MARKETING PERFORMANCE AND MARKETING COMMUNICATION ANALYSIS OF CHINA UNICOM ANHUI ANQING BRANCH

Thesis
Han Xiao

Degree Programme in International Business
International Marketing Management

Accepted ___.___._____
_________________________________________
China Unicom Group Anhui Co., Ltd. Anqing Branch is a telecommunication company which provides service with competitive pricing strategies in Anqing. The main problem for the company is that the pricing strategy has not achieved the anticipated market performance and market share. The purpose of this thesis is to study the telecommunication market situation in Anqing and to figure out the exact reasons for China Unicom Group Anhui Co., Ltd. Anqing Branch’s inferiority towards its competitors and finally come up with appropriate marketing suggestions that can improve the situation.

A quantitative questionnaire research and eight in-depth qualitative interviews had been conducted by the researcher in order to get an overview of telecommunication companies in Anqing and a collective list of comments and suggestions for China Unicom. The numerical data had been processed to find out customers’ preference, tendency and habits while qualitative data had been analyzed to induct possible reasons for identifying present market situation and problematic issues exist in China Unicom's operation.

After the theoretical review and data analyzing of both quantitative and qualitative researches, the researcher was able to induct reasons for China Unicom’s inferiority in Anqing market into six major problems from both internal incompetence aspect and external competitive situation aspect. Marketing suggestions that are coherent to the internal and external reasons had been made. Only by solving problematic issues and eliminating technical incompetence, can China Unicom Group Anhui Co., Ltd. Anqing Branch achieve a greater market share and better market performance.

Keywords
Marketing Performance, Marketing Mix, Consumer Psychology, Pricing Policies

Note
This thesis should be kept confidential due to the requests from the managing directors of China Mobile and China Unicom Anhui Anqing Branches.
# Table of Contents

1 INTRODUCTION 6

2 FACTORS WITHIN MARKETING MANAGEMENT 7
   2.1 Target Market and Business Culture 7
   2.2 Principles of Marketing and Marketing Mix 11
   2.3 Consumer Psychology for Marketing 21
   2.4 Customer Value Proposition (CVP) and Pricing Policies 24

3 QUESTIONNAIRE RESEARCH AND INTERVIEWS ON MARKETING PERFORMANCE AND MARKETING COMMUNICATION 31
   3.1 Overview of Research 31
   3.2 Questionnaire Research on Marketing Performance and Market Share 32
      3.2.1 Question Arrangements and Questionnaire Research Implementation 33
      3.2.2 Numerical Data Analysis on Basic Information of Responders 36
      3.2.3 Accumulative Crosstab Data Analysis on Preference and Tendency of Responders 49
      3.2.4 SWOT Analysis for China Mobile and China Unicom 60
   3.3 Qualitative Interviews on Official Marketing View Points and Personal Services Feedback 62
      3.3.1 Interview Procedures 62
      3.3.2 Qualitative Interview Summary 63
      3.3.3 Interview Data Deduction of Marketing Suggestions for China Unicom 79

4 EVALUATION AND CONCLUSION 83
   4.1 Evaluation of the Research and Thesis Report 83
   4.2 Reasons for Inferiority of China Unicom 84
   4.3 Marketing Suggestions for China Unicom 87
LIST OF FIGURES AND TABLES

List of Figures

Figure 1. Questionnaire distribution areas in Anqing City (Google Map 2010). 35
Figure 2. Reasons for choosing the mobile service provider. 38
Figure 3. Most frequently used function. 41
Figure 4. The familiarity of 3G of Chinese customers (ZDC 2009). 42
Figure 5. Preferred recharging channel. 43
Figure 6. Major information channel. 44
Figure 7. Feedback on “Fare”. 47
Figure 8. Feedback on “Signal”. 47
Figure 9. Feedback on “Service”. 48
Figure 10. Feedback on “Hotline”. 49
Figure 11. Income level of different age groups. 50
Figure 12. Monthly expense of telecommunication service of different age groups. 51
Figure 13. Mobile service provider choice for different age groups. 53
Figure 14. Most frequently used function of different age groups. 54
Figure 15. Most frequently used functions for different occupations. 56
Figure 16. Most frequently used function for different educational level. 58
List of Tables

Table 1. A summary of the key characteristics of the tools of marketing communications (Fill 2009, 24). 16

Table 2. Responders age categorization. 36
1 INTRODUCTION

China United Network Communications Group Co., Ltd. ("China Unicom") was officially established on the basis of the merger of former China Netcom and former China Unicom on 6 January 2009. China Unicom Group Anhui Co., Ltd. is one of its 31 provincial (autonomous regions and municipalities) subsidiaries across China and many other regions around the world. The total company assets reached 500.09 billion RMB and the number of employees was 463 000 right up until the end of 2008. As the second largest telecommunication service provider in China, China Unicom mainly operates fixed and mobile communications service, domestic and international communications facilities, network access service, etc. (China Unicom 2009.)

On January 7, 2009, Ministry of Industry and Information Technology (MIIT) of China granted 3G licenses TD-SCDMA, WCDMA and CDMA2000 to China Mobile, China Unicom and China Telecom respectively (Netease Technique 2009). As China Telecom set foot in telecommunication service operation, a tripartite confrontation situation of China Mobile, China Unicom and China Telecom in telecommunication service filed has started to take shape ever since.

China Unicom Group Anhui Co., Ltd. Anqing Branch has been operating fairly since its official set up on October 28, 1999. The company provides telecommunication service with a competitive pricing strategy. The main problem for the company is the pricing strategy has not achieved the anticipated market performance and market share in Anqing City. (Anqing Economic Information Center 2008.) The purpose of this thesis is to study the telecommunication market situation in Anqing and to figure out the exact reasons for the company’s inferiority towards its competitors and finally come up with appropriate marketing suggestions that can improve the situation.
2 FACTORS WITHIN MARKETING MANAGEMENT

In this chapter, the marketing theories for China Unicom Group Anhui Co., Ltd. Anqing Branch marketing management will be introduced in four steps. First, the target market information and customer purchasing decision related business culture factors are described. Then, principles of marketing and theory about marketing mix are employed to guide China Unicom’s marketing management in a comprehensive way. After that, consumer psychology for marketing theories have been used to explain the present problem that China Unicom is facing; proper theoretical suggestions about necessary psychological factors should be considered in marketing management have also been mentioned. Fourth, customer value proposition (CVP) and value pricing are depicted as principles for China Unicom’s pricing policies in competitive environments.

2.1 Target Market and Business Culture

Anqing is a prefecture-level city in the southwestern Anhui Province, People’s Republic of China. It is on the north shore of Yangtze River and also an important inland port city in eastern China. Anqing administers 11 county level divisions, including 3 districts (Yingjiang, Daguan, Yixiu), 1 county level city (Tongcheng) and 7 counties (Huaining, Zongyang, Qianshan, Yuexi, Taihu, Wangjiang, Susong). Anqing City covers a land of 1,530,000 km² with a total population of 6.1 million while the urban area is 821 km² and there are 730,000 urban inhabitants. (People.com.cn 2008.)

Customers in Anqing Market have identical characteristics as other customers around the world, but target groups within this Asian market for China Unicom Group Anhui Co., Ltd. Anqing Branch also possesses its own knacks of business. Although
China Unicom Group Anhui Co., Ltd. Anqing Branch is operating according to normal business rules and practices, business norms and values of this particular region should be taken into consideration in order to think in the way customers think and to practice in the way customers prefer. (Anqing Economic Information Center 2008.)

Culture is not a consequence of classical conditioning acquired, learned or transmitted from one generation to another (Gross et al. 1992, 322). Culture also forms people's attitudes, values, beliefs and behaviors (Terpestra et al. 1985; Sarathy 1991). Therefore it might be crucial for China Unicom Group Anhui Co., Ltd. Anqing Branch to understand fully not only how people behave and why they behave in the way they do.

“Knowledge about culture is achieved by a combination of factual knowledge and interpretive understanding. Factual knowledge is acquired through an accumulation of the characteristics or observable facts about a particular culture. Interpretive understanding requires a deeper insight and understanding of the ‘nuances of different cultural traits and patterns, which require more than factual knowledge to be appreciated, such as learning the meaning of time, of life, of attitudes towards others, of gender and of business itself.” (Cateora 1990, 69-70.)

The major social culture in Anqing that have a crucial influence on business fields are as follows.

Confucianism:

Confucianism has long been a ruler to people, to husband and wife, parent and child, older and younger, friend and friend and an invisible dimension when people are making their purchasing decisions (Kahal 2001, 128-129). “The basic tenets of
Confucian thought are obedience to and respect for superiors and parents, duty to family, loyalty, humility, sincerity and courtesy” (Kahal 2001, 129). Therefore, people in Anqing tend to have same choice of telecommunication service provider as their relatives’, not only because of economical reasons. Making a student of high school choosing the same telecommunication service provider as his/her parents’ will facilitate the communication among family members and what is more underlying is the uniformity of a family. (Anqing Economic Information Center 2008.)

Social Harmony and the Avoidance of Conflict:

The ultimate goal of all personal interaction in Asia is harmony. Harmony and peace are also the pre-eminent concerns of Anqing society. (Kahal 2001, 134.) “Asians often try to avoid conflict and direct confrontation” (Kahal 2001, 135). In China, a direct rejection or negative reply is considered to be impolite and rude. Customers get a direct and personal experience about how satisfactory the service of a telecommunication service provider is by using hotline service. It is highly recommended for China Unicom Group Anhui Co., Ltd. Anqing Branch to provide training for its hotline staffs. Following harmony and conformity principles is very important in Chinese business culture. (Anqing Policy Publicity Office 2008.)

Interpersonal Relationships, Reciprocity and the Return of Favors:

Typically collectivist orientation of Asian cultures has strongly influenced the belief and practices of interpersonal relationships in China. Building a network of personal friends is a key element of business success. Personal contacts are usually the engine of Asian business. (Kahal 2001, 136.)

In China, the principle of doing favors represents one’s honor to another (Ciarlante 1998, 38). “Every Chinese is brought up to be highly aware of this principle for its
application has a tremendous influence on social and business relationships” (Kahal 2001, 137). After China Telecom’s intrusion into Anqing market, the competition situation of telecommunication market has become fiercer than ever. One of China Telecom’s greatest advantages over its competitors is the interpersonal connections with state-owned corporations and company groups. Hence it could be wise to pay more attention to establishing and maintaining personal contacts with business leaders and corporate managers in Anqing by China Unicom Group Anhui Co., Ltd. Anqing Branch.

Family Orientation, Belongingness and Group Dynamics:

Familial relationships and their implicit responsibilities play extremely important roles in Asian culture. “Ideally, the Chinese family acts as a refuge for the individuals against the indifference, rigorous and arbitrariness of life outside” (Bond 1991, 6). Chinese people are always ready and willing to sacrifice themselves for his/her family and, in return, expect to be supported by the family. This is a lifelong intimate relationship with family for most Chinese people, which will often lead to the conformity of purchasing decisions. (Kahal 2001, 137.) By making same or similar choices, family members get assured of their implicit tie with each other. This family orientation and belongingness factors should be considered when China Unicom Group Anhui Co., Ltd. Anqing Branch is making marketing decisions. (Anqing Economic Information Center 2008.)

Hierarchy, Respect for Authority, Seniority and Class Distinction:

“A distinctive and common feature in Asia Pacific is the development of a strictly hierarchical working environment” (Kahal 2001, 142). Seniority is also very important factor in Chinese corporation. When making business contacts, make sure that the person of a higher hierarchy in a company is contacted first rather than a person
who is working in a lower hierarchy. For corporate bundle service provided by China Unicom Group Anhui Co., Ltd. Anqing Branch, the respect for authority should be paid special attention to. The services and mobile phone number clusters should represent the recipient’s social hierarchy or seniority. There should be various service packages with diverse pricing levels for people coming from different social sectors. (Anqing Policy Publicity Office 2008.)

2.2 Principles of Marketing and Marketing Mix

According to today’s marketing point of view, the traditional selling and advertising are part of a larger marketing mix – a set of marketing tools that work together to satisfy customer needs and build customer relationships. Therefore, the definition of marketing is “The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return”. (Kotler et al. 2008, 7.)

The marketing mix is usually expressed as the four Ps:
- Product (what are you selling)
- Place (how it is distributed and sold)
- Promotion (how the offer is communicated)
- Price (what to charge for it)

Company usually develops its marketing mix based on its understanding of customers’ perceptions and needs. These four Ps are the key managing areas that marketers have to organize and arrange so that they satisfy or exceed customers’ perception about the value they should get better than all the other competitors. (Jobber 1998, 13-14.)
The key characteristics of an effective marketing mix are 1) the marketing mix matches customer needs; 2) the marketing mix creates a competitive advantage; 3) the marketing mix should be well blended; 4) the marketing mix should match corporate resources. (Jobber 1998, 15-18.)

Product:

“Product – Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas. Services – Activities, benefits or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.” (Kotler et al. 2008, 500.)

When companies are developing a product, the process involves defining the benefits to the consumers that the product is to offer. These values to customers are communicated and delivered by tangible product attributes, such as quality, features, style and design. All these attributes directly influence the customer satisfaction after purchasing behavior. Product quality is a major concern for marketers, because they define the marketer’s major position and has a direct impact on customers’ value and satisfaction. (Kotler et al. 2008, 507.)

For China Unicom Group Anhui Co., Ltd. Anqing Branch, service quality is the foundation of customer satisfaction and preference. As a major telecommunication service provider, it is recommended for China Unicom Group Anhui Co., Ltd. Anqing Branch to continuously emphasize base station construction in order to provide better signal coverage and signal intensity, which are the most important dimensions when customers are evaluating the service quality. When it comes to 3G network construction, China Mobile, China Unicom and China Telecom are basically starting from the same line and this would be a perfect chance for China Unicom to gain
technical leading position as what China Mobile had in 2G era over other competitors with WCDMA standard’s own superiorities. (Anqing Policy Publicity Office 2008.)

“Brands are viewed as the major enduring asset of a company, outlasting the company’s specific products and facilities.” Brands are not merely names and symbols. They are the key bridge between companies and customers. How a brand is regarded represents the perceptions and feelings about the product and the company by customers. A strong brand is able to capture customer preference and loyalty. (Kotler et al. 2008, 521.)

Before the launch of 3G licenses, China Unicom Group Anhui Co., Ltd. Anqing Branch’s brand image used to be the second largest telecommunication service provider with cheap service fees and not so good signal quality (Anqing Policy Publicity Office 2008). With the chance brought by WCDMA and new competition situation, it could be important for China Unicom Group Anhui Co., Ltd. Anqing Branch to update its brand image in customers’ minds and try to be a telecommunication service provider who possesses the most advanced technology in 3G standards in China with concrete signal foundation and remarkable service quality. WCDMA’s exclusivity in technology may be an opportunity for China Unicom to gain customers from China Mobile, but managing a reliable and credible brand image is the approach to maintain customer preference and satisfaction.

