



# Duopoly Market, Unwise Price War: China Mobile and China Unicom

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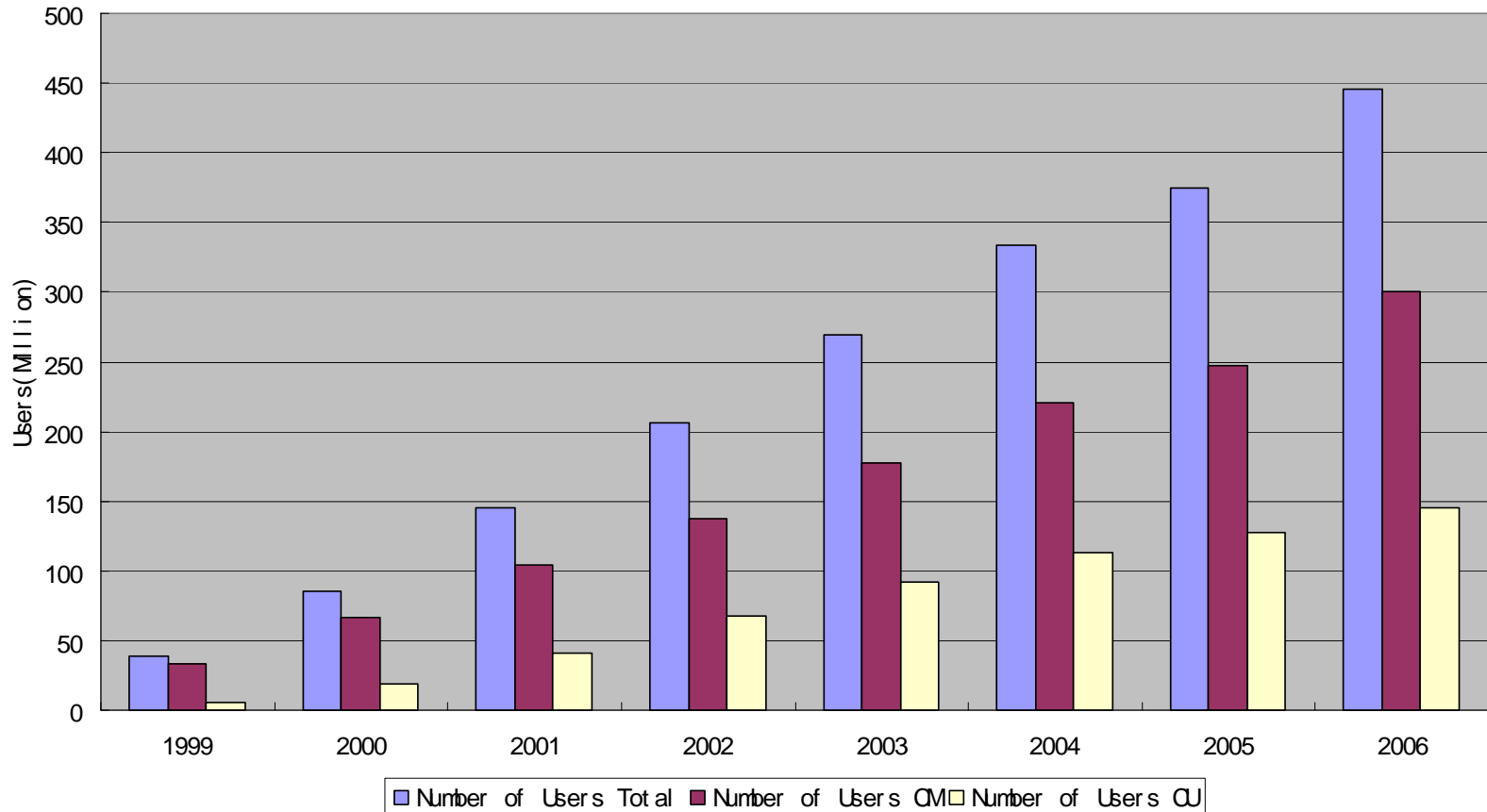
