

China's 3G Market to Boom in Mid-2010

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Report Summary

China Mobile, China Unicom, and China Telecom began 3G deployment in 2007, and subsequently developed terminals and 3G business brands with value-added services. All three began commercial trials in early 2009 and, beginning on May 17th, began to officially roll out 3G services.

There is, however, a large gap between the current number of 3G subscribers and 3G terminal shipments. According to our research, there are several reasons for this: Firstly, although 3G voice fees are about 40% lower than with 2G, data rates are much higher. Secondly, network deployment is at present inadequate, and operators are experiencing difficulties with base station placement. Thirdly, the current 3G terminals, especially mobile phones, are not attractive enough to encourage large-scale replacement of mobile phones. Faced with these obstacles, operators are using different strategies to reach new subscribers and develop networks and services.

To provide a fuller understanding of the current status and future development trends of China's 3G industry, In-Stat interviewed specialists from several parts of the industry, including operators, netbook vendors, chipset vendors, OEM vendors, and handset vendors. Using this research, the report first outlines the current status of the market, then discusses the gaps between operator goals and the current status, and analyzes current market problems. It then discusses the 3G evolution plans and 3G service strategies of China's operators. Finally, it provides 3G terminal and subscriber forecasts based on our analysis.

HIGHLIGHTS

- As of August 2009, operators had reached only about 10–15% of their goals for the year.
- High data flow rates, inadequate network coverage, and a lack of attractive terminals are the main barriers to 3G development.
- 3G subscribers will possibly exceed nine million by the end of 2009, fewer than operators expected.
- China's 3G market should begin to boom when 3G network deployment is completed around mid-2010.

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