Price:

“Price – The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service” (Kotler et al. 2008, 639).
Price is the only revenue generating element of the four elements of marketing mix while the other three are all representing costs. The value of the product or service perceived by customers set the ceiling of the price while the production costs of the product or service set the floor of the price. The actual price should be set at somewhere between the ceiling and the floor. Other internal and external factors should also be taken into consideration when the company is setting the price, such as overall marketing strategy and mix, the nature of the market and competition situation, etc. (Kotler et al. 2008, 639.)

3G network standard is a novel concept for customers in Anqing. Companies are offering featured services totally different the services provided by companies based on the 2G telecommunication market. Both the applications on 3G network and the mobile terminals that make those applications possible are brand new products to the whole audience. China Unicom Group Anhui Co., Ltd. Anqing Branch is bringing its WCDMA mobile terminals and 3G networks to customers in Anqing for the first time, there are two typical pricing strategies to choose from:

- Market – skimming pricing

“Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales” (Kotler et al. 2008, 659).

There are several conditions for the company to market-skimming pricing.

1) Quality and performance of the product or service can be sufficient evidence for its high price.

2) Enough customers who want to get the superior and better product or service at a high price or are not price-sensitive.

3) The benefit for the company of charging higher should be greater than the loss of selling less.
4) The market or technology is so exclusive that competitors are not easy to enter the market or undercut the high price. (Kotler et al. 2008, 659.)

- Market – penetration pricing

“Setting a low price for a new product in order to attract large numbers of buyers and a large market share” (Kotler et al. 2008, 659-660).

There are several conditions for the company to market-penetration pricing.
1) The market should be price sensitive so that setting the low price can make sense.
2) Variable costs must decrease as the sales volume increases.
3) The price has to be low enough to keep competition out.
4) The company must maintain the low pricing level to ensure the price advantage.

Promotion:

“Promotion Mix / Marketing Communication Mix – the specific mix of advertising, sales promotion, public relations, personal selling and direct marketing tools that the company uses to persuasively communicate customer value and build customer relationship” (Kotler et al. 2008, 691).

Each of the marketing communication tools has an exclusive role and can accomplish specialized tasks. Their own attributes and key characteristics enable them to possess various capabilities. In addition, besides the attributes and abilities of themselves, whether the credibility of the information source is high enough from customers’ perceptions is another important dimension when distinguishing each tool of the promotion mix. (Fill 2009, 23.)
Table 1 depicts the most distinctive attributes and relative effectiveness of each tool of promotion mix by comparing them according to the ability, the credibility, the costs involved and the control that each tool can maintain.

*Table 1. A summary of the key characteristics of the tools of marketing communications (Fill 2009, 24).*

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Sales Promotion</th>
<th>Public Relations</th>
<th>Personal Selling</th>
<th>Direct Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to deliver a</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>personal message</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to reach a</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>large audience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of interaction</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Credibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Given by the target</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>audience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute costs</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Cost per contact</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Wastage</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Size of investment</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to target</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>particular audience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management’s ability</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>to adjust the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>deployment of the tool</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>as circumstances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Advertising

“Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor” (Kotler et al. 2008, 737).
Advertising strategy includes two major stages: creating the advertising messages and selecting the advertising media, which covers deciding on reach, frequency and impact, choosing among chief media types, selecting specific media vehicles and deciding on media timing. (Kotler et al. 2008, 740-747.)

- Public Relations
  “Building good relations with the company’s various publics by obtaining favorable publicity, building up a good ‘corporate image’ and handling or heading off unfavorable rumors, stories and events” (Kotler et al. 2008, 760).

Public relations can largely influence public awareness at a much lower cost than advertising. The functions of public relations can be press relations, product publicity, public affairs, lobbying, investor relations and development. When a company is managing its public relations, decisions about objective setting, messages and vehicle selection, plan implementation and results evaluation should be considered together with when and how to use product public relations. (Kotler et al. 2008, 760-767.)

- Personal Selling
  “Personal presentation by the firm’s sales force for the purpose of making sales and building customer relationships” (Kotler et al. 2008, 692).

Personal selling is conducted by the sales force of the company. Sales force management includes designing sales force strategy and structure and recruiting, selecting, training, compensating, supervising and evaluating the company’s salespeople by analysis, planning, implementation and control of sales force activities. The selling process consists of several steps, they are
prospecting and qualifying, pre-approach, approach, presentation and
demonstration, handling objections, closing and follow-up. (Kotler et al. 2008,
779-796.)

- Sales Promotion
  “Short-term consists of short-term incentives, in addition of the basic benefits
offered by the product or service, to encourage the purchase or sale of a
product or service” (Kotler et al. 2008, 799).

The objectives of sales promotion can be inducted into six aspects: 1) increase short-term sales; 2) build long-term market share; 3) urge consumers to try a new product; 4) lure consumers away from competitors’ products; 5) encourage consumers to ‘load up’ on a mature product; 6) reward loyal customers and enhancing long-term customer relationship. (Kotler et al. 2008, 800.)

“Consumer promotions include money-off, coupons, premiums, contests and
others. Trade promotions or retailer promotions range from special discounts,
free goods and loyalty bonuses to training. Business promotions include
many of the same tools used for consumer or trade promotions such as
conventions and trade shows, as well as sales contests. Sales force
promotions include bonuses, commissions, free gifs and competitions.”
(Kotler et al. 2008, 799.)

- Direct Marketing
  “Direct connections with carefully targeted individual consumers both to
obtain an immediate response and to cultivate lasting relationships” (Kotler et
The major forms of direct marketing include face-to-face selling, online marketing, new digital technologies direct marketing, kiosk marketing, direct response television marketing, telephone marketing, catalogue marketing and direct mail marketing. (Kotler et al. 2008, 828-829.)

There are several steps in developing effective integrated marketing communication and promotion program. First, the target audience must be identified. For China Unicom Group Anhui Co., Ltd. Anqing Branch, the target audience can be categorized by age groups or occupational differences. Then different communication objectives shall be assigned to each audience group. After designing a specialized message for each target group, the most suitable media channel should be selected to pass through the messages. The last step will be collecting feedback for promotional results’ measurements.

Place:

“Marketing Channel / Distribution Channel – A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user” (Kotler et al. 2008, 881).

Channel system often changes with the evolution of market opportunities and conditions. Channel analysis and decision making should be purpose emphasized in order to optimize channel effectiveness. (Kotler et al. 2008, 896.) Channel design process involves four stages:

- Analyzing customer needs
- Setting channel objectives
- Identifying the major channel alternatives
- Evaluating the channel alternatives
“Marketing Logistics / Physical Distribution – The tasks involved in planning, implementing and controlling the physical flow of goods, services and related information from points of origin to points of consumption or use to meet customer requirements at a profit” (Kotler et al. 2008, 911).

Marketing logistics emphasizes outbound distribution (moving products from the factory to customers), inbound distribution (moving products and materials from suppliers to the factory) and reverse distribution (moving broken, unwanted or excess product returned by consumers and resellers). The entire supply chain management involves managing upstream and downstream value-added flows of materials, final goods and related information among suppliers, the company, resellers and final consumers. To realize these functionalities, activities as forecasting, purchasing, production planning, order processing, inventory management, warehousing and transportation planning have to be considered. (Kotler et al. 2008, 911.)

As the 3G network standard is prevailing in China, the trend of mobile phone terminals to be technically integrated with the 3G application producers and 3G network providers has become more and more prevalent. In order to enlarge customer range and market share of 3G mobile telecommunication, China Unicom Group Anhui Co., Ltd. Anqing Branch should cooperate with mobile terminal manufactures in-depth and managing marketing logistics for both WCDMA mobile terminal manufacturers and WCDMA network customers.
2.3 Consumer Psychology for Marketing

Our sensory systems provide raw materials, based on which our experiences are formed. The sense organs merely transmit all the information through nervous system without altering or selection according to what we will be aware of or how we will experience. Different people may get radically diverse perceptions from the same sensory information, because the process of perception is active and creative, during which raw sensory data are organized and given meaning. In a word, perception is the creation of experience. (Passer et al. 2001, 157.)

Consumers usually gain brand awareness through packages, promotions, advertisements and conversations with other people. But brand awareness is only a prerequisite of purchasing decision rather than a sufficient condition. After evoking the awareness of brands, customers’ buying decisions are affected by their perceptions or impressions of corporate images formed from the information they get about product characteristics. (Foxall et al. 1998, 51.)

“Effective marketing management rests on two fundamentals. First, consumers act on their perceptions which stem principally from the information they receive. Second, managers need to understand the nature of the perceptions their customers and potential customers have of themselves, their social world and the products available to them” (Foxall et al. 1998, 51).

Product Image and Brand Perception:

Brand image refers to the set of organized perceptions consumers have formed about a brand. In other words, a brand image is the sum of all perceptions customers have about a brand. The importance of brand image is that these mental representations form the foundation for customers’ evaluation and judgment criteria.
of distinguishing one brand from another as the basis of their purchasing decisions. A brand’s image is a mental reconstruction that the product or service evokes in the consumer’s mind as a comprehensive result of marketing and advertising strategies, the influence of opinion leaders and other social communication and the brand’s performance. The process of perception is selective and the role of attention and motivation is decisive for the outcome of perception process. (Foxall et al. 1998, 63.)

Although the survey conducted by Allison and Uhl (1964, 36-39) happened in 1960s, which was to find out whether blindfolded beer drinkers were capable of distinguishing different types and brands of beer, the results are still applicable in today’s marketing considerations. Another purpose of the survey was to find out the effect of brand image and reputation can be a crucial perception in beer drinkers’ mind and greatly influence their reaction and evaluations. The conclusion of the survey was the participants were not able to discern the taste differences among various brands and the labels, brands did influence their evaluation and estimation.

This example indicates that customers’ perceptions of products or services derive from marketing attributes such as brand image and company reputation alone, rather than the physical characteristics of the products or services. It is even credible that in some cases those marketing based product attributes may be the customers’ only guide to evaluation and judgment. (Foxall et al. 1998, 62-63.)

China Unicom Group Anhui Co., Ltd. Anqing Branch has been investing in base station construction for years in order to win back the image of a telecommunication service provider with signal inferiority. The signal coverage and intensity of China Mobile and China Unicom have been quite similar nowadays while the brand image of China Unicom in Anqing consumers’ mind has not been updated according to the fact. Building and maintaining a brand image as a reliable telecommunication service provider with both hardware superiority and service quality is extremely
Price Perception:

It often happens in the market that some consumers prefer to buy a more expensive version of a product to the cheaper version one and the price is the only difference between the two versions. This kind of purchasing behavior may seem to be irrational from economic point of view, but it is easily explicable in the context of today’s society where inequality in the distribution of social wealth leads to discretionary income runs at high levels and social hierarchy is judged by levels of expenditure and conspicuous consumption. In China, there is a popular proverb saying that “The money I spent is the money that really belongs to me”. People tend to link quality with price and it is human nature to purchase exclusive items that reinforce the sense of ambition or achievement. Some customers pay for not only the product or service itself, but also the self-esteem and superiority over customers without such purchasing power expressed by the price. (Foxall et al. 1998, 67-68.)

It could be important for China Unicom Group Anhui Co., Ltd. Anqing Branch to pay attention to the psychological effect of price levels when choosing pricing strategies. Choosing the market leader position and set a high price for services needs to have a solid foundation of signal intensity and service quality as a concrete evidence of exclusive prices. Choosing the market follower or competitor’s position and constantly undercut the market leader’s price level may effectively gain some price sensitive customers, but this may also affect the brand image, which may be perceived as low price for basic functions and service quality.

Store Perception:
Even in 1950s and 1960s, researchers had already made their distinctions and classifications on store perception, which are still guidelines in today’s marketing moves. Berry (1969, 3-20) suggested in his article in Journal of Retailing that there are five major components of store image, namely location, design, product assortment, service and personnel, each of which contributes to the consumer’s overall perception of the place in which he or she buys. At the same time, consumers’ perceptions of stores/outlets are greatly affected by their own motivations. As Stone (1954, 48-53) once divided in the American Journal of Sociology, there are four types of store selection motivations depending on whether the consumers were economic (price sensitive with limited purchasing power), ethical (choose the location according to their basic assumption), personalizing (make selection based on personal attention) or apathetic (choose stores that are most convenient for them without other special concerns).

Nowadays, telecommunication service providers’ outlets are no longer a recharging channel, but also an informative station and a 3G mobile terminal selling channel. These are all the factors that China Unicom Group Anhui Co., Ltd. Anqing Branch should bear in mind when establishing outlets for customers. (Anqing Economic Information Center 2008.)

2.4 Customer Value Proposition (CVP) and Pricing Policies

Customer Value Proposition (CVP):

Customer Value Proposition was coined by Michael Lanning and Dr Lynn Phillips in the early 1980s. The foundation of their theory is that customers choose a product or service because it offers the greatest positive combination of end-result benefits and price, i.e. the greatest ‘value’, in the perception of that customer. All business entities
offer CVPs for their customers consciously or unconsciously. Those consistently successful firms have usually been proactive in deciding on CVPs and acted accordingly. (Fletcher et al. 1997, 17-18.)

- “Price – total ‘cost’ to the customer – as perceived by the customer (which may not be solely in monetary terms).
- Benefits – the result of doing business with your organization, i.e. what the customer gains.
- Value – benefits minus price (must be positive).” (Fletcher et al. 1997, 18.)

It is our premise that customers will purchase the product or service that offers them the highest perceived value. “Customer perceived value (CPV) stands for the difference between the prospective customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Total customer value is the perceived monetary value of the bundle of economic, functional and psychological benefits customers expect from a given market offering. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the given market offering.” (Kotler 2003, 60.)

To put this theory into practice, it is from the researcher’s point of view that China Unicom Group Anhui Co., Ltd. Anqing Branch should not separately emphasize competitive price level or service quality, but take both price and benefits into a comprehensive consideration. Only by aiming at providing customers with greatest end-value can China Unicom achieve greater market share and better market performance.

Pricing Policies:
Pricing policy is a subset of the marketing policy. This policy should clarify the following issues, such as minimum prices for products and services; range of delegated authority for discounting; special deals or offers; what the basic offer would be and price positioning in the market generally. The policy framework that has been decided by managing board would be used to validate the pricing strategy, which would specify prices in various situations to support the marketing strategy. (Fletcher et al. 1997, 95.)

It is from the researcher’s point of view that China Unicom Group Anhui Co., Ltd. Anqing Branch might first decide on its marketing strategy and then specify the pricing policy, especially during the switching phase from 2G network to 3G network, which is now happening in Anqing market.

