



A Dark Horse in the Global Smartphone Market

Case Study of Huawei's Smartphone Strategy

7012B Group 6&8

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Introduction

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Q2-Competitive Advantages of Huawei

Q3-Sustainability of Competitive Advantages

Q4-Role of The Global Strategy

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Introduction

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Introduction - Smartphone Industry



IBM-Simon
1st smartphone
in the world

1993



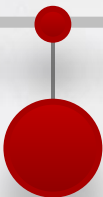
Ericsson R380e
1st officially dubbed
"smartphone"

2000



1996

Nokia
Communicator



2007
iPhone - iOS



Android OS
2008



2009.10
Samsung
Motorola



2010.08
Sony Ericsson



LG
2010.05

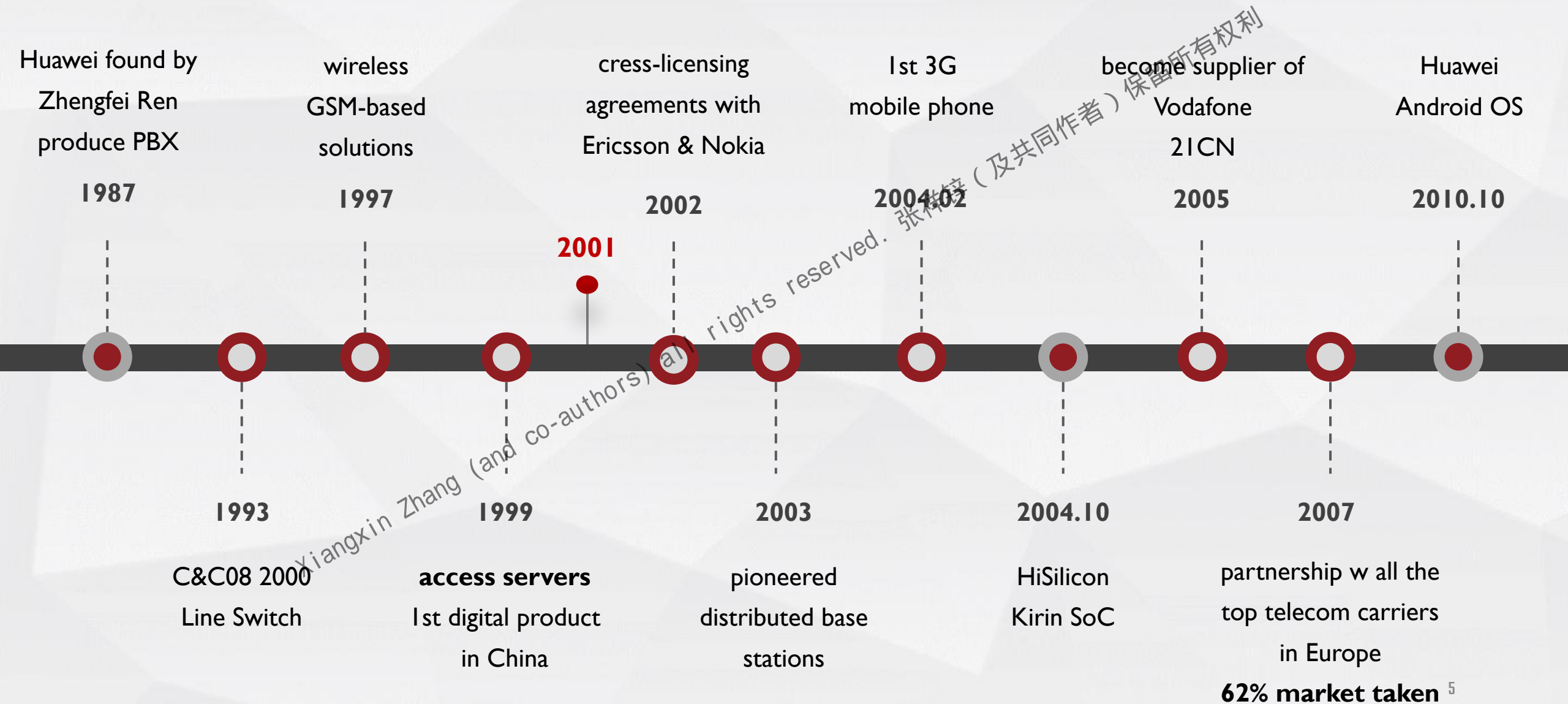
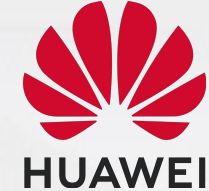


