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phonewin: Winning in rural markets

Ramakrishna Velamuri, Yan Gong, and Liman Zhao wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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“More than 150,000 stores placed orders on our platform, and the transaction amount reached ¥100 million[[1]](#endnote-1) at 9:53 p.m. today,” said Xian Chen, founder and chief executive officer of Jiangsu PhoneWin Logistics Management Co., Ltd. (PhoneWin), referring to phone sale revenues on Singles’ Day (November 11) in 2015.[[2]](#endnote-2) On the same day in 2013, PhoneWin had released the 51dh.com.cn platform, on which small mobile phone stores in rural Chinese markets could place their orders. Before 4:00 p.m. the next day, their phones would be delivered by PhoneWin Logistics—originally the logistics department of Jiangsu PhoneStar Telecommunication Co., Ltd. (PhoneStar), a subsidiary of Jiangsu Huabo Industrial Group Co., Ltd. (Huabo Group). As a traditional distributor of mobile phones, PhoneStar had achieved great success in Jiangsu province in the past decade.

By bringing together offline logistics services (PhoneWin Logistics) with an online platform (51dh.com.cn), PhoneWin had performed well since it was formally created in April 2014. “Our target gross merchandise value or GMV this year is above five billion renminbi,” Hao Shen, president of Huabo Group, said to Chen and the managers of PhoneWin’s branches in 13 provinces across China, “but we have a lot more to do. Our target next year is ¥20 billon, and hundreds of billions in 2017.” Chen was confident that this ambitious dream could be realized. However, one major challenge that needed to be overcome was to sustain high revenue growth and remain profitable in a fiercely competitive market with powerful rivals.

MOBILE PHONE DISTRIBUTION IN CHINA

The mobile phone industry had seen rapid growth and significant competition in the previous decade in China, as 57.7 per cent of users changed their phones within one or two years. Sales of smartphones in the Chinese market grew from 101 million units in 2011 to 398 million in 2014.[[3]](#endnote-3) Shipments in the first 10 months of 2015 were 408 million, up 12.6 per cent from the same period in 2014.[[4]](#endnote-4) In order to grow their market shares, firms in the industry continued exploring innovative transformation in their distribution channels.

Distribution Channels

In the Chinese mobile phone market, there were three types of distribution channels connecting manufacturers and retail customers—national distributors, manufacturer direct suppliers, and mobile network operator stores[[5]](#endnote-5) (see Exhibit 1). The retail outlets included independent mobile phone stores, consumer electronics stores, mobile phone chains, retail outlets of operators, and e-business platforms. As the market environment changed rapidly, these three types of distribution channels were shown to have different strengths and weaknesses.

In the second generation (2G) wireless era in China, most popular brands of mobile phones were distributed through national mobile phone distributors.[[6]](#endnote-6) Starting in 2012, these distributors saw their businesses decline. Three listed distributors, Shenzhen Aisidi Co., Ltd., China Telling Telecommunications Ltd., and Hengxin Mobile Business Co., Ltd., experienced sharp drops in sales and gross margins, leading to significant losses.[[7]](#endnote-7) The four biggest national consumer electronics retail chains—Gome, Suning, FunTalk, and Dixintong—had about 6,000 stores in total in 2012, making up only 1 per cent of all consumer electronics stores across China; however, the number of mobile phones sold in their stores at that time reached 40 million, about 15 per cent of the total.[[8]](#endnote-8)

With the arrival of the third generation (3G) era, smartphones were upgraded rapidly, the distribution structure became flatter (with fewer links in the chain between manufacturers and end consumers), and national as well as regional brands of mobile phones arose. As a result, the direct supply model emerged and e-business platforms developed rapidly.[[9]](#endnote-9) As the biggest distribution channel, the retail offices of operators achieved unit sales of over 100 million in 2013 and 2014, making up 31.56 per cent and 26.10 per cent of the total sales in China, respectively. However, e-business suppliers saw the most rapid growth among all distributors (see Exhibit 2).[[10]](#endnote-10)

