Master Thesis

Marketing Strategies of Chinese Mobile Phone MNCs in the European Market- A Case Study of Huawei

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Abstract

The rapid popularisation of smartphones and the growth of the industry has attracted a large number of Chinese manufacturers. In terms of the long-term development and the increase of benefits, numerous Chinese manufacturers turn to the European market to seek the opportunities. However, Chinese smartphone manufacturers sell products at a low price on account of insufficient technical content. Therefore, how to improve the products’ technology is critical to increasing prices.

Huawei, with the operation in the smartphone market for only nine years, has achieved significant success from zero in that short time, especially in the European and American markets. What innovation and marketing strategy has Huawei implemented in Europe and how successful has it been? How can their marketing strategy be imitated to help other Chinese Mobile MNCs when operating in the European market? In order to seek the answers to these questions, this paper will start from analysing the integration of innovative strategy and pricing strategies of Huawei as the competitive strategies, thereby giving suggestions for other Chinese smartphone MNCs to creating competitive advantages in Europe.

It is found that Huawei’s competitive strategies are phased. In the early stage, Incremental Innovation strategy and Innovation Integration method were adopted to improve non-core parts, and low prices complemented technology disadvantages. In the middle stage, internal innovation and open innovation are adopted; in the meantime, the technology of core components and non-core parts are improved by modular innovation and incremental innovation to lay the foundation for improving premium step by step. In addition, the usage of the strategic combination is also important.

**Key Words:** Smartphone, MNCs, Marketing Strategy, Competitive advantage, European market, Product innovation, Pricing Strategy, Strategy consolidation
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Xiuyu Cao
# Table of Contents

Abstract ........................................................................................................................................... i  
Acknowledgment ........................................................................................................................ ii  
List of abbreviations ................................................................................................................... v  
Introduction ........................................................................................................................................ 1  
  1.1 Background ......................................................................................................................... 1  
  1.2 Problem discussion .............................................................................................................. 3  
  1.3 Research questions .............................................................................................................. 6  
  1.4 Purpose of the Thesis .......................................................................................................... 6  
  1.5 Structure Outline .............................................................................................................. 7  
Theoretical Framework .................................................................................................................. 8  
  2.1 Strategy .................................................................................................................................. 8  
  2.2 Competitive Strategy ......................................................................................................... 9  
    2.2.1 Porter Generic Strategy .......................................................................................... 9  
  2.3 Pricing Strategy ................................................................................................................ 15  
  2.4 Theoretical Synthesis ...................................................................................................... 18  
Methodology ..................................................................................................................................... 20  
  3.1 Research Approach ......................................................................................................... 20  
  3.2 Research Methods .......................................................................................................... 21  
  3.3 Sampling ........................................................................................................................ 21  
  3.4 Operationalization ........................................................................................................ 22  
  3.5 Data collection ............................................................................................................... 23  
  3.6 Data analysis ................................................................................................................ 25  
  3.7 Reliability ....................................................................................................................... 26  
  3.8 Validity ............................................................................................................................ 28  
Empirical findings ......................................................................................................................... 30  
  4.1 Introduction of Huawei ..................................................................................................... 30  
  4.2 Mobile Phone Business History of Huawei .................................................................. 32  
  4.3 Differentiation through product innovation and technology reformation .................. 33  
    4.3.1 Smartphone Parts Innovation .............................................................................. 33  
    4.3.2 Who conducted the innovation ............................................................................ 34
4.3.3 Innovation method........................................................................................................... 35
4.4 Smartphone pricing........................................................................................................... 36
Case Analysis.......................................................................................................................... 38
5.1 The consolidation of differentiation strategy and pricing strategy................................. 38
  5.1.1 Early stage..................................................................................................................... 38
  5.1.2 Transformation stage.................................................................................................... 40
  5.1.3 Mature stage................................................................................................................. 42
5.2 Cost leadership strategy................................................................................................. 43
Conclusion............................................................................................................................... 44
6.1 Answer to the research question...................................................................................... 44
6.2 Theoretical implications................................................................................................. 45
6.3 Managerial implications................................................................................................. 47
6.4 Limitations and Future Research.................................................................................... 51
Reference................................................................................................................................ 53
Appendix: Interview guideline.............................................................................................. 61

List of Figures
  Figure 1: Framework of Competitive Strategy................................................................. 19
  Figure 2: Traced model: Competitive Strategy in Early Stage.......................................... 46
  Figure 3: Traced model: Competitive Strategy in Transformation Stage......................... 46

List of Tables
  Table 1: Thesis outline........................................................................................................ 7
  Table 2: Operationalization of interviews.......................................................................... 23
  Table 3: Interviewees information..................................................................................... 25
List of abbreviations

EU: European Union

ICT: Information and Communication Technology

IT: information technology

MNCs: Multinational Corporation

PBX: Private Branch Exchange
Introduction

In this chapter, the background of smartphone industry will be provided first. Followed by the problem discussion, containing the introduction of the previous research which formulates the research gap. Moreover, the problem discussion will be presented. Then the research question and the purpose of the thesis are formed. Finally, the outline will be included.

1.1 Background

Smartphone, as a kind of mobile superior to traditional mobile, which has the independently operating system for surfing the internet, downloading, installing and running apps like computers (Mohammad, 2016). The research of smartphones began in the nineties of last century, while the mobile industry entered the smartphone era after introducing Apple’s iPhone into the mass market in 2007. With the portable media player, an automatic miniature camera, flashlight, and pocket video camera, iPhone becomes a multifunctional device. One year later, the first Android system smartphone has been launched by T-mobile US in NewYork (McCarty, 2011).

The development of science and technology boost the popularity of Smartphones. Smart devices have become indispensable components of daily performance. In 2008, the global sales value of smartphone reached to 0.139 billion, taking up only 11.40% of total mobile phone sales in the world. In 2016, the sales value of smartphone reached to 1.49 billion. By 2017, one-third population of the world will be users of smartphones, means nearly 2.6 billion people will have their smartphones (Statista, n.d.).

China is the largest mobile phone producer and exporter, as well as the biggest consumer market. With the introduction and implementation of reform and opening up policy since 1978, China's economy has developed from the traditionally planned one to the managed market economy. In this process, the enterprise has undergone profound adjustment and evolution as the direct carrier of the social and economic activities, especially at the physical manufacturing industry (China Industry information, 2014).
In intelligent machine industry, enterprises rely on the huge domestic market volume for the accumulation of the original capital. When competing with foreign enterprises, Chinese firms fully exert the advantage in low labor cost and product price, realising the survival and development of the companies. Both the stated-owned businesses and private companies continue maintaining good market performances. The domestic mobile phone brand has also made a breakthrough, breaking the long turn situation that foreign enterprises monopolised domestic and international mobile markets (China Industry information, 2014). Among the top ten best-selling brands in China, except Apple and Samsung, other brands are local brands. Regarding international market, more than 1/3 the most popular smartphone brands are from China (iiMedia Research, 2017).

During recent four years (from 2013 to 2016), China was the top one smartphone manufacturing volume country. In 2013, the output of China was 359 million units, which accounted for 35% of total production (1018.7 million units), and the units increased to 450.1 million in 2016, with a 25% growth rate (Statista, 2017 & Statista, 2017a). Forecasts estimate that Chinese smartphone seems to dominate about one-third of the global smartphone export in 2017 (Statista, 2017).

However, it is undeniable that the domestic market is still the critical target of most Chinese intelligent machine manufacturers. While recently, the mobile phone demand growth rate fell from more than 27% in 2014 to around 10% (Reisinger, 2015), since less first-time-buyer and the demand of cell phone in Chinese market close to saturation (Davey Alba Business, 2015). At the same time, mobile phone replacement becomes the key driver for the future market (Reisinger, 2015).

In order to realise the long-term development and higher the profits, more and more smartphone manufacturers fix their eyes to the global market, including European market. Dominic Sunnebo estimated that the European smartphone market would become fragmented in the future (Kantar Worldpanel ComTech, 2014). Fragmented market means that the public is not absolutely loyal to any brand. For new enterprises, there are some spaces for innovation. In addition, competitive advantage can also be achieved through a differentiation strategy by seeking the needs that are not satisfied
within the market as well as the customer group (Dess, 1987).

In addition, today's European smartphone market is different from the past, which shifts from local manufacturers leading the market to foreign brands occupy it. The growth of intelligent devices industry accompanied with the gradual recession of function phone business of original dominators, who failed to keep up with the evolution pace with mobile industry (Troianovski & Grundberg, 2012). Nokia handsets once dominated more than half of the European market in the function phone era. However, a sharply shrink from 2009 to 2013 appeared. Its market share had a 51.5 percent decrease in four years (Statista, 2017b). Finally, their mobile business was acquired by Windows in 2013. The Mobile business of SonyEricsson (Sony acquired all the stock of the SonyEricsson hold by Ericsson in 2012) and Alcatel (became a fully owned subsidiary of Chinese TCL since 2005), and so on were acquired in succession.

However, in the overseas market, enterprises lose the advantages in the domestic market such as owning distribution channels, being familiar with the local market situation, positioning in a relatively loose intellectual property law condition and other superior conditions, which become disadvantages. Original defects in the capital, technology and other disadvantages make it more difficult for Chinese manufacturers to extend successful in overseas market, resulting in that most of the domestic manufacturers are posted the label such as "very cost effective", "low range smartphone", so they can only survive with low price in the competition (Reisinger, 2015). They need operational marketing strategy in the European market to get rid of such dilemma.

1.2 Problem discussion

The marketing strategy area has been much investigated in previous research since several decades. While most research focuses on the strategies for the firms belonging to developed countries to manage in that market, or developed area companies to operate in developing markets, or businesses emerging from developing places to work in the local market or other developing areas. Marketing strategy for the high-tech industry enterprises, which originate from the developing market to manage in the developed market was not sufficient.
Smead (1991) investigated the marketing strategy of two high-tech companies which located on the East coast and west coast in North America. They affirmed the significant effect of technological improvement in the high-tech industry. Then conclude that both companies lacking in consistent strategy, which means insufficient long-term marketing strategy. In addition, they pointed both companies have obstacles to utilise the existing marketing strategy to promote their business since the marketing were ruled under the engineering department.

Jansson (2007) introduced several general marketing strategies. For instance, the network strategy, which about how the companies relating itself to the entire network containing the customers, distributors, suppliers, and competitors. Besides, linkage strategy and competitive strategy are also connected. Linkage strategy considered the individual linkage between different organizations. The competitive strategy can be realised through creating the competitive advantages in price, quality, services, and so on. His arguments provided us with a comprehensive understanding of general marketing strategy in Emerging Markets. Nevertheless, the analysis was still from the angle of developed market expanding to developing areas.