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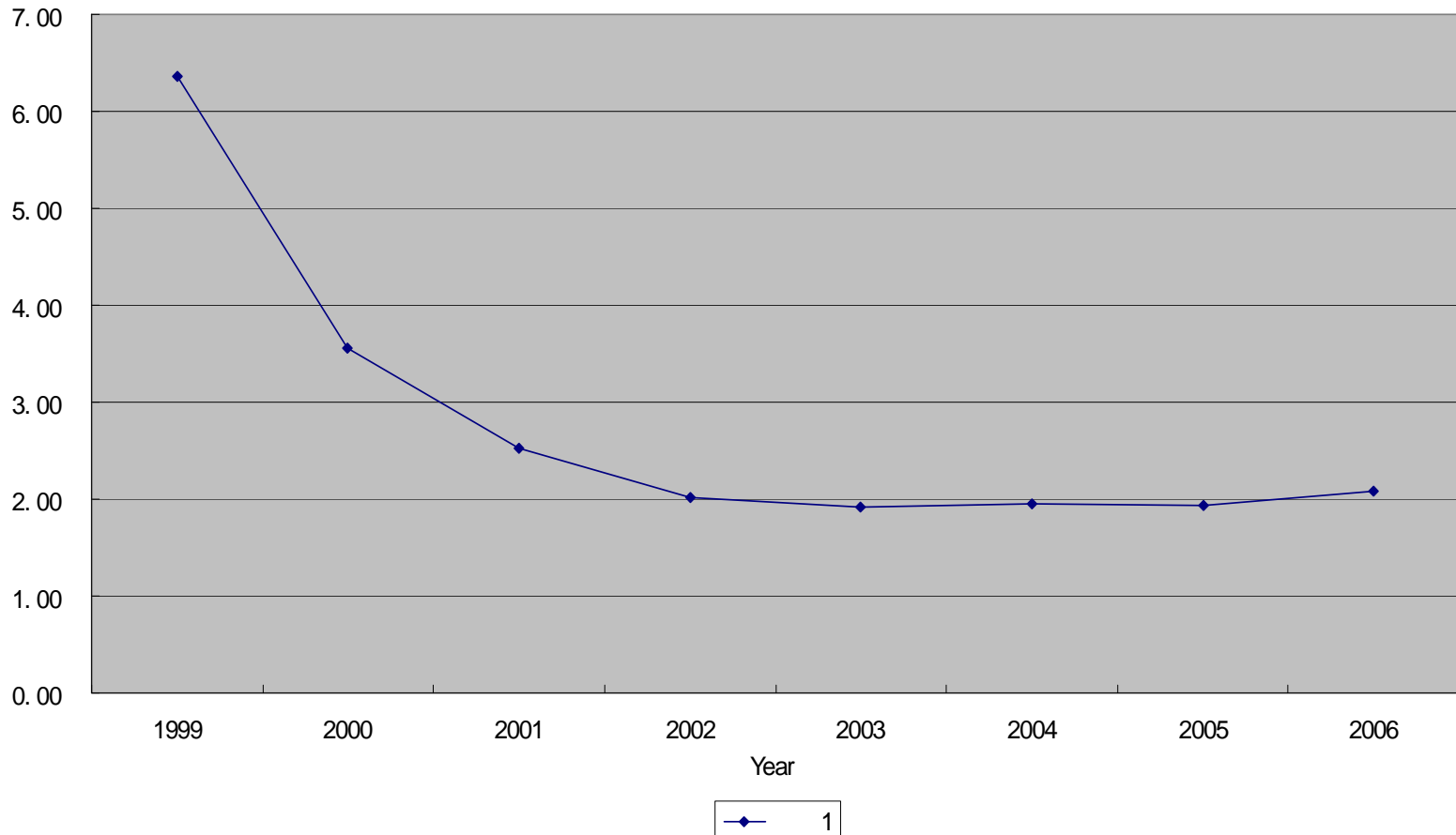
# Number of Users: CM & CU

