



**Huawei in India**

# RETURN OF THE DRAGON



Chinese network giant  
Huawei now dials India for a  
slice of its handset business

**By Venkatesha Babu**  
**Photos by Tribhuwan Sharma**

Cai Liqun  
CEO, Huawei India

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*Huawei has long been known for its prowess in providing the plumbing that underpins the global telecom network, with customers in 140 countries.*



Victor Shanxin  
President, Huawei  
Devices India

### The Transition

Huawei is the world's second largest telecom and network equipment maker (after Sweden-based Ericsson), with revenues of \$35.5 billion in 2012. It has long been known for its prowess in providing the plumbing that underpins the global telecom network, with customers in 140 countries, and 47 of the world's 50 largest telecom operators as clients. In India, it supplies network equipment to every major service provider—Bharti Airtel, Reliance Communications, BSNL, MTNL, Aircel, Idea Cellular, Tata Teleservices—and is no stranger to the market. In 1999, Huawei established its one of its largest R&D centers in Bangalore. However, it has always focused on the business-to-business (B2B) network equipment market where it is a dominant player along with the likes of Nokia Solutions and Networks, Ericsson and Alcatel-Lucent.

But selling networks and telecom infrastructure is one thing, convincing people to swipe their cards for phones and tablets is a different ball game altogether. A decade ago, Huawei had made a token entry into the global devices business, but the focus was on the home market, one of the fastest growing globally. However, recently it has stepped up its efforts to capture a greater global market share, including India. It launched its first smartphone in 2011, and in India, the firm has moved aggressively over the past 18 months.

Huawei India CEO Cai Liqun sees no reason why the firm cannot replicate the suc-

If you take pride in being au courant with developments in the global smartphone business, here's a quick quiz: While it's common knowledge that Samsung and Apple dominate the segment, who is at No. 3? If your answer is Nokia, HTC or BlackBerry, you'd be wrong.

According to market research firm IDC, it is Huawei—with a global market share of 4.8%. Over the past nine years, Huawei has become one of the fastest growing firms in the mobile handset market. In the Gartner list of global smartphone sales, though, the Chinese firm is at No. 5 (behind Lenovo and LG) with a similar 4.7% market share.

In India, a few months ago, many like 17-year-old Bangalore-based student Aditi Kumar knew nothing of Huawei. Kumar was then looking to upgrade from her old hand-me-down Nokia to a smartphone. She want-

ed an Android OS-based phone, with a large touch screen at a competitive price. For her, an iPhone was still an aspirational product, well beyond her budget.

Weighing the pros and cons of various alternatives, she stumbled on to Huawei. Finally, everything made perfect sense. The phone she settled on, a Huawei Ascend Y300, came with a 4-inch screen and Android 4.1 Jelly Bean. This, for a bargain price of just \$123. Nine months later, Kumar is now an unpaid evangelist of the brand. "Except for the sound output not being very high, I love the touch screen's responsiveness, the long battery life and the seamless way in which it connects with the Wi-Fi at home. There may be better phones in the market at higher price points, but Huawei provides value for money. I've recommended the brand to close friends," she said.





cess it has had with the network business in devices. "We understand the Indian market well. Our devices business—which includes smartphones and feature phones, data cards and MiFi (pocket Wi-Fi routers), tablets, STBs (set-top boxes)—have done well... We're global leaders in mobile broadband devices because we understand consumer needs ahead of the competition, offer a wide range, invest heavily in R&D, boast of many patents and have a better understanding of network optimization and chipsets," he said.

Huawei says its devices business contributed a third of its \$1.5-billion India revenues in 2012. Given that the company, though well known in B2B circles, is relatively new in the business-to-consumer (B2C) segment, can Huawei succeed?

