

# Sina to sell smartphones to fight off competition

Move seen as an attempt to turn micro-blogging service profitable

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Sina Weibo, China's answer to Twitter, said on Thursday it will sell smartphones made by Xiaomi Corp, a company that plans to become the Chinese version of Apple Inc.

The move was interpreted as Sina Corp's latest attempt to turn Weibo profitable and fight off the increasing threat from WeChat, a popular voice-messaging application developed by Tencent Holdings Ltd.

Bookings for the phones have been taken, and Sina will start delivering them on Friday.

Sina and Xiaomi are preparing to sell 50,000 units of the Mi-Two smartphones to Weibo account owners. Buyers will be asked to pay through a third-party application developed by Sina.

Although Sina admitted that the payment service is still awaiting approval from the People's Bank of China, the banking regulator, the company decided to put it into commercial use earlier this year.

After years of accumulating user numbers, Sina is "speeding up the pace," said Dong Xu, an analyst with Beijing-based research company Analysys International.

Sina claims Weibo has more



Women walk past an advertisement for the online media company Sina Corp during a fair in Shanghai.

than 400 million users globally, and about half of its traffic comes from mobile users.

However, Sina Weibo is facing intense challenges from WeChat, better known as Weixin.

Downloads of WeChat on Android smartphones hit 146 million as of Nov 20, while there were 91 million downloads of Sina Weibo, data from Analysys International showed.

Given the fact that more than 90 percent of the nation's smartphones run the Android system, WeChat is the most popular social networking app in China.

"Sina Weibo is under increasing pressure from WeChat because users are heavily overlapped," said Dong.

On Dec 11, Sina Weibo

signed a cooperation deal with AutoNavi Holdings Ltd, China's No 1 navigation provider by market share, to enhance Weibo's strength in the mobile sector. The company pledged to bring more location-based services to mobile users in the coming year.

"We will try more services on Weibo before it can generate profits," Wang Gaofei, vice-president of Sina and general manager of Sina Mobile, told China Daily last week.

Yet directors of Sina are busy answering another question: When will the nation's top micro-blogging platform stop losing money?

Weibo's advertising revenues doubled in the third quarter, compared to the second quarter, said Charles Chao, CEO and chairman of Sina, in a

bid to placate investors' impatience.

But Chao did not specify the exact amount of the revenue.

"Sina Weibo is doing fairly well in the advertising and online gaming sectors, but it should look for other profit models," said Dong.

She also suggested that selling smartphones with Xiaomi could be an option for Sina Weibo to boost earnings only if the company is willing to join hands with larger e-commerce websites.

It will be difficult for Sina to operate a self-owned e-commerce platform because it requires heavy investment and long-term market cultivation. A better approach for Sina to choose is teaming up with existing e-commerce providers, Dong said.

# Nokia looks to online sales to revive fortunes

By SHEN JINGTING  
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Finnish mobile phone manufacturer Nokia Corp has adopted an aggressive method to revive its Chinese market performance by cooperating with e-commerce websites and expanding its online sales.

The company signed a strategic cooperation agreement with Chinese online retailer 360buy.com on Thursday. The latter agreed to procure 2 billion yuan (\$320 million) worth of mobile phones from Nokia next year.

The Chinese company is the second-largest business-to-customer e-commerce retailer in China, having annual sales of 30.8 billion yuan in 2011.

Nokia will also introduce Nokia 2050, the first Nokia device sold only through online channels in China, said Gustavo Eichelmann, chief executive officer of Nokia China, at a Beijing news briefing on Thursday.

"Online shopping is booming in China," Eichelmann said. He emphasized the importance of e-commerce, but said Nokia will not open its own mobile phone e-store, a move which Chinese rivals Xiaomi Corp and Huawei Technologies Co Ltd have already taken.

"Nokia will strengthen cooperation with third party e-commerce websites," Eichelmann said in an early December interview with China Daily. All future Nokia devices will sell through online and offline channels in China simulta-

neously, Eichelmann confirmed.

Wang Xiaosong, vice-president of 360buy.com, said that about 3,000 units of Lumia 920, Nokia's latest smartphone with the Windows Phone 8 operating system, had been ordered the first day the product landed on 360buy.

**2 billion yuan**  
the value of the mobile phones 360buy.com agreed to procure from Nokia next year

**3.63 percent**  
Nokia's share of China's smartphone market in the third quarter of this year

China is Nokia's biggest single market, having a customer base of more than 200 million. However, Nokia's ranking in China's mobile phone market has been declining quickly in recent years.

Nokia had a 3.63 percent share of the Chinese smartphone market in the third quarter, down from 18 percent during the same period last year, according to the Beijing-based research firm Analysys International. Samsung Electronics topped the list with a 15.3 percent market share.

Nokia's comeback in the Chinese market demands a well-developed online sales channel, analysts said.

Many Chinese mobile phone vendors have been

very successful in attracting customers online, said Deng Kuibin, deputy general manager of SINO Market Research Co.

Xiaomi Corp, a Beijing-based mobile phone manufacturer, was the first major Chinese mobile phone company to adopt e-commerce channels as its main means of product distribution.

By Aug 16, the company had sold 3.52 million Mi-One devices, the first generation of Xiaomi mobile phones. Seven out of every 10 Mi-One handsets were purchased online, according to the company.

