ALMA MATER STUDIORUM - UNIVERSITA' DI BOLOGNA

SCUOLA DI LETTERE E BENI CULTURALI

Corso di laurea magistrale in

scienze della comunicazione pubblica e sociale

TITOLO DELLA TESI

Studies on the Strategy of the Chinese Electronics Product Company Come into the Market of Europe

Tesi di laurea in

Models of marketing

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Sessione seconda

Anno accademico 2013-2014
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Introduction

In today's highly competitive marketplace, the electronic industry is more and more international, it is very important to expand markets overseas. With the situation of the globalization, the ability to deal with the fierce competition inside and outside is essential for the company to survival. China is a fast development country in the world. The China electronic industry is also developing in a fast pace. European market is large and advanced. To expand the European market is a important part for Chinese companies. This research tries to make an exploration in the feasible marketing strategy that Chinese electronic companies can take. The study analyzes a Chinese 3C company named Huawei as an successful example. Huawei is regarded as a leading electronic company in China and has done a good job at the overseas marketing.

Chapter 1 is the circumstance of Chinese electronic products companies in the markets overseas these years. In the year 2001, China joined the World Trade Organization (WTO), which has produced a variety of shocks on Chinese companies, especially electronics companies. After joining the WTO, printers, monitors, laptops and other major products export increased rapidly. Being a member of WTO, China integrated into the international economic community faster and better. It had a great impact on Chinese electronics information products export industry. However, after joining the WTO, resulting in a number of breaking up of electronics business because of the international competition or the stopped production due to sluggish sales, but it was by no means a recession but forward.

From the inside point of view, main disadvantages are concentrated upon fore aspects: the lack of investments; the production output rate is not high; the export competitiveness is still fierce; the comprehensive quality of the production does not have competitiveness. Besides, they also face to lots of barriers from outside.
Chapter 2 is the analysis of the EU, USA and Japan electronic markets. EU industry takes an important place in the electrical goods sector. However in the electronics goods sector, however, the EU’s total output falls much behind both Japan and the US. Furthermore, European value added in the electronics sector and decreased between 2000 and 2008. A recent Market Monitoring Survey, in which 51 consumer markets were evaluated by consumers and then ranked according to their Market Performance Indicator showed that EU consumers are usually more satisfied with the conditions they experience, where there are small and large domestic appliances than the markets of electronic and Information Communication Technology Goods (ICT) goods. The lower score of the ICT goods market which resulted from a higher number of generally dissatisfied consumers. Huawei as a 3C company well make up the problems of ICT products for consumers from Europe.

Meanwhile, the American IT companies like Apple, Microsoft, Google and others have also accelerated the pace to come into the home appliance industry. While Japan was challenged by South Korea and the United States in both the high-end market and the low-end market, and it was also challenged by the Chinese mainland and Taiwan, because of the policy and the cost advantages.

Chapter 3 introduces the the state of Chinese electronic companies in Europe. The EU's electronic information industry has comparative advantages in aspects of the capital and technology, while China has a comparative advantage in the labor factor. In order to meet different consumer’s demands for different products quality of the China-European markets, intra-industry trade was generated. Survey showed that 44% of European consumers are willing to buy Chinese brand appliances and mobile devices. Their mainly awareness for Chinese brand is "low price".

Chapter 4 is the overview of internationalization theory. To expand European market means not only to export productions but also to set up multinational enterprises to develop local markets. According to John Harry Dunning’s cross-border investment theory, companies choose to develop multinational management to obtain the ownership advantages of property and intangible assets. Chinese multinational companies are just starting to invest in overseas markets and develop
overseas markets. They need to practice and sum up their own experience, and they also need to learn and apply the successful experience of multinational companies in developed countries and accepted international rules. Enterprises must proceed from China’s conditions and the actual state, and they should learn and absorb experiences, which will finally innovate their own internationalization mode.