Moreover, most of the research only emphasises the internationalisation process when refers to organisations originated from developing countries (Hoskisson et al., 2013; Wright et al., 2005). Also, the internationalisation theory has been developed very well in the previous research. The traditional stage model, for instance, Uppsala model which built by Johanson and Vahlne (1977) separating the internationalisation process into four stages; Recent models about internationalisation are the discontinuous mode such as born global and so on (Knight, 2004; Oviatt and McDougall, 1994). Furthermore, the acting factors of internationalisation appear in articles very frequently. Sapienza, Autio, George, and Zahra (2006) examined the early internationalisation firms would learn and grow faster than the traditional ones. Meanwhile, developing capabilities should be at a suitable time. Jones and Coviello (2005) studied the entrepreneurial internationalisation behavior and released a two levels simple model based on the traditional models.

Internationalisation is defined as entry into new markets (Jones and Coviello, 2005) which relates to market selection, entry mode such as foreign direct investments and so
on. Nevertheless, it is only the first stage of successful implementation in the foreign market which belongs to the corporate strategy level. Increasing is an important standard to measure a company’s success and efficiency. Profitability and expanding the market scale are the guides to the development of enterprises (Akamoh, 2015). How to grow and increase the market share, as well as enhance the final goals—financial goals are the issues that need to be dealt with relying on Marketing Strategy, especially the competitive marketing strategy, which offers the base of sustainable competitive advantages.

Miller, Thomas, Eden, and Hitt (2008) deemed that most enterprises originated from developing market operating in the developed market were suffering from both sides of disadvantages. First one is the additional expenditure when worked in the oversea market. In addition, compared to local firms, they are with insufficient resources such as marketing resources, technology resource (lower technological level, which was revealed by fewer patents). Furthermore, they were also influenced by the overall negative perception of its home country, for instance, ‘cheap,’ ‘low technology’ and so on.

The price is a major factor because it generates the income. In the marketing economy, pricing relates to not only the profits but also the market share of the products. In addition, it impacts the position and influence of the enterprises in the market (Faith and Edwin, 2014). For high-tech industry, the technology is the key driver of the industry (Grant, 2011). Besides, the vital role of enhancing the technology performance and setting proper pricing strategy has been acknowledged by many early articles.

In reality, as for Chinese smartphone manufacturers, the Chinese market is becoming saturated, and the number of the first-time-user is declining. Therefore, more and more mobile phone manufacturers have to expand to overseas markets for seeking sustainable development. However, they are suffering from insufficient technology resources and low prices, which finally turn into lower profits.

In the hyper-competitive smartphone industry, the local European manufacturers have closed down their mobile business one after another. And, Lenovo, another Chinese
manufacturer who focused on the low-end smartphone also aimed to enter the European market and the international market. The market share of Lenovo’s smartphone was once equal to that of Huawei. Nevertheless, the consecutive loss resulted in that it announced to restart its mobile phone business in 2017. However, Huawei has gradually developed and expanded their mobile business in the fierce competition. Huawei did not produce its first smartphone until 2009. Within eight years, Huawei started from zero to the world’s third largest mobile phone manufacturers, owning more than 10% market share in Western Europe, Northern Europe, and other developed European countries. In the first half of 2015, its market share exceeded 20% in Italy and Spain mid to high-end mobile phone market (Huawei official website, 2017). The means they succeed in the European market are deserved to be researched, as well as be imitated by other Chinese smartphone manufacturers.

1.3 Research questions

The aim of this thesis is to answer the specific research question:
What innovation and marketing strategy has Huawei implemented in Europe and how successful has it been?

1.4 Purpose of the Thesis

The purpose of the study is to analyse the marketing strategies of Chinese mobile phone MNCs in Western Europe through a case study of Huawei from the initial stage to the mature stage. The analysis will encompass the research of “Who, What, How and When” of Huawei’s innovation strategy and the corresponding pricing strategy. This thesis is also aimed at contributing to the theory about the marketing strategy of companies emerging from developing countries in building competitive advantages in mature markets, as well as implications to help other Chinese Mobile MNCs to transform the market position from the low-end smartphone market to high-end market and increase their profitability in the European market.
### 1.5 Structure Outline

<table>
<thead>
<tr>
<th>Chapter 1: Introduction</th>
<th>In this chapter, the previous research and the background information will be presented. Then discuss the problems and summarize the research question. Follow by the research purpose.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2: Theoretical Framework</td>
<td>First, the relevant literature review will show. Then the theoretical synthesis is formed for the further analysis.</td>
</tr>
<tr>
<td>Chapter 3: Methodology</td>
<td>This chapter presents the research method and illustrates the quality of research.</td>
</tr>
<tr>
<td>Chapter 4: Empirical findings</td>
<td>This chapter shows the introduction of Huawei, their business and the history of their smartphone business. Then it displays the primary data getting through the interviews and necessary secondary data from the official website and annual report of the company.</td>
</tr>
<tr>
<td>Chapter 5: Case analysis</td>
<td>In this chapter, the analysis depends on the theory chapter and empirical finding will be displayed.</td>
</tr>
<tr>
<td>Chapter 6: Conclusion</td>
<td>This chapter will include the main result of the research and the limitations as well as probably further research</td>
</tr>
</tbody>
</table>

Source: Own Table
Literature Review
In this chapter, the definition of marketing strategy will be introduced firstly. Then about its function for enterprises. Follow by competitive marketing strategy, including porter’s generic competitive strategy, which is a part of the underlying framework. The next ones are product innovation, influence elements and innovation method accelerating the differentiation. Then the content is the pricing strategy that belongs to another part of the underlying model. Finally, the Theoretical Synthesis will be illustrated.

Theoretical Framework

2.1 Strategy
Grant (2011) described that a strategy refers to a long-term action designed to achieve or set goals. It also relates to the establishment of a favorable market strategic position. It is not a detailed plan for achieving specific goals, which opposite to the tactic that is the specific plan. Strategy informs the pathway for fulfilling the desired objectives. It is an overall plan for the deployment of resources in order to narrow the gap between existing resources and intended aims. In addition, it offers coherence and direction to individuals and organizations as well as encouraging proper decision making. Strategies support the management of companies to achieve their desired goals more efficiently.

A successful strategy should include four stages. The first stage is the clear and long-term goals; the second is the deep and full understanding of industrial surroundings; the third is a precise and objective estimation of internal resources and capabilities; and the final stage is about how to realize the objective using effective means (Grant, 2011).

The European marketing strategy is similar to international marketing, and it also involves marketing plans before selling the products, so as to deal with legal, economic, social and cultural differences. Europeanization is regarded as a special internationalization of international marketing. The distinguish standard is that whether it belongs to the EU and Eurozone (Harris and McDonald, 2004).
2.2 Competitive Strategy

Grant (2011) also divided the strategy into two distinct kinds: corporate strategy and business strategy. The former emphasis “where to compete”, acquisitions, new ventures and so on while the business strategy pays attention to building competitive advantages over its competitors in the specific industry within which it operates, this is also termed competitive strategies. Jansson (2007) deemed that a competitive strategy is a network approach that primarily focuses on the competitors. Competitive advantages can be understood as: when the action of an organization cannot be copied by any pathway or because the cost is too high to imitate, this means a company gets a competitive advantage (Kotler and Keller, 2012).

Xu, Zhang, and Ma (2013) believe that the competitive advantage is that firms provide products or services in certain ways for customers, to generate favorable position and higher value compare to its competitors. The competitive advantages can also be defined as taking the lead in some respects; the pathway can be the improvement on product quality, lowering the prices, increasing the product differences and production flexibility and so on (Dirisu, Iyiola, and Ibidunni, 2013; Baines and Langfield-Smith, 2003). Jansson (2007) thinks that competitive advantage could be divided into the software and the hardware. The hardware means improving quality and lowering prices. In terms of software, competitive advantages can be high quality, excellent services, transformation with know-how and financing. Furthermore, it is essential to get the first-mover advantages in the international business marketing strategy. Price is the decisive factor in developing countries. In other markets, it is also important, but does not achieve dominance.

2.2.1 Porter Generic Strategy

Porter's theory of competitive strategy can be expressed as: in the established industrial structure, changing the market structure and getting the ideal market performance through the behavior of the enterprise. It mainly means getting the profit that is higher than average profit margins in the industry. The strengths of the company can be summed up into two categories, cost advantages and differentiation advantages. Cost advantages and differentiation are affected by the industry structure. The three basic
strategies that can be used are cost leadership, differentiation, and focus strategy (Porter, 1985).

Cost leadership strategy requires companies to actively establish a production system that can achieve economic scale, and try to reduce production costs by experience. In addition, it suggests companies minimise the cost of all aspects, such as R&D, services, marketing, advertising and so on. It means that the competitive advantages are built on the cost-reducing capabilities of the firms (Khayati and Koubaa and Zouaoui, 2014). The final goal is to make the enterprise be a cost leader. The external environment such as industry volume, as well as the management style, would influence the validity of the overall cost advanced strategy (Khayati et al., 2014).

Differentiation refers that the enterprise selects one or more of the characteristics that are needed by the consumers as the production direction. Then focuses the efforts to meet consumer demands and achieves the premium through the technology and management advantages. The differentiation can be the performance of the product, the quality, the services, the sales channels, promotion and so on. By differentiation strategy, enterprises can get higher returns, comparing to adopt the cost advantage, (Dirisu et al., 2013; Spencer, Joiner, and Salmon, 2009). However, the differentiation strategy users still need to pay attention to their price position in the market. Firms can achieve the price close to other competitors by reducing the cost of parts that would not affect the differentiation. Differentiation strategy is most widely used in reality (Dirisu et al., 2013; Spencer, Joiner, and Salmon, 2009).

However, some articles deem that cost leadership and differentiation strategy should be combined in the implementation. Differentiation is the approach to achieve low cost. In addition, companies are often unable to obtain a full low-cost status. Therefore, it is necessary to use both low-cost and differentiation strategies at the same time (Hill, 1988; Chenhall and Langfield-Smith, 1998; Dirisu et al., 2013).