To improve their competitive power, operators would offer retail distribution chains huge subsidies and sales commissions if the customers buying the phones subscribed to their networks. In 2013, the total subsidies given by the three operators exceeded ¥50 billion.[[11]](#endnote-11) As these subsidies and commissions had a major influence on distribution channel profits, retail chains tried their best to earn better treatment from the operators.[[12]](#endnote-12) However, over time, the three operators’ control of the entire industry chain became weaker. The reason was that, being state-owned enterprises, they were required by the State-owned Assets Supervision and Administration Commission of the State Council to reduce their marketing costs and cancel their policy on terminal subsidies.[[13]](#endnote-13) An analyst at Analysys International commented, “The cancellation of terminal subsidies meant the end of an age.”[[14]](#endnote-14)

Transformation of Distribution Channels

2013 was regarded as the beginning of the fourth generation (4G) era, with 4G phones representing 39 per cent of total mobile phone shipments.[[15]](#endnote-15) The 4G era would further accelerate the transformation of the manufacture and distribution of mobile phones. The most important aspect of this transformation was the shift from offline to online retail.

The shift from offline to online retail was reflected in the following developments. First, large retailers such as Gome, Suning, Dixintong, and FunTalk had started to transform themselves into omni-channels with both online and offline selling services.[[16]](#endnote-16) Second, third-party e-business platforms (such as JD.com and Tmall.com) had grown rapidly. On Singles’ Day in 2015, sales of mobile phones on Tmall.com reached 3.13 million units, a growth of 67 per cent over the previous year, whereas sales on JD.com were about 2.87 million.[[17]](#endnote-17) Third, mobile phone manufacturers like Xiaomi Inc. (Xiaomi) started building proprietary online distribution channels.[[18]](#endnote-18) On April 6, 2015, the date of its fifth Mi Fan Festival, Xiaomi sold 2.11 million handsets through Mi.com, its direct-to-customer website, with the transaction value exceeding ¥2.08 billion.[[19]](#endnote-19)

Data on the development of China’s e-commerce industry showed that the growth rate of the online mobile phone market was 56.6 per cent in 2014, significantly higher than the growth rate of the whole market.[[20]](#endnote-20) The biggest third-party e-commerce platform for mobile phones was JD.com (with a market share of 45.1 per cent in 2014), followed by Tmall.com (28.5 per cent) and Suning.com (2.2 per cent). Proprietary online platforms of brands such as Xiaomi and Huawei occupied about 15 per cent.[[21]](#endnote-21)

The transformation from offline to online of the whole industry had multiple underlying drivers. First, mobile phone manufacturers simplified the selling process and made it more efficient through online retail, eliminating the need for physical stores; they also made pricing much more transparent and avoided the typical problems with offline selling such as selling at a markup and “bundling” (selling phones with items such as earphones, chargers, and other accessories).[[22]](#endnote-22) In addition, customers were becoming more accustomed to the convenience of online shopping, logistics services were becoming more efficient, and e‑business platforms such as JD.com were becoming more professional.[[23]](#endnote-23)

Along with the increasing penetration rate of smartphones (over 90 per cent in 2015), competition among players in China’s mobile phone market had expanded into Tier 3 and Tier 4 cities and even small villages and towns.[[24]](#endnote-24) The latest research showed that the market in Tier 3 and Tier 4 cities (58 per cent) was bigger than that in Tier 1 (13 per cent) and Tier 2 cities (28 per cent).[[25]](#endnote-25) Some distributors were positioning themselves strongly in lower-tier cities. For example, by positioning itself in Tier 3 and Tier 4 cities, Maimaibao (mmb.cn)—a mobile e-business platform—achieved ¥50 million in revenue on Singles’ Day in 2014, with annual revenues between ¥1.5 and 2.0 billion.[[26]](#endnote-26)

CREATION OF PHONEWIN

Huabo Group and PhoneStar

Huabo Group was officially established in 2001, four years after the foundation of PhoneStar. The mission of Huabo Group was to provide professional solutions to communication terminals in the mobile Internet era. The main businesses of its subsidiary companies covered the distribution of mobile phones and related services and technologies. One subsidiary company had developed a successful application (app) called “Chinese Lunar Calendar,” which had 200 million users and was valued at US$100 million after its Series B investment round in March 2014. Most of Huabo Group’s profits, however, came from the traditional mobile phone distribution business operated by PhoneStar.

As a provincial distributor, PhoneStar focused on providing different brands of phones and related services in Jiangsu province. Sales revenue grew from ¥400 million in 2002 to ¥3 billion in 2013. Its market share peaked in Jiangsu province at approximately 40 per cent in 2013.

