

Mobile Phone Competition Strategy of Huawei Technology Company in the New Era

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Abstract

In the report of the Nineteenth National Congress, General Secretary Xi Jinping pointed out that China should cultivate world-class enterprises with global competitiveness. With the continuous strengthening of reform and opening up, many local enterprises have stepped out of the country, but they are at a disadvantage in the global competition. How to improve the competitive strategy of enterprises to achieve the promotion of core competitiveness is an urgent problem for many enterprises. This paper takes Huawei Technological Company's mobile phone business as the research object, and on the basis of literature research, uses Michael Porter's competition theory to analyze Huawei's mobile phone competition strategy. The research finds that: (1) Huawei's smartphone technology strategy adopts cost-leading strategy and differentiation strategy; (2) Huawei's smartphone brand strategy adopts differentiation strategy; (3) Huawei's pricing strategy of mobile phones adopts differentiation strategy. On this basis, this study compares Huawei's smartphone with its competitors in technology, brand, pricing and other aspects, and puts forward optimization suggestions for Huawei's smartphone competition strategy.

Keywords

Huawei's Mobile Phone; Competitive Strategy; The New Age.

1. Introduction

On October 18, 2017, General Secretary Xi Jinping formally proposed at the 19th national congress that socialism with Chinese characteristics has entered a new era, which means that China's economy has completed the transformation from high speed to high quality. In the new era, enterprises are required to take quality first and benefit first as the guiding ideology, and take quality reform, efficiency reform and power transformation as means to improve China's economic innovation and competitiveness significantly. In the mobile phone market profit ranking released by counterpoint, apple ranked first with 62% in the second quarter of 2018, Samsung ranked second with 17%, while Huawei, oppo, vivo and Xiaomi accounted for 8%, 5%, 4% and 3% respectively. It can be seen that although Huawei's profit level is among the best in China, there is still a huge room for improvement in international competition, How to reduce the hardware cost and improve the brand premium ability is an urgent problem for Huawei in the efficiency reform.

Since the beginning of trade between China and the United States, trade friction has not been effectively resolved. The Sino US trade war is essentially a financial war. On the one hand, the United States attempts to raise the cost of Chinese enterprises, on the other hand, it cuts off the cost transfer channels, so as to curb the profits of enterprises and trigger the debt crisis of enterprises. By creating a financial crisis in China, the purpose of suppressing China's rise is achieved. As the leader of China's communication equipment, Huawei's telecom equipment has certain political sensitivity. Wang Qi believes that Huawei and ZTE are too close in their contacts with the government, and both have plans to further expand the U.S. market, so they have

become the object of investigation of the Committee ^[1]. In addition, the trade disputes between China and the United States have made the trade environment of the two countries increasingly complicated. Therefore, Huawei has been subjected to a series of unwarranted accusations since it entered the US market.

2. Theoretical basis and research review

2.1. Competitive strategy theory

Chester I. Barnard, an American scholar, first introduced the concept of strategy into management science to study corporate governance from the perspective of strategy. Alfred D. Chandler, a famous enterprise historian, believes that strategy is to achieve long-term goals by reasonably allocating its core resources. In addition, with the change of market environment, the strategy and organizational structure of an enterprise should also be changed [2]. In 1980, Michael E. Porter, the father of competitive strategy, put forward the competitive strategy, which is the guiding ideology for enterprises to obtain competitive advantages in the market.