Improving the quality of products, services, and product differentiation and so on methods are widely accepted by previous research. The Low-cost strategy requires much effort to gain cheap materials, labors, distribution channels and so on, also about
the capability to achieve these elements (Morehouse et al., 2008). However, it is necessary to highlight the importance of understanding the demands and enhancing service, when uses the product differentiation strategy. Product differentiation is an essential skill that requires companies to comprehend customer needs better than other rivalries. Therefore, product differentiation depends upon a high comprehensive level of management, organizational skills and a number of well-trained, experienced employees (Grundy, 1998).

The third one, focus strategy refers to the business strategy that the enterprise focuses on a specific target market and provides services for a specific region or a specific group of buyers. Focus strategy can be divided into two methods; the first is to compete in a particular market through the price advantage. The second is to achieve differentiation in a specific target market (Porter, 1985).

2.2.1.1 Technology and product innovation

Innovation has been well discussed in previous research. Innovation can focus on the product, or the service and other types of elements such as management innovation and process innovation (Cooper, 2001). Product innovation relates to innovation or improvement of product and services which are recognised by the customers (Khayati et al., 2014). Technology is a key driver for high-tech industry and a valuable tool to build competitive strategy. While one innovation may only include little even no new technology (Grant, 2011). Product innovation can be the transformation of technology to new product creation. It can also be improvements or innovations of the present product technology or function based on previous research. It is one mean for increasing the differentiation (Khayati et al., 2014). The most general distinguished approach is incremental innovation and radical innovation (Phillips, 2009).

According to the Potter's theory, there are two basic competitive strategies for enterprises: low cost or differentiation. One of the ways for the high-tech enterprises to carry out product innovation is improving the production technology, which brings the difference in the technology and lowers the product cost. Another main way is to produce new products so as to meet customers’ needs better and attract more customers
In other words, the high-tech industry enterprises carry out any innovation, which aims to achieve low cost and differentiation. Through the improvement in production technology, the price will be more affordable, and the product performance will be superior. Thus, companies occupy the market and expand the market share. It reflects the market advantages, and ultimately achieves more profits, which is regarded as the financial benefits (Shugan, 2004). In addition, product innovation can also store knowledge, laying the foundation for sustainable competitive advantages and long-term revenue (Reguia, 2014).

In Europe, the legal and economic gap between EU members are not large, and it is smaller than other non-EU countries. Even though social cultures in European countries are not the same, the unified process of Europe has reduced tariff barrier and non-tariff barrier, thereby providing conditions for producing standardization European commodities. Most products need to go through localization, especially food, clothes and other commodities that are under tremendous cultural influences. Computers, fax machines, automobile parts and so on are almost close to standardization and need little modification (Harris and McDonald, 2004).

2.2.1.2 What influences product innovation

Most articles divided influencing factors of product innovation into two categories: internal and external factors. Internal ones rely on knowledge, capabilities, resources, technology, organizational structure and so on. The external factors, mainly include the competitive situation of the industry, the customer demand, the overall environment of the industry, the government policies, the technical situation and the talent environment and so on. (Rainey, 2008 & Brassington, and Pettitt, 2000). The underlying goal of the company is to create customer value and then create profits through increasing the added value of the products and rising the customer premium (Grant, 2011 & Urbancova, 2013 & Sawhney, Wolcott, and Arroniz, 2007). Therefore, the analysis of the client demand for products that have not been met, and the evaluation of their value is the directions of product innovation. So as to achieve this goal, the support of internal knowledge, organizational structure, resources, and technology are needed for the
company. It can be said that internal factor and external factors interact with each other (Brassington, and Pettitt, 2000).

2.2.1.3 Innovation method

Henderson and Clark (1990) formed a matrix based on the modified degree of the technology and the structure. It contains four means which are termed Incremental Innovation, Modular Innovation, Architecture Innovation and Radical Innovation. Incremental innovation is the innovative method that only makes minor improvements to current products for the current customer. It means to explore the potential of existing products designs (Henderson and Clark, 1990 & Bhaskaran, 2006). Incremental innovation does not include many new technologies. As a result, the investment risk is small (Bhaskaran, 2006). While it brings noticeable economic growth effect for enterprises as time goes on, which is conducive to the long-term development of enterprises (Henderson and Clark, 1990). Incremental Innovation is more suitable for companies to strengthen their competitive advantages that have already been formed. Incremental Innovation is the primary approach for innovating in traditional industries, especially when it comes to the technological development of the manufacturing industry (Bhaskaran, 2006).

Modular innovation refers to the integration of new technology into the original product structure. The configuration of product components remains the same, but the core components and technologies may be redesigned. Architectural innovation makes use of currently available technologies and parts to reassemble, coordinate, and balance these elements, so as to add new functions (Henderson and Clark, 1990 & Galunic, and Eisenhardt, 2001).

Radical innovation refers to the way of achieving innovation in both the product assembly and technology of core components to produce an entirely new product (Henderson and Clark, 1990). With a significant impact on the industry, radical innovation has the ability to destroy the former industrial structure. Enterprises may achieve explosive growth through radical innovation, but it involves high investment risk and intense uncertainty (Bicen and Johnson, 2015).
Besides, it is common that combines one or a few inventions to form innovations, which with a long history. This method is widely used in high-tech industries that demand constant innovations such as automobile manufacturing and medication (Grant, 2011).

2.2.1.4 Who creates the innovations

In terms of innovation subject, it can be the internal department of the company and the external organizations. R&D is the major section responsible for industrial science and technology research. Enterprises invest and gather researchers to develop the technology and the products they need (Chesbrough, 2003). However, high investments in R&D do not necessarily lead to high profit (Grant, 2011). Sapienza et al. (2006) studied that for startups, over emphasizing internal R&D may cause an obstruction for its short-term development.

Another internal department that promotes innovation is the cross-functional product development teams, which researches and develops new products or improves existing products. These products and technologies further merge with the skills from departments like engineering, manufacturing, and finance and so on, for inter-department integration. It facilitates the use of a wide range of professional skills, as well as advocates the integration of the knowledge, and flexibility and rapid product innovations (Grant, 2011).

Nowadays, more and more scholars believe that open-market innovation such as licensing, joint ventures, strategic alliances and so on should be applied to the innovation process (Rigby and Zook, 2002 & Chesbrough, 2003). Enterprises do not only rely on their research and development team, but also obtain innovation openly from the entire society (Chesbrough, 2003 & Grant, 2011).

Enterprises should further search and utilize knowledge and technologies beyond their boundaries, so as to achieve the technological integration of multiple disciplines. The cooperation between enterprises also promotes to share resources and abilities beyond one firm, which helps to split the innovation cost and decreases risk (Grant, 2011).
Meanwhile, enterprises should share those innovations that are no longer in use (Chesbrough, 2003 & Grant, 2011). Except for the technology cooperation and communication between firms, they can also consult exogenous scientific organization for advice about technology and product innovation (Chesbrough, 2003). In addition, firms could buy new technologies from small business (Grant 2011).

External cooperation is important to operate in the European market. The primary driving factor of marketing strategy is the network in which sellers and buyers intend to establish production, marketing, promotion, etc. to deal with external competitive environment and technical reform. Strategic alliances, joint ventures and other forms of the union are critical to the successful management, especially for computers, aircraft, and other high-tech industries. Even in all sectors, such as the retail industry, service industry, and food manufacturing industry, etc. collaborates are quite vital (Harris and McDonald, 2004).

Besides, some of the lead-user could also be involved in the process of product design and the production. Shirky (2012) believes that product innovation should be promoted by the most active users of the product, rather than the manufacturer of the product. The internet provides a new platform for open innovation, as well as enables the consumers’ innovative passion and ability to bring a larger impact and commercial value. Mahr and Lievens (2012) state that through internet community, enterprises can acquire lead-users with relatively low cost. These lead users with professional knowledge not only satisfy their demands but also participate in the improvement, and therefore take part in the development of products efficiently. Lead-user innovation has become a new trend of innovation.

2.3 Pricing Strategy
The price is the manifestation of the value of the product quality, the excellent services and so on. Moreover, it is the transformation form of the commercial value that the goods obtain in the process of the transaction, that means It is the value of goods which exchange money. The price also generates incomes (Bearden, Ingram and Larfforge, 2004).
For the business owner, it is important to choose a pricing objective and an associated strategy, which are also the integral part of the business plan or planning process. Pricing is critical for any firms to realize the organization’s strategy. It is not that only simply calculates the cost of production, then adds a markup. Therefore, it is a strategic activity to assign product price. And the prices that are assigned to a product or range of products will affect the extent to which consumers view the products of enterprise, as well as the sum of the values that consumers are willing to exchange for the benefits of goods and services (Dudu and Agwu, 2014).

Harris and McDonald (2004) claim that concerning pricing strategy in the European market, companies facing complexity brings by rate risk and currency exchange cost. However, countries use EUR have not such problem. In addition, tax rates in various countries are not the same. Therefore, the price of the same product might be various in different countries, even if the same currency is used. Moreover, cost estimation and the markup should be paid attention when markup pricing strategy is used. Excessively low and high prices would attract unnecessary attention from the government.

Generic pricing strategy includes cost-oriented pricing, target-profit oriented pricing, competitive-oriented pricing, demand-oriented pricing, break-even methods and so on. (Michael and Robert, 1992).

Cost-oriented pricing strategy is the most basic one. It only consists of the production cost, the expected profit and tax liability (Ezeudu, 2005). The Cost-plus-pricing method is a typical producer-oriented pricing method. As a pricing guidance method, it ignores the changes in elasticity of product demands leading to that cannot adapt to the rapidly changing market requirements and so on (Chugh, 2014; Hinterhuber, 2008).

The second is Competition-oriented Pricing. It is just based on the price of competitors’ price, which can be the same, higher or lower than that of their competitors. The adjustment criteria of price are that whether the competitors change the price, and if the price is following the market price. This method takes the competitiveness of the product price into account. It helps companies to completely stand out in the
competitive market through the price that based on the competitors’ price and the market analysis (Ambrosini et al., 2011). However, this method pays too much attention to the price competition so that it is easy to ignore the competitive advantages that generate from product differentiation and other marketing factors. It might also cause competitors revenge and lead to a vicious competition of reducing the price, which finally results in zero or low profit. In addition, the price changes of the competitors cannot be exactly estimated in practice (Walter, Michael, and Craige, 2011).

