

## **THE PRESENT SITUATION AND ANALYSIS OF HUAWEI COMPANY'S INTERNATIONAL MARKETING**

### **The development process of Huawei Company**

It is necessary to look at the industry pattern that Huawei faces at the beginning of its inception before understanding the development process of Huawei Company. The State encouraged the technical transformation of posts and telecommunications and advocated "market change technology" in 1980s. With the approval of the state council of China, the general administration of customs and ministry of finance jointly issued a tax policy on the technical renovation project of post and telecommunications in 1986. At the same time, the state imposed a tariff-free policy on communications equipment purchased using foreign government loans and loans from the world bank and the asian development bank. These policies were discontinued in 1996. Although these policies accelerate the construction of telecommunications infrastructure, but objectively also led to the all country, from rural to the national backbone of the telephone network with all the imported equipment, the formation of monopolies, so that it makes high price. Under this industry background, Huawei, as a "folk technology" enterprises officially approved by the industry and commerce bureau, registered capital of 21000 yuan in 1987. It started business in 1988, Be agent of import and export Hong Kong Kang Li Company's hax switch is its initial business.

Huawei began to develop its own digital switch in 1990. The sales is over 100 million yuan for the first time, the profit is over ten million yuan in 1992. The Ministry of Finance has set up the policy to accelerating depreciation of telecommunication equipment, improving the comprehensive depreciation rate of telecommunication equipment, especially the double balance method for the program-controlled telephone exchange, and to encouraged the telecommunication department to renew and accelerated the development in 1993. Huawei developed ten thousand switches in September. Its annual sold 410 million yuan in 1993. Huawei launched 2000-door network with large digital programmable switching equipment C&C08 machine and achieved sales of 800 million yuan in this environment in 1994. Huawei have reached 1.4 billion yuan, and ranked 26<sup>th</sup> in the national electronics industry hundred, it can be seen that its development momentum is rapid in 1995. Its registered capital increased to 70.05 million yuan, the staff reached more than 800 people, 100% shareholding. At the beginning of the same year, Huawei set up the Beijing institute, from a single true switch product into the field of mobile communications, and began to study CDMA technology, and implement product diversification.

At this stage, Huawei proposed a business objective that "focus on challenges and pressures of customer. It provides competitive communication solutions and services,

continue to create maximum value for customers "mission," casting world-class leading enterprise".

Huawei launched "Quidway2501" router and "ISDN" series terminals in 1996. At the end of the year, the first STP opened laboratory machine in Yinchuan of Ningxia, which was a great success. It makes Huawei be one of the world's most capable providers of communications giants. At the same year, Huawei completed sales of 2.6 billion yuan, it ranks 21st among the top 100 in the national electronics industry. The company achieved sales of 4.1 billion yuan, it has sixty percent more than last year, and established the Shanghai institute in 1997. Huawei entered to the rapid expansion period; the number of employees has soared to 5600 people. In addition to the original telephone switch, Huawei has also been involved in data services, wireless communications and other leading products in the field of communications. The company launched a full set of independent intellectual property rights of the full GSM system and "Quid ways2403" Ethernet switch in 1997. In 1999, Huawei's first sales exceeded one billion, up to 12 billion yuan, and its profit was 1.7 billion yuan, it enlarges rapidly its scales and the number of employees reached 15000. In the same year, Huawei put out "Quidwayr3640/3680" Modular routers and a series of switches. In 1999, Huawei opened the first mobile switch (GSM), and the company collaborate other companies including IBM and other world-renowned enterprises such as hay group (in human resources management), PricewaterhouseCoopers (in financial management) and Germany's fraunhofergesellschaft (in terms of production management and quality management) to fully enhance its competitiveness in the field of international business. At the end of 1999, Huawei cooperated with IBM in implementing IT development and integrated supply chain programs. On the one hand, Huawei company's internal management to the overall internationalization; On the other hand, Huawei can keep abreast of the industry's latest developments.

Huawei is highly valued by the government because of its rapid development and outstanding performance. In February 2000, President Jiang Zemin visited Huawei to inspect the development of private High-tech industries. In November, Huawei chief executive Ren visited Africa with Vice Premier Wu Bangguo. The same year, Huawei's sales amounted to 22 billion yuan, the profit achieved 2.6 billion-yuan, payed taxes 2.7 billion yuan, the number of employees reached 16000. In December, it increased its registered capital to 2.32 billion yuan. In 2001, Huawei sales achieved 25.5 billion yuan, the increase rate was significantly reduced. In January, Ren visited a foreign country with Hu Jintao who is the vice president of China. In 2001, Huawei signed tens of millions of dollars in CTMS equipment contracts with the Russian state telecommunications department. Its foreign sales growth is rapid, extending to Thailand,

