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# Cell Phone SMS News in Chinese Newspaper Groups:

## A Case Study of Yunnan Daily Press Group

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**Abstract:** As a new media form, the cell phone is known as the fifth media form in China, closely following newspaper, broadcast, TV, and the Internet. The SMS (short message services) value-added service is a profitable market in China.

The news which is published by the official newspaper groups represents the most authoritative information in China. In recent years, newspaper groups have set up their news SMS services as a way for traditional media to utilise the new media, to provide value-added information services. However, because this field is a comparatively new, developing market, and there was a lack of management experience and governance rules for service providers (SPs) at the initial stage, many SPs initially exploited an absence of rules to the disadvantage of their customers. A large number of complaints from SMS consumers were voiced in 2004 and 2005, and as a consequence the authorities utilized administrative and technological means to restrict the actions of SPs. This action meant that a number of SMS service providers had to withdraw from the market, and has forced the Chinese market for SMS news services into a phase of redevelopment.

This paper outlines the development of SMS news services by the Yunnan Daily Press Group. It also investigates the potential for cell phone media to become one of the main channels through which news is accessed in China.

**Keywords:** mobile phones, China, news, SMS, new media, newspapers, government regulation

## **Cell Phone SMS News in Chinese Newspaper Groups:**

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### **SMS (Short Message Service) in China**

“Today the cellphone has become so ubiquitous that its wonders to behold are commonplace, an astonishing part of everyday life” (Levinson, 2004, p. 1). In China, the cell phone is known as the fifth media form, closely following newspapers, broadcast, TV, and the Internet. SMS is very popular in China for a number of reasons: the number of Chinese cell phone subscribers is large, the market for SMS services is well-developed, the fee for SMS services is low, and consumers have a desire to obtain instant information at any place and at any time. All of these reasons have turned SMS-based services into a profitable market in China.

There are two main mobile telecommunications companies in China: China Mobile Communications Corporation (or “China Mobile”) and China Unicom Limited (“China Unicom”). Together, they control a large part of the market of providing access to mobile telephony networks to private customers. The Chinese mobile communications market has shown impressive growth in terms of numbers of subscribers over the past six years. Statistics from the Ministry of Information Industry of the P.R.C. show that the number of subscribers in December 1999 was 43.3 million, and this has risen to 393.4 million in 2005 – an increase of over 900% in six years

(see Figure 1).