Even as it was growing, Huabo Group continued exploring opportunities beyond mobile phone distribution. In August 2001, its subsidiary Netting Technology Co., Ltd. was founded to compete in the service platform business traditionally operated by telecommunications (telecom) operators, including Short Messaging Service and other value-added services. PhoneStar continuously tried other services as time went on. In 2008, it took over part of the customization service of handsets, which involved helping sellers at Taobao.com find manufacturers who could produce specialized phones for managing their shops at Taobao, for making payments, and so on (these phones were not for resale). In addition to this business-to-business (B2B) component, PhoneStar also opened a store on Tmall.com to provide phones to end consumers. However, none of these businesses turned out to be sustainable in the long term.

Prelude to Transformation

In the early 2000s, Shen found that the profitability of the distribution business was declining greatly. Usually, the responsibilities of mobile phone manufacturers, operators, and PhoneStar were clearly defined in contracts. PhoneStar was expected to pay for the phones first, and then take care of the logistics and after-sales service. Even though it was agreed that unsold inventory could be returned to the manufacturers, the latter would offer PhoneStar a special discount to deal with it. The money representing the discount would be paid to PhoneStar in 40 to 90 days. Thus, the capital pressure was shifted from the manufacturers to PhoneStar. Shen noted,

As the profitability kept declining, the manufacturers couldn’t offer us a fixed percentage as a profit margin. Thus, our company gradually evolved into a service business, entering into service agreements with big retail chains and manufacturers. In this way, the price difference was no longer a source of profit for us. All prices were transparent. Our profits mainly came from the commissions based on the sales of retail stores.

Due to the elimination of subsidies, PhoneStar suffered a significant decline in sales volume. Operators also did not give advance notice that the subsidy policy would be terminated. Instead, they surprised all parties concerned with their decision, which meant that companies like PhoneStar took a long time to deplete their inventories. The risk of carrying large inventories was the main driver of Shen’s decision to work out a solution to ensure the stability of the business.

Chen, who had joined PhoneStar in 2003 as executive assistant to Shen, noticed that the space left for the distributors in the value chain was limited. He found that they had two functions—selling phones and providing services. He said: “All the distributors have the function of providing services, which is also the demand of all stores, so we can put the selling function aside and start with offering services in logistics, after-sales, finance, and promotion to stores.”

The opportunity for transformation came when China Mobile Communications Corporation in Jiangsu (China Mobile) was looking for a logistics firm to deliver its contract phones to physical stores. In the public bidding, PhoneStar defeated 11 other professional logistics firms to win the contract. Chen explained, “We have obtained an in-depth understanding of every link in this industry. We know logistics better than those who produce mobile phones, and we have the best understanding of mobile phones among those who do logistics.”

Starting in 2005, PhoneStar built, over the coming decade, its own warehousing and distribution system, and acquired significant experience in managing warehouses, sorting, packaging, and delivering. Renting buses and drivers, PhoneStar would send salespeople carrying various mobile phones to visit the small stores along a specific route every morning. The salespeople would sell the phones to the small stores and bring the rest of the devices and money back. By 2013, this business model covered over 1,000 towns and 15,000 villages in Jiangsu province, and worked efficiently.

Two Key Milestones

In April 2013, the logistics department became independent from PhoneStar, and PhoneWin Logistics was created. Adopting a B2B model, it connected the warehouses and small mobile phone stores in small towns and villages. Earlier, the orders of PhoneWin Logistics had come from either PhoneStar or China Mobile. In 2013, PhoneWin Logistics delivered about 4 million phones. In 2014, it delivered about 10 million devices, including mobile phones, tablet computers, and personal computers.

On Singles’ Day 2013, the PhoneWin team released a B2B ordering system called “51dh.com.cn,” meaning “I want to place an order.”[[27]](#endnote-27) This platform was first launched in Xuzhou, Jiangsu. The objective was to test whether this new model would improve the traditional distribution model. Salespeople would ask the owners of small stores to place their orders and negotiate prices on the platform, which featured offers from multiple suppliers. One month later, the number of orders was increasing rapidly. The platform was formally released online in April 2014 (see Exhibit 3). On the same day, PhoneWin Logistics merged with 51dh.com.cn and PhoneWin was created. By then, thanks to a previous business model, the company had partnered with 5,000 stores, of which 2,000 were actively placing orders. These stores were supported through one warehouse and 40 delivery vehicles. By the end of 2014, 25,000 stores had registered on the platform, the monthly transaction value had reached ¥80 million (up from ¥4 million in April 2014), and more than 100,000 mobile phones had been sold in the last nine months of the year.[[28]](#endnote-28)

Phonewin BUSINESS MODEL

Chen argued,

No matter what kind of services small and micro businesses require, we will find a way to meet their demands. In order to improve efficiency, we built the website (51dh.com.cn), because B2B is the most efficient model. We pay attention to all our users and provide customized services to their demands. This is a totally different model.

