

Apple's iPhone launch in China no easy task: experts

September 6 2009, by D'Arcy Doran



A man displays an iPhone along a street in Beijing in July where though while not officially sold in China, the communications device is widely used. Apple's iPhone will soon officially go on sale in China, more than two years after its US debut, but it may not make much of a splash, with smuggled units and similar devices available, analysts say.

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China Unicom late last month announced a multi-year deal to sell the trendy smartphone in the world's largest mobile market of more than 700 million subscribers, starting in the fourth quarter of 2009.

Unicom beat China Mobile to the punch, putting an end to years of on-off negotiations between the US high-tech giant and the world's biggest

cell phone operator, but experts say customer excitement has waned during the stalemate.

"You're not likely to see any long lines here," said Zhang Guoren, an editor for CNMO.com, a leading Chinese mobile phone review site, referring to iPhone launches in other parts of the world, where users queued up overnight.

"They just took too long," said Shaun Rein, head of the Shanghai-based China Market Research Group.

"Every month there was talk about iPhones coming, and people got really excited. Finally it is coming and people don't seem to care much."

Part of the problem is that iPhones have been flooding into China since their US launch, even if Apple was not selling them. Beijing-based high-tech consultancy BDA says more than 1.5 million smuggled [handsets](#) are in use here.

Several analysts say they expect the iPhone grey market to continue to thrive because Apple and China Unicom will -- at least initially -- sell a stripped-down version without its Wi-Fi function to meet government demands.

During the Apple-Unicom negotiations, Beijing in May agreed to allow mobiles with [Wi-Fi](#) if they used the homegrown WAPI standard, allowing Motorola to get a jump on Apple with the launch of its [touch-screen](#) Motosurf phone, BDA said.

Several mobiles running on [Google's Android](#) and China Mobile's oPhone operating systems are also soon due to hit the market.

China Unicom however insists it can sell five million iPhones over the

next three years, according to media reports.

Chairman Chang Xiaobing also says he is optimistic about sales as most of the bootleg iPhones available here are 2G models, not the 3G model his company will offer to tech-savvy customers.

Analysts such as Rein remain sceptical.

"It's going to be very hard to hit the number [China Unicom](#) is estimating," he said. "I can't imagine millions who don't have an iPhone already are going to buy it."

Unicom, which had 141 million subscribers at the end of July, is betting on the iPhone to draw in high-value customers, promote the launch of its 3G network and improve its reputation for poor service, analysts say.

The iPhone launch may give Unicom's Hong Kong-listed stocks an initial boost, Australian investment bank Macquarie Group wrote in a note, before adding that the "euphoria will give way to continuing poor results".

Unlike other iPhone operators, Unicom has said it will share subscriber revenue with Apple and will buy the devices in batches based on demand.

It has also said it will subsidise the iPhone's price based on how much subscribers spend monthly, but has released no further details.

Most Chinese use pre-paid mobile packages, in part because subscription contracts require an employer guarantee or government documents such as a residence permit that can be hard to get in major cities, according to Rein.

Many will be watching to see if the iPhone subscription model can work in [China](#), observers said.

BDA analyst Liu Ning suggested it could be one more hurdle for Apple to overcome here.

"That is [Apple](#)'s approach to selling the [iPhone](#) around the world -- Chinese consumers may need to adapt to that," said Liu.

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