2.2. A review of competitive strategy

Foreign scholars have explored more about competitive strategy. Andrews (1972) thinks that strategy formulation is the primary task of an enterprise. At this stage, it is mainly based on its own situation to have a comprehensive understanding of the advantages and disadvantages of an enterprise, analyze its market environment, and identify possible challenges and opportunities. Michael E. Porter discusses the strategy in detail in his book competitive advantage. The unique feature of this book is that the author closely links the formulation and implementation of strategies, and points out that the key to an enterprise's dominance in market competition is to decompose the competitive strategy into specific and feasible steps [3]. Domestic research on competitive strategy mainly involves product strategy, pricing strategy and technology strategy. Among them, in terms of brand strategy, Huang Haiyang, he Jiaxun (2019) and other scholars take multinational enterprises with Chinese elements as the objects of discussion, and find that brand local symbolic value can effectively affect consumers' brand emotion [4]; in terms of pricing strategy, Liu Yu (2011) starts from the development strategy of enterprises, It is considered that the competitive environment, brand, profit target and product life cycle are all the influencing factors of enterprise pricing, and the correct enterprise pricing can make enterprises have competitive advantages in the market [5]; in terms of technology strategy, with the continuous rise of knowledge economy, many enterprises have begun to form strategic alliance of industrial technology innovation, Lu Yumei, Gao Peng, Zhu Binxin (2019) and other scholars used game theory to study the important role of capital and knowledge input in the industrial technology innovation alliance, and proposed that the innovation ability of individual members in the innovation alliance is not only important, but also the appropriate R & D mode [6].

3. Huawei's competitive strategy for smart phones

3.1. Huawei's smart phone technology differentiation and cost leadership strategy

3.1.1. Huawei's cost leadership strategy for smart phone technology

Huawei's R & D expenditure in 2017 was RMB 89.7 billion, which was 14.9% of Huawei's annual sales revenue. Such R & D investment is almost unheard of in China. Hu houkun, chairman in office of Huawei, thinks that opportunities and challenges are coming at an accelerated pace, and only innovation can seek sustainable development. Strong innovation and R & D capabilities enable Huawei mobile phones to be self-sufficient in some core components.

In order to reduce the dependence on other suppliers, we can use the patent technology to optimize the product performance with the same market price, so as to make the product have higher value than its competitors, so as to construct the product cost advantage.

3.1.2. Huawei smart phone technology differentiation strategy

With the upgrading of consumption level, smart phones are no longer limited to meeting the needs of timely communication. Only by taking consumers as the center and increasing R & D investment for innovation can they occupy a place in the mobile phone market in the future. The higher the novelty degree of new products, the more obvious the differentiation status advantage is [7]. At present, 45% of Huawei's total staff are technicians engaged in research and development, which makes Huawei a real high-tech enterprise. Among the 74307 patents granted by Huawei in 2017, more than 90% of them are invention patents, which is the secret of Huawei mobile phone's continuous innovation and breakthrough. The reason why Huawei has the opportunity to compete with apple, Samsung and other world-class brands is inseparable from its differentiated technology strategy. As shown in table 1, taking Huawei P30 pro, Samsung Galaxy S10, Apple iPhone X and other series of products at the same price level at present, the camera and battery are compared.

Table 1. Comparison of mobile phone functions

Mobile level	Mobile phone series	Price	Photo pixel		Battery capacity	ROM
			front camera	Rear camera		
high-end	HUAWEI P30 Pro	5988	32 megapixel	40+20+8 megapixel	4200mAh	128GB
	Galaxy S10	5999	8 megapixel	16+12 +12 megapixel	3400mAh	128GB
	Apple iPhone X	5999	7 megapixel	Dual 12 megapixel	2716mAh	64GB
Middle and low end	Honour 20i	1599	32 megapixel	24 +8 +2 megapixel	3400mAh	128GB
	OPPO A7x	1599	16 megapixel	16+2 megapixel	3500mAh	128GB
	vivo Z1	1598	24 megapixel	13+2 megapixel	3260mAh	64GB
	Xiaomi6X	1599	20 megapixel	20+12 megapixel	3010mAh	128GB

3.2. Page Numbers

Brand strategy is an important factor to determine the market position of an enterprise. Under the development of market economy, the correct brand positioning, the brand model adapting to the market trend and the appropriate brand positioning are of great significance to the development of enterprises.