The third pricing strategy is demand-oriented pricing. It takes consumers’ perception of the product value and demands as the basis. The method regards the historical price of the product as the basis and adjusts the price in a certain range according to the change of market demand. It means that the same goods can be sold by two or more kinds of prices. Various of the prices could be set according to the purchasing ability of customer, the demand condition of the product, the type and style of the product, as well as the time, the delivery, the distribution and other factors (Baily, Farmer, and Jones, 2005). Flexible and efficient utilization of price differences is characteristics of Customer-oriented Pricing is. However, it is hard to measure the amount of the consumer's perception value of a variety of different products, and it wastes time and power (Walter et al., 2011).

The fourth is Break-even Pricing. It refers that in the condition of certain sales volume, the price of products must reach a certain level so that it can achieve a balance between income and expenditure. The break-even pricing is a method that determines the price of the product by using break-even analysis theory. Therefore, the break-even balance point is of great importance to Break-Even analysis, which means the loss and the profit are zero. However, this method needs to anticipate the factors containing the current market supply, demand, and cost, etc. Moreover, it requires the price makers have a profound understanding of the surroundings and have the capability to accurately predict the market (Walter et al., 2011).

The last one, Target Profit Pricing regards to setting a price that can ensure the profits of the manufacturer. The point is that the price of the product can guarantee the target rate of return which the company expects. The enterprise determines its desired rate of
return and then calculates the price based on the total cost and the estimated total sales volume (Walter et al., 2011). The difference between Target Profit Pricing and Cost-Plus Pricing is that the expense of the latter only refers to the manufacturing cost, which does not include the period cost. While the cost of Target Profit Pricing includes both the manufacturing cost and the period cost (Nagle, Zale and Hogan, 2016).

2.4 Theoretical Synthesis

Porter’s generic competitive strategy provides two directions for increasing the market performance, which is distinct from only emphasizing on detailed tactics, such as improving the product quality and so on. Porter claimed that cost leadership and differentiation strategy are not necessary to be compatible, while the latter research has different opinions toward his arguments. Both differentiation and cost leadership should be taken into consideration during the operation. Thus, here, the author keeps both elements in order to achieve a more comprehensive conclusion. Furthermore, the importance of pricing strategy has been confirmed by many early articles, owing to revealing the internal value of the product as well as the customer value perception. So the author adds it to the overall model. Differentiation can be product differentiation and so on. Due to technology is the key driver of the high-tech industry, as well as a critical tool to create competitive advantages (Grant, 2011), so it has been added as a mean for differentiation. Meanwhile, product innovation is also one method of differentiation. Here we put the product innovation and the technology improvement together as a pathway to achieve differentiation advantage.

Thus, the basic model of the thesis has been formed. Product innovation and technology improvement create product differentiation. The combination of differentiation strategy, cost-leadership strategy and pricing strategy helps businesses to build competitive advantages in the European market. In the analysis of the thesis, it will be the underlying model for the competitive strategy of Huawei in two stages, the early stage and the transformation stage. Finally, two models in different stages will be presented based on the strategy of Huawei as theoretical implication which could contribute to the theory.
Figure 1: Framework of Competitive Strategy
Source: Own Figure (based on literature review)
Methodology

In this chapter, research approach, research method, sampling strategy will be illustrated. Next is the operationalization. Follow by the data collection subchapter and the data analysis method. Finally, present the reliability and validity of this thesis.

3.1 Research Approach

Research approach can be divided into deductive reasoning and inductive reasoning, or abductive reasoning. The inductive method means illustrating the nature or the relationship of objects according to some representative samples. It is a method to gain the general principles through the understanding of individual and particular objects. The advantages of the inductive method are that it reflects the fundamental laws of many objects and the similarity of those objects (Alvesson and Sköldberg, 2009). The reliability of the result can be increased by enlarging the sample scope. The deductive method mainly verifies the premises at the beginning, and the conclusion generally will not go beyond the scope of the premises. However, the inductive method conducts the induction and logical derivation based on the premises so as to gain new conclusions, which with the expansive feature (Bryman and Bell, 2015).

The selected case is a typical sample for seeking general principles of the successful marketing strategy in the European market. Besides, the thesis aims to analyse the marketing strategy adopted by Huawei, fitting for the purpose of understanding the individual or particular objects. In addition, it intends to provide a simple model for other Chinese enterprises who intend to expand their businesses in the European market. It conforms to the expansion characteristic of the inductive approach. As a method for in-depth analysis of small samples, the inductive method is suitable for the in-depth analysis of this paper.
3.2 Research Methods

In general, the explanatory methods can be divided into two parts- qualitative method and quantitative method. Quantitative research refers to using statistics, mathematics or calculation technologies and other methods to conduct systematic investigations and analyse social phenomena based on a large number of respondents. The Qualitative method starts the research from the perspective and actions of the subjects which are intended to be studied. It is a process that translates and interprets the meaning of the world. Generally, it is used to contribute to the universal patterns which beyond the common points of small samples. Qualitative way puts much attention to the words of data collection and analysis. It can be done by interviews, observations and previous documents (Bryman and Bell, 2015).

The purpose of this paper is to analyse the marketing strategy of Huawei, then provides some possible suggestions for other Chinese mobile manufacturers, which in accordance with the function of qualitative research method that exams and explains the data in order to understand a phenomenon or situation. Meanwhile, the paper aimed to find a new model for the enterprises emerging from the developing economies who desire to enhance the competitiveness in developed economies. It is in line with the expansive characteristic of the qualitative research method. In addition, the primary data need in the paper are obtained through interviewing different staff of various departments of Huawei by telephone. Data used by the inductive method usually come from interviews, daily observation, etc. (Bryman and Bell, 2015). Such a way of the collection is consistent with the definition of qualitative research.

3.3 Sampling

The most significant feature of the case study is that describes the process and results of real events in the objective world by observation, explanation, and analysis, so as to extract the universal principle (Yin, 2014 & Zaidah, 2007). And in this paper, purposive sampling has been chosen as the case selection method. It is a kind of non-probability sampling selected by the author in order to find representative groups of samples for investigating phenomena (Duan and Chen, 2013). The case company is a Chinese MNC
whose business occupies overall the world and achieves significant success in the European market, while it has only established for thirty years. Huawei smartphone is the third popular brand in the world whose market share is more than 10% in Europe. The core components constructing the competitive advantages are advance innovation capabilities and in time adjustments of pricing strategy, which are the core obstacles for other Chinese smartphone manufacturers. The case of Huawei is suitable to analyse the enterprises who emerge from developing countries successfully execute the competitive strategy in the advanced markets. Such a sampling strategy helps us to achieve a quick and depth profiles of the typical phenomenon. Concerning reality, Huawei is the only one Chinese who occupied such high market share in European high-end smartphone market.

In addition, the paper mainly intends to learn Huawei's marketing strategy in Europe and to sum up the universal means for operating in the European Market, in the hope of providing advice for other Chinese mobile phone manufacturers to carry out their business in Europe. Due to the significant and rapid success of Huawei in the European market, the typical case study has been used in this paper. By using a case study, the study is no longer limited to the academic research area. It not only narrows the gap between theory and reality, but also is more accessible to readers to use the results (Leonard-Barton, 1990). Thus, it is more beneficial for the managers of other enterprises to understand the case company’s marketing strategy and the role it plays, and then develop suitable marketing strategies in the European market. Furthermore, a single case study can conduct an in-depth and detailed individual study of typical cases to avoid the roughness of group studies.

3.4 Operationalization

After deciding what to study, in the next step, the researcher has to convert these concepts into measurable variables. In other words, operationalization is to transform an abstract concept into something that can be measured in reality. Thus, the relationship between the theory and the variables are actually measured is vital (Bryman and Bell, 2015). The thesis wants to explore Huawei's strategy about product innovation and pricing. The product innovation strategy has been divided into three parts, namely
Innovative Component, Who conducts innovation and Innovative Method. Innovative component means which parts of the smartphone are improved or innovated? This question can be answered to examples of product innovation. The item of Who conducted innovation means innovation subjects. The corresponding questions are “what is Huawei’s main research institution and development department,” and “how the company takes product innovation” and so on. Questions about Pricing strategy are “what specific factors determine the product price, such as raw material, production cost, profit” and so on. Refer to the table below for details.

Table 2: Operationalization of interviews

<table>
<thead>
<tr>
<th>Title</th>
<th>Related theory</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product innovation and technological improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who conducted innovations</td>
<td>Internal innovation OR Open innovation</td>
<td>Q 11, Q 12, Q 13, Q 14, Q 16</td>
</tr>
<tr>
<td>Innovation method</td>
<td>Incremental innovation / Modular innovation / Architecture innovation/ Innovation integration</td>
<td>Q 11, Q 12, Q 14, Q 15, Q 16</td>
</tr>
<tr>
<td>Innovation parts</td>
<td></td>
<td>Q 6, Q 8, Q 9, Q 10, Q 11, Q 14, Q 16</td>
</tr>
</tbody>
</table>

Pricing base

<table>
<thead>
<tr>
<th>Pricing base</th>
<th></th>
<th>Q 6, Q 7, Q 9, Q 10, Q 17, Q 18, Q 19, Q 20, Q 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-oriented pricing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition-oriented pricing</td>
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<tr>
<td>Demand-oriented pricing</td>
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<tr>
<td>Break-even pricing</td>
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<td></td>
</tr>
<tr>
<td>Target profit pricing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Table (based on literature review)

3.5 Data collection

Bryman (2015) deemed that approaches to collect data include observation, empirical research, investigation, interviews and so on. Observations and interviews are the main ways for the qualitative research data collection. Huawei's marketing strategy is a
long-term and complex process that cannot be accurately concluded through direct observation. Thus, interviews, the most widely used qualitative research methods are needed for in-depth data collection. Moreover, the flexibility feature of interviews assists dealing with the variety of situations, which increases the reliability of the collected data.

Interviews can be described as structured and unstructured ones. The Structured interview is featured by standardized answers, which assists sorting out the collected information, but it lacks flexibility during the interview process (Gunnarsson, 2011). However, Huawei's innovation and pricing methods were unpredictable before the interview. Unstructured interviews can be divided into Unstructured interviews and Semi-structured interviews. Semi-structured interview sets out the outline of the questions. It avoids the obstacle of the unstructured interview that interviewers have to think the interview questions and interview meanwhile, and difficulty in standardizing the data (Gunnarsson, 2011). Semi-structured interviews make it easier to structure the information and investigate Huawei’s innovation strategy and pricing strategy. In addition, it owns the flexibility that structured interviews do not have, helping to collect more comprehensive information (Gunnarsson, 2011).

