

Sohu resumes multimedia message services

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Sohu, one of China's premiere Internet portals, has regained the right to resume multimedia messaging service, 11 months after China Mobile revoked its privileges.

In a news release last Friday, the company said China Mobile Communication Corp., the country's largest mobile-phone carrier network, had informed Sohu of its decision to resume MMS cooperation on its nationwide network starting Monday.

The announcement comes a month ahead of the one-year suspension the company slapped on Sohu for what Chinese media described as "unsolicited marketing to some customers" by the company.

For some background and analysis of the decision plus its impact, United Press International spoke with Duncan Clark, one of the managing directors at BDA, a technology consultancy in Beijing.

"Sohu was a major high profile firm that China Mobile decided to make an example of in its crackdown on widespread abuses of mobile data," Clark said. "Sohu service was suspended for a minor infraction compared with other violators."

The violation involved sending out approximately 1,000 in Sichuan province as part of a short-message-service push in the province during 2004.

"It was a small violation blown out of proportion, used as the pretext for

a range of other problems between service providers and China Mobile," Clark said, adding that pornography and over-billing by other service providers were more important systemic abuses confronting China Mobile than Sohu's infraction.

"Sohu was just one of many companies affected by the China Mobile crackdown," he said. "There was a bleak revenue environment and it wanted to weed out the weak."

China Mobile is the proverbial 800-pound gorilla for mobile services in China. Making an example out of Sohu accomplished little, except for forcing other value-added service firms to adapt and endure in the marketplace.

"This last year has given portals a chance to look for other revenues in online advertising -- which is doing better industry-wide -- and gaming," Clark said.

China Mobile's move also illustrated the heavy hand of the Chinese government -- which owns and controls China Mobile -- as never being far from the surface, despite the country's bid for full market-oriented economy status.

Clark said China Mobile's position was one where "large players are not loved, but tolerated," and the carrier is "changing revenue shares tinkering with smaller firms." He also said China Mobile still needs help promoting 2.5G adoption, but companies excluded from the market cannot do that.

Chinese media reported last week that Sohu said it had already transferred its MMS business onto China Mobile's mobile-information service-center platform last June, so it is " technically ready" to resume MMS business.

Sohu said last Friday it will leverage its resources to rebuild its MMS business citing cooperation with Walt Disney Co. as an online and wireless partner.

The firm did not expect the early lifting of the China Mobile's one-year suspension to improve its financial outlook substantially in the third quarter, which it said will be weaker than expected because of disappointing advertising growth.

Last week, Sohu reported its second-quarter profit fell by 28 percent, to \$7.1 million dollars, or 18 cents a share. The firm is projecting third-quarter earnings ranging between 18 cents and 22 cents per share on revenue estimates of \$26.5 million-28.5 million.

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