The Marketing strategy of HUAWEI Smartphone in China

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Abstract

With nearly ten years rapid growth of China communication industry, the mobile phone has become an indispensable part of daily life. The research of intelligent smart phone market based on an analysis of marketing theory can provide a reference for mobile phone manufacturers to develop marketing strategies.

In order to understand the market Huawei is catering to, the author fully used existing fruits at home and abroad, PEST and SWOT models to analyze the Huawei’s market environment. Moreover, a well-designed questionnaire which was administered to 256 respondents conducting based on the theories of marketing and consumer behavior. According to theoretical analysis and research results, the author suggests a marketing strategy for Huawei, which focus on information quality according to STP analysis, and then finally developed a combination of marketing strategy associated with 4Ps.

This article shows that formulating marketing strategy of Huawei mobile phone, which introduces the marketing tactics that can be applied in some similar product characteristics; the case provides a good reference in decision making for the optimization of the marketing strategy, it also gives a guidance for the enhancement of the comprehensive competitive power of domestic mobile phone enterprises for obtaining sustainable competitive advantage. In the end, the development and growth of the national mobile phone industry is finally realized.

Keywords: HUAWEI; Smart phone; Marketing strategy; PEST; SWOT

Introduction

China, as is well known, is the global biggest market for smartphones, according to Gartner in 2015, while the smartphone market size was 416 million units, the number of users is estimated to reach 601.8 million in 2017 (www.statista.com, 2017). Besides, with e-commerce booming in China, to own a smartphone has become the mainstream these days. As a result, China’s mobile phone industry has a high growth market rate, raising its share of the global mobile phone market (Krishnamachari, 2016). Today, Chinese smartphone manufacturers such as Huawei, Oppo and Vivo are also emerging as a strong trend of country’s market and also abroad. In China’s smartphone market, the four brands have been closely matched competitors in

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recent years, in particular, Huawei has now been ranked in the third smartphone maker in the world (www.fortune.com, 2017). However, with fierce competition, Huawei has efforts to develop a unique marketing strategy in expecting to replace Sumsung as the world’s largest smartphone manufacturer in following years.

Huawei was set up from a producer of phone switches in Shenzhen in 1987, the company is now a Chinese multinational networking and telecommunications equipment and services company, becoming a global leader in telecommunications networks by 2012 (Shepard, 2016). According to a report from IDC in 2015, the research firm said about the global demand for smart phones, Samsung had the largest market share in Asia, representing a 22.7% of market share, followed by iPhone (16.2%), and Huawei (8.1%), respectively (www.idc.com, 2016). In China, research firm GFK latest data showed that in 2014 to 2015, Huawei’s market share was up to 13.57%, representing the Chinese market sales of the market leader, followed by Apple and Samsung, the market share was 12.37% and 10.15% (Fig.1).

![Figure 1. Top three smartphone vendors in China](https://www.chinainternetwatch.com/13272/smartphone-mar-2015/)

In Interbrain’s annual report, data showed that Huawei’s global brand awareness ranked 72, moving up from 88th in 2015, its brand value was estimated at USD $5,835 million, Huawei became one of the most successful Chinese brands as they provide value-driven products and services (interbrand.com, 2016). Huawei’s market position was obtained through effective marketing campaigns and the product quality of their feature phones. Developing marketing strategies have become a key success in the survival and development of Huawei’s enterprise.

However, the current market in communication products in China is showing a more mature growth pattern, while the research firm IDC said that the industry is facing innovative bottlenecks. At the same time, the global mobile phone business seems progressively dropped into continued decline (www.idc.com, 2016). In addition, the homogeneous product exists in the market is becoming competitive intensely today. In such a
situation, Huawei is now suffering from the biggest challenge in the context of whether they continue to develop rapidly.

Based on Huawei’s market background, the main objectives of this paper aim to critically investigate that how Huawei designs marketing strategies in order to meet consumer satisfaction in combining its own advantages and disadvantages under market competitive pattern. This paper also provides a good reference with respect to the development of marketing strategies for other domestic mobile phone makers.

The significance of this study is important because it will enable Chinese smartphone makers to know that how Huawei could build its business strategies in a global level, the recommendations will highlight marketing implication in the form of 4Ps that is value to enrich insights of mobile phone consumers for fine-tuning Chinese smartphone’s product, pricing, sales channel and promotional strategies accordingly.