India, Pakistan, France, Spain and other more than 40 countries and regions. In 2001, the company in high-end routers, wireless communications network market to seek breakthroughs in the development of the third generation of mobile communications 3G equipment, it also introduces “Quidwaynetengine80” core gigabit exchange router and “Quid ways” all-series intelligent Ethernet switch, Huawei has become the first enterprise in China to obtain CMM 4 international certification in software development management. In september, Huawei registered capital grows to 3.2 billion yuan. The world's telecommunications industry faced its greatest challenge in 2002. The domestic telecoms industry stalled, and the fixed investment in telecoms infrastructure fell sharply for the first time. At the same time, competition in domestic telecom operations has intensified, it led to shares in China's telecoms operators have fallen short. International investors are increasingly bearish on Chinese telecommunications equipment makers, shifting from a neutral preference. In 2002 ,Huawei began to advocate "build end-to-end manageable, full speed, all business intelligent exchange IP Network", and launched “Quid way netengine40 “series Universal switching routers, “Quid way Net Engine 50” core gigabit routers and “Quid ways8500” core gigabit multilayer switches; In the same year, Huawei's “Quid way Net Engine” high-end router sold more than 1600 units, “Quid way” series routers and Ethernet switches sold more than 270,000 units, Huawei became provider that the world's leading end-to-end network equipment and solutions. In 2002, Huawei’s sales reached 22.1 billion yuan. In 2003, Huawei focus on the overseas market. In the first half of the year, its sales were only 12 billion yuan, and the overseas sales have 350 million dollars, it has sixty percent more than last year, while the number of employees reached 22000. In 2004, Huawei’s sales achieved 46.2 billion yuan. The overseas sales were 2.08 billion dollars. Huawei’s sales achieved 45.3 billion yuan in the first half of 2005, it grows 85% from the same period in 2004. The first half of year, its abroad sales amounted to 2.47 billion dollars, and has exceeded the 2004 annual international market sales. Huawei has entered a new list of equipment suppliers for 19 operators, including a short list of successful British telecoms (BT) "20th century Networks" that provide “BT21CN” network access (Msan) components and transmission equipment. In addition, Huawei and the British Marconi Company signed a mutual aid consignment agreement, according to the agreement and the initial memorandum of understanding, two companies sell each other part of the product. Marconi will only resell Huawei's telecom-grade data communications products to telecoms operators on a Marconi brand, while Huawei will relay Marconi microwave devices, including next-generation microwave devices and related Web services to its wireless network project. In addition, Huawei became a DSL partner for Australian operator Optus, it provided DSL access devices that support high-speed data, voice (including IP voice services), video broadcasting and business services. And Huawei has won a nationwide “CDMA2000”

3G network for Cat in Thailand, it valued about 187 million dollars.

## **The development of overseas markets**

### **In Hong Kong market**

In 1996, Huawei cooperated with the Hutchison Telecom of Yangtze River industry, to provide a narrow-band switch as the main of the "Business Network" products. After a preliminary attempt at the Hong Kong market, Huawei's C&C08 machine entered to the Hong Kong local telephone network, opening a number of new businesses without in the mainland market, which is the first step for Huawei's large switches to move overseas. In July 15, 2015, Hong Kong's telecommunications industry stopped the largest network integration project in the history, the former Hong Kong ranked first mobile operator CSL merged with PCCW-HKT and Huawei is the exclusive contractor for this project. After the relocation of the original CSL's wireless base station, Huawei's network solution has greatly enhanced the throughput of the busy traffic area such as MTR station. In the future, Huawei will work with PCCW-HKT to build Asia-Pacific region and even the world's most technologically leading mobile network, Huawei became the Hong Kong region's largest mobile network provider. In January 7, 2016, Hong Kong Telecom and Huawei successfully completed the world's first user server (Home Subscriber Server, HSS) and voice LTE system switching, it fully integrated Hong Kong Telecom and CSL two pivotal mobile communications network.

### **In Russia**

Russia is the second platform for Huawei's overseas development. As early as in 1994, Huawei aimed at the Russian market. From 1994 to 1997, Huawei visited to Russia many times. Huawei also invited the Russian delegation to make several visits to its company. Although Huawei is more well-known in domestic, but cannot compares with Lang Xun, Siemens and other world telecom equipment giants. In addition, in many countries, China is still a developing country, the telecommunications industry has been the expertise of developed countries that it doesn't trust the Chinese telecommunications equipment suppliers, leading to market development is extremely difficult. However, Huawei sent a dedicated local marketing team, training and sent to the various regions of Russia, based on this, it formed the joint ventures Betohua as the current marketing network; In the constant visit, Huawei's marketing staff recognized a number of operator's management, it established mutual understanding and trust, forming the current important customer base. After more than 7 years of hard work, Huawei and the Russian state telecommunications department signed tens of millions

of dollars contracts in the supply of GSM equipment in 2001. By the end of 2002, Huawei has also taken orders for 3,797 kilometers of the 320G range from Petersburg to Moscow's national optical transmission line (DWDM). In addition to continuing to develop China's neighboring countries and regional markets, Huawei is actively occupying developing markets such as the Middle East, Africa and South America. (Tian&Wu. 2015)