Table 2. Comparison of mobile phone functions

Mobile phone category	Brand mode	Brand connotation	brand positioning
HUAWEI	Double brand strategy	Huawei: atmosphere, business without losing fashion, elegance without losing connotation	Huawei: middle and high end market business person
		Honour: technology, aesthetics, community, life	Honour: Young Internet users
Apple	Single brand strategy	Design, technology, creativity	High end group
OPPO	Single brand strategy	Fashion; aestheticism; innovation	Middle and high end young consumers
Xiaomi	Single brand strategy	Born for fever; innovation; perfection	Low price, high cost performance; Enthusiast

Huawei's mobile phone was the first to implement the customization strategy. After experiencing the transformation to its own brand strategy, Huawei not only flourished in the

low-end and mid-end mobile phone market, but also gradually had the ability to compete with apple and Samsung in the high-end market. Huawei mobile phone is a self-made brand. In terms of brand model, Huawei adopts the dual brand strategy, and occupies different levels of market through Huawei and honor. Huawei brands occupy different markets by creating different series. Among them, mate series for elite men and P series specially designed for fashionable women are high-level brands. The configuration of both series is trying to keep up with apple. It is worth mentioning that the endurance of mate series and P series products is far better than that of apple and Samsung. Nova and G series are mainly aimed at the medium-sized market, and seize the market with oppo through novel appearance design and strong photo function. Y Series is mainly for low-end market.

3.3. Huawei smart phone pricing differentiation strategy

Table 3. Comparison of mobile phone pricing methods

Mobile phone brand		pricing methods
HUAWEI	HUAWEI	Demand oriented pricing and perceived value pricing
	HONOR	Competition oriented pricing
	Apple	Skimming pricing and satisfactory pricing
	Xiaomi	Penetration pricing

Huawei's mobile phones at different levels have different pricing objectives and pricing methods. In the low-end market, Huawei's low-end models mainly include Huawei's Y-series and honor's partial series. This product aims to increase product sales and market share, and adopts the competition oriented pricing method. Consumers in the low-end mobile phone market are more sensitive to price and have lower demand for additional functions of mobile phones. Among the mobile phones of the same price, Huawei's low-end models have their own characteristics. Take glory 9 as an example, the price is below 3000 yuan, which not only has high appearance and good performance, but also has a very clear picture and excellent sound quality, so it has an absolute advantage in the product competition with the same price level. In the medium and high-end mobile phone market, Huawei's mate and P series mainly aim to increase the sales volume, and adopt the demand-oriented pricing method. For example, in the domestic and foreign markets, due to the differences in consumption levels, the foreign price is generally higher than the domestic price. In addition, Huawei's folding mobile phone mate x launched at the world mobile conference in 2019, with a price as high as 17000 yuan, adopts the perceived value pricing method. After affecting consumers' sense of value identity, the price is determined according to the perceived value of the product in the user's mind.

4. Suggestions on the optimization of Huawei's smartphone competition strategy

4.1. Accelerate patent transformation and strengthen core competitiveness

Huawei's supply chain short board problem is very prominent, the ability of vertical integration reflects the integration level between the company's value chain and its suppliers and distributors. In the aspect of supply chain management, Apple's vertical integration ability of the supply chain is one of the important reasons for Apple's high gross profit margin, while Huawei is often in trouble because of the supply chain. In 2016, Huawei mate9 sold well all over the world. However, due to the production capacity restriction, Huawei's mate9 was out of stock to varying degrees. Even netizens suspected that it was hunger marketing. Finally, the shortage of Samsung OLED screens made Samsung Note7 a best seller. The event of "flash gate" in 2017 pushed Huawei, a private enterprise, to the forefront of the storm. Because UFS 2.1

flash memory was out of stock, some P10 mobile phones with a price of 3788-4388 were exposed to use lpddr3 and emmc5.1 of medium and low-end mobile phones, "same price but different quality" made consumers question Huawei's reputation.