**Empirical data collection**

The information that is necessary for this thesis has been gathered through two telephone meetings. The interviewees are a senior engineer of R&D department and an assistant marketing manager of Warsaw office. With professional knowledge about improving mobile phones, the senior engineer knows the process of product innovation. The assistant marketing manager holds knowledge related to pricing. In view of the fact that Huawei sales same mobile phones in Europe and China, with the parts and technology being the same as well, so secondary data in Chinese are found as a double check. Semi-structured interviews have been chosen due to the qualitative analysis basing on such method provides flexible and instructive information for the objects needing to be understood. It helps to adjust the questions timely according to the situation of the interview, so as to obtain information that is more in line with the needs of the paper (Bryman and Bell, 2015).
The primary data have been collected through telephone meetings since the insufficient time and energy. Moreover, because of the large time span and the complexity of smartphone technology, data need to be collected by several times of interviews. In addition, a high work pressure and human resource management rules of Huawei result in the high staff mobility, especially in the R&D department. Therefore, it is necessary to gather information from different staffs. Telephone interviews improve the efficiency of the information collection.

Firstly, the interviewer contacts the reception desk, and then asks the reception desk to transfer to the R&D department or the marketing department to find the person who is willing to accept the telephone interview. Before the beginning of telephone interview, semi-structured interview list has been sent in advance. Thus the interviewees could have prepared for the answers, so as to get more accurate results.

Table 3: Interviewees information

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Place</th>
<th>Interview Date</th>
<th>Interview method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zain Aslam</td>
<td>Assistant Marketing Manager</td>
<td>Poland</td>
<td>2017/4/28</td>
<td>Telephone meeting</td>
</tr>
<tr>
<td>John Akindoile</td>
<td>Senior engineer</td>
<td>Sweden</td>
<td>2017/4/27</td>
<td>Telephone meeting</td>
</tr>
</tbody>
</table>

Source: Own table

3.6 Data analysis

After the data have been collected, the next step is the data analysis. Data that use in qualitative method usually come from interviews, daily observation, focus group discussion and other methods such as the free listing that are not structured well. So, data collected by these methods are scattered, which means external data are needed as a supplement (Bryman and Bell, 2015).

In this thesis, both the primary and secondary data will be used. Secondary data collected by predecessors in literature, statistical reports, databases, etc. will be used in background introduction, by reason of the low-cost acquisition, covering a wide range and being available easily (Yin, 2014). Besides, large samples make the data
more credible. It helps readers to gain an intuitive understanding of the overall environment of the mobile phone market and the case company. However, secondary data lack of flexibility and completeness, and the data might not fully relate to the objects that need to be analyzed (Yin, 2014). Therefore, the author mainly uses the primary data obtained through semi-structured interviews to analyse Huawei’s marketing strategy. Meanwhile, official figures and information such as Huawei’s annual report, etc. are combined to carry out a double check, and comprehensive analysis.

Information acquired by interview and other methods is unorganized, so it needs to be reorganized for analysis. The collected figures have been divided into four parts, namely Innovation Components, Who conducted innovations, Innovation methods, and Price so that the data can be better analysed for supplementing theories (Alvesson and Sköldberg, 2009). Such classification is convenient for the author to use the collected information to conclude Huawei’s strategies, by comprehensive deduction and analysis according to five elements: Who (who conducted innovations), What (which parts have been innovated), How (innovation method), When (separate the strategy into three stages) and Why (the impacts and influences of these methods).

### 3.7 Reliability

Reliability is a concept about whether the result of research can be reproduced through the same research method. If the results are similar, then the research can be considered as reliable (Bryman and Bell, 2015; Golafshani, 2003). Generally, reliability is a term using for appraising the quantitative research, while it is still widely adopted by all kinds of research, including qualitative research (Golafshani, 2003). In qualitative research, the researcher plays a major role in the process of data collection and data analysis. However, it is virtual to minimize the researchers’ influence on the investigations for getting an actual result (Davies, 2007).

Davies (2007) states that the mental, emotional or moral barriers between the interviewer and interviewee should be reduced, in order to gain a higher reliability in the research. In this thesis, telephone meeting has been conducted to collect the
information. So the influence on the gap between age, gender and so on has been reduced, so the interviewee would not be shy to talk. Therefore, the reliability of this research is increased.

In addition, the triangulation is used to add the reliability of this paper. Patton (2001) deems that “triangulation strengthens a study by combining methods. This can mean using several kinds of methods or data”. It is also defined as “a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study”(Creswell & Miller, 2000). Due to the large time span of the research topic, interviewees might have an unclear impression towards the product innovation ways and pricing strategy of early products. Meanwhile, not so many staffs have stayed in Huawei or Huawei European offices for that long time. Therefore, interview guides have been sent to interviewees in advance to avoid the uncertain information they might give. Through interviewing different people from different departments and searching information online, the purpose of a double check can be reached. The reliability of this paper is increased.

Furthermore, since the products of Huawei which sold in Europe and China are almost the same, information about the products in Chinese can be acquired. It avoids unclear information due to the language barriers, and that is beneficial to translate and interpret the gathered information. Recording the telephone interviews also facilitates correctly taking notes and explaining the collected information, which improves the reliability. In addition, interviewees are required to provide as many examples as possible. Thereby, readers could judge the marketing strategy of Huawei base on the given examples, which improves reliability.

Meanwhile, the mixture of close questions and open questions reduces the subjective influence of the author, which is good for exploring the unexpected answers and achieving more reliable results.
3.8 Validity

Golafshani (2003) defines Validity that “whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure” or “how truthful the research results are.”

**Face validity**

Face validity means the content being measured seems to measure the question which was intended to research (Bryman and Bell, 2015). In this regard, the selected case seems to have a high degree of correlation with the concept of a successful marketing strategy in the mature markets. Huawei owns 10% of the market share in Northern and Eastern Europe, 15% of the market share in Western Europe, and more than 10% of the share in the high-end markets in Spain, Italy, and other countries. The above data indicate that Huawei has completed its strategic transformation successfully in the European market. The technical level of Huawei products has been demonstrated by a lot of funds invested in R&D by Huawei and the number of patents Huawei obtains. The gradual increase in the product price and the market share prove the appropriateness of its pricing strategy.

In addition, when collecting materials needed for the innovation method, the interviewer asks the company how they improve their products and the innovative results, and asks about their pricing basis when collecting information necessary for the formulation of the pricing strategy, etc. It seems that the questions and the concepts are directly correlated with each other.

**Construct Validity**

Construct Validity means how well the actual measurement of the objects is linked to the expected measurement (Bryman and Bell, 2003). The interview guide used in this paper has been modified several times under the supervisor’s instruction. So the interview guide applied in this thesis can be considered valid. In the operationalisation of this thesis, the author applies a table to classify the problems in the interview guide
and the theoretical conceptions involved, so as to ensure that the problems are associated with the conceptions in the theoretical framework.

In addition, to prevent the complicated language from influencing the search results, the simple and straight-forward English is used in the questionnaire. Double check of secondary information in Chinese reduces the effects of the language barriers on the results. The interviewee is a senior engineer who masters the knowledge of smartphone improvement, so that the validity of the counted content can be guaranteed. With respect to the research on the pricing strategy, an employee from the marketing department with relative knowledge is interviewed.
Empirical Finding

In this chapter, the basic information about the case company-Huawei will be presented, which helps the readers to have a general conception of the company and their businesses. Then come to the history of Huawei smartphones, for showing the overall process of development and success of Huawei smartphone. Next part is about how does Huawei adopt the differentiation strategy through product innovation and technology reformation and the Smartphone pricing. The differentiation strategy has been divided into three parts: Smartphone innovation parts, Who conducted the Innovation, and Innovation method.

The author takes the smartphone model which has a significant contribution to the transformation of Huawei as the examples in this thesis as much as possible. Two staff of Huawei have been interviewed. John Akindoile is a senior engineer who holds the professional knowledge of product innovation, and Zain Aslam is one of the assistant marketing managers who knows well about the market conditions of the European market.

4.1 Introduction of Huawei

Huawei Technology Co., Ltd. was founded in Shenzhen in 1987. It was initially a sales agent of a Hong Kong company producing the user switches (PBX) at the market of Mainland China. Within the three decades of years, Huawei has grasped the opportunity brought by the reform and opening up policy of China and the rapid development of the global ICT industry, obtaining remarkable achievements in the telecommunications industry. Huawei has developed from a small private enterprise with an initial capital of only RMB 21,000 (about USD 3,000) to one of the world's top 500 enterprises whose sales amount reached USD 75,103 million in 2016. Up to now, the telecom network equipment and solutions, the IT equipment and solutions, and the personal intelligent terminal equipment of Huawei have been successfully applied in more than 170 countries and regions around the world (Yang, 2016, Huawei annual report & Huawei official website).
In terms of the business, Huawei focuses on the transmission, processing, storage, and presentation of information. In 2011, the company divided its business into three segments according to the customer categories: Operators, Business Customers, and Consumers. At present, the Operators Businesses (including the wireless network, the fixed network, the network energy, services, software and the core network) are the main income source and the core competitiveness of Huawei, accounting for more than 30% of the market share of the global mobile communication equipment, and this segment has already entered the mature period. The Business Customer business is still in its initial period, but it is the key business to be developed in the future. It includes three parts, i.e. the Enterprise Network Architecture, the Enterprise Unified Communications and Collaboration, and IT (the cloud computing and data center); the Consumer Business is developing, because Huawei intends to conform to the rapid increase of the mobile Internet. In order to seize the market, Huawei expands its business of solutions and services into the mobile phones, the tablet computers, the Mobile Broadband, the Home Terminals, the Home Media Terminal Products and Modules, the Wisdom of the enterprise, etc. (Yang, 2016 & Huawei official website, 2017 & Huawei annual report).

Before Huawei started their Smartphone Business in the European market, it had operated in this market for eight to nine years, achieving some success in the European telecommunication industry. In 2005, Huawei signed a global equipment supply agreement with Vodafone, a multinational telecommunications operator in the UK. After that, Huawei obtained a certain position in the European market. At the end of 2007, Huawei signed agreements with Telenor, Orange, Telfort and other major mobile operators (Huawei official website). Distribution of the mobile phones in Europe is different from in China. Although the online sale is popular with Chinese, purchasing smartphones in the physical stores is still the mainstream of European. One way is that operators sell the phone with the tariff and internet packages. The other choice is to cooperate with the physical retailers who sell the phones to the end users (Aslam, assistant marketing manager). Huawei has been working with all of Europe's major operators, which paves the way for exploiting the channels of smartphone sales distribution.
4.2 Mobile Phone Business History of Huawei

The mobile phone business is a part of the Consumer Business of Huawei. Huawei had not involved in mobile phone industry until 2003, when its Mobile Phone Business Department was established. After getting the mobile phone license in China In 2005, Huawei has started to produce mobile phones since 2006 (Huawei official website, 2017). Although Huawei has got involved in the smartphone industry not for long, it has been kept up with the pace of development of the industry. From 2007 to 2008, the mobile phone industry underwent a tremendous change, as the emergence of the smartphones changed the original competition pattern of the entire mobile phone industry.