According to traditional economic theory, the competitive situations are usually distinguished by the number of competitors and whether the market is homogeneous or heterogeneous. At one extreme there is perfect competition when the price of the product cannot be manipulated by one company while at the other extreme there is monopoly situation when there is only one major player in the market. In the monopoly situation, the monopolist does not have to pay much attention to competitors, so there would be no need to discuss about pricing strategy in such situation. Therefore, the price strategy is relevant with only two market forms. One is monopolistic competition, in which many competitors are operating in a heterogeneous market. The other market form is oligopoly, which can be described as heterogeneous oligopoly and homogeneous oligopoly. (Fog 1994, 93.)

China Mobile and China Unicom have been providing homogeneous services for customers in the 2G era. On January 7, 2009, Ministry of Industry and Information Technology (MIIT) of China granted 3G licenses TD-SCDMA, WCDMA and CDMA2000 to China Mobile, China Unicom and China Telecom respectively.
This new telecommunication standard not only transformed the telecommunication market from a duopoly situation into an oligopoly situation by granting China Telecom a 3G license, but also diversified the services provided by these telecommunication corporations. Hence the competition situation of Anqing telecommunication market is heterogeneous oligopoly. (Anqing Policy Publicity Office 2008.)

Pricing policies are important for corporate to decide an overall framework within the constraints of both the corporate strategy and the marketing strategy. When China Unicom Group Anhui Co., Ltd. Anqing Branch is setting its pricing policies, the following factors should be considered properly:

- Customers:
  “The price of a product or service should be set within a range that is acceptable for its category, as laid down within the CVP” (Fletcher et al. 1997, 101). Thus the prices set for different service packages should reflect the characteristics of customer groups that special service package is aiming at (Fletcher et al. 1997, 101).

- Image:
  “Pricing should reflect and reinforce the image that the product intends to convey, which should be in line with the perception of customers” (Fletcher et al. 1997, 102). China Unicom Group Anhui Co., Ltd. Anqing Branch should be aware that customers are more willing to pay a premium price for a product with a justified image rather than a product with a price that is out of their perceptions.

- Segmental Differences:
“When a product is aimed at more than one target group or segment, this must also be reflected in the policy thus allowing a producer to alter and maximize the mix of price, product offer, promotion and place of sale” (Fletcher et al. 1997, 103). The customer segmentation of China Unicom Group Anhui Co., Ltd. Anqing Branch is according to service packages chosen by the customers, the price for each service package and additional packages should reflect the difference between segments.

- Flexibility:
  “The pricing policy will lay down parameters on price but will also allow negotiators latitude with other items” (Fletcher et al. 1997, 105). Especially in Anqing market, customers are used to bargains and negotiating with the seller. China Unicom Group Anhui Co., Ltd. Anqing Branch should be prepared with discount provisions or cash rebates and other promotional policies by ensuring flexibility of pricing strategies.

- Competition:
  Pricing strategies cannot be made without regarding competitors’ responses. China Unicom Group Anhui Co., Ltd. Anqing Branch should bear CVP in mind and the pricing strategy should ensure its customers can get the best positive result of price, benefit and value.

The price strategy under heterogeneous oligopoly is greatly influenced by the relationships among oligopolists. On one of the extreme relationships is collusion, which can be a price cartel, a contingency cartel or some other form of open or secret agreement. The actual pricing behavior taken by one of the oligopolists can be dependable on how well does this company understand its competitors’ policy. The oligopolists would apply autonomous behavior if they did not consider the fact that their actions may influence the competitor’s policy. On the contrary, the
oligopolists would apply conjectural behavior if they understand competitors’ goals and market expectations. (Fog 1994, 94.)

For China Unicom Group Anhui Co., Ltd. Anqing Branch, they have been competing and cooperating with China Mobile and China Telecom for years, pricing decisions have long been made in a conjectural approach of its competitors. China Unicom Group Anhui Co., Ltd. Anqing Branch’s role in market has changed from a challenger of China Mobile to a follower during these years and left the challenger’s role to China Telecom, a newly entered telecommunication service competitor. (Anqing Economic Information Center 2008.)

There are four kinds of price strategy for China Unicom Group Anhui Co., Ltd. Anqing Branch:

- **Price Leadership (follower)**
  China Unicom Group Anhui Co., Ltd. Anqing Branch set the same price level as the market leader, China Mobile. This strategy can be effective when China Unicom possesses technical superiority over its competitors.

- **Price Leadership (competitor)**
  After the market leader has set the price, China Unicom Group Anhui Co., Ltd. Anqing Branch can constantly undercut the leader’s price level. This strategy can be effective when the market leader possesses technical superiority over its competitors.

- **Collusion (price agreement)**
  Oligopolists can form a price cartel, either temporary or permanent. The price agreement should be strictly executed by every participant. This strategy can
be effective when China Unicom possesses technical superiority over its competitors.

- Autonomous (no price agreement)
  When the oligopolists have not reached any price agreement beforehand, the pricing strategies may affect each other.

Before the 3G licenses were launched, the signal coverage and intensity of China Mobile was the foundation of China Mobile’s quality service. The technical superiority has long been held by the market leader. Thus China Unicom Group Anhui Co., Ltd. Anqing Branch has long been implementing the competitor pricing strategy. With the acquisition of WCDMA 3G standard, China Unicom has gain its own technical superiority and follower pricing strategy or oligopolists price collusion should be applied.
3 QUESTIONNAIRE RESEARCH AND INTERVIEWS ON MARKETING PERFORMANCE AND MARKETING COMMUNICATION

In this chapter, the researcher conducted both a quantitative questionnaire research and eight in-depth qualitative interviews in order to get an overview of the market performance and market share of China Mobile, China Unicom and China Telecom as well as a collective list of comments and suggestions for China Unicom. After the data collection phase, the numerical data had been processed with SPSS to find out customers’ preference, tendency and habits while qualitative data had been analyzed to induct possible reasons for present market situation and problematic issues exist in China Unicom’s operation.

3.1 Overview of Research

The objectives, methods of research and research implementation information mentioned in this part are brief overview of quantitative questionnaire research and qualitative interviews conducted by the researcher. Detailed information about questionnaire design, distribution and interview process will be expatiated in quantitative marketing research and qualitative interview parts respectively.

Objectives:

The aim of the research was to figure out the rough idea of market performance of major players in Anqing telecommunication market, customer feedback and relevant suggestions for improvement. Based on the data collected, specialized reasons for China Unicom Anhui Anqing Branch’s market performance and tailor-made marketing suggestions can be made.
Research Methods:

The research has been conducted through both quantitative and qualitative methods, namely, both questionnaire and interviews have been used during the data collection process. Although the questionnaires provide us with a solid numeric data to rely on and give a good overview of descriptive figures, the open questions’ responded rate was quite low. In China Unicom’s case, the qualitative interviews have been arranged to make up the insufficiency of qualitative data collected by questionnaires. The open questions in the questionnaire have been rephrased and presented together with other questions in the interview.

Implementation:

The quantitative and qualitative research had been conducted by the researcher consecutively in January and February of year 2010 in Anqing City. The questionnaires’ distribution and collection lasted for one week started from January 15, 2010 to January 22, 2010, which was follow by a 5 days’ data recording process. The interview phase lasted for 10 days started from February 1, 2010 to February 10, 2010. The information collected by interviews will be presented in an organized way in the qualitative interview summary part.

3.2 Questionnaire Research on Marketing Performance and Market Share

Questionnaire has been used as the research media in quantitative research. By collecting responders’ basic information, such as gender, age, occupation, educational level, income level, monthly expenses, and their preference and feedback on functions and services provided by different telecommunication service providers, both China Mobile’s and China Unicom’s strengths, weaknesses,
opportunities and possible threats can be concluded. All these information can be applicable reference when China Unicom is making its marketing plans.

3.2.1 Question Arrangements and Questionnaire Research Implementation

Question Arrangements:

The questionnaire consists of twelve closed questions and two open questions. The first six questions of the questionnaire have asked about the basic information about the responders, such as gender, age group, occupation, educational level, monthly income level and monthly telecommunication expense. These information can not only be analyzed alone, but what is more important and descriptive is, they can be processed with information retrieved by the following six telecommunication service related questions, i.e. responders’ telecommunication service provider choices, function preference, recharging habit, informative channel and feedback on satisfaction together and produce distinct tendencies. Both strengths and problematic issues can be figured out through cross-checking analysis. The information deducted from numerical data processing can guide China Unicom to customize its service packages and outlet arrangements for customer groups of different genders from various age groups, occupation sectors, education levels and purchasing power.

Age Group Categorization:

The responders of the questionnaires had been categorized into four age groups, younger than 19, between 19 and 30, between 31 and 60 and older than 60. People’s mobile phone using habit distinguishes distinctly according to their social roles. For people under 18, they are people under guardianship; people between 19
and 30, they are singles or young college students; people between 31-60 they are major labor force in the society with similar using habits with only occupational differences; for people over 60, most of them have been retired and seldom use novel mobile services. This categorization will make it easier for us to analyze and get an obvious using habit trend.

Income Level Categorization:

The researcher categorized the responders into four income levels in order to get function preference and service using tendencies of people with different purchasing power. Salary categorization was according to real income situation in Anqing. Anqing is comparatively a small city when is compared to Shanghai and people’s average salary is around 2000 RMB. For people newly entered the work force, 1000-2000 may be a starting point. For people living in poverty, they earn less than 1000 a month. When people have been working for years and become an experienced worker or merchant, they earn between 2000-5000. 5000 is a ridge for people to become well-off rather than being ordinary salaried people.

Questionnaire Research Implementation:

Due to the internet questionnaires are unable to reach all age groups of people in Anqing; the questionnaires were printed out as paper version. They were distributed and collected manually to ensure the fulfill rate and quality of responds. The distribution phase lasted for one week started from January 15, 2010 to January 22, 2010. The questionnaires were distributed in major public places in Anqing City, where all age groups of people and people from different society sectors can be reached. The major distribution centers were Xin Bai Market, Golden Hua Lian Supermarket, Zhong Yi Mall, Anqing University, Anqing Stadium, Ling Hu Park, and
Anqing Hotel. The areas in the red circles in Figure 1 below were questionnaire distribution areas.

![Figure 1. Questionnaire distribution areas in Anqing City (Google Map 2010).](image)

Totally 200 questionnaires had been distributed and the fulfill rate of closed questions listed on the questionnaire was 100%. The fulfill rate of open questions on the questionnaires were comparatively low. The information got from open questions will be analyzed together with interviews in qualitative research part.

The English questionnaire can be found in appendix 1. The Chinese questionnaire, which was actually being used during the quantitative research in Anqing, can be found in appendix 2.
3.2.2 Numerical Data Analysis on Basic Information of Responders

- Gender Distribution

There were totally 200 people partook in the questionnaire survey. The respond rate of first 12 questions was 100%. There were 103 male and 97 female participated, which accounted 51.5% and 48.5% of the total respectively. The gender of the responders was roughly divided evenly. So the numerical analysis based on the data collected from the responders can reflect both genders’ opinions.

- Age Categories

People’s mobile phone using habit distinguishes distinctly according to their social roles. For people under 18, they are people under guardianship; people between 19 and 30, they are singles or young college students; people between 31-60 they are major labor force in the society with similar using habits while occupational differences need to be taken into consideration; for people over 60, most of them have been retired and seldom use novel mobile services. These characteristics for each age group are obviously presented in the data as illustrated in the table below.

Table 2. Responders age categorization.

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;19</td>
<td>21</td>
<td>10.5</td>
<td>10.5</td>
<td>10.5</td>
</tr>
<tr>
<td>19-30</td>
<td>87</td>
<td>43.5</td>
<td>43.5</td>
<td>54.0</td>
</tr>
<tr>
<td>31-60</td>
<td>86</td>
<td>43.0</td>
<td>43.0</td>
<td>97.0</td>
</tr>
<tr>
<td>&gt;60</td>
<td>6</td>
<td>3.0</td>
<td>3.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

We can see from the table 2 that people between 19 and 60 are the major working force in the society and they accounted for 86.5% of the population of mobile service
users. This categorization will make it easier for us to analyze and get an obvious using habit trend. Their using habits and choices’ tendencies are the most descriptive figures for mobile service providers.

- Mobile Service Provider Choices

According to the data collected from the questionnaire alone, the market share of China Mobile, China Unicom and China Telecom are 71.5%, 28% and 0.50% respectively. Obviously, China Mobile occupied the majority of Anqing telecommunication market while China Unicom acts as the major competitor.

China Telecom’s market share was too small when compared to the other two providers. But the real situation for China Telecom according to the official survey was greater than 0.5% due to its special customer groups, which cannot be reached through random sampling. At the same time, the official data of market share of the other two service providers are smaller than what have been calculated from questionnaires alone. These differences will be discussed in qualitative survey section.

Due to the too small market share according to the numerical data collected from the questionnaires, China Telecom’s charts will be disregarded in the following data analysis.

- Reasons for Mobile Service Provider Choices

Questions had been raised to ask the most important reason for people to choose their own mobile service provider. The orientation tends to be obvious and the tendency is noteworthy. The customers of China Mobile, China Unicom and China Telecom have their own typical reasons for making the choices. As illustrated in
Figure 2 below, the reasons for different choices vary evidently from provider to provider.

For China Mobile, 62.94% of its users chose China Mobile because of its stronger signal when compared with other providers. During the face to face questionnaire distribution mode, some comments and suggestions were also collected when responders were filling the questionnaires. Most of the China Mobile users believed that, China Mobile have more telecommunication bases so better signals can be ensured. This feature has also been proved by daily user experience. It becomes extremely noticeable when the user is in the outskirt of a city or a remote rural area; China Mobile’s signals are stronger and far more stable than that of China Unicom’s. The second largest reason for people choosing China Mobile is “Other”, which accounted for 22.38% of the whole China Mobile users. This group of users commented that, the most important reason for their choice is not anything tangible, but the intangible relationship and the perceived value of the brand. Because so many relatives, friends, colleagues are using China Mobile, and using the same provider’s service will avoid the pricing barriers set by different service providers (The fare charged by the providers is lower when both ends of the users belong to the same service provider while it is much higher when people making cross service
net communications.), they eventually chose China Mobile, although the absolute costs are higher than using China Unicom.

Also, people worry that his/her friends would be reluctant to contact with him/her because his/her choice of China Unicom will cost the calling party more than the average expenses. Some of the responders even asserted that they have never considered using China Unicom.

For brand image, China Mobile has long been regarded as the national telecommunication service provider and it has put this perception into practice. Preconceived ideas are firmly entrenched in China’s consumers’ minds. China Mobile becomes the first choice for new mobile users and people are reluctant to change to a new provider. These invisible facts have put China Unicom in an embarrassing situation, because if potential customers don’t even want to try their service, there would be no way for them to keep those customers, even they perceive that their quality of service especially their network of 3G is superior over that of China Mobile.

