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TECH

China's Huawei Technologies Aims Big in Smartphone Market

Company plans to sell its flagship model in the U.S. for the first time



Huawei unveiled Thursday the Mate 9, its latest flagship smartphone. Credit: Huawei PHOTO: HUAWEI

By Archibald Preuschat and Juro Osawa

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China's Huawei Technologies Co., the world's third-largest smartphone maker, expects to grab a larger market share in the wake of Samsung Electronics Co.'s damaging recall of its high-end phone, a senior executive said.

"Consumers now have the chance to select a better product. We will gain market share," said Richard Yu, the head of Huawei's consumer electronics business, in an interview Thursday in Germany, where the company unveiled its Mate 9 smartphone. Huawei plans to sell its flagship model in the U.S. for the first time.

Mr. Yu's confidence stems from Huawei's growth over the past few years in Europe, the Middle East, Africa and Latin America. Shenzhen-based Huawei, one of the world's biggest suppliers of networking equipment used by telecommunications carriers, has an ambitious goal to overtake Samsung and Apple Inc. and become the global smartphone leader within five years.

Huawei's global market share rose to 9.3% from 7.6% in the third quarter, trailing Samsung's 20% and Apple's 13%, according to research firm International Data Corp.

Huawei has shifted to producing more upscale phones, such as the new Mate 9, after years focusing primarily on low-cost handsets. Now it sees its best opportunity yet to gain traction in the more lucrative high-end segment, as Samsung reels from the costly recall of the Galaxy Note 7 after reports that the phones caught fire. Samsung has abandoned future shipments of the Note 7.

"Globally we compete against both Samsung and Apple. And we want to gain market share from both," Mr. Yu said.

Analysts said Huawei is well-positioned to benefit from the discontinuation of Samsung's Note 7 ahead of the year-end holiday season, when phone sales are traditionally strong. Samsung declined to comment.

In Europe, Huawei has been increasing its presence in countries such as Italy and Spain. Huawei's market share in Western Europe nearly doubled to 13% in the second quarter of 2016 from 7% a year earlier, according to IDC. It still trails Samsung and Apple in the region, IDC data show.

While Huawei is still perceived primarily as a value-for-money option rather than a premium brand, European consumers are increasingly being drawn to Huawei's improved handsets, and the region's telecom carriers are more eager to work with the Chinese company, said IDC analyst Francisco Jeronimo.

Huawei's Mate 9, which will sell for €699 (\$776) in Europe, comes with a processor chip and interface software both designed in-house, as well as a dual-lens camera developed with German optics firm Leica Camera AG.

Huawei expects to start selling the phone online in January through major e-commerce sites in the U.S., but not through carriers, according to people familiar with the company's plans.

In the U.S., Huawei's telecom networking gear is effectively banned due to lawmakers' concerns that Beijing could use the equipment to spy on Americans.

While Huawei isn't barred from selling handsets there, the U.S. has proved a difficult market for the company to crack in the past with more affordable phones.

"It takes time to build trust in the U.S. market," Mr. Yu said.

While Samsung's struggles create an opportunity, they also illuminate the risks smartphone makers face as they race to enhance the performance and battery life of their phones to satisfy users' high expectations.

In September, when the South Korean rival was stumbling with the Note 7 recall, Mr. Yu sent an email to his staff saying that Samsung's recall was "a very big lesson" for Huawei, according to employees who received the email.

"We can guarantee that our phones are safe. We take quality very seriously," Mr. Yu said Thursday.

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