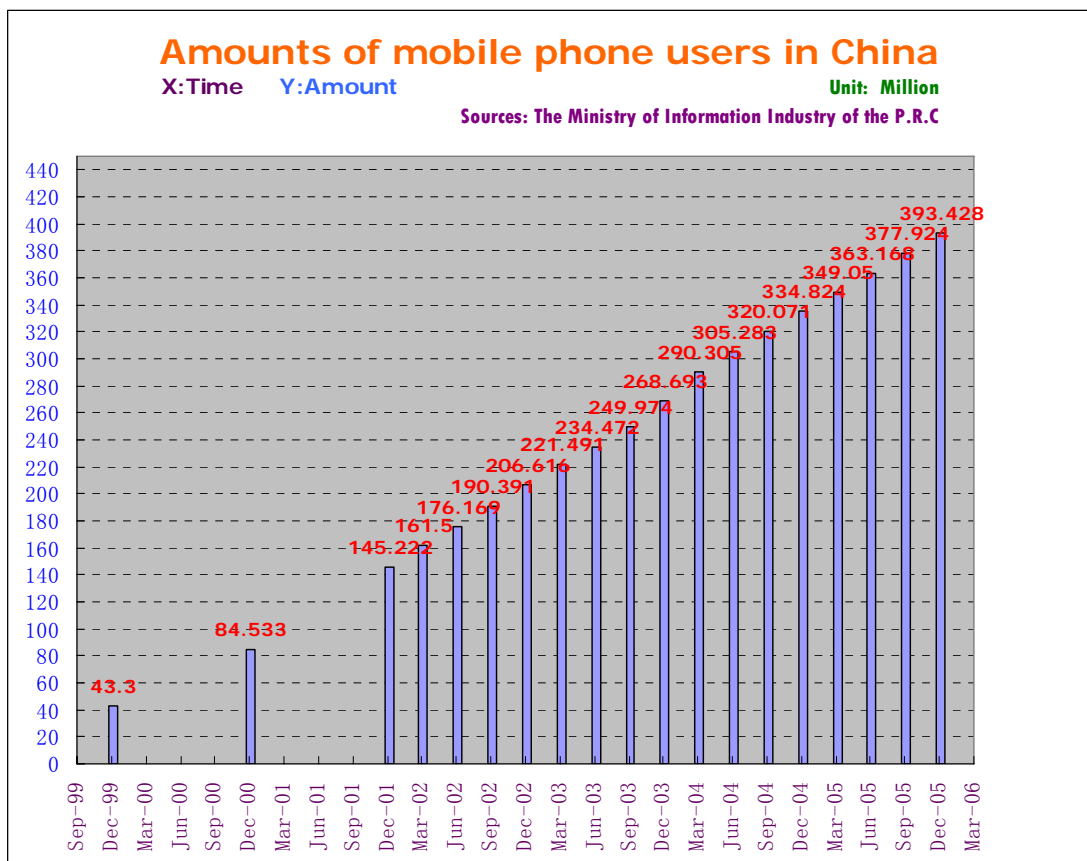


Figure 1

## A Brief History of Recent Developments in the Chinese SMS Market

British company Vodafone sent the world's first mobile phone short message from a PC to a mobile phone on their GSM network in 1992, but in the absence of attractive messaging cost plans, initial growth in SMS use was slow. Growth in China was further hampered by language difficulties. Tianjin launched the first Chinese-language mobile phone short message service in China in 1997; before this time, mobile phones in China only offered English (or Latin script) short message functions. SMS and SMS-based information services began spreading rapidly around the world after

1997, but operations in China really only started in 2000, when China Mobile launched the “Monternet Plan” in November 2000. It was the first mobile value-added service available in China. Monternet (Mobile+Internet) is known as a value-added service platform in China: it acts as a bridge between mobile devices and Internet-based and other digital information services. To make use of the new service, mobile communication companies authorised a range of service providers (SPs) to deliver value-added services content by way of SMS to mobile phone users.

Such SMS content services can be divided into a number of categories:

- Information, including news, weather, examinations, and English learning;
- Entertainment, including short message games, mobile phone pictures, ring tones downloads, jokes, and other entertainment participation;
- Communications, including mobile chat, and email;
- Commercial, including mobile phone stock trading and mobile phone banking; and
- Special services, which include location-based services (similar to GPRS)

(China Mobile, 2006)

Two types of charges for SMS-based value-added services are prevalent in China: charge per short message, and charge as part of a monthly package. Generally, in China, the fee for sending one short message is 0.1 Yuan (A\$0.0166); for interactive activities that sometimes have rewards, the fee will be between 0.1 and 1 Yuan. The monthly package fee is around 2 to 8 Yuan (A\$0.333-1.333) for most value-added

content providers in China. Users pay such fees to their mobile communication companies every month, and during that month receive about 30-100 messages which match (more or less accurately) consumers' interests.

According to statistics from the Ministry of Information Industry of the P.R.C., from 2000 to 2005 SMS usage volume increased from 1 billion messages in 2000, to 18.9 billion in 2001, 90 billion in 2002, 137.1 billion in 2003, 217.76 billion in 2004, and 304.65 billion in 2005. In other words, with the number of mobile subscribers continuing to increase, the volume of SMS traffic grew 304 times in six years in China (see Figure 2).