The third major reason for people choosing China Mobile is “Better Service”. Most of the responders claimed that the hot-line service provided by China Mobile (10086) is much better than that of China Unicom (10010). The professionalism, service manner and efficiency of China Mobile are superior to that of China Unicom. Only 4.20% of China Mobile users thought the fare of China Mobile is low and that was the reason for their choice. Over 90% of its users didn’t think the fare level is an advantage for China Mobile.

In a word, signal quality and the conformity mentality drive people to prefer China Mobile than China Unicom and China Telecom.
From Figure 2, we can find that the situation for China Unicom is complete different story other than that of China Mobile. According to the data collected by questionnaire alone, 82.14% of the China Unicom users made the choice because of the price advantage of its service. This overwhelming majority pointed out clearly that the most effective lever for China Unicom’s business is price. People admitted that if China Mobile can make the same offer, then they would move to China Mobile group. We can deduct that if pricing advantage was not based on technological superiority or costs advantages, it would only result in a marketing strategy, which cannot ensure long-term customer relationship and profit.

10.71% and 5.36% of China Unicom users chose “Other” and “Better signal” for their reason respectively. The reason “Other” include the following situations that people have to choose China Unicom. The company the responder was currently working in purchased a serial of mobile phone numbers and allocated to its employees. People from this company have to use that number for business contacts while most of them were reluctant to get a separate China Mobile number. Another prevalent situation is all relatives of the responder were using China Unicom, in order to avoid the pricing barriers; he/she had to follow his relatives.

There were only 7.15% of China Unicom users chose “Better signal” or “Better service” as their reason for choice. It can be inferred that China Unicom’s signal and service quality is obvious not as good as that of China Mobile in most people’s point of view. This can lead to an unfavorable company image in the market, which would cause a destructive impact on consumer experience, consumer confidence and market performance.

To sum up, the major reason for people chosen China Unicom was the competitive pricing strategy, but this alone cannot make a successful business. The network
coverage, signal intensity and service manner shall be dramatically improved to make up the deficiency and incompetence when compared with China Mobile.

- Most Frequently Used Function

The responders had been asked about their most frequently used function when they are using telecommunication service. The results for different service providers are roughly the same with slight difference in mobile phone internet connection service.

Figure 3 clearly indicates that traditional and basic functions of a mobile phone accounted for the majority of the choices in both China Mobile and China Unicom cases. SMS (Short Message Service) and Phone Call took 40.56% and 37.06% in China Mobile’s group of customers while 51.79% and 33.93% in China Unicom’s group of customers. If the absolute number is not taken into consideration but the percentage, it is obvious that China Mobile’s customers preferred using SMS while China Unicom’s customers preferred making phone calls comparatively. According to the responders’ comments, China Mobile’s packages are more economical for sending SMS while China Unicom’s phone call costs are cheap.
Regardless of the traditional functions mentioned above, functions that rely on mobile internet connection were still not prevalent in Anqing market. From the data collected through questionnaires, we can see that both MMS (Multimedia Message Service) and Internet were not popular among the responders.

Nowadays, the new 3G network is on a growing stage in China. But the consumers are not so familiar with this new stand and the convenience it can bring to them at the same time. As illustrated in Figure 4 that 87.5% of Chinese customers were not so familiar with 3G.

In accordance with ZDC (Zhong Guancun Online Consumer Research Center 2009), China’s 3G developments are still in a commencing stage; consumers don’t have a clear concept of 3G standard and its features. Nowadays, China's 3G growth is far behind its anticipation. More than 80 billion RMB investments in the first two seasons in 2009 haven’t inspired an explosive rise in 3G market. During the second season of 2009, there were 33.07 million mobile phones sold in the market, not including emulated ones and smuggled mobile phones. Although the sales of 3G
mobile phones had increased to 242,000, it accounted only 0.073% of the whole cake. (zdc.zol.com.cn 2009.)

October 1, 2009 three telecommunication service providers, China Mobile, China Unicom and China Telecom, lunched the commercial operation of 3G network, which meant they finally put an end to the product image oriented promotion (SINA Corporation Technique 2009). But the market wasn’t as thrive as anticipated and customers were still high-end users.

To sum up, Anqing market still has a great potential to enlarge the group of internet users, especially 3G users. Both China Mobile and China Unicom should emphasis 3G developments and promote this new network standard in order to gain more customers for mobile internet service.

- Preferred Recharging Channel

The preferred recharging channel had also being discussed in the questionnaire. Although the recharging channel may not be the decisive factor when people choosing their service provider, it can be an important dimension for customer satisfaction.

![Preferred Recharging Channel](image)

*Figure 5. Preferred recharging channel.*
It is clearly presented in Figure 5 that the pie chart of China Mobile and China Unicom resembles each other quite much. Nearly 80% of the responders of each provider chose to recharge their mobile service in outlets. Almost 12% of the responders recharge their mobile phones by using vouchers. There were roughly 6% of responders of each provider chose to use internet and the rest of the population was less than 2%, who were using debit card to recharge their service.

From the analysis, we can conclude that outlets are still the most frequently used recharging channel. Both China Mobile and China Unicom should allocate their outlets scattered and evenly to accommodate customers’ recharging activity.

- Major Information Channel

In order to figure out the responders’ major information channel for telecommunication service promotion or new service packages, the study of major information channel become a dispensable factor when companies are conducting their promotions.
It is clearly illustrated in Figure 6 that “Outlets” “Leaflet/Brochure” “Friends” were the three most important information channels for customers of both China Mobile and China Unicom. At the same time, the absolute percentages of each category were not close to each other.

First, 27.27% of China Mobile’s customers chose “Friends” as their major information channel while 42.86% of China Unicom’s customers chose “Friends” as their major information channel. China Unicom’s information dissemination was not systematic and standard to some extend due to its large percentage of “Friends” category. It was in very loose and casual information distribution pattern and relied on unprofessional distributors. During the information dissemination process, content of the information may be twisted or misrepresented. The misinterpretation can lead to the fail of promotion target. Thus the percentage of “Friends” category should be low and make space for other systematic information dissemination channels. From the questionnaire statistics alone, we can conclude that China Mobile’s information channel was more systematic than that of China Unicom.

Second, 23.08% of China Mobile’s customers chose “Leaflet/Brochure” as their major information channel while 32.14% of China Unicom’s customers chose “Leaflet/Brochure” as their major information channel. 9.06% difference is enough for us to conclude that China Unicom’s leaflets and brochures were more informative and effective from customers’ point of view and they tend to get useful information from that presswork.

Third, outlets still play an important role in information dissemination for all telecommunication companies. 24.48% of China Mobile’s customers chose “Outlets” as their major information channel while 12.50% of China Unicom’s customers chose “Outlets” as their major information channel. The percentage of China Mobile was nearly 1 time greater than that of China Unicom, which indicated that the outlets
of China Mobile fulfill their information dissemination function better than those China Unicom outlets. The location and density of outlets also affect their functionality. China Unicom needs to establish more outlets to accommodate customers’ recharging need and let its customers being updated and informed.

Four, hotline service gives customers a direct service experience other than just using the telecommunication service; it is a crucial indicator of telecommunication service provider’s professionalism and service quality. 9.79% of China Mobile’s customers chose “Hotline” as their major information channel while 3.57% of China Unicom’s customers chose “Hotline” as their major information channel. Although both percentages were low but the percentage of China Mobile was still much higher than that of China Unicom. There is still a long way to go for China Unicom to catch up in hotline service quality and reliability with China Mobile, which will be discussed separately in qualitative research.

Five, the percentages of both China Mobile’s and China Unicom’s responders chosen “Internet” as their major information channel were quite close, which were 8.39% and 7.14% respectively. When the weight of “Friends” category decreases, the weight of “Internet” category increases, so that an instantly updated and systematic information channel can truly be well utilized.

- Feedback on Fare, Signal, Service and Hotline

The responders had been asked about their opinions on “Fare” “Signal” “Service” “Hotline” of their own telecommunication service provider respectively. Though the interpretation of these numerical data we can get an intuitionistic overview on a service provider’s service quality.
More than 2/3 of China Mobile’s customers didn’t think the fare charged by China Mobile was low. On the contrary, if “Very Satisfied” and “Satisfied” are regarded as “Consider the fare charged is suitable”, totally 85.71% of China Unicom’s customers thought that their telecommunication service provider’s fare level was suitable. Moreover, 48.21% of China Unicom’s customers were very satisfied with the fare level charged by China Unicom, which accounted for 56.25% of the group of customers who thought that China Unicom’s fare level was acceptable. It is obvious that China Mobile’s fare rate was higher than China Unicom’s and customers were very satisfied with the fare level of China Unicom.
Figure 8 shows the feedback on “Signal” of responders of all telecommunication service providers. The situation of the feedback on “Signal” was roughly the opposite of that of the feedback on “Fare”. Only 4.90% of China Mobile’s customers were not satisfied with its signal while 57.14% of China Unicom’s customers were not satisfied. China Unicom’s customers’ “Dissatisfied percentage” was nearly 10 times greater than that China Mobile’s. This situation revealed an undeniable situation that China Unicom really has its incompetency in hardware construction, especially the insufficiency in base station constructions and signal coverage and intensity.

During the process of questionnaires distribution, the responders reflected that they didn’t get much extra service other than hotline service, so the feedback on general service and feedback on hotline service are analyzed together. The figures retrieved from the questionnaire data set will also be presented together to illustrate the similarity of the feedback of those two categories.

![Figure 9. Feedback on “Service”](image)

It is quite intuitionistic that Figure 9 and Figure 10 truly resemble each other. In China Mobile’s and China Unicom’s cases, we consider “Satisfied” and “Very Satisfied” as “More than acceptable”. Almost 85% of China Mobile’s customers gave approval to China Mobile’s service quality, especially hotline service quality. On the
other hand, nearly 44% of China Unicom’s customers were not satisfied with the service provided by China Unicom. More complaints and suggestions for China Unicom’s hotline service will be mentioned in qualitative survey part.

To wrap it up, China Mobile’s fare rate is higher than China Unicom’s, but it brings to its customers better signal and better service. China Unicom’s pricing strategy is satisfactory for most customers but there is still a huge disparity between China Mobile and China Unicom on hardware support, including base station construction and signal coverage and intensity, and software performance, including service quality and hotline efficiency. Only by eliminating these incompetence and insufficiency can China Unicom match with China Mobile on the same level.

3.2.3 Accumulative Crosstab Data Analysis on Preference and Tendency of Responders

- Income Level and Monthly Expenses of Telecommunication Service for Different Age Groups
Income level directly affects a person’s purchasing power. By figuring out potential customers with strong purchasing power and providing them with the service at the quality they required will bring telecommunication companies and the customers a win-win situation. Because this rule applies to all telecommunication companies in Anqing market, telecommunication service provider dimension is not taken in to consideration within this part of analysis. The whole population is categorized by age groups.

Figure 11 below clearly shows that people’s income level is growing with their age. 90.48% of the responders earned less than 1000 RMB/month. Most of them were students in schools and didn’t have a regular job. For people between 19 and 30, they were the labor force newly entered the market and were starting to earn their own bread, which may not be too much, 1000-2000 RMB/month, but enough for them to make a living in Anqing City. The situation for people in 31-60 age group was completely different from that of people younger than 19. Not even a single person was earning less than 1000 RMB/month and nearly 50% of the population within this age group was earning 2000-5000 RMB/month. For people over 60, most of which had been retired and pension wasn’t as much as monthly salary. Very few of people over 60 were still doing business or working.

![Figure 11. Income level of different age groups.](image-url)
To sum up, if purchasing power was the only dimension when we are considering potential customers, people within 19-60 age groups would be the major marketing target group for all telecommunication companies. Even detailed differentiation can be made between these two age groups. The number of people earned 2000-5000 RMB/month increased from 11.49% to nearly 50% of the population in age group 31-60 by absorbing the proportion occupied by people earned less than 1000 RMB/month. This specific age group can be the marketing emphasis for both China Mobile and China Unicom.

A customer with a strong purchasing power doesn’t necessarily have to spend much money on telecommunication service. The service quality and the suitability for customers are also important dimensions before customers make their purchasing decisions.

Figure 12. Monthly expense of telecommunication service of different age groups.

Figure 12 is not in completely coherent with Figure 11. For people younger than 19 and older than 60, their monthly expenses were logically based on their income level. These two groups of people earned the least among the whole population and they consume the least amount of service fares.
An ascending trend in people's income level was noteworthy when the income level of age group 31-60 is compared with that of age group 19-30. There wasn’t even one person earned less than 1000 RMB/month in the pie chart of the income level of age group 31-60, but there used to be 40.23% of the population within age group 19-30 in that income level. No doubt that people’s purchasing power had increased, but the monthly expenses remained in the similar pattern. Almost 66% of the population within that age group spent less than 100 RMB/month, even though many of them had their monthly income increased. No obvious changes can be found in the pie charts of monthly expense of age group 19-30 and 31-60.

Through the analysis of Figure 11 and Figure 12, it can be concluded that people within age group 31-60 have a strong purchasing power with comparatively low monthly expenses. They can be the major marketing target for telecommunication companies.

- Mobile Service Provider Choice for Different Age Groups

It was assumed that there might be some tendency or preference of mobile service providers within different age groups. Through the analysis of the numerical data collected by questionnaires, a clear user preference trend can be figured out.

It can be drawn from Figure 13 that the preference of choosing China Unicom as telecommunication service provider was mounting along with the responder’s age. But customers still preferred China Mobile to China Unicom within each age group.

For people under 19, there weren't too many customers and their income level was relatively low, China Mobile had few customers while China Unicom barely had a customer. Both China Mobile and China Unicom should develop tailor-made service
packages for young people, especially students, who use SMS frequently but seldom make phone calls.

China Mobile occupied the market of people within the age group of 19-30. This is a group of customers who had purchasing power and strong need in telecommunication service. SMS, Phone Call and Internet were all frequently used functions. This age group would be the most potential customer group for China Unicom. Providing better service at a competitive price will help China Unicom gain more customers and enlarge market share.

When it comes to the age group of 31-60, China Unicom's market share was starting to catch up with that of China Mobile. But the market share of China Mobile was nearly one time greater than the market share of China Unicom. This group of customers had the strongest purchasing power, so the problem for China Unicom
was how to arise their attention and interest and impulse their purchasing motivation.

For people over 60, there wasn’t a big market for companies to explore.

- Most Frequently Used Functions of Different Age Groups

People from different age groups have their special using habits and preferred functions of the mobile service. Some people may have certain special requirements for mobile service providers. Only by knowing customers’ needs and requirements can a telecommunication service provider offer customers with quality service and gain business profits at the same time.

