

## **Game analysis on innovation and regulation of value-added telecommunication service**

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**Abstract:** It is obvious for value-added telecommunication services in China to share strong similarity and lack innovation; this must be changed in the near future. From the aspects of innovation's size effect, learning effect and externality model, this paper analyses the substitution effect of monopolization for operators' innovation and the crowding-out effect for value-added service providers. In the following, on the foundation of Prisoners' Dilemma and Boxed Pigs Model, it analyses and points out that the current regulation policy can't encourage service innovation efficiently; the existent regulating policy for service innovation lacks efficient encouragement. This shows that government must establish effective game rules, further to smash up a monopoly, promote competition, normalize telecommunication operators' leading role in value-added service value chain, meanwhile, service innovation should be encouraged and protected.

**Keywords:** Value-added Telecommunication Service; Service Innovation; Regulation; Game

### **1. INTRODUCTION**

Nowadays, basic telecommunication service has been moving towards mature maturity and value-added telecommunication service will become the new economic increasing point. Along with 3 G's approaching, value-added service, the most outstanding service of 3 G will become into the competition focus.

The competition of value-added telecommunication service in Chinese market becomes intense day by day, but the service content is simple, developing rate is low, and service innovation is scare. Only with amounts of innovation, can the value-added telecommunication market develop stronger and strengthen itself, and the entire value-added telecommunication



