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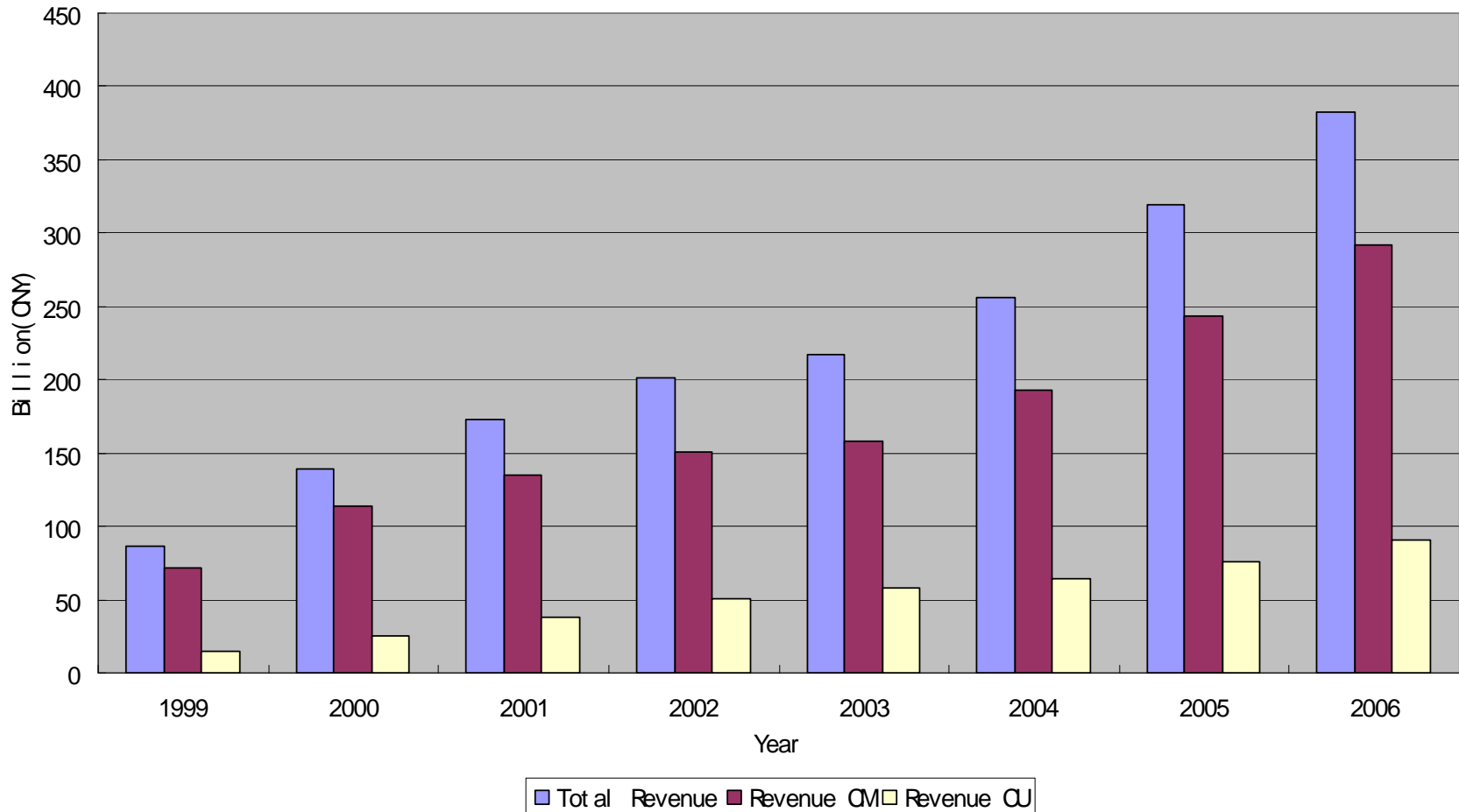
# Number of Users: CM/CU