In that year, Huawei began to develop Android smartphones, and in early 2009, it showed the first Android smart mobile phone for the first time at the Mobile World Congress (MWC) held in Spain, Europe (Huawei official website, 2017). In 2010, the first low-price smart mobile (Huawei IDEOS) aimed at satisfying the demands of the mass market was launched. Sold for only 99 euros, Huawei IDEOS achieved a good sales performance in Europe once it was up for sale (Aslam, assistant marketing manager).

At the beginning of 2012, Ascend P1 was launched. It was the first attempt of Huawei to taking a certain position in the high-end smartphone market. Its main advantage lies in its thin and beautiful design. The screens, chips and other major components of Ascend P1 adopted products of other manufacturers (Akindoile, senior engineer).

In early 2013, the next generation of products--Ascend P2 were putting up for sale. In this model, Huawei made an important decision that it used the chipset researched and developed by its subsidiary (Hisilicon Technologies Co., Ltd.) for the first time (Akindoile, senior engineer). Although the chipsets had some problems with the product performance and compatibility, Huawei has never abandoned the development of the processors. In late June, P6 was put into the mass market. Moreover, at the end of the year, Huawei developed “the ultimate science and technology” products--the Mate
series. Besides, in the aspect of online selling, Huawei established an independent brand “Honor” which focused on the high cost-performance (Huawei official website, 2017).

In 2014, with the smartphones gaining a significant increase in the market share, Huawei achieved a stable position in the high-end market. About 700 million P7 smartphones were sold in more than 100 countries and regions, and the production of Mate7 was behind the market requirement (Aslam, assistant marketing manager; Huawei official website, 2017). The main sales channel of “Honor” mobile phones is Internet, with the global sales of more than 20 million (Huawei official website, 2017). In the first half year of 2015, Huawei has occupied one of the top three market shares in Spain, Belgium, and other countries. Moreover, in the middle-end and high-end market where the mobile phones were sold at 400 to 500 euro, Huawei accounted for 24% of the market share in Spain and 20% of the market share in Italy (Aslam, assistant marketing manager; Huawei official website).

In 2016, the sales amount of Huawei mobile phones in the globe reached USD 139 million, ranking in the third by taking 11.9% of the global market share. The market share of Huawei reached 10% in Eastern Europe and Northern Europe, and even exceeded 15% in Western Europe (Huawei annual report, 2016).

4.3 Differentiation through product innovation and technology reformation

4.3.1 Smartphone Parts Innovation

Huawei started improving its product performance, firstly with the non-core components with minimal technical challenges, such as screen size, design, and color matching. In the transition stage, Huawei continued with low-tech improvements and gradually began to enhance the function and performance of core components in the meantime. The creation of Kirin chipset, the enhancement of fingerprint recognition technology, the improvement of Leica dual phone cameras, and so on, are involved in the scope of innovation. Moreover, Huawei keeps reforming their operation system and
software through cooperating with Google in the manufacturing of IDEOS, and the production of the Nexus 6P for Google.

4.3.2 Who conducted the innovation

There are 15 independent Huawei research institutes in the world, 10 of which are located in Europe. Before entering the European market, Huawei firstly set up institutions for research and development. Based on Swedish and Nordic countries’ high levels of ability in technology and innovation in the telecommunications industry, three research institutes have been set up in Stockholm, Gothenburg, and Lund. The main research directions of these are LTE and other wireless communication technology, such as microwaves and so on. In addition, another reason for the establishment of these institutes is that Sweden is the birthplaces of Ericsson, which is conducive to competition and cooperation between Huawei and Ericsson.

In order to promote the development of the smartphone business, Huawei has set up an aesthetic research center in Paris so as to integrate more aesthetic elements and top ideas into product design. In addition, a special mobile terminal design center was announced to be established in London (Huawei official website, 2017). The Stockholm research center takes additional responsibilities for reforming the mobile phone system design and chipset in order to satisfy the needs of the mobile phone industry.

There are a number of independent laboratories in Huawei. However, in terms of technological innovation, Huawei is more inclined to cooperate with other agencies and undertake joint innovation. Since the early years of Huawei, the founder (Ren Zhengfei) has set the direction for development that Huawei should widely absorb the latest research achievements and innovate based on others’ research.

The guiding idea of Huawei is reflected in the technological innovation of smartphones. In 2010, Huawei launched the IDEOS, which was the joint product with Google, and the system was the latest Android 2.2. Through cooperative development, Huawei smartphones embarked on the first step towards popularity in the mass market. Since then, Huawei has persisted in consolidating the collaboration between various social organizations and institutions. Mate 9 (Pro) and the recent launched Huawei P10 were
equipped with the Leica dual cameras. It was developed jointly by Huawei and the German Leica Company. By 2016, Huawei had established 13 open labs across the world. They play a role in joint research and development with innovation partners, achieving differentiation, and meeting the needs of partners, as well as solving the problems which are difficult to overcome in the industry (Huawei official website, 2017).

Except for cooperative innovation, Huawei also has completely independent technological innovations, mainly reflecting on the core of the smartphone - the development of the chipset. The Kirin series chips of Huawei are researched and developed independently by its subsidiary Hisilicon Technologies Co. Ltd. Since many years ago, Huawei has been preparing for the independent chips so as to get rid of the control of Qualcomm Corp, Texas Instruments, and other chip factories. Nevertheless, due to lack of technology, it had not been able to apply to the merchandise, until 2013. Ascend P2 was the first model carrying the self-developed chipset of Hisilicon Technologies. However, the market evaluation feedback was not good. That being said, Huawei was still committed to chip research and development. In 2014, it developed the Kirin 920, and then gradually caught up with Qualcomm and Samsung and other top chip manufacturers. The mate 7 smartphone model, which was equipped with Kirin 925, changed Huawei from the middle-end machine to the middle and high-end smartphone. In addition, the technology level and performance of Kirin 950 and 960 was comparable to other first-class chip vendors.

4.3.3 Innovation method
Huawei advises that R & D researchers should try to reduce their own inventions when carrying out the research and development of products, and to focus on inheriting previous product technology.

The innovation of the Huawei smartphone also learns from the advantages of other mobile phone brands then integrates these into its products. Akindiole said, “the product was similar, but not the same.” Huawei launched the first smartphone, the T-Mobile Pulse, which had similar functionality to a Samsung product of the same period. The screen of Samsung was 3.2 inches, while the screen of the T-Mobile Pulse was 3.5
inches, which was the same size as the screen of the iPhone 3GS. The T-Mobile Pulse had the ability to expand using a memory card, but Apple had not. Another mobile phone, IDEOS integrated the latest version of the Google Android 2.2 system, as well as the advanced smartphone parts from other manufacturers which were assembled into their products.

After that, Huawei began to gradually improve the existing technology based on others’ technology gradually. For example, from Ascend P1 to Ascend P6, cell phone design was thin with a larger screen, and the border was also getting narrower. They also studied and analysed the touch ID of Apple, used its operation principle, and increased the fingerprint identification area. In addition, the touch ID was required to wake up the screen first and then unlock the screen, while Mate 7 only need one step thus speeding up the unlock speed. By improving and integrating existing technologies, innovation was achieved. In addition, Huawei created a series of chipsets. The Kirin chip is only used in Huawei products, and the chip has become one of the unique features of Huawei phones.

Nowadays, except for building on prior innovations, Huawei has devoted some resources to create innovations that will have a significant influence on the industry. “Small parts of the resources are used for radical innovation.” stated by Akindoile.

4.4 Smartphone pricing

In the early stage of Huawei involved the field of intelligent machines. Aslam said: “the price was far lower than the competitors.” In addition, he said that “The main advantage was the low price, so the profit was not high.” IDOE and IDOE X3, which were launched in 2010 and 2011, pulled down the lowest price level of the smartphone, which sold for only 99 euros. Any ordinary family could easily afford it.

Since 2011, Huawei executives realized that the sales of low price mobile phone would not bring enough profits. In order to change this situation, Huawei mobile phones gradually began to carry out strategy transformation, which ensures that each phone has brought together the most advanced technology. Therefore, Huawei significantly
reduced phone models. At the same time, before the launch of each model, Huawei estimated the sales amount and set a sales target. Take an example from Aslam “we estimated the sales amount would be 1 million. Fortunately, it reached 7 million”. Meanwhile, the pricing was changed from “costing 100 euros and getting high-end machine experience" to the pricing of the middle and high-end smartphone, costing 400-500 euros, and then the price has risen to more than 600 euros gradually. Huawei Mate 9 has achieved this price goal. The price gap between the flagship products of Huawei, Apple and Samsung changed from 400-500 Euro to less than 100 euros.
Case Analysis

In this chapter, the analysis will be shown according to the underlying model formed in theory part. First is the consolidation of differentiation strategy and pricing. Follow by the result of cost leadership strategy.

5.1 The consolidation of differentiation strategy and pricing strategy

5.1.1 Early stage

Pricing Strategy

Competition-oriented pricing strategy which is based on the price of competitors is a kind of pricing strategy that sets the price higher or lower or the same as that of competitors (Ambrosini et al., 2011). When Huawei first entered the smartphone industry, it adopted the competition oriented strategy and set a price for their products that was much lower than its competitors. Huawei IDEOS, which was the company’s early product, was equipped with the latest version of Google Android 2.2. The chip of IDEOS was the most advanced one that was produced by Qualcomm. In particular, its most prominent feature was the price. It was only sold at 99 euros, much lower than the Samsung with similar quality and technological content. Besides, the phone claimed the function that could only be experienced in the high-end smart machine and before focusing on the high-performance smart-phone, it had built the competitiveness on the high-cost performance. However, it was proposed that laying a whole emphasis on the price competition would reduce the profits (Walter et al., 2011). Huawei was also suffering from the strait of huge sales amount with low profits, which follows the theory.