Chapter 5 analyzes Huawei’s successful internationalization mode as a successful example. It is the largest telecommunications equipment maker in the world, having overtaken Ericsson in 2012. The article analyzes Huawei with the SWOT theory to know its strengths, weaknesses, opportunities and threats. And then elaborate its marketing strategy in Europe and the implement of its “going-out” strategy. The essay explains Huawei’s strategy with several events: signed the functional agreement with IBM to reform its management system; set up joint venture enterprise with 3COM company to figure out the threats from the competitor Cisco, to expand the local market, build brand awareness and trained technology talents; cooperated with Vodafone for sustainable development. The continuing cooperation with Vodafone secured a growing number of commercial opportunities to cooperate with world-class operators for Huawei.

Chapter 6 states the Huawei’s successful experience that Chinese electronic enterprises can learn to enter the European market. Companies should create proprietary assets under cooperation mechanism, improve the intellectual property governance mechanisms. For the continued research and development, they can develop the main core technologies themselves, however, looking forward foreign company’s joint laboratories or universities to do some technology-related research. In the resource theory, mergers and acquisitions and alliances all are strategies to gain access to other corporate resources and to store competitive advantage and value for their own businesses. Companies should choose suitable way to gain resources. According the analysis of Huawei, mostly strategic alliance is prior to the technology merger acquisition.
Conclusion

7.1 background

After joining the WTO, for the Chinese electronics companies, they have more opportunities to enter the international markets, while they are also facing a more difficult challenge.

The current Chinese electronics companies already have considerable development. More and more Chinese brands have become international. China has rich human resources, cheap labor and abundant talent, and it has a wealth of cheap raw materials. These are the advantages of Chinese electronics company's. However there are still many problems, for example, the lack of capital relatively, the relative quality and technical level of labors which are not high, and backward of the technology production equipment. The result of these disadvantages is that the production output rate is not high and the lack of independent intellectual property rights of high-tech products. These problems led to the lack of development of Chinese electronics industry. Most companies can only do in the processing and imitation work. It is hard to do with the core technology to achieve rapid development of enterprises. This made Chinese products to have a impression of “low price and low quality”.

Recently, Chinese exports to Europe is growing, and it mainly concentrated in the UK exporting countries France, Germany and Italy. However, Chinese electronics companies are also faced foreign trade barriers, such as technical barriers, social barriers, tax barriers and exchange controls. Faced with these barriers, Chinese electronics companies should improve its product requirements, in order to meet the international market standards. In the European market, China's electronic product’s acceptance is high, and half of the consumers would like to choose Chinese products. Their impression of Chinese products are "low price", but the drawback that brought by the price is the low quality. Thus Chinese electronic companies should pay
attention to improve the cost performance. In addition, the Chinese electronics brands have no great influence in Europe. Because many Chinese companies are engaged in OEM production orders, and they did not focus on the awareness of their own brands. From the product perspective, Chinese companies should pay attention to the product’s quality and production technology. In management and marketing, Huawei can be a very successful model of multinational business to reference.

Through the international theory, we can know how the enterprises choose the internationalization model to enter the international market. Companies first need to consider choosing the location of business. By careful analysis of the factors affecting choice of the location of business, then companies can choose an ideal target market according to certain criteria. Finally, they select the mode of entry. To select the target market, companies should consider the following four elements: the macro environmental factors, local advantages and regional barriers, market opportunities and market barriers, motivation to enter the target country. There are three ways to enter: Trade enter mode, contractual enter mode and investment entry mode. Companies should analyze their specific internal conditions and external international market conditions to choose the right modes.

7.2 analyze Huawei as an exemple

7.2.1 the international feasibility

Then we can analyze the international process of Huawei as a successful example. First it is the feasibility of its internationalization. Through the SWOT analysis, we can see that as long as Huawei can seize the opportunity to use their own advantages and overcome the challenges, the internationalization is very feasible:

1) Although Huawei's strength is not strong enough, according to its flagship product, good quality, low price and fast corresponding capability, it has the opportunity to grow up. The first step is to open up markets in developing countries
and avoid fierce competition with international giants in developed markets, in order to accumulate bit by bit.