**Literature Reviews related to mobile phone**

There are various researches from domestic and oversea scholars that provide several issues related to smartphone industry. The previous literatures provided an insight into smart phone marketing in terms of mobile consumer behavior or marketing strategies. For example, Turnbull et al. (2000) pointed out that in the mobile phone market, consumer recognition and market access are critical issues, so mobile phone suppliers should establish a strong brand image through high quality and service so as to attract consumer attention. In addition, Laukkanen and Laurence (2005) conducted an in-depth research on internet banking, in which they offered a variety of mobile banking services to create value for consumers, as well as to adjust their marketing strategies. A study of SMS marketing of Scharl et al. (2005), they reported that SMS marketing has become a new marketing tool because it not restricted by space and time, providing a better platform for the exchange of transactions. While Venkatesh et al. (2010) reported on the application of modern media in communicating messages, they emphasized that a variety of modern media, like web site, ICT, can be used to communicate between manufacturers, retailers and consumers to achieve product sales target, thereby enhancing the competitiveness of their own marketing activities. There is a research on the global mobile phone market of Maghnati (2012), he found that smart phone users’ behavior, awareness, and other experiences were significantly correlated with the value of experience.

A number of researches, especially domestic researches in China, there are various type of the finding based on mobile phone industry. Some researchers emphasized on the construction of channel sales. For example, a publication from Wang (2012) said about the development process of channel sales in China's
mobile phone. He reported that mobile phone makers should focus on optimizing the mobile phone channel model based on the basic situation of China's mobile phone market. Similarly to a previous study of Li (2012), He noted that the ways of mobile phone channel construction and put forward some suggestions on how to enhance the competitiveness of mobile phone manufacturers. Likewise, a previous paper from Song (2012), He conducted an in-depth analysis about the iPhone smart phone’s business strategies, the finding indicated that the iPhone smart phone was successful in channel construction and marketing strategy; he gave the recommendations to domestic smart phone producers that they should grasp customer needs, build an effective distribution channel, as well as enhance their own core competitive advantage.

Conceptual Framework of this study

In this paper, Huawei’s smart phone was the research object. After reviewing the domestic and foreign literature and marketing related theory, an analysis of Huawei’s smart phone marketing environment was conducted based on the basis of a comprehensive interpretation of Huawei’s smart phone PEST, STP and 4Ps marketing mix strategy. In conclusion, various recommendations in terms of 4Ps marketing strategy was identified in a view of the domestic mobile phone companies so as to create competitive advantage when facing fierce competition in China World, the conceptual framework of this study was illustrated in Fig 1.

The status quo of Huawei’s market

Summary of previous literature review

Huawei’s Environmental Analysis

STP Marketing Analysis

Analysis on Marketing Strategy

Huawei 4Ps’ Marketing Strategy

Recommendations in optimizing Huawei smart phone’s marketing strategy

Figure 1. Conceptual Framework
Data Collection and Research Methodology

Both primary and secondary data sources were used to verify important information. The compilation of secondary, such as the company website, textbooks, academic articles and journals related, was mainly used to analysis smartphones’ market in China by conducting a comprehensive analysis, such as PEST, SWOT and STP strategy. In addition, the first hand data from questionnaire was elicited as well as the final survey was checked the data’s reliability and validation by using SPSS software. The face-to-face interview was conducted from 256 users who are using mobile phone in China. The questionnaire was organized into two parts, the first section consisted of the demographic, and the second part associated with Huawei’s marketing strategy.

Data analysis of Huawei's Smartphone

PEST analysis

This section of the PEST macro-environmental analysis identifies the external factors based on Smartphone industry that are significant in Huawei’s Smartphone business.

In terms of Political environment factor, the author divided into two parts: International and Domestic politics. First, in the international political aspect, China's economy is increasingly affected by global political integration, in which there are a variety of social structures, multiplying by diversity of political, economic and cultural patterns. Huawei has to face a legal battle in both the US and Australia from selling its telecommunication to the markets, where officials are concerned about Huawei’s alleged ties with the Chinese government, which has been accused of state-sponsored hacking, even as Huawei has repeatedly denied the claims (www.bbc.com, 2014). However, the company tends to attract U.S. and Australian customers to its telecommunication products. Second, with regard to Domestic politics, Chinese government began explicitly supporting domestic manufacturers, especially in the telecom sector. Chinese manufacturers benefit from a strong government support, including making a sophisticated network of technologies with university-based institutions or supporting a well-trained researchers and engineers. With the domestic market being more competitive, Chinese manufacturers struggling with price, therefore research fund for technology investment was financed by and loans from state-owned banks and financial institutions. Huawei is taking these benefits from favorable environments, while upgrading their processes, products, and services.