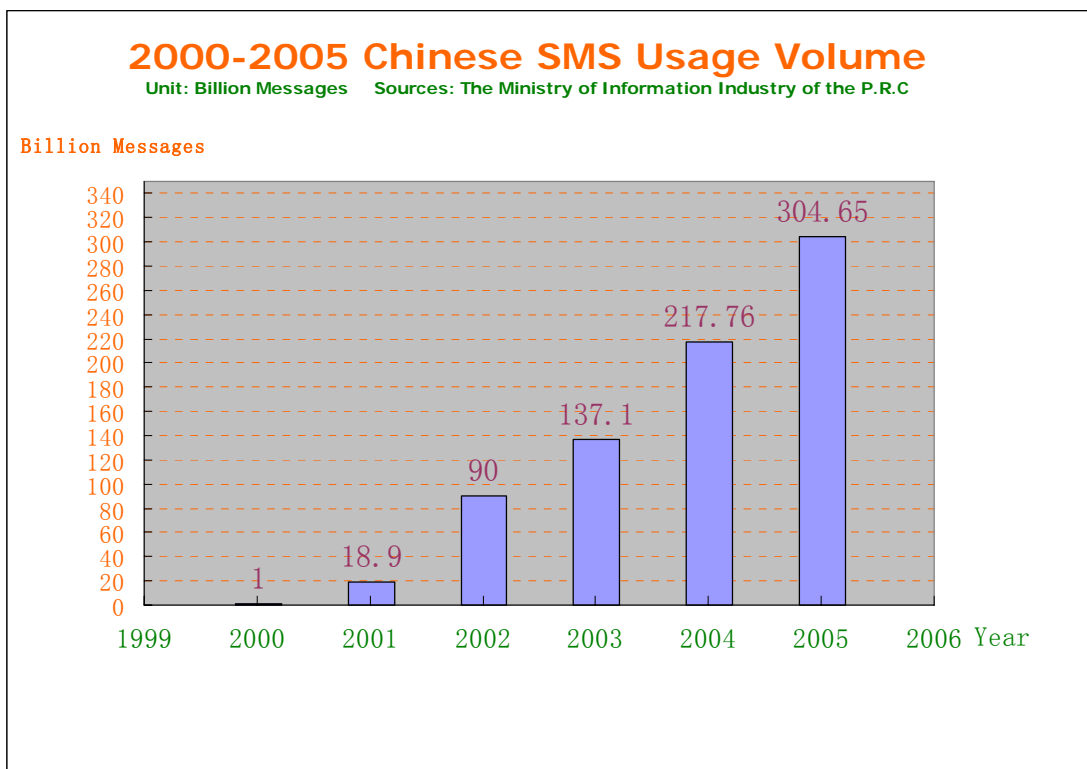


Figure 2

In 2002, the mobile phone short message industry even saved the Chinese Internet. The three biggest portal Websites in China were in danger of being delisted from the

NASDAQ. However, Netease, one of them, became the first profitable Website relying on network games and short message services, and the stockmarket success of Netease became the engine for China-related concept stocks in the NASDAQ. Shortly after, Sina, Sohu, Tom, and other Websites were also able to generate high profits through short message value-added services (Xinhua News Agency, 2003).

As a result, the Chinese value-added SMS market enjoyed five years of rapid development (see Figure 3), and the total size of the market reached 41.5 billion Yuan in 2005 and is expected to reach 57.15 billion Yuan in 2006 (Pday Research, 2006).

