

## EXECUTIVE SUMMARY

The past four years have seen tremendous growth in the mobile sector in Hong Kong. Mobile phone penetration has jumped from 50% to a staggering 85%. Relatively cheap service and aggressive operator subsidization programs have all contributed to this growth. With a population of about 6.7m, Hong Kong is one of Asia's most dynamic medium-sized markets. The high growth rate also means that service providers are facing a quickly maturing market. Despite continued efforts at subscriber subsidies and aggressive marketing campaigns, operators are discovering that the pace of growth cannot be maintained. The market is quickly shifting from one focused on customer acquisition to one that is examining how to increase revenue with new services.

CSL, once the largest operator in Hong Kong, has stopped mobile phone subsidization and has begun to concentrate on improving earning ability on its existing customer base. Although its subscriber base is now smaller than that of Orange, it has seen its per-customer revenue rise. This significant change indicates that mobile operators in Hong Kong are entering a new phase of competition where no operator can prevail simply with a tariff cut or subsidization. It remains to be seen to what extent operators will be successful in creating new revenue drivers with new services, mainly with mobile Internet services such as Short Messaging Service (SMS) and upcoming Third-Generation (3G) mobile service. Increasingly, GPRS is considered a more viable mobile data solution; it is relatively easy to deploy on top of existing voice network and does not require a huge capital outlay for

deployment. The current market structure is another factor that contributes to Hong Kong's highly competitive market. There are six operators in mobile communication business; four of them – CSL, Orange, SmarTone and Sunday – control over 90% of the market, they use different strategies to strengthen its market position.

The purpose of this study is to analyze the industry of mobile network operators in Hong Kong and conduct a strategic analysis. The various strategies pursued by the operators are pinpointed and the valuable resources for each strategy discussed. The market is analyzed by applying the Industrial Organization-framework and the Resource-Based view. Information about the market has been collected by interviews and by studying the operator's promotions and offers. A substantial amount of secondary data has also been studied.