Figure 14. Most frequently used function of different age groups.
It can be inferred from Figure 14 that the most frequently used function by the responder was closely related to and affected by the social role he/she was playing.

People under 19 were usually students. Although it had been prevalent for a senior high school student to have a mobile phone, they still didn’t have much money to spend on mobile services. “SMS” and “Phone Call” were the most important functions for students.

Responders within the age group of 19-30 had an unobvious preference in mobile services. “SMS” was still the favorite communication method among young people while the use of “MMS” had increase when compared to people under 19. “Internet” usage had been prevalent among this group of people and “Phone call” was also being used often.

There was a very noticeable preference in mobile functions among people between 31 and 60. This group of people was the major labor force of the society and they were responsible for the society’s major productivity. They possessed the greatest purchasing power but seldom use other mobile functions other than the simplest making phone calls. “SMS” was the second preferred function for this age group.

For people over 60, they had been retired and the function they use was usually making phone calls with relatives. In most cases, they were called by their relatives rather than dialing themselves, which didn’t incur any mobile expense directly.

To wrap it up, young people under 19 prefer cheap mobile services, especially free “SMS” allowance. If China Unicom could provide them cheaper service packages with more free “SMS”, more young customers could be attracted. For young working people, “Internet” service could be a sally port from China Mobile’s encompassing. “3G” network can be an opportunity for China Unicom to chat up China Mobile and
enlarge customer groups by Internet service attractiveness. For people between 31 and 60, China Unicom should develop new service packages that can provide them with useful and economical information service. People over 60 had little purchasing power; the mobile service was not used often. China Unicom should try to find them a new consuming pattern and purchasing habit.

- Most Frequently Used Functions for Different Occupations

When telecommunication companies are planning their marketing strategies, the occupations of potential customers should be taken into consideration. Occupational disparities may lead to occupational requirements for telecommunication service, which may provide companies with guidance for new service packages.

*Figure 15. Most frequently used functions for different occupations.*
It is illustrated in Figure 15 that people belong to “Education” sector was the major group who use “SMS” frequently. Most of them were students in local high schools or universities. The second and third largest “SMS” groups were “Economy” and “Industry”. China Unicom can provider these customer groups with service packages that grant them more free “SMS” than ordinary packages. In order to balance the package costs and keep competitive pricing strategy, fewer discounts on “Phone Call” can be implemented.

“MMS” was not a popular function for customers in Anqing City. “Education” sector, in other word, students were still the major users of this function. During the questionnaires distribution process, the responders reflected that the price of internet applications was too expensive to be acceptable, which was also the main reason for them to avoid using related functions. Their feedback and suggestions will be discussed in qualitative survey part.

“Industry” sector and “Economy” sector were the major groups that use “Phone Call” most frequently. Due to the nature of their occupations, direct and instant phone calls can better communicate with their business partners than indirect “SMS” or “MMS”, people who were working in “Industry” sector and “Economy” sector preferred using “Phone Call” as the major telecommunication method. For these groups of customers, China Unicom can tailor-make some service packages which emphasize phone call discounts with few free “SMS”. This approach would be attractive to business related people and mid-aged working people.

“Internet” function’s major customers were still students, which should include young working people as well. People who were working in “Industry” sector and “Economy” sector had stronger purchasing power than students and had similar “Mobile Internet” service requirements, but their expenses on “Mobile Internet Service” were not as high as that of students. China Unicom should utilize its advantages in 3G network
and standard to gain internet users. Economical Internet flow volume packages can be arranged as additional packages to the main service package.

- Most Frequently Used Functions for Different Educational Levels

A person’s educational level may also affect his/her ways of communication. When the responders’ education levels and their most frequently used telecommunication methods are analyzed together, some tendency can be inducted and some conclusions can be made for telecommunication companies.

![Diagram](image.png)

*Figure 16. Most frequently used function for different educational level.*

Figure 16 explained at least two major findings from the numerical data. First, “SMS” and “Phone Call” were basic functions of a mobile phone and they were the most frequently used functions among the four categories. Even though the development
of mobile internet usage was dramatic, customers in Anqing City tend not to venture into new services with relatively higher costs. Second, people with a bachelor diploma or a senior high school degree were the major customer group who use “SMS” and “Phone Call” quite often. People who had a senior high school degree preferred “Phone Call” to “SMS”. People had a Master’s degree or a Doctor’s degree formed the customer range gap for both China Mobile and China Unicom.
3.2.4 SWOT Analysis for China Mobile and China Unicom

SWOT analysis has been done for both China Mobile and China Unicom for comparison.

- SWOT Analysis for China Mobile

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Overwhelming market share</td>
<td>- China Mobile’s TD-SCDMA is not compatible with international standard</td>
</tr>
<tr>
<td>- Numerous base stations</td>
<td>- High service fee</td>
</tr>
<tr>
<td>- Strong signal with widespread coverage and intensity</td>
<td>- Opacity in fare charging and service subscription</td>
</tr>
<tr>
<td>- Instant and effective customer services</td>
<td>- Pricing barriers prevent China Unicom’s customer from changing to China Mobile</td>
</tr>
<tr>
<td>- Reliable company image and favorable reputation</td>
<td>- Leaflets/brochures are not very effective utilized in promotion</td>
</tr>
<tr>
<td>- Existing huge customer groups will absorb relatives and friends as new customers</td>
<td></td>
</tr>
<tr>
<td>- Various service packages for different customer groups</td>
<td></td>
</tr>
<tr>
<td>- Abundant outlets for customer service and recharging</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Development of 3G network</td>
<td>- Two major competitors in the market</td>
</tr>
<tr>
<td>- People belong to age group of 31-60 are the major marketing target</td>
<td>- Advantages in signal are diminishing</td>
</tr>
<tr>
<td>- Mobile internet service can be improve among students and young working people</td>
<td>- Crisis of confidence from customers about the transparency of charging method</td>
</tr>
</tbody>
</table>
### SWOT Analysis for China Unicom

#### Strengths:
- Competitive price level
- Intimate contacts with national corporations
- Bundle mobile number distribution in companies
- National assistance in 3G network standards allocation among three major telecommunication providers
- China Unicom’s WCDMA is compatible with international standard
- Good and effective leaflet/brochure design
- Corporation social responsibility has been well fulfilled

#### Weaknesses:
- Relatively small market share
- Insufficiency in number of base stations
- Weaker signal with smaller coverage and stability compared with the signal of China Mobile
- Customers perceived faultiness in service quality, especially hotline
- Opacity in fare charging and service subscription
- Company image as a not reliable service provider
- Pricing barriers prevent China Mobile’s customer from changing to China Unicom
- Fewer service packages for different customer groups compared to China Mobile
- The number of outlets in Anqing City is not enough for customer service and recharging

#### Opportunities:
- Many base stations are under construction
- Development of 3G network
- China Unicom’s WCDMA is compatible with international standard
- Enrich people’s choices of service packages
- Tailor-made service packages for
- People belong to age group of 31-60 are the major marketing target
- Mobile internet service can be improve among students and young working people

#### Threats:
- China Telecom’s competition
- Disputes and complaints about hotline service
- China Mobile’s existing huge customer groups will absorb relatives and friends as new customers
- People don’t even consider China Unicom as a possible choice from the very beginning
- Crisis of confidence from customers about the transparency of charging method
3.3 Qualitative Interviews on Official Marketing View Points and Personal Services Feedback

There had been eight in-depth interviews conducted by the researcher. The purpose of these interviews was to attain viewpoints on market performance, competitive situation, company prospective and marketing strategies from China Mobile’s and China Unicom’s official visual angle and to get personal feedback and suggestions for China Unicom’s marketing management.

3.3.1 Interview Procedures

During the process of quantitative research, the researcher had a close contact with the responders and some comments and suggestions were recorded, but the qualitative data collected by questionnaires was not systematic and comprehensive. The respond rate of open questions was relatively low when compared with the 100% respond rate of close-ended questions. Qualitative research had been designed to make up the insufficiency of qualitative data got from questionnaires and some deductions and suggestion had been made based on the minutes of the interviews.

The interviewees were chosen according to the following conditions. One or two people were chosen to represent each age group and similar interview contents would be analyzed together. In addition, Xu Junhua, the marketing director of China Mobile Group Anhui Co., Ltd. Anqing Branch Marketing Department, introduced the market performance and marketing approaches of China Mobile Group Anhui Co., Ltd. Anqing Branch from an official point of view. Dong Zehou, the marketing executive of China Unicom Group Anhui Co., Ltd. Anqing Branch, was also
interviewed by the researcher. He explained China Unicom Group Anhui Co., Ltd. Anqing Branch’s marketing strategies and competitive approaches.

The interview phase lasted 10 days starting from February 1, 2010 to February 10, 2010 and followed by another 6 days of qualitative data deduction process. The location of interviews were Ling Hu Park, Golden Hua Lian Supermarket, Anqing University and Ren Min Road, which were places that people of all age groups can be reached.

3.3.2 Qualitative Interview Summary

- Interview on February 1, 2010

Date: February 1, 2010
Location: Marketing Department Office, China Mobile Group Anhui Co., Ltd. Anqing Branch Production Building 2nd Floor, North Linghu Road, Anqing City
Interviewee: Xu Junhua, Marketing Director of China Mobile Group Anhui Co., Ltd. Anqing Branch Marketing Department
Tel: +86 15905661997
Fax: +86 556 5353556
E-mail: 15905561997@139.com

Summary of Interview:

Xu Junhua introduced the basic facts of China Mobile Group Anhui Co., Ltd. Anqing Branch as follows. The company was established on October 18, 1999 in Anqing. It dominates Tongcheng, Huaining, Zongyang, Qianshan, Taihu, Susong, Wangjiang,
Yuexi 8 county subsidiaries (Anqing Economic Information Center 2008). China Mobile Group Anhui Co., Ltd. Anqing Branch has 1,200 employees, 1.8 million mobile telecommunication customers in Anqing City and its 8 counties. The company occupies 78% of the market while China Unicom occupies 14% and China Telecom consumes the rest 8% of the market (Xu Junhua Interview 01.02.2010).

Xu Junhua introduced the major types of service of China Mobile Group Anhui Co., Ltd. Anqing Branch, which include vocal call, Chinese SMS, MMS, coloring ring back tone, call divert, call reminding, voice mail, WAP mobile internet connection, IP through train, GPRS, GPS, mobile newspaper services for its customers. These types of services are tied to three major service packages, “Easyown” “Go Tong” “M-zone” and “B2B”. (Anqing Economic Information Center 2008.)

TD-SCDMA (Time Division-Synchronization Code Division Multiple Access) was 3G network standard that allocated to China Mobile by Ministry of Industry and Information Technology (MIIT) on January 7, 2009 (xinhuanet.com 2009). China Mobile Group Anhui Co., Ltd. announced the commencing of commercial operation of 3G network standard, TD-SCDMA, in the whole Anhui Province on May 6, 2009, which meant China Mobile Group Anhui Co., Ltd. had moved its emphasis of work to this new telecommunication standard. The company has planned to invest 20 billion RMB in basic infrastructural construction of TD network in the next three years and 4.3 billion had been invested in the year 2009. China Mobile Group Anhui Co., Ltd. Anqing Branch provided China Mobile Style Customer Experience outlets for customers to experience G3 mobile phone, internet notepad, mobile television, videophone, hi-speed internet, wireless land phone, etc (Anqing Policy Publicity Office 2008). The company also promised that the “3 No” Principle in upgrading customer’s mobile phone service from GSM to 3G. They are “No need to change phone number” “No need to change SIM card” and “No need to register again”. These policies and promotional campaigns had greatly shortened the distance
between TD-SCDMA and ordinary customers. (Anqing Economic Information Center 2008.)

According to Xu Junhua, China Mobile Group Anhui Co., Ltd. Anqing Branch categorizes its customers according to the service packages they chose. Different people from various social sectors with dissimilar consuming behaviors will make diverse consuming decisions. By categorizing customers according to their consuming decisions, China Mobile can be able to provide customized services and make promotion more effective. (Xu Junhua Interview 01.02.2010.)

China Mobile Group Anhui Co., Ltd. Anqing Branch has four service package brands for individual customers and business clients. “Go Tone” “M-zone” and “Easyown” are designed for the requirements of individual customers while “B2B” service package is made to business customers’ orders. “Go Tone” package is designed for customers who emphasis international mobility of telecommunication service. “Go Tone” keeps the customer on the network when he/she is on the move. The customer can enjoy international roaming, receive emails and voice mail, browse the Internet and connect to a mobile secretary. “M-zone” is the package designed for young people. There are no monthly rental fees and no bills to meet. Calling and texting charges will be automatically kept track of by China Mobile. Moreover, a certain amount of free SMS is also a typical characteristic of this service package. “Easyown” package is designed for people who use vocal call more often than SMS. No monthly fees are charged and no bills will be sent. A certain amount of free vocal call is practical for working people. “B2B” package will enable you to acquire China Mobile’s customized mobile business phones to track clients, costs and the even the competition with China Mobile’s tailored innovation. Companies can get telecommunication suited for their business needs by subscribing to China Mobile’s “B2B” service package. (China Mobile 2007.)
The major competitors of China Mobile Group Anhui Co., Ltd. Anqing Branch in the market are China Unicom and China Telecom.

The greatest advantage China Mobile Group Anhui Co., Ltd. Anqing Branch possesses when compared with the other two competitors is reliable brand reputation and dependable brand image. From the quantitative data analysis, it can be concluded that many China Mobile customers had never given a thought about choosing China Unicom/China Telecom or change their service provider. China Mobile’s brand image, “China’s biggest, unique and official telecommunication service provider”, helped a lot in gaining potential customers. Second, China Mobile has most signal base stations and its signal coverage and intensity is the greatest and strongest among the three telecommunication service providers. These hardware superiorities laid the foundation of China Mobile’s brand image and reputation. Third, through numerical data analysis, it can be figured out that many people chose China Mobile because they were satisfied with the service quality of China Mobile. Service, especially hotline service is another aspect that China Unicom and China Telecom should pay more attention to in order to catch up China Mobile’s position in market. (Xu Junhua Interview 01.02.2010.)