Meanwhile, Chinese telecom operators, which distribute almost half of Chinese mobile phones through their own channels, are gradually starting to concentrate more on expanding their online reach.

China Mobile Ltd, the world's biggest telecom operator by subscriber numbers, aims to sell up to 30 percent of its customized mobile phones through e-commerce channels over the next three years, Ma Jingxin, deputy general manager of China Mobile Terminal Co, a mobile phone subsidiary of China Mobile, said in an earlier interview.

About 30 million mobile phones are expected to be sold online in China this year, up 68 percent from 2011, according to a report issued by SINO Market Research. The growth rate is more than 10 times that for mobile phones that were sold in offline outlets during the period, the report estimated.

## CHENGDU FORTUNE

# High-tech zone facilitates IT development

City on the way to becoming a core growth pole of western part of China

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In the southern outskirts of Chengdu, numerous skyscrapers have sprouted from the land, whose residents include world-famous high-tech companies such as Dell Inc, Texas Instruments Inc and Symantec Corp.

**PROFILE** Fu Qiang, a local taxi driver, said that within just three years, the previously rural area had transformed into part of the fast growing Chengdu Hi-Tech Zone, which is home to more than 5,000 businesses.

"The area developed so fast that it is increasingly unrecognizable to me," said Fu, who has spent all his life there.

Approved by the State Council, or China's cabinet, in 1991, the zone was one of the first to be designated by the State as a high-tech industrial development zone.

The zone's development really started to pick up three or four years ago, when multinationals and local companies set up branches one after another. New high-rises were erected, an expanding road network connected it with downtown Chengdu, and tens of thousands of skilled workers, software engineers and overseas managers flocked in.

"It is like a garden. You water and fertilize the plants in it, and they grow fast," said Tang Jiqiang, director of the zone's strategic development planning bureau.

Tang said the zone is now home to around 100 Fortune 500 companies, as well as another 2,000 micro, small and medium-sized high-tech companies.

Although the presence of industry heavyweights is very important to the zone, Tang said he pays more attention to the micro, small and medium-sized companies, as many of them have great growth potential.

"We have to cultivate them carefully, like taking care of babies," Tang said.

Numerous measures were taken to support these "babies", including initial free rental of office space, and subsidies to investors.

This year, an 80 million yuan (\$12.8 million) special government fund was set up to offer capital to SMEs that venture capital firms are reluctant to invest in.

### New face of Chengdu

The zone is a microcosm, and a new face of Chengdu, traditionally a commercial city and now one on the way to becoming a modern industrial city and an important growth pole of the western China.

From January to October, the output of enterprises above designated scale in Chengdu surged 16.9 percent to 189.67 billion yuan (\$30.15 billion), according to the Chengdu Municipal Commission of Economy and Information Technology.

By comparison, the output of enterprises above designated scale across China grew 10 per-



Phase III of Chengdu Tianfu Software Park.

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Tianfu New City, which is under construction, will serve as Central Business District of Chengdu.

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Chengdu East Railway Station

ZHANG JIAN / FOR CHINA DAILY

cent over the same period.

The total profit of these enterprises reached 35.59 billion yuan, up 18.3 percent from a year ago, while the national average was minus 3.1 percent.

One of the reasons for Chengdu's rapid industrial growth was that its base number was lower compared to coastal areas, so it's easier to realize a fast growth rate, said an official from the

commission, who declined to be named.

Another reason was that inland areas were slower to be hit by the global economic downturn, said the official.

He said that the city's strategic location in western China, its improved infrastructure, relatively cheaper labor and land costs, and abundant talent pool were among the reasons

for its rapid growth.

"Enterprises are clever. They come where the costs are the lowest," said the official.

"For example, many IT products are light and relatively expensive. Even if they are delivered by air, the transportation cost still accounts for only a small portion of the sales revenue. By developing the IT sector, Chengdu

has been able to overcome its traditional logistics disadvantage," he said.

Indeed, Chengdu has become a major center for IT manufacturing in western China, attracting giants such as Intel Corp, Dell, Lenovo Group Ltd, Foxconn and Compal Electronics.

Now, one out of every two of the laptop microchips made in the world is produced in

the city. And two-thirds of the world's iPads come from Foxconn's Chengdu plant.

According to Chengdu Municipal Commission of Economy and Information Technology, the revenue of the city's IT industry was projected to surpass 300 billion yuan in 2012, becoming the largest sector in the city's industrial economy.

The automobile industry is Chengdu's second-largest sector, attracting major global brands such as Volvo, Toyota and Volkswagen. In 2011, revenue from this industry was 75 billion yuan, with the figure expected to reach 100 billion yuan in 2012.

But why is the city able to attract so many auto companies, although cars have higher logistics costs?

The official said Chengdu has managed to develop its own advantages in relatively high-end cars, and cars produced in the city were mainly sold in western China, thus cutting logistics costs.

Chengdu's various advantages have made it a magnet for foreign companies.

By October, 294 foreign-funded companies were operating in Chengdu, and its actual foreign direct investment had reached \$6.54 billion, up 14.4 percent year-on-year, according to figures from the commission.

In 2012 alone, another 22 Fortune 500 companies began operations in the city, bringing the total number of such companies in Chengdu to 229.

"The focal point for investment used to be China's coastal area. Western China, represented by Chengdu, has now become a new focal point," said Tang.