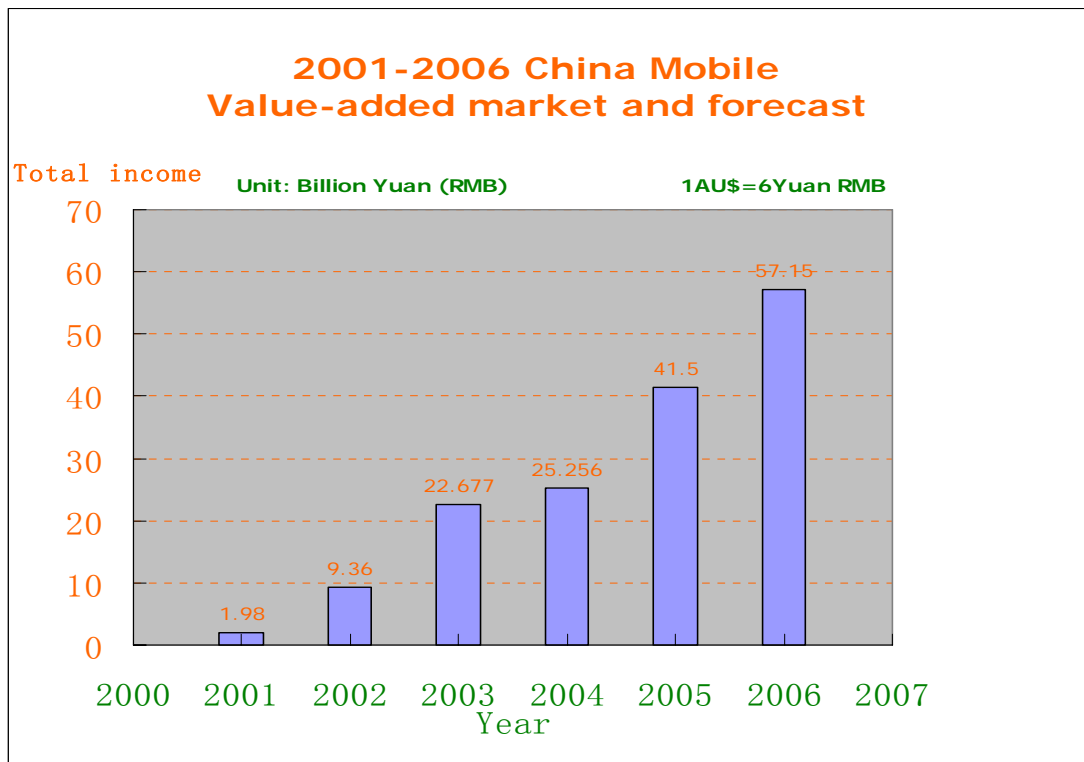


Figure 3

### Yunnan Daily Press Group's Involvement in SMS News Services

There are two tiers of newspaper groups in China, existing at the national and the provincial level. The majority of newspaper groups are at the provincial level, spread across almost all of China, and their news represents the most authoritative information in China at a national and local level. Yunnan Daily Press Group (“Yndaily” for short) is the only newspaper group in the Yunnan province of China.

Yndaily combines nine newspapers, three periodicals and one website ([www.yndaily.com](http://www.yndaily.com)) into one group. It provides various forms of information, and especially local news, to the people of Yunnan province.

In the middle of 2002, the Yunnan Mobile Communication Company established a plan to offer information services to local subscribers. They established a standard connection interface which allowed service providers to develop a software platform to send SMS information messages to subscribers. Through this system, every qualified SP is provided with a special service number, and consumers of mobile phone services can subscribe to different information services by sending a request text via SMS to this number.

Amongst the plans of the Yunnan Mobile Communication Company was to launch an SMS news service. However, they did not have the qualifications to offer a news to the public. Under Chinese law, content, and especially news content, must be provided by an accredited news company. Therefore, they wanted to find a partner to develop a short message news service. The Yunnan Mobile Communication Company revealed their plans to the public, and Yndaily joined it as a partner.

In the process, the main issues for Yndaily were technical feasibility, the news content management process, and the development of a strategy for the new medium. Indeed, this last issue is the core aspect. Traditional media are facing a challenge from new media; there are many levels on which traditional media compete with new

media. Innovations in reporting methods, the ability to offer more interactive media forms, different writing formats, and the opportunity to provide multiperspectival news are all powerful weapons for new media news organisations. At the same time, traditional media can also participate in the new media field, which further complicates matters: successful models for such mixed-media news organizations are still being determined.

Further, while sourcing content for a news SMS service posed no problem given Yndaily's existing resources, the company did not have technological expertise in mobile phone service provision, and had to find a partner to provide this knowledge. After such problems had been solved, Yndaily submitted a feasibility report to the mobile communication company, which was accepted. A cooperation agreement was signed, and in August, 2002, Yndaily began to offer its SMS information service. Other mobile companies also introduced SMS news services in their markets.