One of the biggest points of differentiation in PhoneWin’s business model was that the small stores, to which PhoneWin provided products and services, were located in rural markets. Chen had conducted research on rural markets, finding that the sales of mobile phones nationwide amounted to ¥600 billion in 2013, of which approximately 55–60 per cent came from county- and town-level markets. Besides this, Chen observed that many rural residents still preferred going to a store and receiving guidance from an expert before purchasing high-value items such as phones.

Shen also believed in entering the rural market, for the following reasons: First and foremost, operators had established well-developed telecom networks in rural markets and had begun to compete for market share in the countryside. Also, in recent years, more and more migrant workers had returned to their hometowns from the Tier 1, 2, and 3 coastal cities to start their own businesses. They had a growing need for up-to-date information and new technologies, which drove the need for mobile phones. Furthermore, with the development of the rural economy over the years, most consumers in the rural markets could now afford mobile phones.

Last but not least, the huge number of small mobile phone stores in the rural markets needed improvement. For example, in Jiangsu province, there were over 1,000 towns, and most retail stores were mom-and-pop outfits that were owned, controlled, and operated by families with limited investments. The annual sales revenue of each store was typically between ¥80,000 and ¥100,000.

These stores faced various barriers to profitability. First was inventory management: purchasing a large number of mobile phone models involved committing significant sums of money, and sales were uncertain. Second was the challenge of providing satisfactory after-sales service. As they usually purchased the phones from e-business platforms or the underground market, the stores themselves had to provide after-sales service, often leaving customers dissatisfied. Chen believed PhoneWin could bring enormous value to the industry by helping small stores solve their problems:

If a store finds the desired products on our website and places an order, our logistics team will manage to deliver the products before 16:00 the following day—a practice we call “2D16.” After checking the products he has received, the customer will make a payment via the mobile point of sale terminal that the courier service carries. In addition, customers are allowed to change or even cancel their orders before they make payment without incurring any charges.

PhoneWin had four important business units to make its business work seamlessly: 51 Cloud Store, 51dh.com.cn, logistics, and finance. After suppliers put their products in PhoneWin’s warehouses, the logistics unit would take charge of delivering them to stores. Chen noted,

We act as an intermediary between the two parties (suppliers and retail stores). All the products ordered by retailers should be delivered by our logistics network. We receive payment from the retailers and then pay the suppliers for the products, getting a share in the payment.

Vertical units included two transaction platforms: one between small stores and phone suppliers (51dh.com.cn), and one between small stores and final consumers (51 Cloud Store). 51dh.com.cn was a B2B platform where suppliers could list their products and prices for the small stores to compare and place orders. 51 Cloud Store, on the other hand, was a way for PhoneWin to help stores interact more efficiently with end consumers. It consisted of a touchscreen television display at the store, which allowed the store owner to show customers colour images of the different phones with all relevant technical information. The content was maintained and constantly updated on a cloud platform by PhoneWin’s team at the head office. The store needed the touchscreen television display and a set-top box to make use of the 51 Cloud Store facility, which saved the store from carrying an inventory of phones solely for display purposes. These two online platforms played an important role in PhoneWin’s business model.

According to the business model, PhoneWin would integrate products and services from hardware suppliers, service providers, software developers, and operators. Then it would put all the products on 51dh.com.cn, where small stores could select products and place their orders. Besides this platform, other online activities could be conducted through a WeChat mall,[[29]](#endnote-29) QQ Online chat service, and the call centre.

Behind these online activities was a sequence of offline activities, including logistics, promotion, training, marketing, and after-sales service. After a customer placed an order, PhoneWin would check it for quantity and price (the price was usually the lowest among the listed suppliers), and package the products until midnight for delivery the next day. There was a central warehouse in the basement of the main building of Huabo Group, covering a 200-square-metre area. Being business partners with PhoneWin, suppliers could store their products in the warehouse without paying a fee. They could also move products out of the warehouse at any time after going through the necessary formalities. In addition, PhoneWin had built a distribution centre and warehouse in each region (a total of six) to guarantee second-day delivery for the area covered.

