Search for the Huawei sector

Chinese company Huawei, which has had a presence in SA for almost two decades, went from being a name no-one could pronounce, to a brand of cellphone that most consumers are well aware of.

The telecommunication company - which had had contracts with mobile operators well before it launched its handsets in SA - has only recently gained broader recognition since it entered the smartphone market in 2010. In the past, its work in SA was limited to network infrastructure.

Today, Huawei occupies the number three spot in an assessment of the market share of mobile phones. At 9% it is just behind Apple's 10% but still a long way behind Samsung - which enjoys a market share of 40%, according to research by Effective Measure.

In 2015, a Huawei representative said its estimated market share was 3%. By the end of that year, the International Data Corp put it at 7%, and Samsung's share at 56.6%.

Smartphone sales slip as top vendors consolidate market share

4 Aug 2017

Huawei's growth is thanks to a focused, relentless marketing and visibility campaign. It aims to eventually take the top spot, says Strategy Worx CEO Steven Ambrose.

Zhao Likun, GM of Huawei Consumer Business Group in SA, confirms that the firm wants to challenge Samsung's dominance.

To do that, Huawei has shifted focus to mid- and high-end devices, a departure from sales of affordable low-end phones, where it has shown strong growth.

Last year Huawei imported between 1.3m and 1.5m handsets but most were low-end phones, says Likun. This year, its goal is to import 1.5m handsets, though 65% of these will be mid- to high-end devices.

The difference, Likun says, will reflect on the group's margins. Though there is still demand for cheap handsets, the margins on such devices are low, and don't necessarily justify more investment. To survive in an increasingly competitive market, Huawei will have to increase its revenue and produce higher margins, and high-value devices.

Ambrose says Huawei has targeted almost all market segments from entry-level to high-end, and has offered a competitive and well-priced product.

Main losers

The main losers because of Huawei's entry into the SA market have been smaller and less-known brands such as Motorola and HTC, says Ambrose. The slow demise of BlackBerry's sales in SA has also helped, he says. In the lower to mid market, Huawei has also taken market share from Samsung.

That advance fits into the global picture.

"Huawei has made no bones about being number one globally in a few years," says Ambrose. "It has the marketing clout and deep enough pockets to at least sustain its current growth."

He expects Huawei to become SA's second-largest seller in a few years. However, he adds that SA's market is mature and fairly stagnant, making it a tough environment in which to expect growth.

The other hurdles for Huawei are brand awareness and customer perception of its quality.

MTN SA, Huawei launch the first LTE LAA network in Africa
25 Apr 2017

Likun says brand awareness has increased in SA. Huawei's challenge is to convert that into sales. Stronger marketing, better promotions with providers and good service are what Likun hopes will do the trick.

To some extent, he says that approach has had results. Sales of its flagship P10 and P10 Plus devices are up 68% against previous models, the P9 and P9 Plus.

International Data Corp research manager Ramazan Yavuz says the release of the P9 in 2016 was a turning point for Huawei in the minds of consumers. The high-quality device presented a real competitor to high-end devices from other manufacturers.

Huawei may still cater to a market for phones valued at less than $300, Yavuz says, but it is no longer associated with "cheap and low quality". Its position has shifted to: "better and more preferable compared to the overpriced ones".

The P9 came equipped with two cameras built in collaboration with Leica, setting it apart from the competition.

Likun says more innovation is on the cards, such as the planned release in September of a new chip to combine CPU (central processing unit), GPU (graphics processing unit) and AI (artificial intelligence) functions.

But how easy will it be to challenge Samsung's dominance? The South Korean company couldn't be reached for comment. But it has aggressively defended its turf with a number of mid-range devices. The international launch of its flagship S8 may have helped it recover some lost ground after the disaster of the exploding Note 7.

Yavuz believes Huawei is a strong candidate but it will need to introduce more flagship products, while increasing its marketing if it wants to challenge Samsung.

He says prejudice against Chinese brands has tended to soften over time.

Source: Financial Mail