Huawei
2010.10



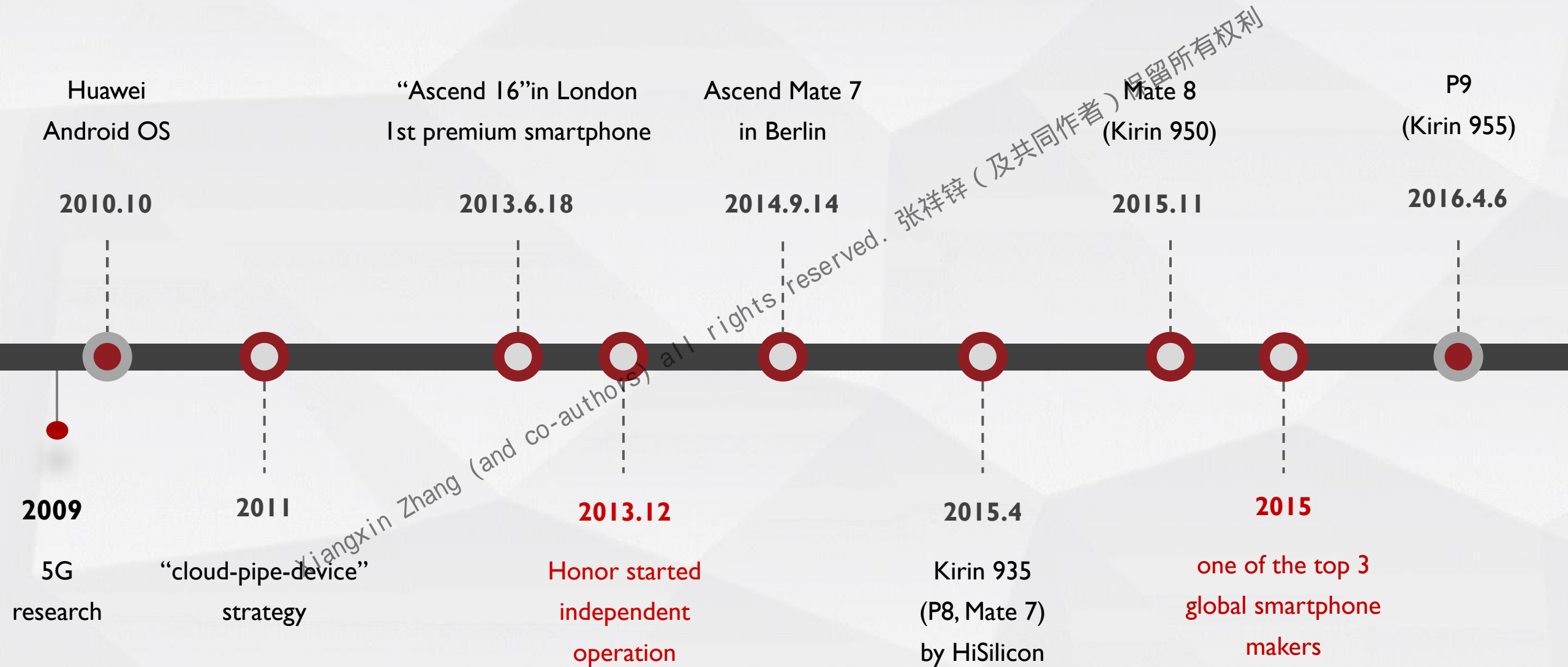


Introduction - Huawei





Introduction - Huawei

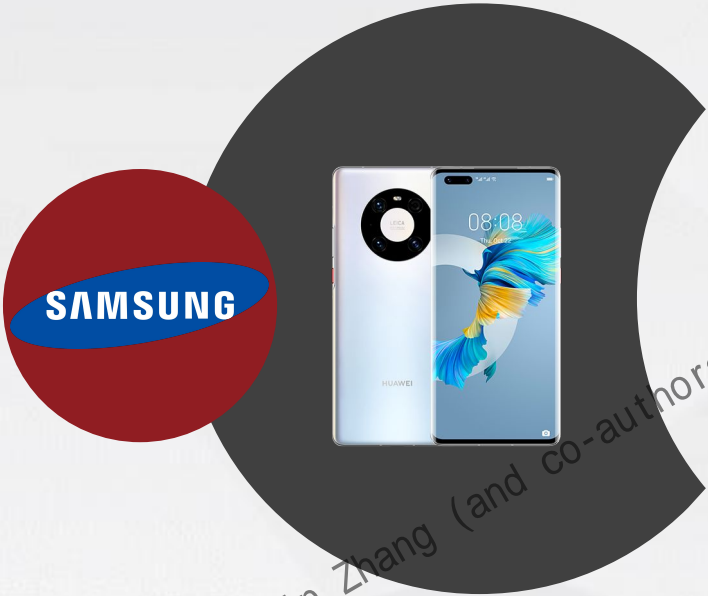




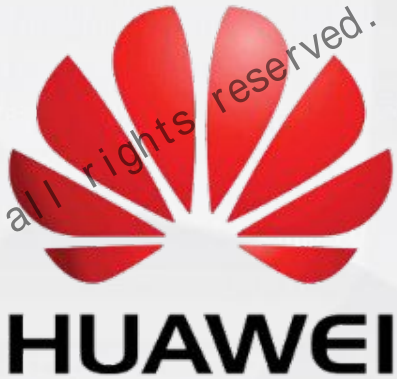
Introduction - Huawei



Mate series



P series



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Q1

- **How attractive is the industry?**
- **How will its attractiveness change in the future?**

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How attractive is the industry?