Current global economic outlook that Huawei is facing, the company’ brand is a huge success story in Europe after they surpassed Sweden's Ericsson in 2012, the company is now the world's largest
telecommunications equipment vendor (economist.com). Nowadays, Huawei suffered heavily from the European downturn of recent years, affecting sales volume decline, prices and profitability diminish. Nevertheless, Huawei has vast economic resources available to some of its competitors, for example, Apple and Samsung. In particular, Huawei set up its European research institute that represents a key tool in developing global innovative capabilities for helping the company develop new devices and tap new markets (theparliamentmagazine.eu, 2015). While the domestic economy in China has a huge potential for economic growth (Fugal, 2010), people’s consuming demand in the aspect of mobile phone is also increasing continuously, the mobile phone industry has comparatively broader market prospective in China. In 2014, telecommunication industry begins to be included by replacing the business tax with a value-added tax experiment. This makes Huawei has an increase not only the capital of operator in a big amount, but also the enterprise’s operation pressure increases constantly.

There has social forces behind Huawei’s success; it is believe that China is a huge country with a population of 1.3 billion, leading the growing popularity of telecommunication services, so China’s mobile phone market still has a huge space for development. Today, telecommunication has become a vastly important part of the daily life of the every person (Jesensky, 2017). Huawei’s smart mobile phones gradually occupy the broad market, even in the comparatively poor regions; because consumers demand for telecom services are expected to deliver basic needs of telecom services to rural areas. Basically, the consumers live in rural areas are less of a concern on style of mobile phone and brand image compared to urban consumers. For this reasoning, Huawei’s should focus on another low-end smartphone that people such as seniors, tech-newbies want only longer battery life, calls and texts.

Moreover, there are some technological forces that create challenges and opportunities for Huawei’s smartphone that is because modernization has become part of the Chinese people, whereas China is transforming into the fourth generation of mobile communication technology. The Chinese government policy is aimed to drive innovation and creativity in workplaces, especially in the information and communications technology (ICT) industry. Thus, the needs of people in modernization society are advancing, For example, people need smartphones with internet access on the go, so Wi-Fi internet has been built in elsewhere. This leads to more investments in Huawei Company who holds a strong influence over development in smartphone.
SWOT analysis of Huawei’s smartphone

A detailed analysis of SWOT provides a comprehensive insight of Huawei company’s strengths, weakness, opportunities and threats.

Huawei has technology strengths as the world’s largest provider of ICT solutions. Today, Huawei has earned a reputation as one of the most dynamic, fastest growing, innovative global technology companies today. Moreover, Huawei has built its global supply chain to go green, by which they operate and reduce its own energy consumption in order to minimize its own carbon footprint as well as that of supply chain partners. This makes Huawei has the advantage in the aspect of operation cost efficiency. With a good relation with partnership: Huawei is intent on becoming the strategic alliances and partnerships for innovative ICT solutions in delivering advanced technology. They always build stronger cooperation among worldwide partnerships such as Google, Android and IBM. Besides innovation, the company earns a big profit from a good price-value-offer in the telecom market.

In contrast, Huawei has a list of weaknesses as follows: First, lack of capital budget, this is the greatest limiting factor of the company that is unable to compete with international telecommunication brands as expected in the foreign markets. Second, low price strategy, by offering lower prices on a mobile phone, it exists a crisis of any confidences in quality product. Sometime has an obstacle to adopting of Huawei’s image.

In order to find out the favorable external factors, the author listed some of competitive advantages related to opportunity issues in the smartphone market the following: First, China’s labor cost still remains very low relative to the global level, and that’s the main reason why Chinese manufacturers have the advantage of making mobile phone locally. Besides, a wide range of incentives from Chinese’s government was provided for encouraging Chinese manufacturing exporters to produce almost exclusively for the foreign market. Lastly, E-commerce is the preferred selling method among Chinese manufacturers, especially Huawei, Xiaomi, and Meizu, they have not spent money on building their own physical stores, because they do not have the cost of opening and running the stores, unlike, Apple or Samsung.

While threats refers to factors that have the possibility to harm the company. There are some threats found within the industry that the company is in. It believes that since there are more new entrants in mobile tech, such as ZTE, Coolpad, Xiaomi, Lenovo, OPPO, and so on, in which younger people are more likely to buy them because of competitive prices and stylish design. Trade protection policy is also a barrier of
Huawei when entering into international markets. The reason is that each country has government actions and policies that restrict international trade in order to protect nation industries. Another threat is a decrease in the import tariff in China that makes a result in a large number of foreign manufacturers taking this opportunity to transferring more businesses in China, making competitive pressure on Huawei. Huawei Company has facing a threat due to the preconceptions in Chinese label. Some people believe that the “Made in China” label hurts Chinese brands. However, Huawei commissioned its branding business to help introduce the brand to international markets by developing Huawei’s overall brand strategy, positioning and creative approach.