The screen, processor and memory are the most important components of a mobile phone. At present, the Kirin 980, a processor independently developed by Huawei, is in a leading position in China, but it still lags behind the A- Series processor of Apple system. In terms of screen and memory, Huawei mainly relies on Samsung's memory chip and OLED display. The excessive dependence on the core component suppliers reflects that Huawei's supply chain short board problem is prominent, which seriously hinders its development.

Therefore, as soon as possible to transform patents into productivity and strengthen the practical application of core technologies, we can continuously strengthen the core competitiveness of Huawei mobile phones.

4.2. Improve the level of brand equity management

According to the "China's 500 most valuable brands" published by the world brand laboratory in 2018, it can be seen that Huawei ranks sixth with a brand value of 321.563 billion yuan, which is far from the first state grid. Among the world's top 500 most valuable brands in 2019, apple ranks second, Samsung ranks fifth, and Huawei ranks twelfth. Although compared with the past, Huawei's ranking has increased by a large margin, compared with the world-class brands, Huawei is still in the inferior position in the global competition.

For enterprises, it is a commercial era of brand competition. Consumers not only pursue the use function of the product itself, but also have been widely recognized by the market segments and can fully show the personalized brand value of consumers. Therefore, Huawei should formulate a scientific and reasonable brand strategy, appropriately increase the investment in brand operation, so as to improve the brand awareness, promote consumers to carry out brand association and strengthen customer loyalty, and comprehensively improve the level of brand management.

For consumers, improving the level of brand equity management can help consumers to choose and purchase Huawei products effectively and reduce the purchase cost and risk. On the other hand, the higher the level of brand equity management, the stronger the brand appeal ability, which is conducive to the formation of stable consumer preferences and better meet the higher spiritual demands of users.

As far as Huawei mobile phone is concerned, better brand equity management level enables enterprises to enhance market appeal by taking advantage of brand advantages, and occupy a favorable position in formulating product marketing strategy. In addition, the brand has a strong exclusivity. Therefore, well-known brands can help to resist various uncertainties in the market and avoid enterprises being forced into vicious competition.

4.3. To improve market share as the pricing target

Although in the domestic market, Huawei's mobile phone shipment and market attention are dominant, but the profitability is still difficult to compete with the top commercial giant Apple [8]. In terms of sales revenue, Huawei's revenue in 2016 was 521.5 billion yuan, and Apple's revenue was 215.6 billion dollars. However, in terms of net profit, Huawei's net profit in 2016 was 37 billion yuan, 9 times higher than that of Apple's 45.7 billion US dollars. According to the global mobile phone profit ranking published by strategy analytics in the first quarter of 2017, oppo accounted for 4.7%, vivo accounted for 4.5%, while Huawei only accounted for 3.5%. For the low profit margin of mobile phone business, Huawei explained that the channel suppliers made most of the profits. The deep reason is that Huawei does not have the strength to have strong control in the supply chain like apple [9].

In the process of accelerating the global economy, China's smart phones are expected to open up a new situation with low prices. Huawei, which started with communication equipment, has a series of other products that are easy to manufacture and maintain, and can reduce the marginal cost of products. In addition, Huawei's annual fund for scientific research and development is far ahead of the domestic market. It is conducive to the formation of a high-quality cycle of low-cost, high market share, upgrading equipment and high revenue. The low-cost strategy is conducive to Huawei's increasing market share and gaining more profits. In the competition with Apple and Samsung, Huawei's mobile phones are at a disadvantage in terms of core technology, product appearance design, brand influence and bargaining power with suppliers. Therefore, Huawei has to keep a distance from the sales price of Apple and other products, attract consumers with low price and high configuration, and make profits by increasing the sales volume of Huawei mobile phones.

5. Conclusion

This paper makes an in-depth analysis of Huawei's competitive environment by using Michael Porter's competition theory, and puts forward optimization suggestions on Huawei's mobile phone technology, brand and pricing strategy, hoping to contribute to the further development of Huawei's mobile phone and provide reference for the development of other high-tech enterprises.

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