01

Threat of New Entrants

02

Threat of Substitutes

03

Rivalry Among Existing Competitors

04

Bargaining Power of Suppliers

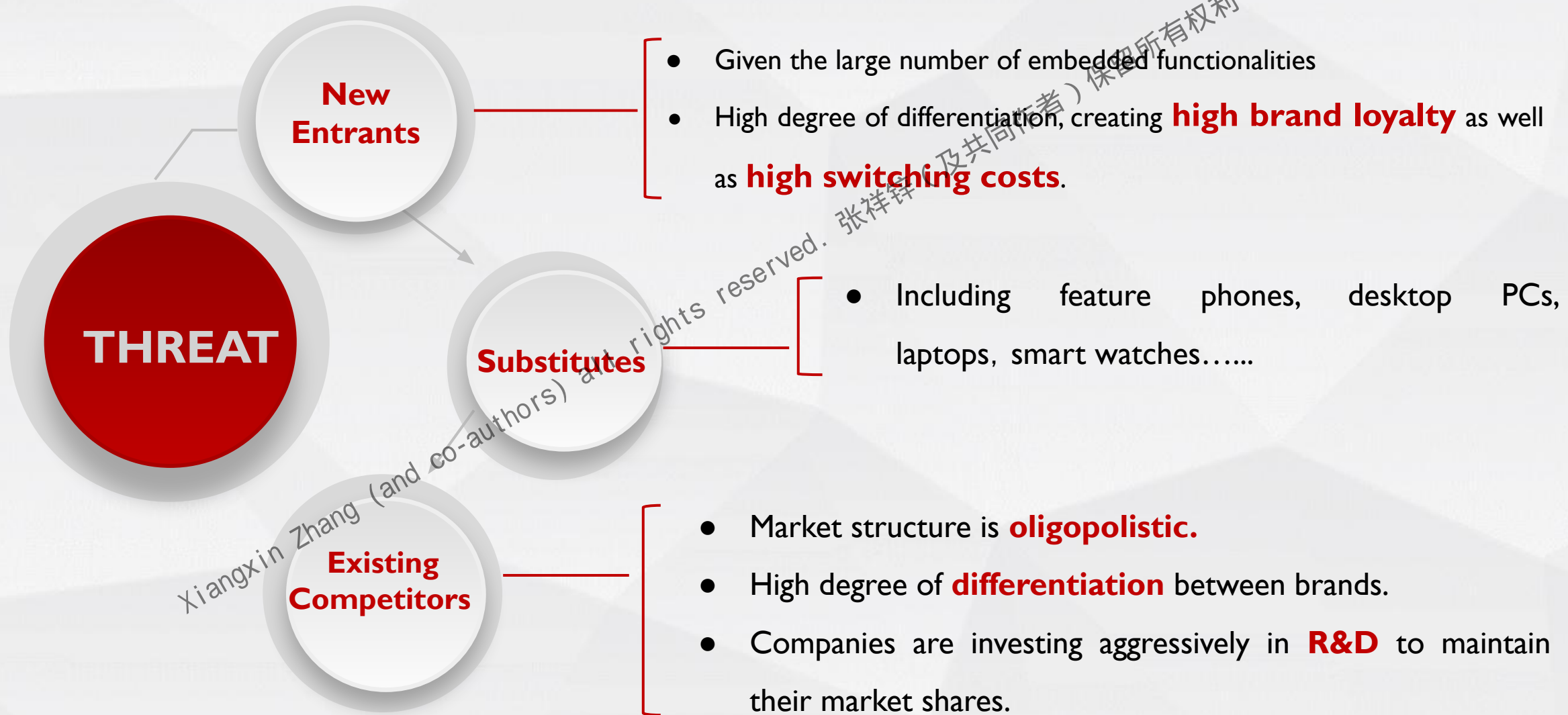
05

Bargaining Power of Buyers

According to a TrendForce report, global shipments in 2015 reached 1.293 billion units, with an annual growth rate of 10.3%. The entire smartphone industry is promising and attractive.



How attractive is the industry?





How attractive is the industry?

Bargaining Power of Suppliers



Traditional PC SoC suppliers:

Intel, AMD, Broadcom...

Newcomers: Qualcomm, MediaTek, Apple,

Samsung, Huawei HiSilicon...

HIGH LOW



Bargaining Power of Buyers



Traditional Buyers



vendors, dealers, retailers,
etc., in both **online and offline**
markets, individual buyers



How will its attractiveness change in the future?



The spread of the global epidemic has led to an increase in supply chain costs and a decline in profits in the mobile phone industry.



How will its attractiveness change in the future?



