mobile TV is the television watched on handheld devices. The adoption of 3G networks has acted as a new opportunity for the roll out of mobile TV. Services streamed over 3G networks were provided in South Korea and Japan since 2005, and spread to some European countries as well as United States in 2006 (Kumar, 2010). As an innovative convergence between television and mobile technology, mobile TV industry in 3G era is an exciting field.

Considering mobile TV is an emerging technology, systematic studies have been seldom taken yet. Preliminary investigations mainly concentrated on the end-user acceptance (Schuurman et al., 2009; Jarvenpaa & Loebbecke, 2009; Lee & Ryu, 2010; Lee et al., 2011), since opinions about the future of mobile TV, enthusiastic or negative, are lack of consensus. Related research also includes the scenario planning for identifying mobile TV’s future success (Pagani, 2009). Actually, in some countries, the mobile TV businesses were terminated within a very short term. For example, British Telecom abandoned its fledgling mobile TV service less than a year after it was launched (Tilson, 2007), while the first and second attempts to launch a mobile TV service in Germany have failed (TeleGeography, 2009).

Mobile TV in China, conversely, has already joined the frontrunners team in

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subscriber growth. Although China’s commercial 3G operations were not started until mid-2009, 87.2 million subscribers has been rapidly accumulated within two years (MIIT, 2011a). By the end of November 2012, the number of 3G subscribers in China has reached over 220.5 million (MIIT, 2012). China is predicted to overtake the United States as the largest market for 3G mobile services in 2013 (Phillips, 2010). Among overall 3G subscribers, based on a survey result in 2011, approximately 40 percent are mobile TV users (MIIT, 2011b).

Meanwhile, “Three-Network Convergence”, the official triple-play strategy in China, began its formal advancement in January 2010 after a decade preparation by the Chinese government (Hu and Hong, 2011). Moreover, the government is now focusing on promoting the development of China’s strategic emerging industries. Mobile TV, as a combination of information industry and culture industry, has been highly encouraged by various policies. However, recent publications have only discussed some issues at the very early period. For example, Steen (2011) made a comparative study on mobile TV standards governance in the European Union and China. Following the topic of standards, Huang (2010) investigated the 2008 Beijing Olympic coverage strategy when the mobile TV was in its trial stage. Lin (2012), Ren and Zhao (2012) studied various subsystems of China Multimedia Mobile Broadcasting (CMMB), which applied by China Mobile, the largest mobile operator in China. However, they did not examine another national standard and the other two national mobile operators in the mobile TV playfield. Thus, as a most promising industry, the latest progress and current status of mobile TV in China has not been widely investigated. Therefore, this paper will adopt Porter’s competitive strategy model, trying to tackle various forces that shaped the mobile TV market in order to broaden our knowledge on mobile TV. Methodologically, it is based on the extended competitive strategy analytical framework, combining the analytical framework with a study focused on the Chinese context, we hope our findings could provide insights for the future development of mobile TV industry in China.

2. INDUSTRY OVERVIEW AND ANALYTICAL FRAMEWORK

2.1. A Brief History

China’s mobile TV market shows the most rapid growth in recent years. A timeline from 2005 to 2012 is shown in Table 1. Before 2005 when current 3G mobile TV standards were developed, operators deliver wireless video from 2.5G cellular networks. The WAP (Wireless Application Protocol) portals provided users with online live or on-demand streaming video content. Obviously, the quality of receiving programs was very limited while the price was relatively expensive. With the construction of 3G mobile networks, operators can make use of advanced networks that support multicast technology, for the larger customer base to carry out multipoint multicast services. The communication data burden as well as the expense has been thus reduced. Moreover, the announcement of DMB (Digital Multimedia Broadcasting) and CMMB (China Multimedia Mobile Broadcasting) standards in 2006 further enabled the universal application of devices and transmission techniques. And then, in 2008, the restructuring and licensing of three main mobile operators have greatly promoted the mobile TV services commercially available on 3G networks (Fu & Mou, 2010; Xia, 2011). As a convergence between cable networks and mobile networks, the official Three-Network Convergence program accelerated the application of mobile TV services. In addition, even some cable operators began participating in the market.

Three aspects could be observed from the evolutionary process of mobile TV in China. Firstly, on the dimension of national standards, regulatory institutions, especially the SARFT, started working on the standards several years before the deployment of mobile TV services over 3G networks. Enough preparation time had
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