Number of Users CM/CU



# Revenue: CM & CU

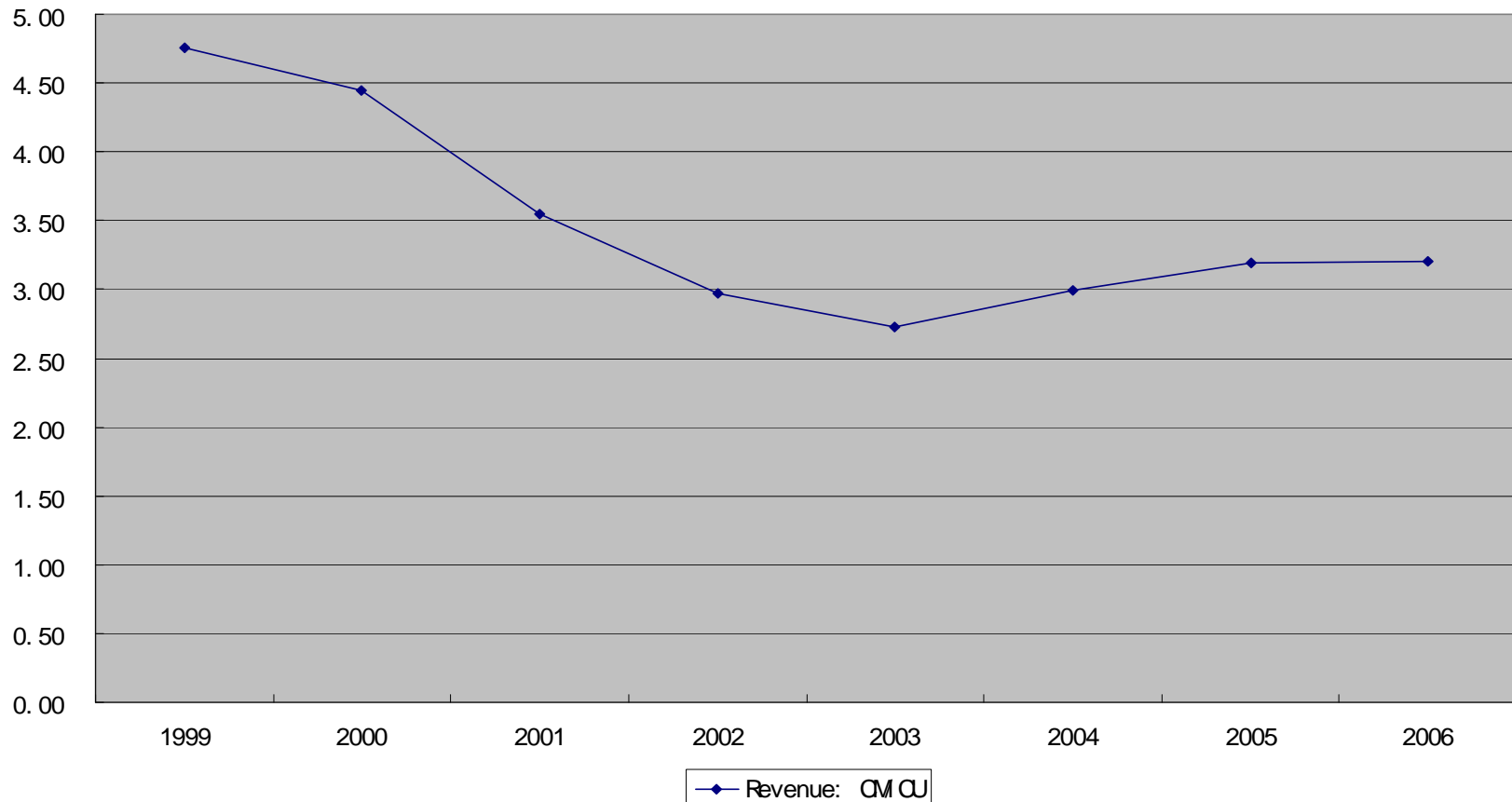
Revenue CM & CU





# Revenue: CM/CU

Revenue: CM/CU





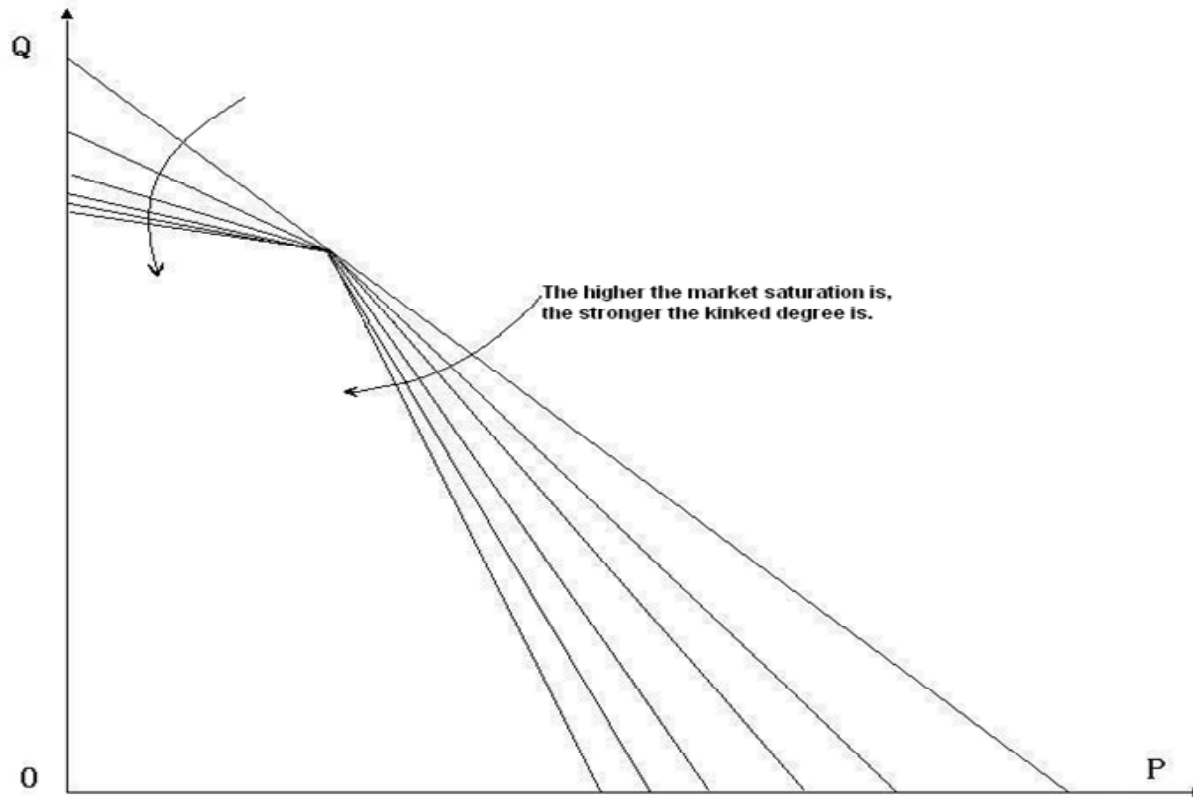
# Evolution

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- User number of CM/ CU:  $>2$ , before 2002, but neared to 2 gradually,  $=2$  in 2002 and no change since 2002.
- Revenue of CM/ CU :  $>3$  before 2002, but neared to 3 gradually,  $=3$  in 2002 and no change since 2002.

The duopoly market reached stabilized since 2002.

# Duopoly Market: Kinked Demand-Price Curve



# Features of a Kinked D-P Curve



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- How much the curve is “kinked” depends on the saturation of the duopoly market
- When the price reaches the “kinked point”, raise the price will lose market share quickly, cut the price will gain market share slowly.
- Duopoly market maintains stable when saturated and reaches the “kinked point” price.