### **In United States**

The U.S. market is the most mature, high-end and competitive in the world, the best opponents are here. Huawei's entry into the US market marks the real entry of Huawei into the international market. As early as in 1993, Huawei built a chip institute in Silicon Valley. In 1999, Huawei, like all the big international companies, it opened a research institute in Dallas, America's communications corridor, which developed products specifically for the U.S. market. In June 4, 2002, Huawei in the United States Texas set up a wholly-owned subsidiary FUTURE WEI, sales broadband and data products to local enterprises. In 2015, Huawei's US market planned to launch a new version: by changing the image of a massive march. Two years after being defined by U.S. lawmakers as a national security threat, China's Huawei company planned to launch new handsets and wearable devices. through marketing efforts to win over American consumers.

### **Problems encountered in Huawei's international marketing**

#### **Target market positioning problem**

There are several problems in the target market positioning of Huawei:

First, the market segmentation is inappropriate. Huawei in the internationalization development strategy, mainly according to the geographical rules to the international market segmentation. Huawei initially set up branches mainly on various continents, Huawei's market segmentation will give sufficient consideration to the economic situation of each region, combined with the local economic situations, and inspected deeply the product after-sales service center if be convenient and other conditions with market coverage expanding. Huawei has divided the international market into three categories, that is, developed countries, developing countries and backward countries. The complexity of the international market system, Huawei is simply based on the region is developed to market segmentation, it is clearly inadequate. In the process of international market segmentation, Huawei lacks many factors such as regional culture, population, consumer psychology and behaviour. Huawei Market segmentation is inappropriate that it will affect the follow-up of a series of international marketing

strategy, excessive emphasis on product type increase, and ignored innovation of pre-sales technology system, it harms to respond to market demand changes, as well as customer management system development and improvement. (Liu,2010)

Second, the target market is inaccurate. Huawei has always adhered to customer service as the pivotal value concept, it reduces and even catch up the gap with Western companies in product development and technical services. Huawei's ideological line pursue entirety of technology and market, Huawei research in product and development in the field of active investment, it takes the comprehensive line is correct from the achievements. But the product target market is still a problem, firstly, the product is not based on the actual needs of different regional operators to detailed division. Second, Huawei's lack promotion strategy for backward countries, it is short of consideration of the contract amount, and it is short of pay attention to the money. For enterprises, the problem is to affect the development of enterprises, the relationship between the follow-up investment. (Liu,2010) Huawei has a more serious problem in this area, such as cooperates with Bangladesh's BTTB (Bangladesh Telegraph and telephone) business in 2001, but because the majority of the company's investment from the government funds, funding is not controlled by the enterprise, leading to the lack of cooperation between Huawei and BTTB enterprises to guarantee the money, the 2001-year contract was not returned for 2008 years.

Third, the market positioning is flawed. Huawei's rapid development, while closely related to the large demand for telecommunications equipment in the early Chinese market, has always been strategically insistent on the minds of challengers or leaders. Analyses the three major types of market from Huawei Division: In developed countries market, Huawei's positioning is the challenger identity. However, it is not high as the market share in developed countries, it is worth thinking and discussing the challenge of identity if be conducive to market expansion; In developing countries, where some of the market share is higher, Huawei's share of network is a leading position in construction occupies, so it is positioned as a leader and takes defensive strategy to carry out work .But in developing countries where some of the market share is not in the lead, Huawei is mainly positioned as a challenger; In backward countries, Huawei takes the same measures and resources as developing countries and has low market share.(Liu,2010)From the overall point of view, Huawei's positioning and investment in line with long-term development strategy, but in terms of practical results, the existing problems should not be neglected, we must strengthen the project analysis and planning, to avoid the occurrence of output and input does not match the situation.