Xu, Zhang, and Ma (2013) believe that due to the great market potential, once the product is promoted, the demand will be to a rapid growth, which will promote the companies to increase investment in accordance with the sales growth so as to expand the production scale, and obtain more market share. Although the strategy of Huawei has resulted in the short-term loss of profits, it has not only promoted the popularization
of Smartphone, but also expanded consumer groups, and laid the foundation for its future development. In addition, through the strategy, consumers also have a certain recognition of the company.

**Innovation strategy**

In fact, when the smart-phone was put into the market, Huawei did not have a distinctly advanced technology. Dirisu et al. (2013) and Spencer et al. (2009) deemed that factors such as product performance and quality could differentiate the company from competitors. Jansson (2007) stated that the competitive advantages could be present in both the software and hardware. During the early stage, differentiation was mainly reflected in the appearance, parts combination and design innovation by making modifications based on the previous research (Khayati et al., 2014). The first smartphone of Huawei provided similar functions to that of Samsung at the same period. However, compared to products of Samsung over the same period, Huawei learned from other manufacturers such as the iPhone 3GS, which adopted the 3.5-inch screen. The screen was 0.2 inches larger than the phone of Samsung. Besides, compared to the mobile phone of Apple at the same period, Huawei learned from the expansion function of memory card, which was claimed by the phone from Samsung. Eventually, Huawei produced products that were similar to the products of competitors. Take another example, Huawei upgraded the design for Ascend P1, the main advantages of this model are the slim and light design.

According to the model of Henderson and Clark (1990), incremental innovation was an innovation that only made some minor improvements without neither changing the product technology nor changing the original structure of the product (Bhaskaran, 2006 & Henderson and Clark, 1990). The innovative method of Huawei was pretty similar to this concept, which only combined advanced parts of different manufacturers and made small improvements to their products. Moreover, the approach adopted by Huawei was also similar to the concept of innovation integration.

**Who conducted the innovations**

As for who conducted innovation, it was the collaboration of Huawei and other organizations. It fits the concept and suggestion of open innovation that innovation can
be created by utilizing external sources (Chesbrough, 2003 & Grant, 2011). Other early products of Huawei, such as IDEOS that was sold in Europe, adopted open innovation and integrated innovation. Through cooperation with Google, and making incremental innovation by combining diverse technologies from different manufacturers, Huawei finally assembled its own products. Actually, IDEOS, one of the early products, was printed with both the logo of Google and IDEOS.

5.1.2 Transformation stage

**Differentiation strategy**

Since 2011, Huawei abandoned the high cost-performance strategy and turned to focus on improvement of its competitiveness in smartphone production. Huawei has also paid attention to R&D, the major department for technology improvement and product innovation (Chesbrough, 2003). Started from Ascend P1, Huawei has tried to use the self-developed chipsets produced by its subsidiary Hisilicon Technologies. Although the results were unsatisfying in the beginning, Huawei did not give up the independent research and development of the chips. Until the creation of Kirin 925, the technology and the performance gap between the self-developed chipsets of Huawei and the flagship chipsets of Apple, Samsung and Qualcomm was narrowed. In the era of Kirin 950, the failure of the Qualcomm processors (Snapdragon 810) helped the Kirin chips to become the most comprehensively powerful processors in 2015.

The modular innovation changes the technology while keeping the initial configuration and structures of different parts (Henderson and Clark, 1990). At this stage, for creating the chipsets with new technology, Huawei adopted the modular innovation strategy. It maintained the original assembly of components but innovated the technology of the key parts. Moreover, the modular innovation is based on the internal resources.

Grant (2011) claimed that when more complex technologies are applied, it will be more difficult to copy so that it will be more effective for innovation protection. During the development of core components integrated chips, both the fabrication process and the technology are very complex, making it difficult to copy or imitate them. The independent innovation of the chipsets has provided Huawei mobile phones with low
energy, low heating, and other advantages when compared with mobile phones produced by other manufacturers.

At the same time, Huawei still maintained the methods of integrated innovation and the incremental innovation, the latter of which is based on innovation improvements of others (Henderson and Clark, 1990; Bhaskaran, 2006). Taking the fingerprint unlocks technology of Mate 7 as an example, Huawei adopted incremental innovation strategy, which has not only increased the recognition area but also has sped up to unlock the phone. (Unlocking Touch ID required waking up the screen first and then unlocking the mobile phone. However, Huawei Mate 7 could be unlocked in one step)

Grant (2011) and Chesbrough (2003) suggested that innovation resources could be obtained on the basis of social resources. Huawei also adopted the open innovation, to fully exploit the external sources for innovation. Through the OEM of Nexus 6P for Google, Huawei improved its mobile phone system (EMUI) by introducing and absorbing the technology. Huawei also developed the dual camera technology by cooperating with the German Leica Company.

The realization of incremental innovation through open innovation ensures the speed of innovation and meets the basic needs of the mobile phone industry. In addition, apart from the appearance, each phone has its unique advantages, thereby continuously attracting the consumers’ interest in Huawei smartphones. The absorption and innovation of the technology have laid a solid foundation for product differentiation of Huawei.

The product innovation strategy applied by Huawei in its transformation stage involves innovating the core components and non-core components, accompanied with the simultaneous development of software and hardware. Huawei has changed its main strategy of innovation, from applying the open innovation basically in the past to combining the internal innovation and the open innovation at the same time. The innovative method is a combination of modular innovation and incremental innovation.
Pricing strategy

In this stage, the competitive situation of Huawei has changed significantly. Thus, Huawei started to apply profit-oriented pricing based on the expected profit rate and adopted competitive pricing methods. To ensure the margin, the prices of Huawei mobile phones, especially the flagship models, increased gradually. The characteristics of target profit oriented pricing are that guarantee the expected profit rate by appraising the total sales volume and the production cost objectively (Walter et al., 2011). Thus, the pricing strategy applied by Huawei can be regarded as the target profit oriented pricing.

The price difference between Huawei products and that of the competitors has gradually reduced. From the price of IDEOS and IDEOS X3 which was first sold for 99 euros increased to 400-500 euros. The price of Mate 9 has reached over 600 euro. The increase in prices not only insures the profit margin of the product but also provides fund guarantee for the future development of R & D.

It is worth considering that flagship mobile of Huawei, such as Mate 7 or Mate 9, the price is still relatively lower compared with the flagship products of Samsung and Apple at the same period. I suppose that Huawei also adopts competitive-oriented pricing that lower than the competitors. The reason might be the brand recognition of Huawei was lower than Samsung and Apple. However, the lower price could also be helpful to prevent other manufacturers whose market position and prices are lower from the capture of the market (Walter et al., 2011).

5.1.3 Mature stage

Huawei’s smartphone business gradually develops into the mature period. Now the main strategy applied by Huawei is still the combination of the internal innovation and the open innovation, involving the innovation of both the core components and non-core components of the mobile phones. As for the ways of innovation, the mainstream is still the incremental innovation and the integrated innovation built on the basis of others innovations. In addition, “radical innovation is applied to the innovation by using small parts of the resources” (Akindoile, Senior Engineer, 2017).
5.2 Cost leadership strategy

Cost leadership does not significantly reflect the strategy of Huawei. According to the Potter's definition of cost leadership, cost leadership means that companies should realize the scale effect and reduce expenses in all aspects such as R&D, services and marketing, so as to reduce the costs to the lowest degree (Porter, 1985; Khayati et al., 2014). It allows firms to get more profits when compared to the competitors that set the similar price to the average level within the industry (Porter, 1985). Huawei guarantees that at least 10% of total annual sales is applied to the researches. Before entering the European market, they established research laboratories firstly so as to improved techniques as well as understood the local market. After getting involved in the industry of intelligent mobile phones, Huawei set up the design center in France and the mobile terminal design center in the UK. It applied the product strategy of “releasing high-performance smartphones”, with an attempt to pursue all best features and then integrate them into the same products. It can be said that this strategy is opposite to the direction of cost leadership.

Smartphone section belongs to high-tech industries, so technology and product innovation are the underlying requirements of the industry. In addition, with the popularity of the Internet, customers learn more about the information about the products and have more comparisons of the vendors before purchasing goods. Thus, if the firms only pursue short-term profits but do not implement innovation and improve its products, customers will be aware of the real value of the products soon and then choose the goods which are worth the price. As a result, the companies without innovation and product improvement would fail in the industry soon.
Conclusion

6.1 Answer to the research question

The conclusion chapter first answers to the research question. Then it illustrates the theoretical implications and presents two models based on the one formed in the Literature Review chapter. Follow by the Managerial implications, which aim at giving suggestions to other Chinese Smartphone MNCs, so as to build competitive advantages. Finally, find limitations of this paper and give some suggestions for further research.

The Answer to the Research Question:
What innovation and marketing strategy has Huawei implemented in Europe and how successful has it been?

The key to the success of Huawei smartphones in Europe lies in its strategic adjustment. Given various smartphone marketing strategies, Huawei adopted the differentiation strategy with the combination of the pricing strategy, and gradually it not only occupied the European smartphone market but also completed the transformation process from low-end smartphones to high-end smartphones. By considering the differentiation strategy and price strategy separately, it can be observed that the overall guiding idea of price strategy is the balance of revenue and expenditure, which never only pursues the short-term profits while focuses on the future benefits by gradually expanding the market share and increasing prices. Differentiation strategy is realized mainly through product innovation and technical improvement. Starting from aspects such as design and other aspects with relatively lower technical requirements, differentiation strategy then gradually upgrades to components with higher technical requirements, such as APP, UI, and processor (chipset). As for the question “who conducted the innovation,” it is the cooperation of Huawei’s internal institutes and social sources (open innovation) creates technology and carries out product innovation, which mainly uses social resources extensively in all aspects, resulting in the pooling effect. Furthermore, Independent innovation is taken as a supplement. The Innovation method is combined with Incremental Innovation, Innovative Integration, and Modular Innovation.
Competitive strategy in Early Stage

In the early stage, Huawei applied the method of integrated innovation and incremental innovation to achieve product innovation for the appearance and other non-core parts of products. The combination of integrated innovation and incremental innovation made up the weakness in the core technology of Huawei smartphone by offering a specific product differentiation. Moreover, the profits obtained from sales of these models have provided a capital base for the further researches of Huawei. In order to make compensation for its technical immaturity in the early stage, Huawei adopted lower price compared with that of its competitors.

Competitive strategy in transformation stage

In the transformation stage, the technical content in Huawei smartphones has been improved joint through modular innovation and open innovation, which were realized by core technology innovation and cooperation innovation, respectively. Regarding the pricing strategy, Huawei shifted its orientation from price competition to higher product profits, with the Target Profit Pricing strategy supplemented by competitive orientation pricing.