The company is sanguine about its prospects. It invented the ubiquitous dongle to power mobile Internet for most personal computing devices, said Victor Shanxin, president of Huawei Devices India, adding, "In India, we have a market share of over 65 per cent for operator-bundled data cards. We have a history of innovation. Over the years, we have been at the cutting edge of technology and, more importantly, bringing it at affordable price points globally. India is a very key market for our devices business and I am confident we will do well."

So, why this sudden emphasis on devices? According to CyberMedia Research, about 221 million mobile handsets and 3 million tablets were sold in India in 2012. With cable digitization finally being rolled out, the market for STBs has exploded; on-the-go media consumption has increased with data cards and routers—translating into a big opportunity for hardware vendors.

Interestingly, Huawei's core network business has slowed, with telecom operators loath to making expensive capital investments in the current telecom policy environment, which has also adversely affected 3G and 4G rollout. Some service providers that had bought Huawei equipment, and whose licenses got cancelled, did not pay the firm. For instance, Videocon and Huawei are slug-

ging it out in court over equipment worth \$150 million.

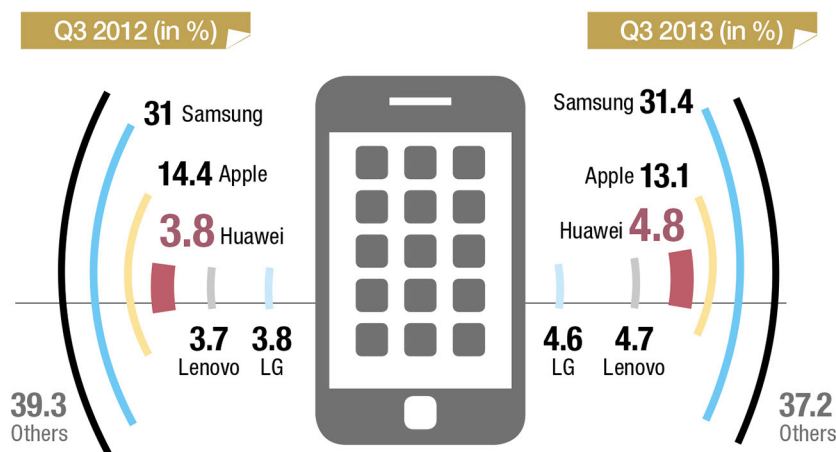
All this has meant that to sustain growth, Huawei has to look beyond its comfort zone and promote its full portfolio of offerings, including what it claims is the world's slimmest phone, the Ascend P6; the world's fastest phone, the Ascend P2; and its 6.1-inch

phablet, the Ascend Mate—available on both Android and Windows platforms.

Anand Narang, marketing director, Huawei Devices India, says the firm has launched a range of Ascend smartphones. "There are about seven smartphones across multiple price points (\$80-\$490)." Huawei sells through Redington, its main national distrib-

## SMART STATS

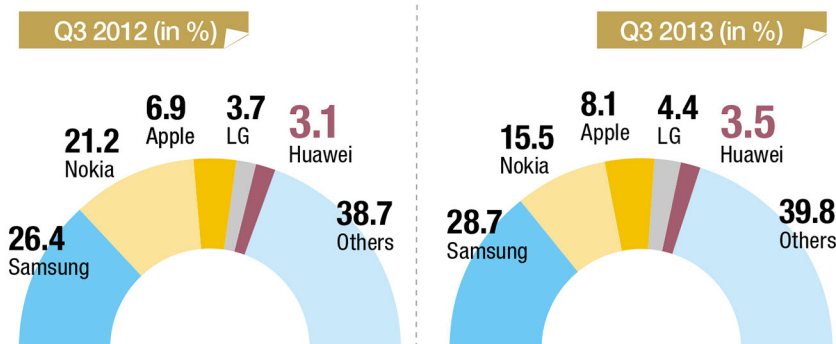
The global smartphone market in terms of vendor share



SOURCE: IDC WORLDWIDE MOBILE PHONE TRACKER, 29 OCT. 2013

## PHONING IN

The overall global mobile phone\* market in terms of vendor share



\*This includes both feature phones and smartphones. SOURCE: Strategy Analytics, Devices Services

*"Over the years, we have been at the cutting edge of technology and, more importantly, bringing it at affordable price points globally."*



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utor, in 32 cities, with about 200 “experience” stores and 300 service centers.