SONY



VIVO

SAMSUNG

HONOR



01

Big Companies

how to improve product profitability and product innovation

02

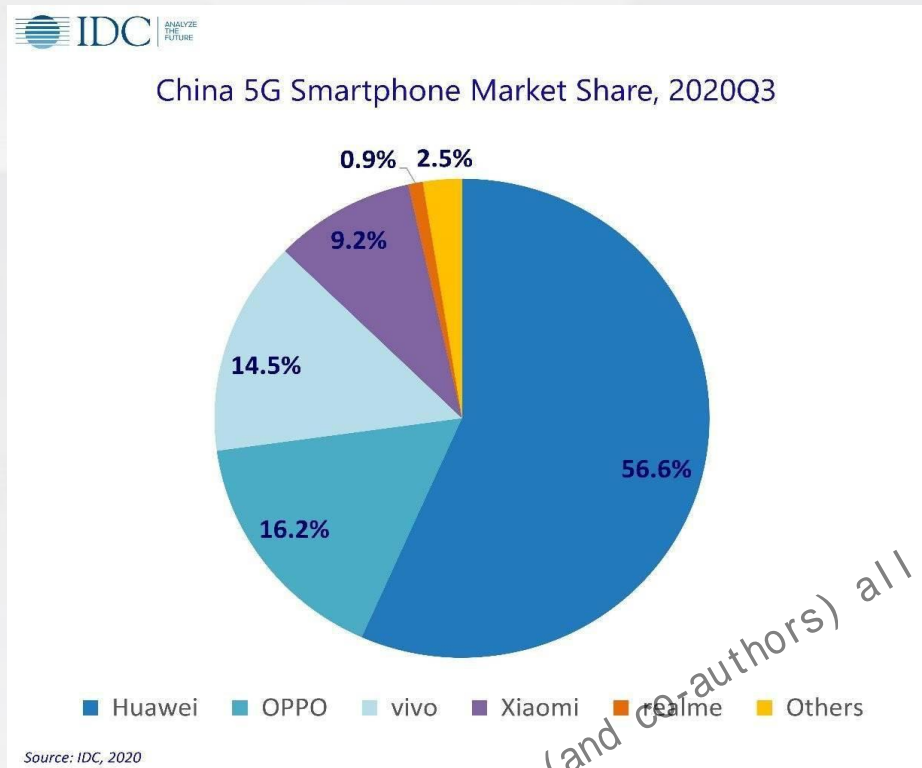
Small Companies

how to make their products stand alone, quickly seize the market and recover R&D costs

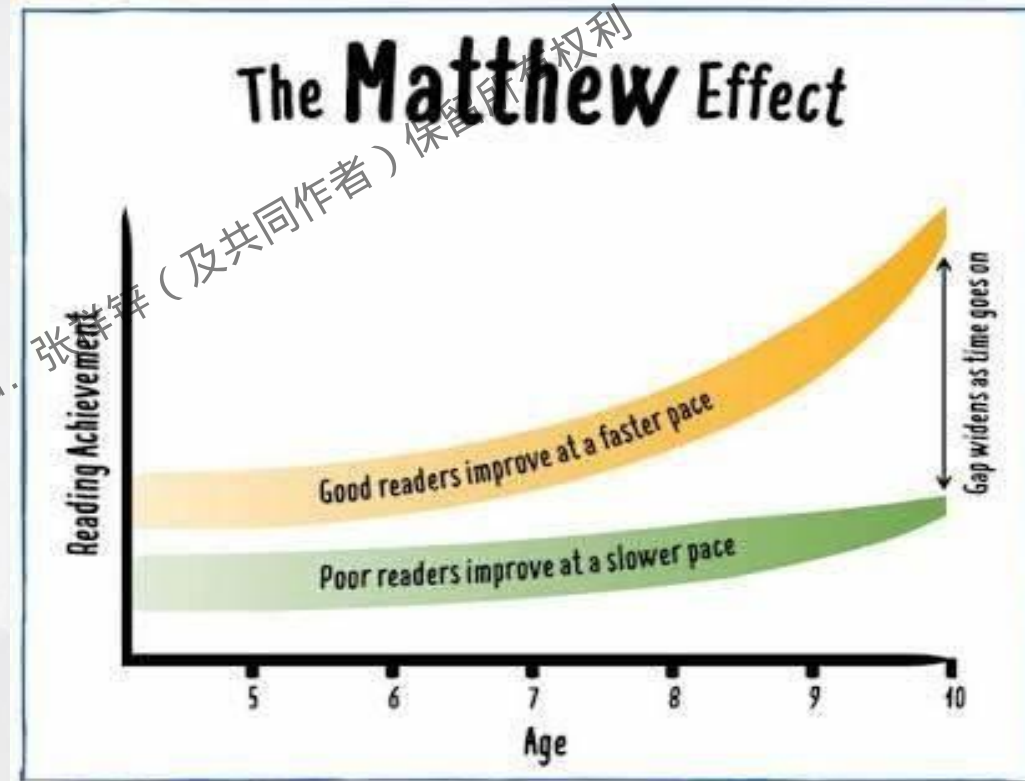
With the continuous advancement of technology, the mobile phone industry has more **competitive products**.



How will its attractiveness change in the future?



- Mobile phone industry barriers are too high, the industry is **saturated**.
- Small mobile phone manufacturers cannot get **complete supply chain** in a short time.



- **Matthew effect** make New start-up companies cannot gain a certain market share in the first time.

Q2

What are the sources of Huawei's competitive advantages in the smartphone industry?