2) Although Huawei is lack of professionalism of international teams, through its growing experience in China, it can be seen that Huawei has the ability of flexible sales, indomitable fighting spirit, strong research and development strength, and it has the ability to learn and adapt quickly. More importantly, Huawei has a strong visionary leader. It is possible for Huawei to realize its target of “going out”.

3) Although the brand of Huawei’s influence is weak in the world, with the growing of its influence in China and continuous breakthrough in the international market, and Huawei’s brand influence and awareness will become lager and lager.

Therefore, Huawei is fully capable to have the opportunity to realize the dream of internationalization.

7.2.2 Corporate strategy

Corporate strategy refers to a series or a whole set of a decision or action mode in order to achieve the enterprise's strategic objectives. According to Huawei's purpose and mission, its overall strategic goal is to become a world-class leader with core technology in the field of electronic information. The overall goal can be divided into three:

1) Becoming the most competitive telecom equipment manufacturing companies in China to lay the foundation for expansion. This goal has been generally completed, Relying on competitive advantages of technology research and development, marketing and production costs and other aspects, Huawei has become the most advanced telecom equipment manufacturers. Faced with the opportunity of the increased demand of the globe, Huawei took advantages of cost and technical , and it began to implement the international strategy and expand into international markets.

2) Entering the international market and becoming equipment supplier with a certain influence and brand appeal. In this stage, first, Huawei should give full play to their cost advantages. Under the premise of ensuring product quality, Huawei could
gradually increase global market share by providing products with better performance and lower cost. Second, Huawei should gradually build management systems of global research and development, marketing and human resources correspondingly to the international strategy. Integrating fully of resources and capabilities, exploring and strengthening the core competitiveness, and focusing on international brand image.

3) Taking competitive advantages in the international telecommunications market, and becoming a world-class leader. Huawei should play advantages of technology, market and brand that based on continuous accumulation, learning and experiencing summary. To get a leader position by providing more quality products and services to customers and continuously put other competitors downs with new product in new field in in developed markets. Therefore, the Huawei’s overall goal of internationalization strategy is that by actively exploring of the international market becoming a world-class equipment suppliers with a certain influence and brand appeal.

7.2.3 market entry strategy

Traditionally, Chinese manufacturing enterprise’s internationalization modes include exporting trade, contracting, establishing research and development centers, establishing branches or subsidiaries. In front with new international markets and the characteristics of their products, Huawei made different market entry strategies.

1) Direct marketing. Direct marketing is a common way in Huawei’s early internationalization stage, namely the domestic sales team negotiate directly with the telecom operators to facilitate business. Normal, in order to open the host country’s market, Huawei will first establish offices in the host country, and then through constant communication with customers by sales staff to promote business, such as inviting customers to participate in technical exchanges, inviting customers to visit the company and various international telecommunications exhibitions, etc.

2) Joint venture. Huawei made the joint venture as a platform to develop the local market in localize model. In 1997, Huawei established a joint venture company, Beto, which produced and sold switches, in Russia with the Beto konzern and Russian
telecommunications company. Now the switches produced by Beto have been widely operated in the Russian telecommunications.

3) The cooperation with competitors. To compensate the lack of marketing channels in the international market, in March 2003, after nine months of arduous negotiations, Huawei and 3COM reached an agreement to establish a joint venture. Subsequently, Huawei cooperated with NEC, Matsushita to establish a joint venture, named Yu Meng company, which is dedicated to mobile terminal product development and sales. In 2004, Huawei cooperated with Siemens to establish a joint venture TD-CDMA with a total investment amount of $ 100 million.

4) The establishment of wholly-owned company. In March 2004, Huawei set up its first overseas branch in the UK. It is located in the Basingstoke City in southeastern part of the United Kingdom. Huawei has taken an important step towards the developed countries.