Yndaily employed a variety of means to attract users to its SMS news products, introducing and publicising the SMS news service in its newspapers and elsewhere. One key approach was to send SMS news to users as a free trial, with an opportunity for customers to subscribe to pay services at a later stage. Generally, the ways of attracting subscribers to Yndaily SMS news products were the following:

1. Advertising in in-house and allied media. Yndaily owns newspapers and a Website, enabling it to publicise its own products; other media which have partnerships with Yndaily also performed some promotional activities by promoting the mobile news service through their media channels.
2. Promotion through commercial partners' marketing channels. Yndaily cooperates with some service providers to promote products to each other's

group of users who are interested in particular information services. At the same time, Yndaily also cooperates with mobile communication companies. These help Yndaily to introduce its products into their business channels and service platforms, which have a broader group of users.

3. Organising various activities to promote products. Yndaily organised a variety of marketing activities, primarily in reward activities; these utilised the traditional media (newspapers, television, radio) and the Website for interactive multimedia activities.

4. Targeting unit users or group users. This was done in cooperation with specific industries in order to reach corporate information services agreements.

5. Tie-ins with other products, such as offering reduced rates for combined services, free access to the news service for subscribers to weather reports, advertising services, or other services.

Of course the quality of short message services is key to generating user satisfaction. Yndaily sends two to five short messages to users every day. SMS is limited to a maximum of 70 Chinese characters, including numerals and punctuation, and the process of collecting news and remaining within the word limit is difficult for every editor. SMS news is a new project for traditional journalism, and its extreme limit of characters in one message, which must present the headline news of the day, is a challenge.

### **Problems with the Mobile Value-Added Services Market in China**

Because this field is a comparatively new, developing market, service quality varies from provider to provider, and there was a lack of management experience and

governance rules for service providers (SPs) at the initial stage. Many SPs initially exploited an absence of rules to the disadvantage of their consumers. A large number of complaints from SMS consumers were voiced in 2004 and 2005, and as a consequence the authorities utilised administrative and technological means to restrict the actions of SPs. This action meant that a number of SMS content providers had to withdraw from the market gradually.

At the same time, with the rapid growth in Chinese mobile phone users, the development of the various value-added services offered by Internet portals and traditional media, which represented the first generation SPs in the Chinese mobile communications market, continued at high speed. In spite of the exploitative practices employed by some providers, as long as SPs provided decent value-added services, they would get larger market returns over time. As a result, a lot of new SPs stepped into the field. Below is a brief introduction to the market structure for SMS services in China.

Initially, SPs submit an application to mobile communication companies and the local Administrative Department of Communication to establish their business. If the application is approved, the mobile company will provide a special service number to the new SP. The SP will also receive documentation for its short message software interface. The SP will then develop short messaging software to connect to the short message system platform of the mobile communication company. After a strict test, the SP is ready to do business.

SPs are not entitled, and not able, to charge fees from consumers directly: fees for information services are charged by mobile communications companies on behalf of the SP. However, most of the fee statistics are calculated by the SPs and forwarded to mobile communications companies at the end of every month; mobile

communication companies then charge customers according to this fee data.

As there were some gaps in managing this new market, some SPs initially provided falsified statistical data and charged fees from users illegally, for example by introducing additional fees without notice or by duplicating charges. Some users also found it difficult to cancel their services: at times there was no response to users' requests, or the process of cancelling services was overly complex, creating an obstacle to cancellation for most users. Some SPs also sent information to users directly, subscribing the users themselves and charging fees directly; some SPs had no department or service hotline to deal with complaints; and in the worst cases, users were charged fees even when they had never received any information services.

To address such problems, China Mobile, the biggest mobile communication company in China, began to penalise those SPs who had been found guilty of fraudulent practices, and increased its penalties in order to manage the service providers. However, the situation did not improve: complaints remained at a certain level. China Mobile realised that this was not the right way to solve the problem, and at the end of 2004 started up a new information management platform known as MISC (Mobile Information Service Centre). Using this platform, mobile communication companies could utilise technical means to enhance the management of SPs. All SPs were required to connect to this system; if SPs missed the deadline, they would lose their qualification as a service provider.