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Sources of Competitive Advantages



Cost Leadership



Differentiation



**Defensive
Strategies**



**Strategic
Alliances**

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Innovative channel development

Sub Brand - Honor



“Dual-Brand and Dual-Channel Model”





Source 2 - Differentiation



Excellence in segmentation & superior quality in different segments

- “Mate series”&“P-series”- offer qualities that few competitors could compete with
- “Honor series”- offer best possible specifications in the lower-price but not low-end class

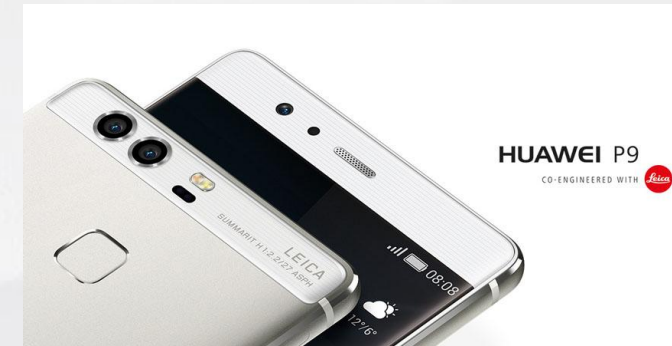
Brand recognition in domestic and international markets

- **70%** share in the newly-installed access servers market in China (1999)
- **Priority suppliers** of Vodafone and British Telecommunications (2005)
- **62%** of the 4G LTE market in Europe (2007)
- **No.1** in the global telecom equipment market (2013)
- **No.3** in the global smartphone market (2015)

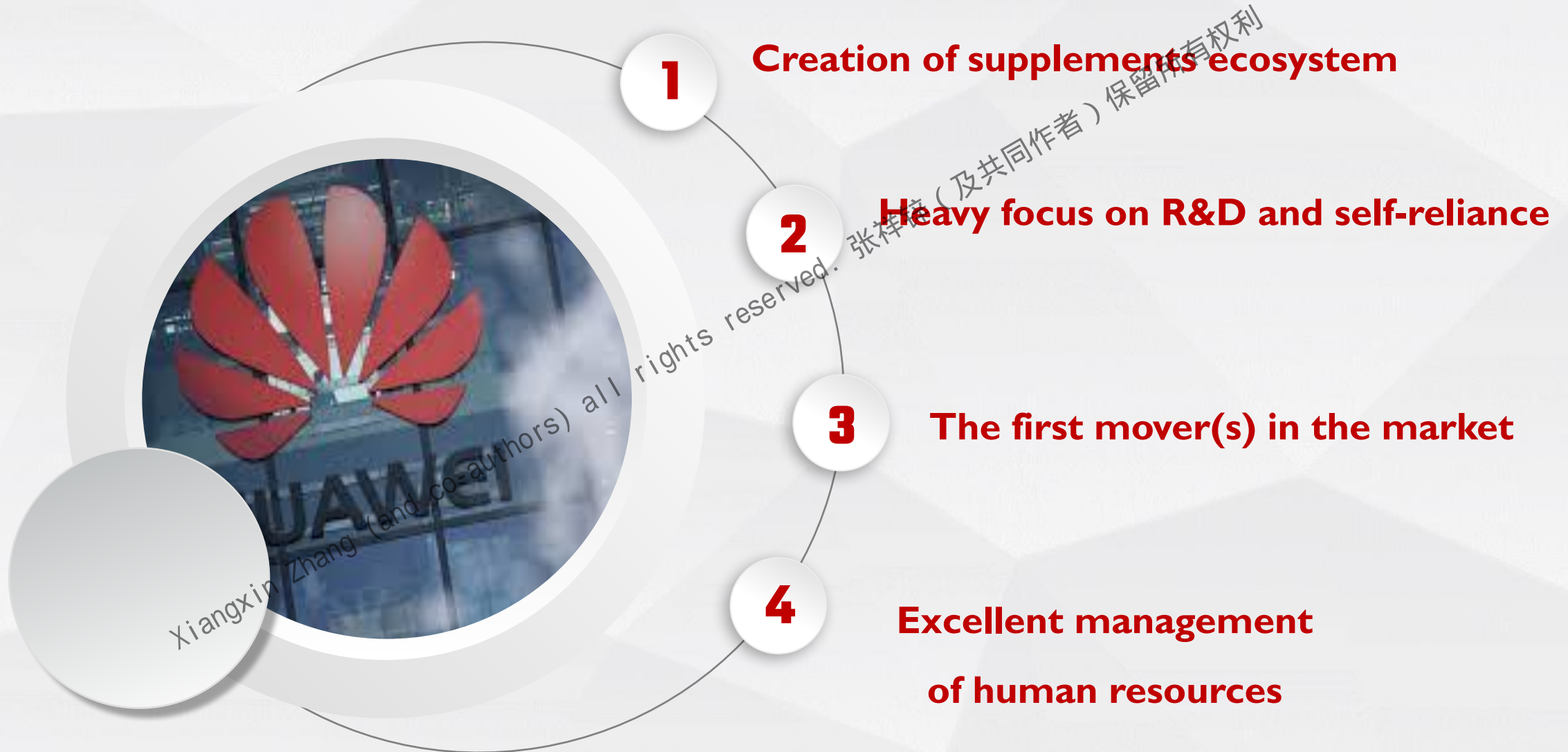
Brand Collaboration with partners from different industries