### What's The Strategy?

While the firm has had some success, getting substantial market share won't be easy. In the feature-phone segment, which still constitutes over 90% of India's mobile phone market, Nokia is still king. Indian players such as Micromax, Karbonn and Lava cater mainly to price-conscious consumers. The likes of Apple, Sony, HTC and BlackBerry—apart from Nokia and Samsung—battle it out in the fast-growing smartphone segment. Indian players with their value strategy have also started seeing success in the smartphone market, especially in the entry- to mid-level segment. Micromax, for instance, has become the No. 2 smartphone vendor in India, no mean achievement considering the intense competition.

Faisal Kawoosa, lead analyst, CMR Telecoms Practice, said, “Huawei becoming the third largest handset vendor in the world is a significant achievement. However, that's mainly due to its strong presence in China. It will be harder in India, where players have already perfected their China supply chain and are cost warriors. Huawei is yet to build brand equity in the premium phone range.”

The head of a large multinational handset firm, on condition of anonymity, said his firm doesn't see Huawei as a serious threat in the smartphone market. “In Huawei's case, the brand is not well known. It is neither aspirational nor completely a value player like some of the Indian brands are... . It needs to define the market it is addressing. Selling at a time when fashion and technology change very quickly is difficult,” he said.

Vijender Singh, MD, Pantel Technologies, offered a similar sentiment. “The Indian market is very value-for-money oriented. It's not just about having a great product portfolio. Handset vendors need to have a good distribution mechanism too. Building a national network and adapting to the Indian market is not easy. It presents challenges—like multilingual support, browsers, content



and local app stores.”

Narang is quick to the defense. He pointed out that Huawei's new smartphones support seven Indian languages and preset Internet settings of leading telecom operators. “Being global leaders in data cards, our STBs help our partners offer value-added services on their existing platforms and generate more ARPU (average revenue per user). We have, for instance, successfully integrated a Wi-Fi stack in our STBs. We also have HiSpace, an exclusive app store for Huawei device users.”

### The Next Frontier

So, will Huawei's relationship with service providers help it bundle handsets, and thus, crack the market? Can it go from being a B2B to a B2C player? Shanxin admitted that the transition to B2C has been a challenge. “We've made slow and steady progress,” he said. “We are adopting a multi-pronged strategy, doing consumer and brand-tracking research, and listening to what consumers are saying and monitoring trends. This has helped us define a strong portfolio of smartphones, MediaPad tablets and a suite of data cards. In markets like India, we have started building our consumer channel via national and regional distributor structures, which then supply to multiple channels like

e-commerce, multi-brand outlets, Huawei Experience outlets, large-format retail stores and modern trade. In addition, we work with Chetan Bhagat, our brand ambassador, to leverage digital channels. Over four years, we want to be among the top three consumer brands in India and globally,” he said.

For 2013, Huawei's sales target was 1 million units, of which it achieved 80% by November. For 2014, the firm hopes to sell 2 million units, of which it expects the Ascend P6 to account for 15% with 30,000 units coming from India.

Huawei has been bundling data cards with service provider networks and is using a similar model for its phones and STBs too. However, given the low margins in bundling, it has recently launched operator-agnostic data cards and MiFi equipment that are compatible with all operators. So, consumers can pick their favorite operator, and also have the freedom to change.

Given that India is among Huawei's top 10 markets, the firm says it has set up an India product creation center—to add to the 250 after-sales service centers—to understand consumer needs, segment them for product, software and app development and help create a differentiated portfolio. Whether this will truly help the firm crack the India market remains to be seen.