The greatest disadvantage of China Mobile Group Anhui Co., Ltd. Anqing Branch is its pricing strategy when compared with that of China Unicom. In other words, China Unicom’s competitive edge lies with the economical pricing level with fair signal coverage and intensity and good service. China Unicom Group Anhui Co., Ltd. Anqing Branch’s role in market has changed from a challenger of China Mobile to a follower during these years and left the challenger’s role to China Telecom, a newly entered telecommunication service competitor. For China Mobile Group Anhui Co., Ltd. Anqing Branch, the company doesn’t have any obvious tendency to lower its fare rate. The company believes that holding signal and service quality can ensure their market share and performance. (Xu Junhua Interview 01.02.2010.)
According to China Mobile Group Anhui Co., Ltd. Anqing Branch, the market share of China Telecom in Anqing market was 8%, which was much higher than the 0.5% got from quantitative survey due to the too small population of the quantitative survey when the whole 0.8 million urban population of Anqing City was taken into consideration. The greatest advantage of China Telecom Group Anhui Co., Ltd. Anqing Branch is its intimate relationship with state-owned enterprises and company groups. By providing bundle service for all the employees from managers to office workers, China Telecom is able to obtain groups of customers in business fields. In addition, China Telecom used to be an internet connection provider, which enables it to establish service connections between telecommunication and internet access. (Xu Junhua Interview 01.02.2010.)

When asked about the emphasis of work of China Mobile at the moment, Xu Junhua pointed out that TD-SCDMA (Time Division-Synchronization Code Division Multiple Access) was the emphasis of work for China Mobile, which was the 3G network standard that allocated to China Mobile by Ministry of Industry and Information Technology (MIIT) on January 7, 2009 (xinhuanet.com 2009). China Mobile Group Anhui Co., Ltd. announced the commencing of commercial operation of 3G network standard, TD-SCDMA, in the whole Anhui Province on May 6, 2009, which meant China Mobile Group Anhui Co., Ltd. had moved its emphasis of work to this new telecommunication standard. The company has planned to invest 20 billion RMB in basic infrastructural construction of TD network in the next three years and 4.3 billion had been invested in the year 2009. China Mobile Group Anhui Co., Ltd. Anqing Branch provided China Mobile Style Customer Experience outlets for customers to experience G3 mobile phone, internet notepad, mobile television, videophone, hi-speed internet, wireless land phone, etc (Anqing Policy Publicity Office 2008). The company also promised that the “3 No” Principle in upgrading customer's mobile phone service from GSM to 3G. They are “No need to change
phone number” “No need to change SIM card” and “No need to register again”. These policies and promotional campaigns had greatly shortened the distance between TD-SCDMA and ordinary customers. (Anqing Economic Information Center 2008.)

When it came to customer satisfaction issue, Xu Junhua invoked that China Mobile Group Anhui Co., Ltd. Anqing Branch purchased a market research project from “Yi Shansuo”, a professional marketing research institution in Beijing, in the year 2009. “Yi Shansuo” conducted a market research about market share, market performance and customer satisfaction for the three telecommunication service providers, China Mobile, China Unicom and China Telecom. The overall band score of China Mobile’s customer satisfaction was 24 points higher than the other two competitors and the comprehensive satisfied rate of China Mobile’s customer was 84.9%. China Mobile Group Anhui Co., Ltd. Anqing Branch has been emphasizing TD-SCDMA network construction and promotion since the 3G network standard was granted by Ministry of Industry and Information Technology (MIIT). Signal coverage and intensity is the key issue the company has always been dealing with. Staffs of hotline service have been regularly trained to update their knowledge base and service manner. (Xu Junhua Interview 01.02.2010.)

Xu Junhua introduced the accomplishments that China Mobile Group Anhui Co., Ltd. Anqing Branch fulfilled for CSR (Corporate Social Responsibility) as follows:

- Wenchuan District in Sichuan Province was stroke by an earthquake on May 12, 2009. Employees from China Mobile Group Anhui Co., Ltd. Anqing Branch raised 10 5830 RMB for Wenchuan on May 16, 2009. (Anqing Policy Publicity Office 2008.)
- “Code Green Project” has been actively executed by China Mobile Group Anhui Co., Ltd. Anqing Branch. The company promoted energy conservation,
emission cut and environmental friendly economy development pattern with its cooperation partners in order to create a “Green Communication Industrial Chain”. (Anqing Economic Information Center 2008.)

- China Mobile Group Anhui Co., Ltd. Anqing Branch has been sponsoring the construction of Huaining Hope Primary School in “Happiness Project” in 2008. (Xu Junhua Interview 01.02.2010.)

- Lai Bang Hope Primary School was built by China Mobile Group Anhui Co., Ltd. Anqing Branch in 2009, which was best primary school in Yuexi County with best teaching facilities. (Xu Junhua Interview 01.02.2010.)

- “More than 2 million children in China drop out of school each year, and seven out of 10 are girls. The Spring Buds Program, launched by China Children and Teenagers' Fund (CCTF), All-China Women's Federation, Ministry of Agriculture and State Nationalities Affairs Commission, is designed to pool donations from all walks of life throughout the country to help millions of young girls who are forced by poverty to drop out of school” (Xinhua News Agency December 14, 2003). China Mobile Group Anhui Co., Ltd. Anqing Branch has been a major sponsor and participant in the Spring Buds Program in Anhui Province. 25 000 RMB was donated to 50 girl dropouts in Taihu County in November 2007 (Anqingwoman.org 2007). (Xu Junhua Interview 01.02.2010.)

- During the last 4-5 years, China Mobile Group Anhui Co., Ltd. Anqing Branch has built more than 100 base stations for remote rural areas in Anqing. This project was aimed at realizing the target of 100% signal coverage and providing people in least developed district with the same telecommunication service as the service in developed urban areas. This “village to village communication” project brought China Mobile Group Anhui Co., Ltd. Anqing Branch no profit but reliable social responsibility aware corporate image. (Xu Junhua Interview 01.02.2010.)
Summary of Interview:

Dong Zezhou introduced the basic facts of China Unicom Group Anhui Co., Ltd. Anqing Branch as follows. China Unicom Group Anhui Co., Ltd. Anqing Branch was found in April, 1997. It started official commercial operation from October 28, 1999. China Unicom Group Anhui Co., Ltd. Anqing Branch has Tongcheng, Huaining, Zongyang, Qianshan, Taihu, Susong, Wangjiang, Yuexi 8 county subsidiaries (Anqing Economic Information Center 2008).

China Unicom Group Anhui Co., Ltd. Anqing Branch has 10 marketing outlets including 8 urban district marketing centers and 2 open economic zone marketing centers. There are more than 300 employees in all its outlets. The fixed asset of the company is more than 700 million RMB. China Unicom Group Anhui Co., Ltd. Anqing Branch has 320,000 mobile telecommunication customers in Anqing urban areas and occupies 25% of the market. (Dong Zezhou Interview 03.02.2010.)

Dong Zezhou introduced the major types of service of China Unicom Group Anhui Co., Ltd. Anqing Branch, which include five types of services, land phone
telecommunication service, mobile telecommunication service, data transfer service, internet connection service and broadband access service. China Unicom Group Anhui Co., Ltd. Anqing Branch possesses five renowned service brands, which are “Family 1+” “Broadband E-commerce” “World Wind” “Connect as Your Wish” and “New Power”. (China Unicom 2010.)

China Unicom Group Anhui Co., Ltd. released the new full service brand “WO” on April 28, 2009. “WO” service package faces individual customers, family customers and business customers at the same time by providing all kinds of telecommunication services through WCDMA network (China Unicom 2010). On May 17, China Unicom Group Anhui Co., Ltd. announced the trial commercial operation of 3G network (WCDMA) in Anhui Province. The official commercial operation of 3G network (WCDMA) in Anhui Province was commenced by China Unicom Group Anhui Co., Ltd. on September 28, 2009. During the trial commercial operation, more than 600 3G base stations have been constructed and that makes the total number of 3G network base station to be nearly 4 000. All the urban areas of all cities and counties and major routes of transportation have been covered by 3G network signal. The network infrastructure has been optimized in order to ensure the free communications between 2G network and 3G network. China Unicom Group Anhui Co., Ltd. is going to invest 10 billion RMB into 3G (WCDMA) constructions and optimization in order to maintain network and technological superiority. (People.com.cn 2009.)

According to Dong Zezhou, China Unicom Group Anhui Co., Ltd. Anqing Branch distinguishes its customers according to the service brand they chose. The five service brands the company provides are “Family 1+” “Broadband E-commerce” “World Wind” “Connect as Your Wish” and “New Power”. (China Unicom 2010.)

“Family 1+” package provides land phone, broadband internet access and mobile
telecommunication service package for family customers. “Broadband E-commerce” package will tailor China Unicom’s innovation to suit unique requirement of different corporate groups’ needs. “World Wind” package is designed for individuals working in business fields. The mobility of telecommunication service will provide the customer an uninterrupted connection with business partners. “Connect as Your Wish” package is the recommended service package for ordinary public with the characteristics of good signal quality, abundant service functions, convenient and economic. “New Power” is the package specialized for young people with instant communication, music, sports, comics and games as its five major service fields. (China Unicom 2010.)

Most of China Unicom’s customers are people in rural areas and 20% of them are business related. China Unicom Group Anhui Co., Ltd. Anqing Branch uses cash rebates, free mobile phones or presents after depositing telephone fare in a certain amount promotion approaches to attract potential customers and enlarge customer groups. (Dong Zezhou Interview 03.02.2010.)

Dong Zezhou held the same view points on competitor situation with the managing director of China Mobile. The major competitors of China Unicom Group Anhui Co., Ltd. Anqing Branch are China Mobile and China Telecom. The most notable advantage of China Unicom Group Anhui Co., Ltd. Anqing Branch when compared with the two competitors used to be its competitive pricing strategy with fair signal and service quality. The emergence of 3G (WCDMA) network has toppled over the situation and grant China Unicom with technological superiority over China Mobile and China Telecom. (Dong Zezhou Interview 03.02.2010.)

WCDMA network standard is the most technological advanced and prevalently used 3G networks standard with matured product chain of the world. Nowadays, there are 258 WCDMA networks operating in more than 100 countries. 320 million WCDMA
users account for 77% of all 3G network users. This overwhelming prevalence enables WCDMA as the 3G network standard with the strongest global roaming ability. Moreover, there are more than 2,000 different kinds of mobile phone terminals from nearly 150 mobile phone manufacturers around the world. This feature provides WCDMA users with a wide range of models of mobile phones to choose from. (Netease Technique 2009.)

China Mobile has most signal base stations and its signal coverage and intensity is the greatest and strongest among the three telecommunication service providers. Furthermore, China Mobile’s brand image and reputation make its customer reluctant to change to other options. Some potential customers don’t even want to try a second choice when they are choosing their telecommunication service provider. The greatest advantage of China Telecom Group Anhui Co., Ltd. Anqing Branch is its intimate relationship with state-owned enterprises and company groups. By providing bundle service for all the employees from managers to office workers, China Telecom is able to obtain groups of customers in business fields. In addition, China Telecom used to be an internet connection provider, which enables it to establish service connections between telecommunication and internet access. (Dong Zezhou Interview 03.02.2010.)

When asked about the emphasis of work of China Unicom at the moment, Dong Zezhou pointed out that China Unicom Group Anhui Co., Ltd. released the new full service brand “WO” on April 28, 2009. “WO” service package faces individual customers, family customers and business customers at the same time by providing all kinds of telecommunication services through WCDMA network (China Unicom 2010). On May 17, China Unicom Group Anhui Co., Ltd. announced the trial commercial operation of 3G network (WCDMA) in Anhui Province. The official commercial operation of 3G network (WCDMA) in Anhui Province was commenced by China Unicom Group Anhui Co., Ltd. on September 28, 2009. During the trial
commercial operation, more than 600 3G base stations have been constructed and that makes the total number of 3G network base station to be nearly 4 000. All the urban areas of all cities and counties and major routes of transportation have been covered by 3G network signal. The network infrastructure has been optimized in order to ensure the free communications between 2G network and 3G network. China Unicom Group Anhui Co., Ltd. is going to invest 10 billion RMB into 3G (WCDMA) constructions and optimization in order to maintain network and technological superiority. (People.com.cn 2009.)

When it came to customer satisfaction issue, Xu Junhua invoked that most of China Unicom’s customers were satisfied with the service provided by the company. There have been some problems with signal intensity in rural areas and during festival busy days. China Unicom Group Anhui Co., Ltd. Anqing Branch have been putting great emphasize on base station construction and network optimization. Signal problem is perceived to be solved with the emergence of 3G (WCDMA) network. Hotline staff members have been recruited and trained for the increasing demand for hotline service. (Dong Zezhou Interview 03.02.2010.)

Dong Zezhou introduced the accomplishments that China Unicom Group Anhui Co., Ltd. Anqing Branch fulfilled for CSR (Corporate Social Responsibility) as follows:

- Wenchuan District in Sichuan Province was stroke by an earthquake on May 12, 2009. Employees from China Unicom Group Anhui Co., Ltd. Anqing Branch Wangjiang Subsidiary raised 4 200 RMB for Wenchuan on May 16, 2009. (Anqing Policy Publicity Office 2008.)
Interview on February 4, 2010

Date: February 4, 2010
Location: Anqing No.2 Middle School
Interviewee: Meng Rongfang, 18 years old girl, now studying in Grade two in Anqing No.2 Senior High School

Summary of Interview:

China Mobile was the telecommunication service provider she was using. The reason for her to choose China Mobile was because she could get many free SMS per month if she chose “M-zone” service package. Most of her friends were China Mobile’s users as well.

50% to 60% of all students had their own mobile phones. China Mobile had been chosen by most of my classmates. Students who wanted to have a new service provider were often persuaded by his/her friends to choose China Mobile in order to lower the communication costs among them.

SMS and mobile internet connection are the most frequently used functions for high school students. “M-zone” package provides roughly same amount of free SMS per month with “New Power” package provides. But most of the students’ parents and friends were using China Mobile’s service. Choosing China Unicom alone would be isolated by friends due to high across service provider costs.

Internet connection is very important to high school students, because it is indispensable for using online chatting programs as QQ, MSN, Yahoo MSN, etc. The cost of internet connection when using China Unicom’s “New Power” package is too high for high school students. The free internet flow amount provided by “New
“Power” is insufficient for daily connection. If the internet flow amount exceeded the free amount, the monthly costs would become too expensive for students. Moreover, the button arrangement in China Unicom mobile connection interface was too confusing. People may get subscribed to an unknown additional package unconsciously, which would bring unnecessary expenses. Sometimes, the unwanted service packages are charging customers for months without any notification.

Her suggestion for China Unicom was that China Unicom should lower internet costs and increase free internet flow amount and try to break down the pricing barriers between China Mobile and China Unicom.

- Interview on February 6, 2010

Date: February 6, 2010
Location: Golden Hua Lian Supermarket
Interviewee: Mr. Liu, 25 years old, now working in Anqing Broadcast and Television Station
Miss. Hu, 28 years old, now working in Anqing People’s Hospital

Summary of Interview:

They have been using China Unicom for 2 years. China Unicom Group Anhui Co., Ltd. Anqing Branch provided a serial of numbers for our company and nearly all their colleagues were suing China Unicom.