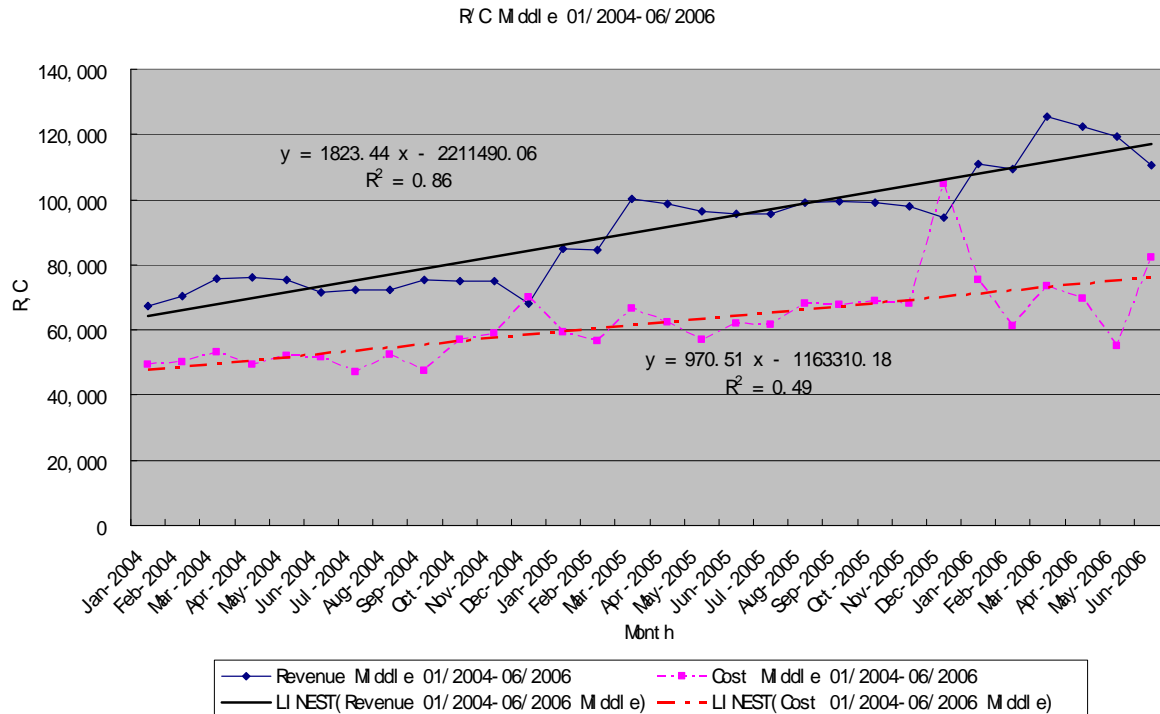


# Unwise Price War: CM & CU since 2002

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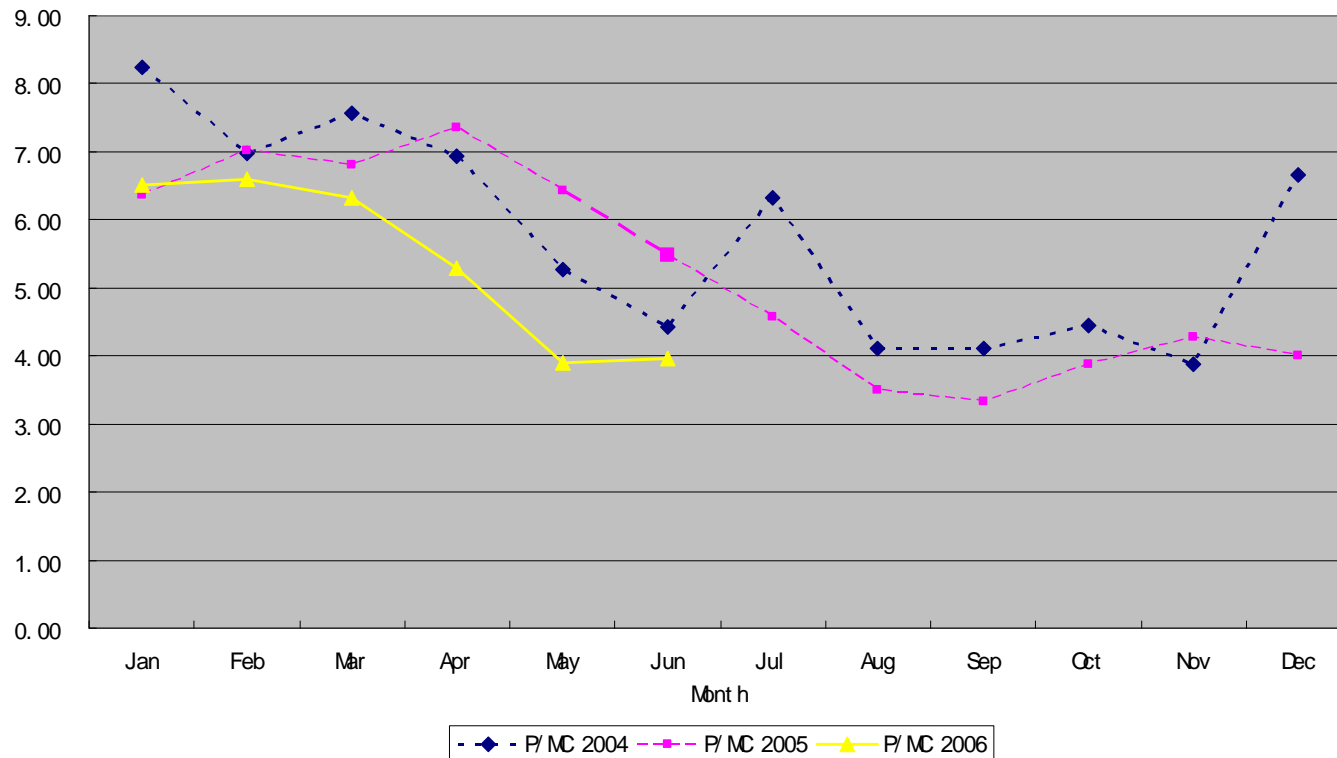
- Since 2002, the duopoly player CM & CU market shares stabilized, in terms of number of users, revenue.
- Assume 2002 was the “Kinked Point”.
- So that, the price war after 2002 is unwise.

