

SPs unhurt by China Rule

18 Jun 2007, The Edge Daily

Four Malaysian mobile messaging service providers (SPs) which have substantial businesses in China do not expect the Chinese government's new ruling for the industry to adversely affect their operations on the mainland.

The new ruling, which comes into effect in November this year, involves the introduction of a unified short message service code (SMS), or short code, for service providers in China, and a more stringent code of conduct for the SPs.

The four companies are Green Packet Bhd, mTouche Technology Bhd, AKN Messaging Technologies Bhd (AKN MTech) and Macro Kiosk Bhd.

mTouche chairman and group chief executive officer Eugene Goh said the use of a new short code would not harm the operations of its 40%-owned associate GMO Global Ltd, as it was just a matter of changing to a new code.

"The greatest impact would be on those (SPs) which brand their short code, such as one with a short code of 8888," he told The Edge Financial Daily via telephone last Friday. GMO Global is also 40% owned by Green Packet.

mTouche chief operating officer Tan Wee Meng said a unified short code would benefit the players in the long run, as it would be easier for them to do marketing and promotions.

China's Ministry of Information Industry (MII) had been planning to take over the management and issuance of short codes from the telecommunications companies (telcos) since 2005.

At present, the four largest telcos in China i^a China Mobile, China Unicom, China Telecom and China Netcom i^a issue their own short codes to SPs.

In addition, each province in China has a different short code, which caused considerable inconvenience for the SPs as well as their subscribers.

With a unified short code, these SPs would only need to apply to the MII for their own short code that can be used nationwide.

MII's proposal aims to avoid the problems caused by different codes provided by the various telcos, apart from rationalising the mobile messaging industry by filtering and removing SPs that operate illegally. The SPs have until Oct 31 to switch to their new code.

However, there are concerns that the SPs may lose their customer base that use old codes, as there is uncertainty whether customers would be able to migrate to the new code. The transformation process also takes time, which may affect the SPs' revenue and earnings.

AKN MTech managing director Lim Seng Boon said the new ruling would help "clean up" the mobile messaging market in China, referring to spam SMS.

"In the long term, (a regulated market) will reduce consumers' phobia in using the services, and will give confidence to consumers.

"However, there is a possibility that service providers may lose their customer base, and they will have to start all over again to get new customers," he said.

However, mTouche's Tan said losing existing customer base was not definite. "They are still fine-tuning the system to migrate the customers to the new code."

Macro Kiosk CEO Kenny Goh said the unified short code would enable easier marketing and promotions, and mobile users would find it more convenient. "There will be minimal impact on our bottom line as only a small portion of our China revenue comes from subscription-based services. Unified short codes mainly affect subscription-based services," he said.

He added that Macro Kiosk, whose major shareholder is Main Board-listed Goldis Bhd, had been in China for three years, and would expand its presence beyond Beijing and Shanghai with the launch of the unified short code.

"This will indeed be good for the market as Macro Kiosk is poised to roll out more services in the months ahead," he said.

Meanwhile, Green Packet group MD and CEO Puan Chan Cheong said the company was not affected by the new ruling. "But it would be beneficial for our associate company, GMO Global Ltd because they are in this space," he added in an email reply.