As of November 2015, PhoneWin had about 1,300 staff. One hundred core staff members had been employees of PhoneStar before April 2013, and the rest had been recruited after April 2013. There were 300 promotion specialists, who were responsible for introducing the two platforms (51dh.com.cn and 51 Cloud Store) to the small stores and their customers. In particular, they would help with registration and teach customers how to use the platforms. The fleet of delivery vehicles had grown to 350.

PhoneWin had nine departments to support everyday activities, online and offline, and maintain the smooth running of the system. For instance, the research and development department developed a real-time control system for the logistics service. Headquarters staff could monitor all the vehicles’ operations nationwide through the Global Positioning System carried by drivers. By reviewing the daily efficiency of all vehicles, back-end staff could arrange better routes. PhoneWin could also sign for deliveries through point-of-sale terminals, as the Global Positioning System was linked to the logistics system.

PhoneWin was not able to develop its own payment system. Yet several banks, including the Shanghai Pudong Development Bank, helped with payment collection for free. With the mobile point-of-sale terminals offered by the banks, PhoneWin’s account was credited with payments from retailers the day after customers swiped their credit or debit cards.

CHALLENGES AHEAD

Since spinning off from the Huabo Group in April 2013, PhoneWin had made significant progress in multiple areas. By November 11, 2015, it had expanded into 13 provinces across China and built partnerships with over 300 suppliers. There were 80,000 stores registered on the 51dh.com.cn platform, of which 36,000 were active. In October 2015, it had completed Series A funding of ¥120 million from Shunwei Capital and Beijing Delian Capital.

The main challenge for PhoneWin came from the market: Two Chinese e-business giants, Taobao.com and JD.com, were investing more and more money in expanding their penetration in rural markets. This would be an inevitable threat to companies like PhoneWin. Chen compared PhoneWin’s business model with that of the giants:

We have combined the business models of both Taobao.com and JD.com. Taobao.com is a marketplace and simply connects buyers and sellers without providing any offline services, whereas JD.com purchases products for sale. We serve as an online intermediary between suppliers and buyers, and have established a logistics system of our own. Thus, we are like Taobao.com for the online part and like JD.com for the offline part.

Taobao.com and JD.com were business-to-consumer businesses, whereas PhoneWin had tried to cooperate with many small and medium-sized stores that had existed in rural areas for many years. Xian stated: “The small stores have a lot of merits, such as their close relationship with local customers. But they are quite weak in supply chain management.”

As an early entrant in this market, PhoneWin had established a solid business foundation, but it was up against very powerful competitors. How could it sustain its revenue and profit growth?

Exhibit 1: the Big Three Distribution Channels of Mobile Phones

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | National Distributors | Manufacturer Direct Suppliers | | Mobile Network Operator Stores |
| Diagram | Mobile Phone Manufacturer  National Distributor  Tier 2 Distributor  Retail  End Consumers | Mobile Phone Manufacturer  Service Platform  Retail:  Chain stores of household appliances, mobile phone chains, e-business platforms  End Consumers | Mobile Phone Manufacturer  National Distributor  Operators  Retail:  Retail offices of three operators and other open channels  End Consumers | |
| Purpose | Due to China’s large territory and complex market, a professional division of labor was needed | To save sales costs to the greatest extent | | To popularize the network and fight for 3G customers |
| Cons | Threats from upstream and downstream | Covered limited areas, and had higher requirements in terms of price and inventory management | | Operators paid costly subsidies to end consumers, and promotion was not sufficient |

Source: “Introduction to the Three Sales Distribution Channels in the Mobile Phone Market of China,” December 11, 2013, accessed November 9, 2015, www.chyxx.com/industry/201312/225009.html.

