

Most Chinese Internet Users Access the Web via Shared-use PCs ICT companies should tailor products to this usage model

FOR IMMEDIATE RELEASE

PALO ALTO, January 25, 2007 - Another alarm bell rang for information and communications technology (ICT) companies last week when the Chinese government released statistics showing the number of Internet users in China would surpass the number of users in the United States within two years. However, with half of the Chinese users accessing the Internet via shared-use PCs in Internet cafes, ICT companies targeting that market should tailor products for this usage model.

According to government statistics, China's online population grew by 23.4 percent last year to 137 million people. At the current rate of growth, Chinese Internet users will outnumber the 210 million users in the United States by 2009.

Vital Wave Consulting, a specialized management consultancy that analyzes the needs and opportunities for technology in developing-country markets, advises ICT managers to take a deeper look at this and other announcements portraying China as a market comparable in size to developed countries. Brooke Partridge, the company's founder and principal consultant says, "Without doubt, China is a considerable current and future market opportunity for many technology companies, but business managers have to evaluate market data in the context of their own business model."

Not all Internet Users Are Potential Customers

Partridge points out that in China there is an enormous gap between Internet users and computer ownership. While the Chinese government reports 140 million Internet users, there are currently only half as many connected PCs. The fact that 50% or more of Chinese Internet users access the Web through shared access points like Internet cafes and school labs has significant implications for ICT companies looking to China as the next big market.

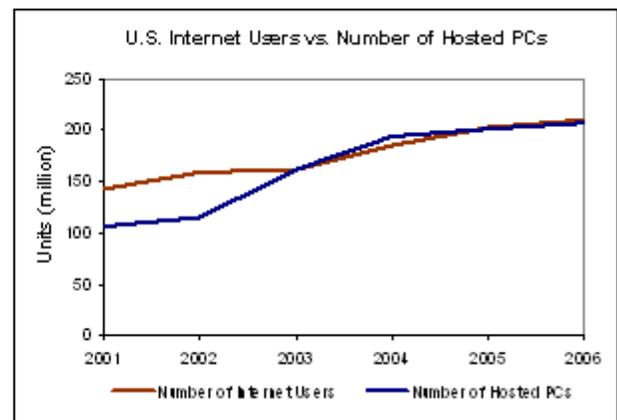
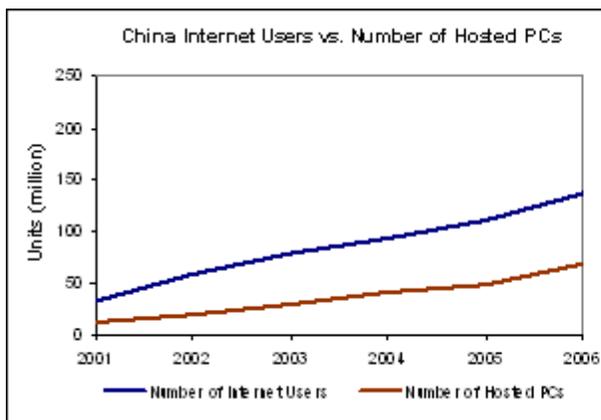
Companies that provide software products and services, such as Microsoft and Symantec, should be more concerned with PC ownership, which is growing quickly in China, but is currently only a third of the US total.

E-commerce businesses like E-Bay, Amazon.com and Dell must also understand that only a certain percentage of Chinese Internet users will have much disposable income or access to financial mechanisms like credit cards for online purchases. Google may be in one of the best positions to take advantage of a shared-use environment.

In addition to the ad-based revenues from its search engine, the company's nascent online productivity software suite may be more attractive to shared-use consumers than Microsoft's Office. Online software and storage would relieve consumers from the burden of carrying (and possibly losing) a storage device, while settings would be consistent from machine to machine, Internet cafe to school lab or workplace.

According to Partridge, a real nugget in the Chinese Internet user data was the sharp increase in people accessing the web from their cellular phones. Unlike PCs, mobile devices with Internet functionality are generally not shared. And the phone account itself has the potential to act as a credit mechanism for m-commerce purchases. Evidence of strong growth in mobile Internet access is good news for carriers, mobile content providers, and other members of the telecommunications and web-based value chain.

Graphic



b>Sources: International Telecommunications Union, Internet World Stats, the Computer Industry Almanac and China Internet Network Information Center (CINIC)

Definition: Hosted PC refers to a computer through which at least one person can access the Internet.

About Vital Wave Consulting

Vital Wave Consulting is a specialized management consultancy that analyzes the needs and opportunities for technology in developing-country markets. The company provides forecasting, market intelligence and business planning services to organizations focused on generating revenues in these geographies. Clients include multinational corporations in the information technology and telecommunications industries.

Links

- Vital Wave Consulting website: <http://www.vitalwave.com>
- The Vital Wave Consulting del.icio.us site offers hyperlinks to articles, blogs and other web-based resources that provide relevant information on business growth and market dynamics in developing countries: <http://del.icio.us/vwc>
- China Internet Network Information Center's English-language website: <http://www.cnnic.net.cn/en/index/index.htm>