STP analysis of Huawei smart mobile phone

STP, which stands for segmentation, targeting and positioning, it is one of the most strategic approach used in modern marketing. In terms of STP essence, market segmentation is the process of identifying a segment from a board consumer, which based on the differences in customer needs. Target market is an essential step that a company has decided to select a customer group in which they are the most favorable market for business. Finally, Product positioning is what comes to the customers minds when they think about the business. In this regard, the analysis of STP strategy of Huawei smart mobile phone is conducted as can be seen in table 1.

<table>
<thead>
<tr>
<th>Market Segmentation</th>
<th>Market targeting</th>
<th>Market positioning</th>
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<tbody>
<tr>
<td><strong>Geographic</strong></td>
<td>- Young people who are trendy and irrational in some cases.</td>
<td>- Student, executives and business men who aged 15 to 60 years</td>
</tr>
<tr>
<td>- Urban and rural areas in China and overseas</td>
<td>- Professionals or business men</td>
<td></td>
</tr>
<tr>
<td><strong>Demographic</strong></td>
<td>- Various products for people aged 15 to 60 years</td>
<td>- They are in the middle and upper-income groups who love to have a mobile with all features they need.</td>
</tr>
<tr>
<td><strong>Psychographic</strong></td>
<td>- All types of life style</td>
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Data analysis and interpretation from questionnaires

According to the statistical results from data collected, the demographic profile of the 256 respondents has been initially described, it can be observed that majority of the respondents are males.
54.28% and 45.72% of females. The majority age range of respondents are under 20 years, accounting for 32.4%, followed by 20 to 30 years old (24.2%). In regard to the selection of mobile brand, it is interesting to know that 69.47% of Chinese consumers love to buy Chinese mobile phones, while the remaining nearly 36.52% chose international brands. In terms of distribution channels, the vast majority of consumers (45%) buy their products from mobile showrooms, whereas some 31.25% of consumers purchase in online mode. Respondents were asked about the money spent on purchasing mobile phones, nearly 42% of respondents are willing to spend 1000 to 2000 RMB, while 31.25% usually purchase at price range from 2000 to 3000 RMB.

The main reasons that people choose a specific brand are that of product quality (28.83%), followed by reasonable price (26.58%), and product brand (16.25%), respectively. With respect to the frequency of changing mobile phones, majority of respondents 55% replace their new mobile phones after 1 to 2 years of usage.

The effective communication channels which a message is transmitted through mediums that intend to the audience are TV advertisement (28.83%), followed by friends and relatives recommended (26.58%). In addition, 45.83% of Huawei consumers are more likely to go to Huawei smart phone stores to experience and to purchase its products and service. For Huawei’s product positioning in customer minds, Huawei mobile phones are positioned as an economic intelligence unit (61.73%), while 31.63% said that the Huawei is a high-end performance device. With regard to the main reasons that consumers buying Huawei, there are cost-effectiveness (28.83%), brand image (23.22%), and good quality (16.25%). There are some of the common problems that Huawei mobile phones need to be strengthened, for example, quality of products (21.67%), after-sales service (20.58%), and high-visibility (16.83%).

**Conclusion and Recommendations**

By performing the marketing analysis and questionnaire survey, the results of the survey study show that Chinese people consider various factors before buying a Huawei smart phone, thus, the author provided some recommendations about Huawei’s marketing strategy for smart phone businesses. The major suggestions of the study regarding Huawei’s business strategies are given as follows:

First, Huawei should use its own advantages of resources to increase the publicity of its smart phone brand. Moreover, the company should mainly focus on users’ experience creating brand value by means of technological innovation and physical stores, Second, in relation to the STP analysis, Huawei should continue...
to adopt the different strategies, in order to satisfy the demand of target market, as well as expand its market share, these findings are consistent with the study of Mohammed and Wang (2015).

The company should aim at 4Ps for the Huawei smart mobile phone in each aspect:

Product aspect: the company should pay attention to the production of mobile phone and its design in order to further reduce product development time. In addition, the company should continue to launch their own brand own-brand mobile phones with considerable innovative features in mobile phones, as well as after-sale services, this is a key to success in which it can help make available customers remarkable user experience, thus assuring customer loyalty.

Price aspect: Huawei should set a price gap between high-priced products and reduced price products. When introducing a new smart phone, the company can charge a high price for a competitive high-tech smart phone in order to keep up its scarcity and increase revenue. When all products reach discontinuance as some point in time, the company can reduce the price of the earlier popular product to continue its market share.

Place aspect: The company should select a number of large home appliance stores and mobile phone chain as a distribution channel as key distribution channels. On this basis, Huawei should also develop e-commerce and network sales by using the internet platform for marketing promotion.

Promotion aspect: Huawei should advertise its products by integrating online and offline resources according to different products and consumer groups targeted. In addition, Huawei is recommended to create a high-end brand image, but also look forward to the future innovation for achieving better market performance.

Reference


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