Mr. Liu was not satisfied with the service he got. If it was not because of his colleagues and friends, he would have already changed to China Mobile’s customer. He was over charged 80 RMB for a 30 MB/month internet flow amount package at
the price of 10 RMB/month by China Unicom. The service I am not satisfied most is GPRS internet connection service. It was China Unicom’s charging system problem but an irresponsible customer had to pay for their mistake.

Miss. Hu was not satisfied with the service manner of China Unicom Group Anhui Co., Ltd. Anqing. Her and her colleagues’ mobile phones service was shut down by China Unicom according to the excuse of “no airtime balance” when there was enough balance in her account. The mobile service was reactivated by China Unicom on the next day without any apologize or explanation.

- Interview on February 8, 2010

Date: February 8, 2010
Location: Ren Min Road
Interviewee: Mr. Chen, 48 years old, now working in China Petrochemical Corporate Anqing Branch
Mrs. Jiang, 43 years old, is operating a clothes shop of her own in Ren Min Road

Summary of Interview:

The lower fare and relatives’ mobile service provider choice made them to choose China Unicom Group Anhui Co., Ltd. Anqing Branch as their telecommunication service.

Mr. Chen found the following problems with the 3G service:

- There is no delivered report for SMS send through 3G when sending to China Mobile or China Telecom. This function is only active when sending SMS to China Unicom users.
- There is a severe delay in delivering messages when using online chatting programs as QQ, MSN. Sometimes, the delay can be one hour or more.
- The mobile phone number of WCDMA has a very low recognition level by other internet application providers. For example, 186 number clusters cannot be recognized by online payment platform when I was trying to bind my mobile phone with my account.
- SMS and MMS spam-filter should be updated to prevent spammers.

Mrs. Jiang was not satisfied with the service quality, especially the service manners of China Unicom Group Anhui Co., Ltd. Anqing Branch hotline service. Sometimes no receptionist was working in their hotline service station. People who called 10010 (China Unicom’s hotline service number) was going to be put in waiting list for a long time. The service manner was bad and professionalism was low. Customers may get different answers for the same question.

- Interview on February 10, 2010

Date: February 10, 2010
Location: Ling Hu Park
Interviewee: Mr. Zheng, 62 years old, now is retired at home

Summary of Interview:

Mr. Zheng’s son bought the mobile phone for him and chose China Unicom as the service provider. According to him, the biggest problem China Unicom had was the opacity of its charging system and arbitrary charges. For example, there are unknown additional packages in customers’ accounts and they used to be free packages offered by China Unicom and turned out to be their own choices after the free trial period had past.
The bills printed in China Unicom’s outlets don’t distinguish costs incurred by dialed and called, which make customers confused about our expense conditions. Although China Unicom Group Anhui Co., Ltd. Anqing Branch has promised not to charge for monthly rental fees, there has been package usage fees charged every month. It seems that China Unicom is still charging for monthly rental fee under another nominal excuse. The roam fee is too high for ordinary users. Most of people don’t need roam service very often, but a few days’ cross-provincial connection during holiday travels or festival vacations. China Unicom should offer a roam-free package for people use roam service occasionally.

3.3.3 Interview Data Deduction of Marketing Suggestions for China Unicom

During the qualitative research phase, there were 8 people that had been interviewed, among which the managing director of both China Mobile Group Anhui Co., Ltd. Anqing Branch and China Unicom Group Anhui Co., Ltd. Anqing Branch had revealed official opinions about marketing performance of their own company, the competition situation in the market and the prospect of 3G network.

Both of China Mobile Group Anhui Co., Ltd. Anqing Branch and China Unicom Group Anhui Co., Ltd. Anqing Branch categorize their customers according to the service packages they choose and the service packages provided by both companies are highly identical. The crucial differences between these two service providers are signal intensity and service quality, which are also the decisive factors for customers to make their choices.

The opinions of both managing directors on competitive edge for each company are the same. For China Mobile Group Anhui Co., Ltd. Anqing Branch, they have the
most vast signal coverage and strongest signal intensity, which laid the foundation for their technical superiority over the other two competitors. The service quality and service manner of hotline are perceived to be the best among the three by customers. TD-SCDMA is the 3G network standard that has been allocated to China Mobile, which will also be the emphasis of work of China Mobile in the future. Although the TD-SCDMA standard doesn’t have any technical superiority over other 3G network standards, it has the government support with the vast loyal customer groups of China Mobile. It can be a major competitor for China Unicom’s WCDMA standard. China Mobile Group Anhui Co., Ltd. Anqing Branch has been taken an active role in Corporate Social Responsibility by sponsoring primary schools, raising funds for earthquake districts, promoting energy conservation, emission cut and environmental friendly economy development pattern, etc. These actions have greatly strengthened the brand image and reputation of China Mobile Group Anhui Co., Ltd. Anqing Branch as a reliable and responsible telecommunication corporate, which will enhance its customer loyalty and attract potential customers.

For China Unicom Group Anhui Co., Ltd. Anqing Branch, the signal coverage and intensity are not as good as that of China Mobile Group Anhui Co., Ltd. Anqing Branch. The service quality, especially hotline service quality has been a major concern for its customers. WCDMA network standard is the most technological advanced and prevalently used 3G networks standard with matured product chain of the world. This standard alone can be an overwhelming technical superiority over China Mobile and China Telecom without any hardware support. China Unicom Group Anhui Co., Ltd. Anqing Branch should fully take advantage of this opportunity to gain customers who are interested in this advanced 3G standard and the convenience experience it may bring. Corporate image and reputation can be very important to a company group like China Unicom, the intensity and commitment of Corporate Social Responsibility of China Unicom Group Anhui Co., Ltd. Anqing Branch was not as satisfactory as that of China Mobile Group Anhui Co., Ltd. Anqing
Branch. China Unicom should pay more attention in Corporate Social Responsibility and try to build up a responsible telecommunication corporate image when it is gaining market popularity at the same time.

For China Telecom Group Anhui Co., Ltd. Anqing Branch, the greatest competitive edge is its intimate relationship with state-owned enterprises and company groups. By providing bundle service for all the employees from managers to office workers, China Telecom is able to obtain groups of customers in business fields. Furthermore, China Telecom used to be an internet connection provider, which enables it to establish service connections between telecommunication and internet access.

The interviews with customers have revealed the major concerns and requirements for services of customers from different age groups. China Unicom Group Anhui Co., Ltd. Anqing Branch should adjust its policies and make up the insufficiency in order to gain better market performance and greater market share.

For customers younger than 19, SMS and internet connection for online chatting programs are the most popular functions among young people. People tend to choose service packages with many free SMS and internet flow amount. China Unicom should provide a service package specialized for students that with enough free SMS and internet flow amount but not much local vocal cal discount. This would help to gain customers from high schools and universities.

For customers between 19 and 30, China Unicom Group Anhui Co., Ltd. Anqing Branch should reduce the system mistakes and the costs they may cause to customers. If it was China Unicom’s system problem and it had lead to customers’ extra costs, China Unicom should not only recover the loss and apologize to the customers.
For customers between 31 and 60, China Unicom Group Anhui Co., Ltd. Anqing Branch should improve customers’ 3G satisfaction by cooperating with China Mobile and China Telecom to solve possible cross service provider network problems. 3G network mobile phone number clusters recognition level should be improved by deepen the cooperation with internet applications’ providers. Only by enhancing customer satisfaction, can China Unicom’s 3G products be novel and attractive to potential customers. Hotline service quality gives customers a direct feeling about how good a service provider’s service is. It is the most crucial dimension for service quality. Staffs in hotline service sector should be trained and equipped with latest service information and professional service manner.

For customers who are older than 60, usually they have been retired and are price sensitive compared to working people. Whether the charging system is reliable is a decisive dimension for customers to decide whether the telecommunication service provider is reliable or not. No mistake or arbitrary charging can be tolerated by a nationwide telecommunication service provider as China Unicom.
4 EVALUATION AND CONCLUSION

In conclusion chapter, there are two main issues to be expatiated. First, figuring out the reasons for the ineffective competitive pricing strategy China Unicom has been executing. Identifying the reasons for incompetence and insufficiency is the first step of correcting faultiness and to improve the situation. Second, after the theoretical review and data analyzing of both quantitative and qualitative researches, the researcher is able to make several marketing suggestions for China Unicom, which are coherent to the internal and external reasons for its inferiority in Anqing market. In evaluation chapter, the flaws, validity and reliability of the researches and the thesis report will be explained.

4.1 Evaluation of the Research and Thesis Report

As mentioned in the target market introduction section, Anqing City covers a land of 1 530 000 km² with a total population of 6.1 million while the urban area is 821 km² and there are 730 000 urban inhabitant (People.com.cn 2008). Due to the research workload capability of the researcher, there were only 200 questionnaires that had been distributed and collected. Although the fulfill rate was 100%, the quantity of the samples was too small when compared with the whole population of Anqing. Therefore, the quantitative data may not be able to precisely represent the real situation of market performance and market share situation of telecommunication companies in Anqing.

There was only one responder who was using China Telecom as the telecommunication service provider, which accounted 0.5% of the market share. This figure retrieved from the data alone was completely different from the 8% got from official data provided by the managing directors from both China Mobile and
China Unicom. Because the business sector customers could not be reached by ordinary questionnaire distribution channel, the data got from qualitative interviews was more trustworthy in this case.

When evaluating "Reasons for Mobile Service Provider Choices", the second largest reason for people choosing China Mobile was “Other”, which accounted for 22.38% of the whole China Mobile users. Usually, the option “Other” should not account for more than 10%. Otherwise, it reveals the impropriety of option arrangements. Even though, the reason for responders to choose “Other” had been figured out by interviews, which was because so many relatives, friends, colleagues of the responders were using China Mobile, and using the same provider’s service would avoid the pricing barriers set by different service providers, the option “Other” could have been more descriptive and precise.

Most of the information got from interviews can be verified from a third information source to ensure credibility. In qualitative interview chapter, some of the information provided by the managing directors could not be examined from a third information source due to the requirements of keeping those company materials as confidential documents. China Mobile Group Anhui Co., Ltd. Anqing Branch purchased a market research project from “Yi Shansuo”, a professional marketing research institution in Beijing, in the year 2009. The marketing research report compiled by “Yi Shansuo” could be accessed from neither internet nor company archives.

4.2 Reasons for Inferiority of China Unicom

China Unicom Group Anhui Co., Ltd. Anqing Branch has been operating fairly since its official set up on October 28, 1999 (Anqing Economic Information Center 2008). The company provides telecommunication service with a competitive pricing
strategy. The main problem for the company is the pricing strategy has not achieved the anticipated market performance and market share in Anqing City. (Anqing Economic Information Center 2008.)

After the quantitative and qualitative research, the reasons for China Unicom’s inferiority in Anqing market can be inducted into six major problems from both internal incompetence aspect and external competitive situation aspect.

There are four internal problems that are critically important to China Unicom:

First, the hardware capability of China Unicom Group Anhui Co., Ltd. Anqing Branch cannot match that of its competitors’. From both official statistics and feedback from customers, the signal coverage and intensity of China Unicom Anqing Branch are not satisfactory. This situation has not been perfectly solved since the establishment of China Unicom from the very beginning. Although, China Unicom has been investing great sum of capital into base station construction, the speed and degree of its improvement has not been as quick and obvious as that of China Mobile. When competitors are continuously upgrading their signal and service quality, what China Unicom has been operating is just a comparatively fall back if China Mobile is chosen as the frame of reference.

Second, the perceived competitive edge by China Unicom has not been agreed by customers. China Unicom’s competitive edge lies with the fair signal and service quality at a competitive price level, but by paying lower service fees, customers cannot get a service quality that is similar to what China Mobile provides. Thus customers’ benefits have been decreased together with their costs, which resulting an even lower customer perceived value when the insufficiency in service quality is greater than the benefits brought by lower price level. It is quite nature for customers
to choose a telecommunication service provider with a much better signal and service quality by paying a bit more.

Third, the inferiority of signal and service quality has resulted in a degeneration of China Unicom's brand image and company reputation. Although China Unicom Group Anhui Co., Ltd. Anqing Branch is the second largest service provider in Anqing market, it has long been regarded as a cheap service provider with not so good signal intensity and service quality. Such perception from the customers generates no benefit to customer loyalty and satisfaction. Not all customers are extremely price sensitive and there is also a large group of quality oriented customers who definitely prefer better service at a premium price.

Fourth, major problematic service issues of China Unicom Group Anhui Co., Ltd. Anqing Branch are as follows:

- China Unicom has not acquired the exact requirements from young people and students when setting the service packages. The points of emphasis and discount features of different service packages are not practical for various customer groups.
- Frequent mistakes made by China Unicom's own technical system lead to economic and emotional costs from customers. No proper compensation or apology has been made so far.
- Signal quality of 3G network should be continuously improved. Supreme compatibility with abundant internet applications is expected by customers.
- Opacity in charging system and unclear charging conditions should be removed. A transparent and clear charging system is crucial for a credible telecommunication service provider.
- Spam SMS has greatly reduced customer experience when using telecommunication service.
- Hotline service quality is a major aspect that China Unicom needs to improve.

There are two major external reasons from two major competitors in Anqing market that are not favorable for China Unicom.

First, China Mobile has a reliable brand reputation. From the quantitative data analysis, it can be concluded that many China Mobile customers had never given a thought about choosing China Unicom/China Telecom or change their service provider. China Mobile’s brand image, “China’s biggest, unique and official telecommunication service provider”, helped a lot in gaining potential customers and enlarging customer groups. China Mobile has most signal base stations and its signal coverage and intensity is the greatest and strongest among the three telecommunication service providers. These hardware superiorities laid the foundation of China Mobile’s brand image and reputation.

Second, the greatest advantage of China Telecom Group Anhui Co., Ltd. Anqing Branch is its intimate relationship with state-owned enterprises and company groups. By providing bundle service for all the employees from managers to office workers, China Telecom is able to obtain groups of customers in business fields. In addition, China Telecom used to be an internet connection provider, which enables it to establish service connections between telecommunication and internet access. If China Mobile was a strong competitor in individual customer market, China Telecom would be a major threat in business to business market.

4.3 Marketing Suggestions for China Unicom

Before making any marketing suggestions for China Telecom Group Anhui Co., Ltd. Anqing Branch, the researcher would like to recommend that the service quality,
especially hardware capability is the foundation of fulfillment of customer satisfaction, brand image and company profitability. Therefore, base station construction, network optimization and 3G network establishment should be China Telecom Group Anhui Co., Ltd. Anqing Branch’s emphasis of work in the future. All the marketing suggestions and plans will not make sense if there was not sufficient hardware capability to back up marketing approaches.