Through this platform, managing relations between subscribers and SPs became the responsibility of mobile communication companies, therefore. Furthermore, the only way that a relationship between subscribers and SPs could now be established is by subscribers sending short messages to service providers actively. SPs cannot and do

not have a right to send any short messages to users with whom they have no existing relationship, even if the messages are provided for free or considered to be useful. Service fee statistics for all SPs are also calculated by MISC system. In this way, the operational power moved from SPs to the mobile companies, and illegal behaviour and harmful information can be controlled and filtered efficiently.

Table 1 shows the relevant rules and regulations that were established after the problems were first exposed. The first rules and regulations were enacted in September 2000; in 2004 and 2005, further regulations were introduced when additional problems emerged.

Time	Name	Authorised Departments
2000-9-25	Regulation on Internet Information Service of the P.R.C	State Department of China
2004-04	Notice of relevant questions about standardizing the short message services	The Ministry of Information Industries of the P.R.C
2005-03-13	Criteria for telecommunication services	The Ministry of Information Industries of the P.R.C
2005-09-25	Provisions for the Administration of Internet News Information Services	The Press Office of State Department and the Ministry of Information Industries of the P.R.C

Table 1: Relevant rules and regulations

(Source: The Ministry of Information Industry of the P.R.C.)

## **Potential Pathways for Cell-Phone Media to Become One of the Main Information Channels**

Because of these early problems, many users still do not trust the value-added services offered by SPs. They worry about falling into similar traps again. This is the biggest barrier for the ongoing development of mobile value-added services in China. At present, the traditional means of publicising value-added products through newspapers, TV and broadcasting are not enough to attract consumers. Meanwhile, the expenditure will be higher, in spite of smaller returns and even losses. Additionally, some promotional means are now regarded as illegal: service providers can no longer send invitational messages or provide unsolicited free trial services to users. The development of legal means for the promotion of their mobile information services is today the key issue for every SP. At the same time, as the Media Center (2006) states, a “mobile lifestyle emerges globally with the cell phone as the essential device for news, information, commerce, entertainment and social engagement – as well as communications”: the cell-phone is one of the key media forms of the future, and China cannot afford to fall behind in this crucial development.

Statistics gathered by Yndaily show that the number of users subscribed to its SMS news services grew from 1500 users in September 2002 to a top of 290,000 users in January 2005, but declined to 120,000 users in January 2006, and has since remained at a stable level (with some 118,000 users subscribed in June 2006). That means from September 2002 to January 2005, there was a growth in users by some 10,000 subscribers per month. Market and policy changes led to the subsequent decline in numbers, but in the new environment a stable base of users was

established. In the same period (2002-2006), the two main newspapers published by Yndaily, Yunnan Daily and ChunCheng Evening, maintained circulations of between 150,000 and 200,000 copies.

How can SMS value-added service providers, and especially the providers of SMS news services, reinvigorate this market, then? A number of new opportunities are currently becoming available for Chinese SMS news service providers:

*Leveraging established content sources.* The Yunnan Daily Press Group and similar news organisations hold the original copyright and intellectual property rights for their content. This means that in China existing newspaper groups have an immense advantage compared with other providers that are engaged in new media information services. Traditional media have set up their information services as a way to utilise the new media to provide value-added information services.

*Participatory Journalism.* As Shayne Bowman and Chris Willis state, “participatory journalism provides media companies with the potential to develop a more loyal and trustworthy relationship with their audiences” (2003). As Yndaily has discovered, from January 2006 to July 2006 those mobile phone subscribers who participated in interactive activities (voting, commenting, feedback, responses to questions, etc.) were growing in number. In the past three months, Yndaily subscribers on average sent some 200,000 messages per month; this is a significant increase from an average of 50,000 messages per month during 2005, even though the total number of subscribers declined from 290,000 to 120,000 users during 2005 and has remained steady at that level since the start of 2006.

