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Smartphone makers like ZTE, Huawei turn to Europe for growth

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Chinese brands are threatening to dethrone industry giants such as Apple and Samsung as they target European market share

Hampered by a sluggish market at home, a growing number of Chinese smartphone makers are turning their attention to greener pastures on another continent altogether: Europe.

Once unknown outside China, brands like Huawei and [ZTE](#) [1] have recently carved out a growing market share on the continent, and harbour ambitious aims to join, or even dethrone, such smartphone giants as Samsung and Apple from the top of the charts.

In the past, Huawei and ZTE's handset business in Europe generally involved producing white-label devices for European smartphone brands. But in recent years, they've been making a far more significant push into Europe, pumping copious amounts of money into staging dazzling, high-profile product launches and sponsoring some of the world's most famous football stars.

Huawei, for example, held its first major smartphone launch event in London in June 2013, bringing its then-flagship Ascend P6 device to market. At the time, the *Wall Street Journal* described Huawei as "more known for the network equipment it produces ... not a major consumer brand."

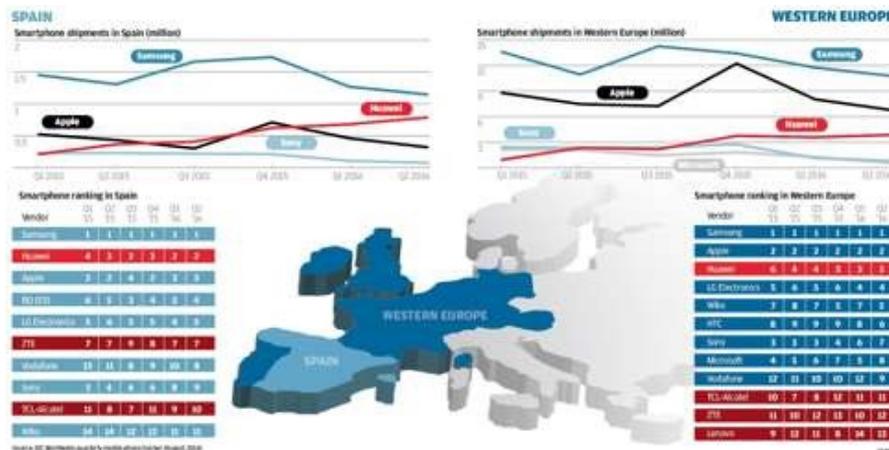


In a little over three years, Huawei has steadily climbed the ranks, overtaking brands such as Sony, LG and Microsoft to become the world's third-largest smartphone maker behind Samsung and Apple. Earlier this year, it signed Argentinean football star Lionel Messi as a brand ambassador in a deal reportedly worth a cool US\$6 million.

Huawei enjoys more than 20 per cent market share in countries such as Spain, Italy, Poland and Finland, according to data from research firm GFK. In Spain, it has already surpassed Apple to take the No 2 spot.

Huawei CEO Richard Yu said in Berlin last week that the company is likely to overtake Apple and “become number two in the world...in 2018”. Five years from now, Yu added, Huawei will take the top spot from Samsung.

“I think that for the technology side, we are better than [Samsung]...we are leading,” Yu said, pointing out that Huawei incorporated dual-camera technology into its P9 flagship handset before its competitors. “With time you will see more leading technology that comes first from Huawei, not from Samsung, not from Apple.”



[2]

Huawei launched its new mid-tier Nova series of smartphones at the Berlin IFA 2016 conference last week, which is priced from 399 euros. The Nova smartphones can reportedly take over a thousand photographs on a single charge, and boasts features that were designed with consumers’ top preferences in mind, Yu said.

The Nova series is Huawei’s attempt to capture the growing middle-tier segment, and branch out from its premium line of P series smartphones, he added.

According to data from market research firm IDC, Huawei entered the top five among smartphone vendors in western Europe in the second quarter of 2015 and climbed to third place in the fourth quarter.

“A year ago, Huawei was not even in the top five, and since then they have managed to become number three. It shows how fast Huawei has grown in such a short time,” said Francisco Jeronimo, research director for European mobile devices at IDC.

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Francisco Jeronimo, a research director at IDC

Jeronimo pointed out that much of Huawei’s success in the Europe is the result of an increased local marketing spend and the establishment of operations in more European countries.

“Companies like Huawei invest in local advertisements, they have sales people, marketing, and offices in almost every single country in Europe,” he said. “That helps them to build relationships with local channels such as retailers, operators and e-commerce channels which will be more willing to [promote and sell their products].”

Chinese smartphone makers with low brand awareness and a lack of investment to promote themselves in Europe will find it difficult to gain market share, Jeronimo said. Operators and retailers would be unwilling to carry their devices, put off by the possibility that the brands would not sell well.

Huawei’s success story in Europe has prompted a variety of other Chinese brands to adopt a similar strategy.

ZTE, another established Chinese smartphone brand, has also been making a push into key European markets such as Spain and Germany, partnering with both operators and retailers.

To boost brand awareness, ZTE has sponsored Spain's Sevilla Football Club and Germany's Borussia Mönchengladbach side.

Its efforts appear to be paying off. The company revealed that it sold 932,000 devices in Spain in the first half of the year, and claimed to have reached 8 per cent market share in July, ranking third behind top brands Samsung and Huawei. Data from IDC shows that ZTE sells more devices in Spain than established brands such as Sony and Microsoft.



Barcelona striker Lionel Messi, arguably the world's best player, was recently taken on by Huawei as a brand ambassador. Photo: AFP
 “In three years, we aim to reach 20 per cent market share [in the Spanish smartphone market],” Jia Yunpeng, general manager for ZTE Spain, said.

Fan Yijing, ZTE Spain's project director for terminals, said that the company is focused on carving out market share in the open market, and has partnerships with retailers such as Media Markt, one of the largest electronics chains operating in Spain.

ZTE has also stepped up its outdoor and social media marketing to directly appeal to its target market – young, fashion-conscious users who care about design.

Its smartphones are priced between about 200 and 300 euros, the company said, putting it firmly in the mid-tier segment since consumers in markets like Spain and Germany are often price-sensitive and want devices that are good value for money.

Offering quality products at mid-tier prices is a tactic that has helped brands like ZTE and Huawei gain a stronger foothold in markets like Spain and Germany, according to Jeronimo.

“Huawei is the second biggest player in Spain and not Apple, because in markets such as Spain and smaller countries in Southern Europe, operators do not subsidise handsets and so consumers often have to pay the full price,” he said.

“When that happens, consumers ask themselves if they really need to spend 700 or 800 euros on a device when there are alternatives from companies like Huawei or ZTE that also provide good devices at a much lower price point.”

Spain and Germany are markets in which brand names play a less important role, giving Chinese companies an opportunity to capture larger market share, unlike more brand-sensitive markets such as France, Italy and the UK, where Apple has traditionally done better, Jeronimo said.

Topics: Smartphones

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[1] [http://www.scmp.com/investor-relations/stock-quote-profile?](http://www.scmp.com/investor-relations/stock-quote-profile?s=763&form_build_id=&form_id=scmp_panels_page_business_stock_quote_form&op=Submit)

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[2] http://www.scmp.com/sites/default/files/images/methode/2016/09/10/4ef66c58-768d-11e6-800a-ae97f003174d_image_hires.jpg