Enlarge Business Scope and be 3G Committed:

Company needs a focused strategy in today’s dynamic and competitive business environment. Companies should not view themselves as selling products or services as much as exploring, creating and delivering customer value. To turn customer benefits into business opportunity, a company has to enlarge the scope of its business. (Kotler et al. 2002, 62-65.)

WCDMA network standard is the most technological advanced and prevalently used 3G networks standard with matured product chain of the world. The emergence of 3G (WCDMA) network has toppled over the 2G competition situation and grant China Unicom with technological superiority over China Mobile and China Telecom. To take full advantage of this market opportunity, China Unicom Group Anhui Co., Ltd. Anqing Branch should enlarge its business scope and regard fulfilling customers’ 3G network application requirements to be the company’s commitment and to realize company’s profitability at the same time. (Netease Technique 2009.)

“To communicate effectively with customers and collaborators, marketers must ensure that the company’s brand identity reflects it business concept(s) and reshaped business scope” (Kotler et al. 2002, 65). By emphasizing WCDMA development and 3G network construction together with service quality improvement, China Unicom will be able to integrate 3G identity into its brand
concept and scope, giving customers an impression that WCDMA means China Unicom, but China Unicom means more than 3G.

Emphasizing Efficiency and Service Quality:

“External efficiency and service quality concerns should be given top priority in the interactive functions” (Grönroos 2007, 219). This efficiency and service quality are concrete benefits for customers. In service management process, the better the total customer relationship is taken care of, the better the functional quality will be and the less complicated it is to maintain relationship between customers and service provider. (Grönroos 2007, 218-219.)

China Unicom Group Anhui Co., Ltd. Anqing Branch can adopt three steps in improving service impact on customer relationships.

- By developing new services for customers.
  WCDMA 3G network standards enable the telecommunication provider to offer abundant 3G internet applications together with the internet access service.

- By activating existing but hidden services or service elements.
  Some of the free GSM network applications, such as weather forecast and local news delivery, have been free of charge. Customers have taken those applications for granted and do not regard them as service bonus or service provider’s discounts. China Unicom Group Anhui Co., Ltd. Anqing Branch can make those hidden services visible by setting prices to those applications but offer them free of charge.

- By turning the service element into a service.
China Unicom Group Anhui Co., Ltd. Anqing Branch used to provide monthly bill SMS notification as part of the service packages. This function can be separated to be an application that customers can subscribe for free.

Periodically Reviews of Market Performance:

“Effective operations strategy begins with periodic reviews of competitive priorities” (Krajewski et al. 1993, 51). Managers of China Unicom Group Anhui Co., Ltd. Anqing Branch should assess the company’s current performance in terms of the desired level on the following dimensions:

- Market share
- Number of new customers, proportion of 3G subscribers account for the whole new customer group
- Feedback on price level
- Hotline service quality
- Comments and suggestions collected from outlets

Provide a Constant and Standard Information Channel:

Customers get annoyed when they have to check some information about a service and find that different institutions of a company give different message, yet especially with complex service conditions it can be impossible to get an identical answer from every information source provided by the company. Product or service knowledge is mentioned in advertisements, brochures, leaflets, etc. and having the correct information in the right form is vital for marketing effectiveness. (Forsyth 2008, 107-108.)

For new service packages, especially the ones based on the customers’ unfamiliar
WCDMA network standard, China Unicom Group Anhui Co., Ltd. Anqing Branch should provide a detailed standard explanation and make sure that customers can get the same information from every official information channel. Customers’ awareness is the first step of interest and motivation of purchase behavior.

Identify Promising New Market:

Enlarging market share is the objective of top priority for China Unicom Group Anhui Co., Ltd. Anqing Branch. High-end customers have already been divided up by existing competitors, leaving the medium and low end market to be less loyal and vulnerable towards price discounts and cash rebates. The most typical rising new market in Anqing market can be categorized into three parts: 1) the constantly increasing student market; 2) rural market including migrant workers; 3) retired people and housewives. China Unicom Group Anhui Co., Ltd. Anqing Branch has its own competitive advantage in medium and low end market due to the WCDMA 3G network standard makes various mobile terminals at different price levels available to ordinary customers.

Establishing 3G Business Channel System:

China’s customers are still not so familiar with 3G applications and most of them are unaware of how 3G is going to change their daily life. If China Unicom Group Anhui Co., Ltd. Anqing Branch wanted to speed up 3G business growth, there should be a systematic introduction and initiation phase, which requires China Unicom Group Anhui Co., Ltd. Anqing Branch to establish a 3G business channel system, provide staffs training and conduct local promotion.

First, the channel system should be service development oriented. Careful and
cautious marketing plans should be made for channels that are under China Unicom’s direct control, such as outlets, household appliances markets and mobile phone markets, etc. Optimizing customer satisfaction, enhancing customer experience should be China Unicom’s major concerns when setting channel functions according to the characteristics of different customer groups.

Second, improve professional proficiency of staffs. Packages offered and fare charged by telecommunication providers did not change very often in 2G era, which did not have a keen requirement for staff professional proficiency. The situation of 3G network and its applications is totally different from that of 2G network. Staffs of China Unicom Group Anhui Co., Ltd. Anqing Branch should not only acquire the knowledge of basic service packages and fare conditions, but also the information about various internet applications based on 3G technology. Both China Unicom’s and its competitors’ relevant information should be equipped and updated to China Unicom’s staffs.

Third, the service attitude should be changed from passive service provider to active service provider. Each outlet in Anqing can have its own local promotional emphasis.

China Unicom Group Anhui Co., Ltd. Anqing Branch should continuously emphasize infrastructure reform, business idea renovation and market efficiency optimization. Only by solving internal problematic issues and eliminating technical incompetence, can China Unicom Group Anhui Co., Ltd. Anqing Branch achieve a greater market share and better market performance.
BIBLIOGRAPHY

Published Sources

Allison, R. I. & Uhl, K. P. 1964

Berry, L. L. 1969

Bond, M. H. 1991

Cateora, P. R. 1990

Ciarlante, D. & Schutte, H. 1998

Fill, C. 2009
Fletcher, A. & Jones, N. R. 1997


Fog, B. 1994

*Pricing in Theory and Practice.* Reproset. Copenhagen, Denmark.

Forsyth, P. 2008


Gross, R. & Kujawa, D. 1992


Grönroos, C. 2007


Jobber, D. 1998


Kahal, S. 2001

*Business in Asia Pacific: Text and Cases.* Oxford University Press Inc.
New York.

Kotler, P. 2003


Krajewski, L. J. & Ritzman, L. P. 1993

Passer, M. W. & Smith, R. E. 2001

Sarathy, R. 1991

Stone, G. P. 1954

Terpesra, V. & David, K. 1992
Internet Sources

Anqing Economic Information Center 2008

A Brief Introduction of China Mobile Group Anhui Co., Ltd. Anqing Branch
Retrieved on March 8, 2010

A Brief Introduction of China Unicom Group Anhui Co., Ltd. Anqing Branch
Retrieved on March 9, 2010

China Mobile Group Anhui Co., Ltd. Announced the Commencing of Commercial Operation of TD-SCDMA
Retrieved on March 8, 2010

China Mobile Group Anhui Co., Ltd. Anqing Branch Actively Executed “Code Green Project”
Retrieved on March 8, 2010

Anqing Policy Publicity Office 2008

China Mobile Group Anhui Co., Ltd. Anqing Branch Opened up the First China Mobile Style Customer Experience Outlet in Anqing University

Retrieved on March 8, 2010

China Unicom Group Anhui Co., Ltd. Anqing Branch Wangjiang Subsidiary’s Donation for Wenchuan District

Retrieved on March 9, 2010

China Mobile Group Anhui Co., Ltd. Anqing Branch’s Donation for Wenchuan District

Retrieved on March 8, 2010

China Unicom Group Anhui Co., Ltd. Anqing Branch’s Donation for Wenchuan District

Retrieved on March 9, 2010

Anqingwoman.org 2007

China Mobile Group Anhui Co., Ltd. Donated for Girl Dropouts in Taihu
County
http://www.aqwomen.org/News/ShowNews.asp?ID=1439
Retrieved on March 8, 2010

China Mobile 2007
China Mobile's Brands and Products
http://wo.10010.com/ywzq.html
Retrieved on March 8, 2010

China Unicom 2009
China Unicom Corporate Profile
http://eng.chinaunicom.com/about/Eng-gsgl/index.html
Retrieved on February 20, 2010

China Unicom 2010
China Unicom Group Anhui Co., Ltd. Anqing Branch Service Brands
Introduction and Customer Categorization
http://www.chinaunicom.com/brand/qin1/index_qing1.html
http://www.chinaunicom.com/brand/kdsw/index_kdsw.html
http://www.chinaunicom.com/brand/sjf/sjf_yw.html
http://www.chinaunicom.com/brand/ryt/index.html
http://www.chinaunicom.com/upower/brand/brand1.html
Retrieved on March 9, 2010
Introduction of China Unicom Group Anhui Co., Ltd. Anqing Branch

Retrieved on March 9, 2010

Google Map 2010

Questionnaire distribution areas in Anqing City

http://ditu.google.cn/maps?client=pub-0084673751261698&channel=200072013&prog=aff&hl=zh-CN&q=Anqing&um=1&ie=UTF-8&sa=N&tab=w
Retrieved on March 3, 2010

Netease Technique 2009

Evaluation and Comparison of TD-SCDMA&WCDMA&CDMA2000

http://tech.163.com/special/000933IJ/3GLicense.html
Retrieved on March 9, 2010

Ministry of Industry and Information Technology of China granted 3G licenses to China Mobile, China Unicom and China Telecom

http://tech.163.com/09/0107/14/4V2HLRIl000933IK.html
Retrieved on February 20, 2010

People.com.cn 2008

Introduction of Anqing

http://unn.people.com.cn/GB/114257/6789250.html
Retrieved on February 20, 2010

People.com.cn 2009

China Unicom Group Anhui Co., Ltd. Commenced the Official Commercial Operation of 3G Network (WCDMA) In Anhui Province
SINA Corporation Technique 2009

*Commercial Operation Lunched on October 1, 2009*


Retrieved on March 5, 2010

Xinhua News Agency 2003

*Spring Buds Program Benefits Girls*


Retrieved on March 8, 2010

Xinhuanet.com 2009

*China Issued 3G Mobile Communications Licenses*


Retrieved on March 8, 2010

ZDC (Zhong Guancun Online Consumer Research Center) 2009

*The familiarity of 3G of Chinese Customers*


Retrieved on March 5, 2010

Zdc.zol.com.cn 2009

*Investigation and Analysis of China 3G Developments Situation*


Retrieved on March 5, 2010
APPENDIX 1

Questionnaire of Telecommunication Market in Anqing

1. Are you a
   A. Male        B. Female

2. Please choose your age group.
   A. <19         B. 19~30      C. 31~60      D. >60

3. What is your current working field?
   A. Agriculture  B. Industry  C. Economy    D. Hygiene
   E. Education    F. Government G. Media     H. Other

4. Your educational level
   A. Primary     B. Junior Middle C. Senior High D. College
   E. Postgraduate F. Doctor     G. Other

5. Your income level (RMB/month)
   A. <1000       B. 1000~2000  C. 2000~5000  D. >5000

6. How much do you spend for your mobile service (RMB/month)?
   A. <100        B. 100~300    C. 300~500    D. >500

7. Which mobile service provider you are using?
   A. China Mobile B. China Unicom C. China Telecom

8. Please specify the most important reason for your choice.
   A. Lower Fare   B. Better Signal C. Better Service D. Other

9. Which do you use most frequently?
   A. SMS         B. MMS       C. Phone Call D. Internet

10. Which recharging channel do you prefer?
    A. Outlets     B. Voucher   C. Bank Card D. Internet

11. What is the main channel for you to get the information of a new package?
    A. Outlets     B. Internet  C. Leaflet/brochure D. Hotline
    E. Friends     F. Campaign G. Other

12. How do you feel about each following option according to your experience?
    A. Very Satisfied B. Satisfied C. Not Satisfied D. Other

<table>
<thead>
<tr>
<th></th>
<th>Fare</th>
<th>Signal</th>
<th>Service</th>
<th>Hotline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. Do you expect any new service from your service provider? Please specify.

14. What are your suggestions or complaints for China Mobile/Unicom?
APPENDIX 2

安徽安庆移动通信业务市场调查问卷

1. 您是
   C. 先生    D. 女士

2. 请选择您的年龄段
   I. <19     J. 19~30      K. 31~60      L. >60

3. 您现在就职于下列哪一行业？
   A. 农业    B. 工业      C. 商业      D. 卫生系统
   M. 教育系统 N. 政府部门 O. 媒体      P. 其他

4. 您的学历
   A. 小学    B. 初中      C. 高中      D. 大学生
   E. 硕士生 F. 博士生 G. 其他

5. 您的收入水平 (人民币/月)
   A. <1000   B. 1000~2000   C. 2000~5000   D. >5000

6. 您每月的移动通信消费额度 (人民币/月)
   E. <100   F. 100~300   G. 300~500   H. >500

7. 您现在使用的哪家移动通信业务服务商？
   D. 中国移动    E. 中国联通    F. 中国电信

8. 请标明您做出以上选择的最主要原因
   E. 资费低    F. 信号好    G. 服务好    H. 其他

9. 下列哪些功能您使用最频繁？
   E. 短信    F. 彩信    G. 电话    H. 手机上网

10. 您最喜欢使用下列哪种充值渠道？
    E. 营业厅    F. 充值卡    G. 银行卡    H. 网上银行

11. 您主要通过哪种渠道了解最新业务？
    H. 营业厅    I. 互联网    J. 宣传册    K. 热线人工服务
    L. 朋友推荐    M. 公司营销活动    N. 其他

12. 请根据您正在使用的移动通信服务商情况填充以下表格
    E. 非常满意    F. 满意    G. 不满意    H. 其他

<table>
<thead>
<tr>
<th>资费</th>
<th>信号</th>
<th>服务</th>
<th>热线</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. 您最希望移动通信服务商提供什么新的服务？

14. 您对中国移动/中国联通有什么意见和建议吗？
APPENDIX 3

Qualitative Interview Questions

1. Please introduce the basic information and market performance of China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch.

2. What are the major types of service of China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch? Is there any new trend of business development?

3. How does China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch categorize customers? What approaches have been applied to enlarge customer groups?

4. What are the major competitors of China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch? What advantages and disadvantages China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch may have when compared with its competitors? What countermeasures may be applied?

5. What is the emphasis of work of to China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch?

6. How satisfied are the customers with the service provided by China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch? What measures have been taken to make up the insufficiency in services?

7. How does China Mobile/Unicom Group Anhui Co., Ltd. Anqing Branch fulfill its CSR (Corporate Social Responsibility)?