# CM: Revenue develops faster than Cost



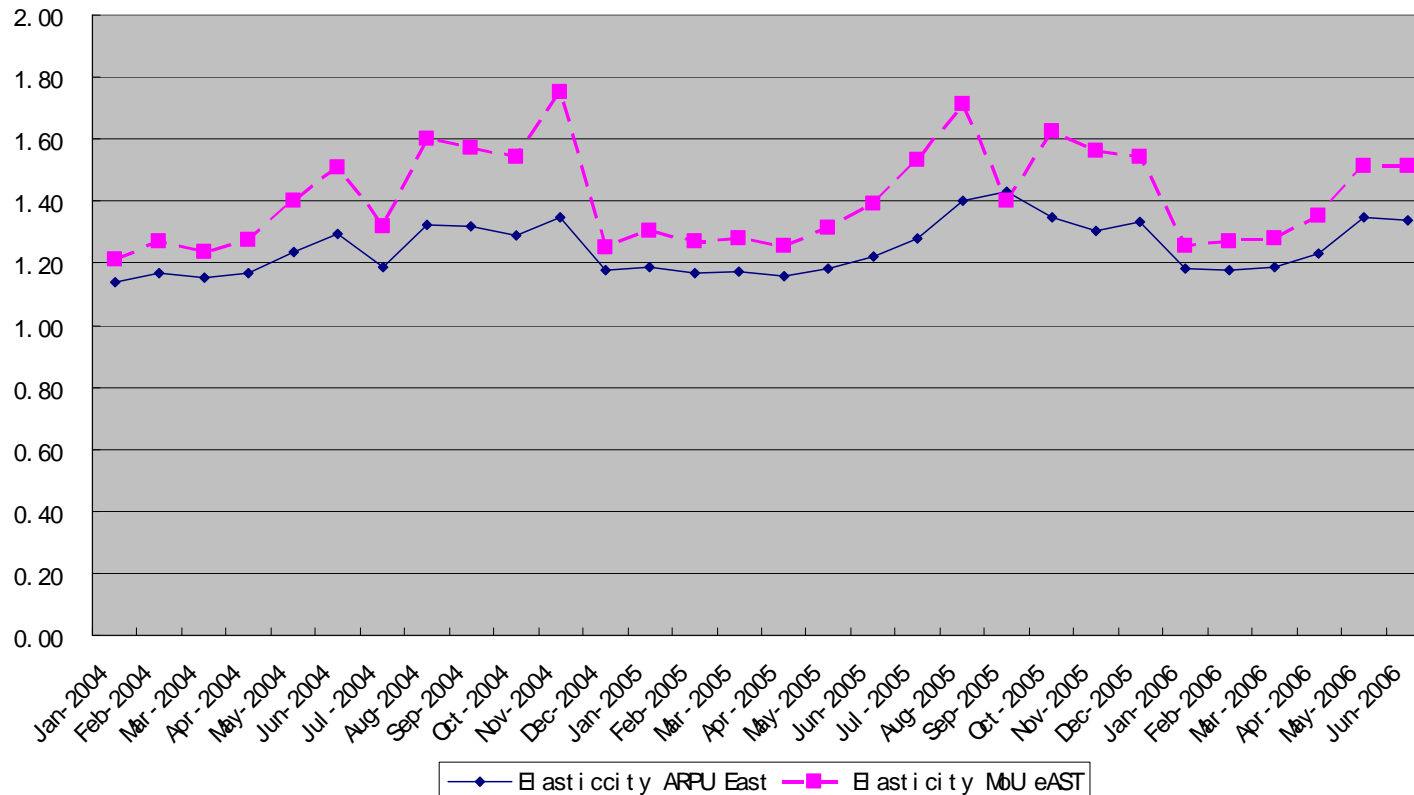
# CM: Price/Marginal cost is convergent slightly

Price/Marginal Cost East



# CM: Demand is always elastic to price

Elasticity





# Superiority: China Mobile in the Competition

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- The revenue of China Mobile develops faster than its cost, this leads to a spacious room for China Mobile to lower its price.
- The ratio of price to marginal cost of China Mobile is slightly convergent, it means that there is a floor for the price lowering activities, but, it is far away.
- The demand of China Mobile, either in number of users, or in the length of the calls, is elastic to the price.
- Question Mark: What will happen if CM to provoke a price war, is the “kinked P-D Curve” true?

Thank You