Competitive Strategy in the future

The smartphone business of Huawei has just upgraded its position from low-end market to high-end market. Besides the innovation means adopted previously, including incremental innovation, innovation integration, modular innovation etc., Huawei additionally attempts the radical innovation.

6.2 Theoretical implications

The following two simple frameworks are formed based on the competitive strategy of the case company. It might contribute to the research gap that marketing strategy for firms emerging from developing markets creating competitive advantages in mature markets is insufficient. In terms of the marketing strategy, creating innovation can be
considered as a competitive strategy. The simple model could also help enterprises from developing markets to understand and apply the theory about competitive strategy.

Figure 2: Traced model: Competitive Strategy in Early Stage
Source: Own Figure (based on Case Analysis)

Figure 3: Traced model: Competitive Strategy in Transformation Stage
Source: Own Figure (based on Case Analysis)

For companies from developing economies, the marketing strategy is needed to segment the process, in order to achieve a higher market position and create competitive advantages in mature markets. It is a process unnecessary in the marketing strategy for companies from developed countries. First, companies can adopt a lower price as a tool to open the market, and then gradually build their competitive advantages. The innovation can start from simple parts by using simple means such as incremental innovation and innovation integration and so on methods. Then, some core parts should
be gradually modified and improved through utilising more advanced technology which
obtains from the internal research and cooperation with third-party organizations. Meanwhile, simple innovation methods should be kept.

In the process of strategy application, strategies should be uniformly viewed as a whole instead of being considered independently. One component of a model may influence the other, while some shortages can also be offset. In addition, attention should also be paid to the collocation of stages and strategies when considering strategy integration. That is: use the most suitable strategy combinations at the right time.

6.3 Managerial implications

- *Set overall long-term plan (Strategy) and phase the Marketing Strategy*

As for smartphone manufacturers who plan to sell products in the European market, the most important thing is to set overall long-term plan. Moreover, it is necessary for them to attach importance to gradual update and formulate phased development strategies. In the early stage of marketing, the technological resources and intellectual rights may not be sufficient. Technical deficiencies can be compensated via the relatively lower prices to a certain extent, while profits can be gained by increasing sales. Those companies could apply differentiation strategy to appearance design of products with relatively low technical requirements, so as to produce their own products by assembling parts, which means the integration of the high performance components of other manufacturers.

With a certain amount of primitive accumulation, the focus has shifted to the development of core technology, which can lay a basis for building long-term competitive advantages. In the meantime, it is important to concentrate on open innovation, including cooperation with other companies. Parts of the innovation should not be limited to appearance and other non-core components. Instead, the emphasis ought to be placed on the improvement and innovation of core components. With certain technical advantages, the price can be gradually increased, thereby bringing more profits.
Improving both the hardware and software

The implementation of technological innovation should be based on hardware or software, such as system optimization, software performance improvement, and user experience improvement and so on. In the industry of mobile phone, improving user experience is more importantly than merely focusing on technology. In this regard, Huawei also needs to make some improvements, while other manufacturers should pay attention to this aspect as well. Now, almost all the operating systems that manufacturers develop on the basis of the optimization of the native system, regardless of the type, are all uniform in optimization direction and version. However, the system, APP, and other software factors could still make some differences. Not all users pursue bloated and unified software system. Manufacturers can try to diversify the software optimization in one type of phone, so as to increase the combination of products.

Fully taking advantage of lead users and caring about special needs

Shirky (2012) and Mahr and Lievens (2012) suggested taking advantage of lead users, and the author also agrees with this idea. In the era of the Internet, production should be deemed as an interactive circle rather than dominated by manufacturers. Huawei has paid much attention to investigating customer needs, so as to innovate smartphones better; however, the strength and depth of investigation should be further improved. In addition, it still forms the view of manufacturers. For the producers who are competing in the smartphone section, they can use diverse social platforms to enable consumers to fully express their expectation for the future products and participate in the innovation and production processes of existing products. Furthermore, the manufacturers can also attach importance to the expectations of some particular users. When such expectations reach up to a specific amount, they could also develop new technologies and segmentation to satisfy those needs.

Foreseeing the prospective technology and innovating by combining various of innovation methods

Smartphones are high-tech products; The industry has not only imposed high requirements on innovation amount and quality but also paid attention to the speed. Incremental Innovation lays a basis for meeting the basic requirements of the industry. An enterprise will be eliminated from the market soon if the innovating speed is not fast.
Rapid innovation is more than the incremental innovation that just makes some changes in the periphery. Moreover, the improvement in the core technology is also crucial. The innovation means for all manufacturers can also be the combination of different functions, such as the touch ID of iPhone 5s, linking the fingerprint identification technology with unlocking function. What's more, smartphone producers should have accurate insight, which allows the companies to predict the future technological needs while gradually developing their core technological advantages. Additionally, a technical development of the core components of smartphones should also be taken into account. On the one hand, sustainable competitive advantages of the company can be maintained; on the other hand, mass production can be ensured and will not be controlled by other vendors.

- **Long-term planning**

The research and development of core technology require long-term planning; hence, it is not suitable for just focusing on the cost of investment and income in a short period. As a result, before the research of core technology starts, it is necessary to increase revenues through the innovation of peripheral technology, so as to build a material foundation for the research and development of core technology.

- **Integrating with internal research and cooperative innovation**

As for product innovation, it is suggested to combine independent research with open innovation. Regarding the research and development of core technology, some fundamental inventions can be carried out by universities and other basic research institutions, so as to reduce development costs. Subsequently, the results will be combined with the actual needs of internal research and development to ensure the confidentiality of technology. Furthermore, in terms of peripheral technology, external complementary resources, such as cooperative R&D, can be sought. The approach is more conducive to technical exchanges and resource sharing. In this way, the company could improve the speed of development, reduce costs and learn new technology from other companies.
Mainly work on the parts which are the key advantages compared to competitors

Differentiation does not have to be well-rounded. Pursuing the perfection of all components is not necessary. From the personal view of the author, parts which are not associated with the core characteristics of product differentiation can just reach up to the average level of the industry.

Paying equal attention to creating differences and reducing the cost

Differentiation and cost leadership should be attached the same emphasis. Research on non-core parts should not be implemented in internal R&D activities or even cooperative research, such as design. The annual profit margin of Huawei is about 10%, while the average profit margin of Apple is around 20%. To a large extent, it might because of that Huawei has invested too much in R&D. The manufacturers can choose to cooperate with the top design companies in the world. In this way, the cost of researching non-core parts can be reduced.

Unifying the components while diversifying the assembly

Uniform parts should be applied to various types of the smartphones as much as possible, which can increase the production of one specific part while realizing economies of scale. As for how to diversify the appearance, the design, the configuration of components, ROM and RAM combination, etc., different assembly modes can be adopted to promote differentiation.

With the advantage of well-known brands

It is important to collaborate with the world famous brands. Both OEM and sales by the agents are feasible choices. On the one hand, the popularity of one brand can be improved by the recognition of other brands, and it can also guarantee the provision of some key parts. For example, Samsung produces Snapdragon 835 chipsets for Qualcomm, which does a favor for the provision of the processor for Galaxy S8, and eventually, sufficient cell phones can be produced to meet the demand of the mass market.
Emphasizing on the customer perceived value

In the aspect of price, the most important thing is the customer perceived value. In other words, how much the customers are willing to pay for the products. With the popularity of the Internet, nowadays customers can learn more about the products before buying, and they can compare the products with others before making the decision that they think is the most appropriate.

Adjusting products prices timely

In addition, prices should be adjusted on the basis of the industrial situation, the consumer demand, and other factors.

6.4 Limitations and Future Research

This paper only analyses the strategy of Huawei, which has a lack of the universality. In order to know how Chinese intelligent machine companies can marketing in the developed market, more cases are necessary to be researched so as to find a common model through the analysis and comparison.

In addition, the selected cases should be smartphone manufacturers that originate from different developing countries, thus getting a universal marketing model.

This paper only explores the combination of differentiation and price strategy. There are many other ways to achieve differentiation, which can be the improvement of services, brand image and so on. Studies about how these contents combine with price could be carried out.

Huawei is a special case. The fast growth of their Smartphone Business has been promoted by their rich experience which gains from their primary business in the European market. It benefits from the established laboratories and other advanced hardware resources as well. How other companies that do not have these accumulations operate in Europe should be studied in the future.
Huawei has not adopted the cost-leadership strategy, while such result cannot illustrate that it is unnecessary to use cost leadership and differentiation strategy as a whole. More accurate Marketing Strategy model might be done in further research.
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**Interviews**

Akindoile. J, (2017), Senior Engineer, Interviewed through telephone meeting in Sweden by Xiuyu Cao, 27th April

Aslam. Z, (2017), Assistant Marketing Manager, Interviewed through telephone meeting in Sweden by Xiuyu Cao, 28th April
Appendix: Interview guideline

Background questions

1. What is your current job and position in the company?
2. What are the main businesses of Huawei?
3. Please tell me how your smartphones first enters European Market?
4. Have you experienced some obstacles in operating in European? Which areas? (Such as political, economic, technology and competitive environments)
   If so, what you tried to overcome these obstacles? Did it work? If not, why?
   How did you finally overcome these difficulties?
[The result is they operate other businesses in European Market before selling the smartphone.]
5. What are HUAWEI's main businesses in Europe?

Smartphone market environment

6. What are the main aspects of intelligent machine's market competition? (Price, performance, service, etc.)
7. What are the main customers of the mobile phones?
8. What are the main concerns of customers when selecting products?
9. Which factors determine the final consumption decision?

Huawei smartphone and innovation method/subject/parts

10. What is Huawei mobile phone’s competitive advantage and disadvantage compare to competitors’ product? (quality, price, technology, etc.)
11. What is the responses of Huawei? How to improve the products in these aspects?
12. What is Huawei’s main research and development organization? How the company takes product innovation?
13. In recent years, How much fund has been devoted to innovation; How about the growth rate?
14. What is the result of innovation? Can you give me some examples? As much as possible.
15. Compared with similar innovation, what are the advantages and disadvantages?
16. What are the company's views of the mobile phone technology?

Smartphone pricing

17. What is the price range that customers can accept?
19. What is the most important factor for you to make the price?
20. Have you changed your pricing base? If yes, what is the current base? Why did you change the pricing base?
21. What do you think is the pricing trend of the mobile phone industry in the future?

Other comments
22. Any other comments?