### **The problems of product strategy**

Huawei's product line is the industry's most comprehensive product line and Huawei marketing system business capabilities are available in the marketing mix, as well as customer operational requirements for the design. But Huawei has obvious deficiencies in two kinds of products and the technical competitiveness:

1. High-end routers in Internet solutions, Huawei's products and technologies lag behind those of Cisco and Juniper companies in the US;

2. Huawei has weak competitiveness in "Telecommunications Management Services" business. Telecom Operation support System-oss (Operation Support system) is a product with business software based on the deep understanding of network status and Operation management requirement. (Liu,2018). OSS can not only produce high marketing amount and high profit margin, but also deepen the depth of the cooperation between equipment operators and operators in the whole network maintenance, construction and evolution, which has important strategic significance. The global telecommunications Management Services market is led by Ericsson, Alcatel-Lucent, IBM and HP, but Ericsson and Rung are a leading position in the understanding of the service business and requirements of the telecommunications network and the evolution of technology, and IBM and HP having the advantage in software systems and server technologies. Huawei's weakness has historical reasons in this respect. China's telecommunications infrastructure has reached a high level in the hardware, but it compared with developed countries have a certain gap in the construction of operational support systems and telecom operators. The concrete statistical analysis shows, the international mature operator invests to 5%-10% in the total investment in the telecommunication operation support System, the emerging operator ratio reached 20%, but the Chinese telecommunication operator only have accounted 2%~3% in this aspect investment, up to 2006, So Huawei and ZTE are also less competitive, which have locally developed.

### **The problems of price strategy**

Compared with other telecom companies, Huawei's products have more obvious advantages in price. Huawei is very good at setting prices, but the problems cannot be ignored, such as in the mobile phone products, Huawei adopt a different price strategy according to the quality of products. In low-end mobile phone products, Huawei is a competitive pricing strategy, to reduce the price as far as possible with other brands of the same quality Huawei mobile phone products, there is a significant price difference. Samsung is taking the cost-plus pricing method; the two companies adopt different

pricing strategy according to its own positioning that is the best choice. In the mid-range mobile phone product area, Huawei has continued use its low-end product strategy, but given that the mid-range mobile phone will be increased some technical costs, then Huawei's low-cost competitive strategy will have a small effect. In high-end mobile phone products, as a result, Huawei's high-end mobile phone products are not as technical as Samsung's products, the brand is inferior to Apple, it leads to few consumers choose to buy a few high-end mobile phone products because the impact of technology and other factors.

### **The problems of place strategy**

Huawei's channel strategy is more flexible, it learned China experience in the fixed network and mobile network channel construction, and it develops properly agent, and to learn Cisco's marketing model in internet products (routers), to establishes a relatively perfect direct sales and distribution model and have a good result to training work in the distribution system certification, but there is a big gap between the direct commerce and Cisco.

In developed and backward countries and regions of the market, the channel construction of Huawei is line with the objective demands, but the channel construction of Huawei has more outstanding problems in developing countries.

The previous analysis has come to the conclusion that the biggest problem of Huawei's international marketing is that the marketing quota of developing country market is insufficient, the direct reason of this problem is that the channel construction is not enough.

1. Huawei in developing countries market, it not enough branches have been set up, and the development and management agent system have not effectively resolved the lack of branch offices. To compared with China, Huawei has established a representative office in China every province except Taiwan, every prefecture-level city is equipped with more than one customer manager, customer relations can be radiation to the grassroots, the market coverage achieved by the effect, it is clear that Huawei in foreign markets far less than domestic market.

2. Huawei's marketing system localization work is deficient, the most direct performance is the Huawei's international marketing system absorbs the local staff number is few in the sales force, and position is focused on pre-sales technical support, there are few foreign employees in the customer relationship construction position.

Foreign staff focused on the post of the project and maintenance post in Huawei's Marketing System (sales and service, functional sales management Services). The localization of the marketing staff is not enough, which leads to the lack of the Chinese employees because of cultural, linguistic and other factors.

3. Huawei learned successful to the Cisco system in the professional distribution channel construction and management model. But to the traditional carrier's communication equipment product and the selective distribution channel construction also did not have the outstanding achievement, the overseas marketing organization's coverage scope is insufficient, as a result, the potential construction opportunities of the market are not deep enough and the proportion of marketing is low.

4. In the international channel construction, the government resources to borrow strength weaker than ZTE, which is directly related to ZTE's state-funded background. But the impact is limited to some countries (such as Pakistan) and some projects (such as government aid).

Huawei Company is relatively conservative in advertising and image-building, in addition to Huawei's terminal products, in the public media to put more than enough advertising, other business and products, the company image promotion behavior is very few.

Huawei's network equipment promotion is accomplished by two tasks: one is close to the customer's direct sales behaviour, it be achieved promotional purposes by the publicity, and invited it to visit the company in this process; The other is to participate in professional telecommunications exhibitions, including world-class (such as Beijing International Telecommunication Exhibition, Hong Kong International Telecommunication Show, Moscow International Telecommunication exhibition, Hannover International Telecommunication Exhibition) and regional and national level exhibitions. Huawei has invested a lot of manpower and resources in these exhibitions as an important platform for promoting the company's image and promoting new technologies and products. (Liu,2018)

Huawei is a High-tech enterprise and non-publics background company from China, it objectively needs to build up the image which is more acceptable to the public through the propaganda and the promotion, but Huawei is deficient in this point, and has the more obvious influence to the international marketing work.