- Collaboration with leading camera and audio companies to improve user experience and product quality

harman/kardon®



Source 3 - Defensive Strategies



Source 3 - Defensive Strategies

1

Creation of an ecosystem with supplements helps to retain customers



2

Heavily focusing on R&D realizes Huawei's self-reliance on SoCs



HISILICON



Source 3 - Defensive Strategies

3 Be the first mover(s) in the market

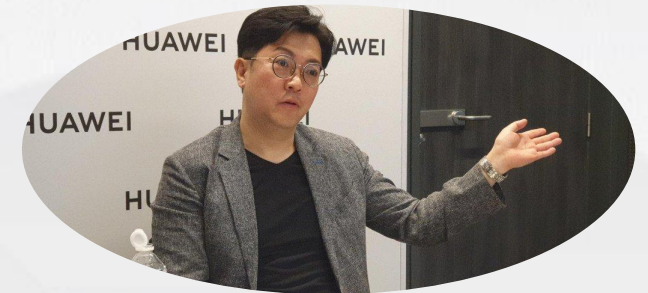
In 2002, Huawei started paving the way for entering 3G market by cross-licensing with main patent holders of WCDMA (3G)



4 Excellent management of human resources

Joon Suh Kim

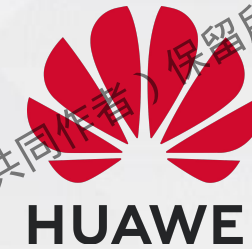
- Chief designer of huawei
- Previously worked in LG, Philips, Nokia, and Samsung



Source 4 - Strategic Alliances

1 Close collaboration with telecom partners and even with competitors

- Patents cross-licensing between Huawei and Apple
- Network Asset: forming partnership with leading telecom carriers



769 patents

98 patents



140



400



180

2 Support from the Macro-environment

- Political and global factor
- Government support gave Huawei the chance to enter into the Chinese telecom equipment market
- China's access to World Trade Organization boosted Huawei's growth

Q3

- **How sustainable is Huawei's competitive advantage in the smartphone industry?**
- **What should Huawei do to sustain its competitive advantage?**