Exhibit 2: Structure of Mobile Phone Distributors in China

(2012–2014, Unit: 10,000)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | E-Business Platforms | Retail Offices of Operators | Chain Retailers | Comprehensive Retailers | Independent Stores |
| 2012 | 2,902.3 | 6,569.7 | 9,401 | 6,652.2 | 3,628.5 |
| 2013 | 4,691.3 | 10,931.4 | 7,741.4 | 8,138.2 | 3,133.2 |
| 2014 | 7,779.1 | 11,042.1 | 9,953.4 | 9,448 | 4,082.5 |

Exhibit 2 (Continued)

Source: Changhui Men, “From Business Tax to Value-added Tax: Telecommunication Industry’s Policy Changes the Mobile Phone Retailing Markets,” June 10, 2015, accessed November 9, 2015, http://it.sohu.com/20150610/n414799324.shtml.

Exhibit 3: Phonewin’s Historical Development Milestones

|  |  |
| --- | --- |
| Year | Events |
| 1999 | The warehousing and delivery department of PhoneStar was created. |
| 2001 | That department was reorganized as the logistics and operation centre of Huabo Group, which provided professional logistics services for sales in three provinces (Jiangsu, Zhejiang, and Anhui), Shanghai, and other cities across China. |
| 2006 | To support business development in rural areas, a logistics team was built and a specific delivery system was created. PhoneStar targeted customers in rural markets directly and sold 60,000 phones per month. |
| 2011 | PhoneStar undertook a logistics platform project for China Mobile, and had comprehensive cooperation with companies in the telecommunication industry. It distributed 40,000 phones per month. |
| 2012 | The delivery system was developed further. As a result, the number of stores cooperating with PhoneStar reached 4,800, the number of stores covered by this mode was above 10,000, and the monthly shipments reached as high as 280,000. |
| 2013 | PhoneStar Logistics was inaugurated in April. It successfully won the bidding in the unified operation project of China Mobile (Jiangsu). |
| 2013 | 51dh.com.cn was launched on November 11. |
| 2014 | PhoneWin was created in April. It provided logistics services with value-added content for service distribution channels. |

Note: PhoneStar = Jiangsu PhoneStar Telecommunication Co., Ltd.; China Mobile = China Mobile Communications Corporation; Huabo Group = Jiangsu Huabo Industrial Group Co., Ltd.; PhoneWin = Jiangsu PhoneWin Logistics Management Co., Ltd.

Source: Company files.