7.3 brand management

The internationalization of the corporate brand is an important challenge for enterprises to enter the international market and to achieve a sustainable development. It is an important guarantee to ensure the realization of Huawei’s truly international. The implementation of brand’s internationalization can help Huawei to achieve economies of scale, unify marketing campaigns, reduce marketing costs, improve profitability, enhance their influence and improve customer loyalty.

Brand internationalization is a systematic project, which is based on the internationalization of corporate’s human resources, research and development, marketing, services and capital. In the implementation process of Huawei's internationalization strategy, Huawei has attached great importance to brand building, and it has obtained preliminary approval of customers worldwide. However, in order to build a strong global brand and get a strong appeal and loyalty, there is still a long way to go for Huawei.

First of all, the foundation and the core of the brand is the quality. Secondly, in the
marketing and promotion activities, the company must focus on branding unity. Faced with the customers with the same unique image and ideas. Furthermore, the brand should be given a special meaning, such as "3G technology leader", "customer-oriented solutions provider" and so on, so that when customers saw Huawei's brand, they will have emotional association to form appeal.

Since in Europe and other foreign market, the local company’s brands have been popular. So it is more difficult for Huawei to establish its own brand. In this case, through the listing Huawei improves its visibility in the international capital market. It is also a kind of important measures to enhance the brand image.

7.4 global research and development strategy

    Telecom equipment manufacturing is high-tech industry, and almost all of the products have achieved world-wide standardization. The research and development has always been the lifeblood of business. In order to maintain the technological superiority of products to effectively participate in international competition, companies must rely on strong research and development capability and technological innovation capability and series of products with independent patents. Through the implementation of global research and development strategy, companies can take advantages of overseas human resources for technical innovation and take use of the latest technological achievements. Huawei’s global research and development strategies, including:

    1) large investment.

    Huawei continued to enhance the ability to innovate and depend on customer needs. Huawei insists to invest 10% of sales revenue into the research and development and invest 10% of the research and development investment into pre-research. Huawei insists continuous research on new technology and new areas. There are 48% of employees in Huawei that were put into the research and development department. Huawei’s research and development department is one of the largest sectors with the largest funds. Huawei’s research and development investment is the
company's biggest investment. Currently, Huawei has successfully launched solutions in fields of FMC, IMS, WIMAX, IPTV.

2) the establishment and development of global research and development system.

To support the implementation of international strategy, Huawei also has introduced an international product development. Huawei has got many independent intellectual property rights with the international advanced level through overseas research and development centers. Huawei's global research and development strategy is through the establishment of a global research and development network and global research and development system to share research results and specialize technology to reduce research and development costs. The main methods include that cooperating with the host country research institutions and overseas multinational companies, establishing independent research and development institutions and cross-border mergers and acquisitions based on technology etc..

### 7.5 Huawei’s multinational coalition path

Huawei, as a leader of the Chinese electronic company, established the concept of internationalization since its establishment, and it timely entered into the international market with alliance strategy and actively cooperated with foreign large enterprises, universities and research institutions. And it supports research and innovation inside and abroad with the profit, and then it achieves international revenue by better research results and technology innovation. However, when Huawei has a certain international influence, it faced with the restrictions of trade protection and industrial protection by the host government. Huawei introduced the alliance strategy. And it established market alliances, technology alliances and standards such as alliances. These alliances has played a significant role in prevent and mitigate risks.

Throughout the whole process, in different stages, in different levels of internationalization path, Huawei implemented more options of alliances to obtain the required complementary assets. But many attempts of mergers and acquisitions failed
due to certain reasons such as trade’s wall. When mergers and alliances have equally effective in obtaining special complementary assets, companies should select the alliance. Currently, with the relevance of the global economy increasing, the international competitive environment has many uncertainties and risks. The international development mode of Huawei is deserved to be learned by many Chinese electronic enterprises. It means that when Chinese electronic enterprises go to international markets, transnational alliance strategy is easier than technology mergers and acquisitions to achieve the technology development and to achieve the final strategic objectives. For the other Chinese companies with the same strength, who also focus on innovation continuously, Huawei’s internationalization path can also be referenced.
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