Forecasts show that the income from mobile phone-based interactive activities will be close to the income from SMS news services in 2006. This is relevant to the Yndaily’s

strategy development for information services in the mobile media and Internet fields. The company's administration realised that new media make an important contribution in addition to the traditional media forms, and as a result, new media received powerful support from the administration, with more financial support, more advertising efforts, and more interactive activity campaigns involving newspapers, the Website, and mobile phone-based media.

*MMS Services.* In June 2006, Yndaily established a new mobile phone newspaper service which utilises MMS (Multimedia Message Service) technology to send mobile phone newspapers to users. Of course, MMS is not a new technology: it has long been used to transmit photos and similar messages. However, beyond simple photos, MMS allows for the recording and transmission of sound and video, and Yndaily's new service utilises these opportunities. It is as yet unclear whether the new MMS services will create another significant change in subscriber numbers.

*3G services.* It is reported (Xinhuanet, 2006) that tests of the 3G standard in China will be finished between October and December 2006. With its broadband capabilities, 3G overcomes the bottlenecks of mobile applications: multimedia functions can be used much more broadly on mobile phones. It also offers advantages for mobile phones as a new medium that is different to newspapers, TV, broadcast and the Internet. However, its development remains restricted by some elements: 3G mobile phones generally remain expensive, as do the service fees for using MMS and WAP, and especially multimedia functions. It will take a long time for a developing country with a large population and low average income to popularise such devices and utilise the advanced functions of 3G mobile phones. But, as Strocchi (2003, p. 136) points out, "once [3G mobiles] have lost the last image that conceptually linked them to their original function, it is obvious that their value will also become more abstract

and further removed from the function for which they were created". Once 3G phones are seen as being multimedia and networking devices as much as they are telephony tools, such advanced uses are bound to proliferate.

Further, the (well-intentioned) restriction of commercial promotions in mobile phone media is a problem for service providers that needs to be addressed. It is inevitable that traditional advertisers will flock to the mobile phone as a new medium. Because of its lucrative ownership demographics, such businesses can save substantial resources through the accurate positioning of 3G audiences as target groups for advertising. However, the legality of sending advertisements to mobile subscribers remains questionable – it is seen as equivalent to sending junk emails and junk mail. If there is no solution for the issue of developing legitimate and ethical mobile phone-based advertising approaches, the market development of the mobile phone as a new medium may be greatly restricted. Rifkin provides support for such developments: "we are making a long term shift from industrial production to cultural production. More and more cutting edge commerce in the future will involve the marketing of a vast array of cultural experiences rather than of just traditional industrial-based goods and services" (2000, p. 7) – but what remains to be developed are interactive marketing and advertising approaches using 3G mobile media which actively attract, rather than annoy, their target audiences.

## **Conclusions**

At present, with mobile phone SMS services, it is hard to create any "brand" awareness in consumers because they are required to opt in to services by sending an SMS message to a service number that they must know already. In the Chinese

context, this means that if they wish to set up an SMS subscription to a specific news service, for example, they must first find the newspaper's SMS subscription number as it has been set up by the service provider. Increasingly, such mechanisms will need to be improved. What may be necessary here is a restructuring of the Chinese mobile telecommunications sector overall: instead of the current division of the industry into mobile communication companies (providing access to the networks), content providers (such as the Yunnan Daily Press Group), and service providers (which handle the subscription and content provision processes themselves), we may see an increasing convergence of such functions. Mobile communications providers could incorporate service provision functions, thereby also overcoming the existing problems of service providers overcharging or falsely subscribing users to their services; they could then also enter into direct partnerships with content providers to offer strong and clearly branded mobile content services.

The problem with such developments may be that innovation in the Chinese mobile services market could be subdued as a result: traditional content providers offering mobile services in concert with mainstream mobile communication companies might focus on relatively standard, non-interactive offerings rather than explore new and interactive opportunities. By contrast, it is often the smaller and more flexible service providers in any new media market which develop the most innovative service offers. Broader, ongoing trends towards more interactive functionality in mobile technology might work against such limiting developments – but in order for such new mobile technologies to be used innovatively, more effective legal and corporate frameworks will need to be established. Only if this is done will mobile media in China mature into a legitimate media form comparable to print or broadcast media.

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