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Scoring System

01

Observable or not

02

Valuable or not

03

Costly or not

04

Capable or not

05

Can be easily replicated or not

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Scoring Sheet

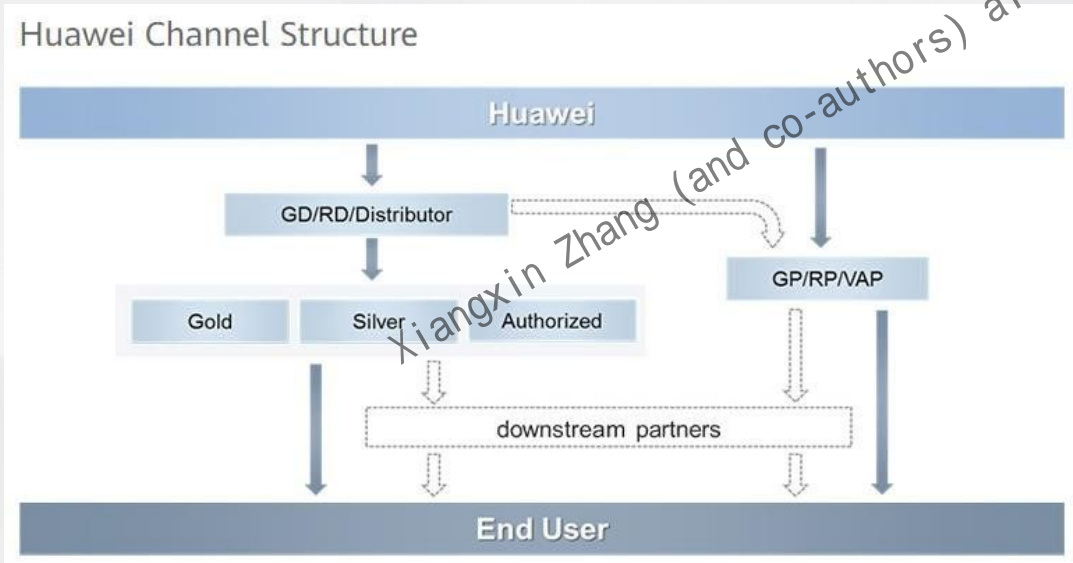
Low 1 - High 5	Cost leadership	Differentiation	Defensive Strategies	Strategic Alliances
Observable or not? (+)	4	4	4	1
Valuable or not? (+)	3	5	4	4
Costly or not? (-)	4	2	1	3
Capable or not? (+)	5	2	5	5
Easily replicable or not? (-)	1	1	5	4
Total Score	17	14	19	17

Suggestion



Cost Leadership

Diverse distribution channels



Differentiation

1. Improvement on operation system
2. Open the operation system to users of other smartphone



Suggestion



Defensive Strategies

1. Reduce dependency by realizing vertical integration
2. Invest on local R&D to minimize global political issues
3. Keep investing in talent management



Strategic Alliance

1. Seek further collaboration with government authorities
2. Partnership with telecom carriers



Q4

- **What role does Huawei's global strategy play in contributing to its competitive advantage in the smartphone industry?**

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Huawei's Global Strategy

1 Join in WTO

2 Change of the leadership

3 Move up to the medium and high-end market

4 Cooperating with leading global telecom carriers

5 Cost leadership

6 Focusing on SoC development and Smartphone design

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Insights from Huawei's Global Strategy



The core role of technology R&D

- Huawei always takes technology **Research and Development** as the core and firmly controls the core technology in its own hands.
- Only by possessing core technologies and breaking foreign technological monopolies can Chinese manufacturing/Internet enterprises get rid of dependence on foreign technologies.

Human strategy and talent advantage

- The **incentive mechanism** to ensure that employees work enthusiasm and stimulate their enthusiasm for innovation, more identify with their corporate culture, give full play to their work ability.
- The **training mechanism** effectively ensures the growth of employees and the continuous improvement of various skills.



Insights from Huawei's Global Strategy



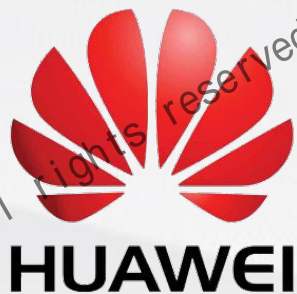
Build a reasonable brand image

- When thinking of Huawei, people will think that the brand has **good quality, excellent performance, cost-effective** and other characteristics.
- Huawei steadily entered the international market with **focus, innovation, stability and harmony** as its core concepts.
- Products and services must face the public, serve customers, the organic integration of brand and enterprise culture.

The choice of enterprise target market and globalization route

- From **"live"** to **"go global"**, Huawei has expanded its steps from Asia and Africa to developed western countries, and gradually developed into a world-class enterprise.

Q&A



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