endnotes

1. ¥ = CNY = Chinese yuan; all currency amounts are in ¥ unless otherwise specified; US$1 = ¥6.3618 on November 11, 2015. [↑](#endnote-ref-1)
2. Singles’ Day (November 11, or “11/11”) was a festival popular among young, unmarried Chinese people to celebrate their pride in being single. This festival had gradually become one of the largest online shopping days in the world. [↑](#endnote-ref-2)
3. Daoshi Ding, “Report on the Smartphone Market (Third Quarter, 2015),” [in Chinese] *Baidu Baijia*, October 29, 2015, accessed November 27, 2015, http://dingdaoshi.baijia.baidu.com/article/210906. [↑](#endnote-ref-3)
4. Hunahuan Guo, “Analysis of the Shipments of Mobile Phones in the First 10 Months of 2015 in China’s Market,” [in Chinese] www.hcsindex.org, November 23, 2015, accessed December 4, 2015, www.hcsindex.org/quotes/grandlist\_3\_230191.html. [↑](#endnote-ref-4)
5. Mobile network operator stores were the mobile telecommunication operators. In China, they were China Mobile, China Telecom, and China Unicom. [↑](#endnote-ref-5)
6. In China, 2G started in 1994 when China Telecom was founded; 3G started in 2009 when the three telecommunication operators were granted 3G licences. [↑](#endnote-ref-6)
7. “Analysis of the Influences of the Domestic Traditional Distribution Channels on the Industry: Where Was the Way Out for the Distribution Channels of Mobile Phones?” [in Chinese] www.51report.com, March 5, 2013, accessed December 4, 2015, www.51report.com/free/3010701.html. [↑](#endnote-ref-7)
8. Zupeng Li, “Increasing Competition between Mobile Phone Retail Chains,” [in Chinese] www.chii.com, May 20, 2013, accessed December 7, 2015, www.cnii.com.cn/digital/2013-05/20/content\_1150476.htm. [↑](#endnote-ref-8)
9. Changhui Men, “From Business Tax to Value-Added Tax: Telecommunication Industry’s Policy Changes the Mobile Phone Retailing Markets,” [in Chinese] sohu.com, June 10, 2015, accessed November 15, 2015, http://it.sohu.com/20150610 /n414799324shtml. [↑](#endnote-ref-9)
10. Ibid. [↑](#endnote-ref-10)
11. “Accelerating Transformation of the Distribution Channels of Home-Made Mobile Phones: Shuffling the Industry Chain Ahead,” [in Chinese] www.ce.cn, October 10, 2014, accessed December 7, 2015, www.ce.cn/cysc/mobile/dg/201410/10 /t20141010 \_3673765.shtml. [↑](#endnote-ref-11)
12. Zupeng Li, “Increasing Competition between Mobile Phone Retail Chains,” op. cit. [↑](#endnote-ref-12)
13. Changhui Men, “From Business Tax to Value-Added Tax: Telecommunication Industry’s Policy Changes the Mobile Phone Retailing Markets,” op. cit. [↑](#endnote-ref-13)
14. “Accelerating Transformation of the Distribution Channels of Home-made Mobile Phones: Shuffling the Industry Chain Ahead,” op. cit. [↑](#endnote-ref-14)
15. “Full of Changes in China’s Mobile Phones in 2014,” [in Chinese] CCIDNET.com, February 3, 2015, accessed November 11, 2015, http://comm.ccidnet.com/art/1522/20150203/5757765\_1.html. [↑](#endnote-ref-15)
16. Changhui Men, “From Business Tax to Value-Added Tax: Telecommunication Industry’s Policy Changes the Mobile Phone Retailing Markets,” op. cit. [↑](#endnote-ref-16)
17. Chen Mi, “Jack Ma Laughed: Tmall.com Won Nine Guinness World Records,” [in Chinese] www.ithome.com, November 26, 2015, accessed November 27, 2015, www.ithome.com/html/it/190929.htm; “Sales of Mobile Phones Led the Singles’ Day,” [in Chinese] *Beijing Morning Post*, November 13, 2015, accessed November 27, 2015, www.morningpost.com.cn/2015 /1113/1144337.shtml?mobile. [↑](#endnote-ref-17)
18. “Story behind the Decline of the Traditional Distribution Channels of Mobile Phones,” [in Chinese] WWW.CB.COM.CN, February 4, 2015, accessed December 7, 2015, www.cb.com.cn/economy/2015\_0204/1111811.html. [↑](#endnote-ref-18)
19. Xiao Wang, “Mi Fan Festival in 2015: Unit Sales of MI Phones Reached 2.11 Million,” [in Chinese] *Beijing News*, April 10, 2015, accessed December 7, 2015, http://epaper.bjnews.com.cn/html/2015-04/10/content\_570823.htm?div=-1&news. [↑](#endnote-ref-19)
20. “Full of Changes in China’s Mobile Phones in 2014,” CCIDNET.COM, op. cit. [↑](#endnote-ref-20)
21. Changhui Men, “From Business Tax to Value-Added Tax: Telecommunication Industry’s Policy Changes the Mobile Phone Retailing Markets,” op. cit. [↑](#endnote-ref-21)
22. “Story behind the Decline of the Traditional Distribution Channels of Mobile Phones,” WWW.CB.COM.CN, op. cit. [↑](#endnote-ref-22)
23. “Full of Changes in China’s Mobile Phones in 2014,” CCIDNET.COM, op. cit. [↑](#endnote-ref-23)
24. “Introduction to the Three Sales Distribution Channels in the Mobile Phone Market of China,” op.cit. [↑](#endnote-ref-24)
25. “GroupM Knowledge Center: Report on China’s Mobile Phone Market in 2015, the Market Share of the Third- and Fourth-Tier Cities Reached 60%,” [in Chinese] 199it.com, October 8, 2015, accessed December 7, 2015, www.199it.com/archives /390895.html. [↑](#endnote-ref-25)
26. “Story behind the Decline of the Traditional Distribution Channels of Mobile Phones,” WWW.CB.COM.CN, op. cit. [↑](#endnote-ref-26)
27. In Chinese, 51 was pronounced like *wo yao*, meaning “I want to,” and “dh” were the two initial letters of *ding huo*, meaning “place an order.” [↑](#endnote-ref-27)
28. “Story behind the Decline of the Traditional Distribution Channels of Mobile Phones,” WWW.CB.COM.CN, op. cit. [↑](#endnote-ref-28)
29. WeChat was an app that was originally similar to WhatsApp but had progressively added other services such as online payments and e-commerce. [↑](#endnote-ref-29)