

Global business  
terms and huawei  
strategies which  
makes it successful



## **1. Introduction**

Today, the business views and growth have changed. Now, a company's vision and mission is not only to earn profits but lot more than that like being an global player, developing brand image and desiring to be top in that business. These desires make way to expand its business globally only after being a good local player. For going global it needs to look at many aspects and need to have proper plan with right strategies and risks analysis. Execution of plan at the right time, place and market with right customer can lead to success.

This report contain critically analysed global business terms and principles effective for international organisation and different strategies to be adopted depending on countries and Huawei strategies which makes it successful and different from its competitors.

## **2. Global economy**

According to the world economy, the developed countries have higher economies than the developing once. However, there is fast growth and more opportunities in developing countries than the developed once.

Following are the top 10 countries in terms of PPP (purchasing power priority) and GDP (gross domestic product).

The CIA world factbooks 2007 helps us to understand the difference between the calculations of GDP on PPP on nominal basis. (Figure 1).

As the economy of the country is defined on the basis of its GDP and PPP, it is extremely important and necessary to know about the particular sector's

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contribution to its total GDP which include the major sectors like agriculture, industrial and service sector.

Following is sector wise contribution towards its own GDP.

### **3. Global Telecom Market**

In early 1990's, United States and Europe had a major players. Other strategic partners were Asia, North/South America. Major trend was based on traditional wireline communication which had to face tough competition from the wireless players (SSRN, 2010). Earlier, telecom market had government barriers in certain region which says single policy, one system and universal service. This makes other companies to enter in the market almost difficult and government and its alliances enjoy all the profits. However, the figure below describes the region with government monopoly.

Gradually the demands had increased and the technology innovation advances had led to competition. This had eventually brought about a major change in the global telecom sector.

Today sector is awaited with billion of wireless customer to come from some of the emerging mobile markets like Africa, Asia, Latin America, and Eastern Europe. However, the figure below describes the locations of the next billion customers in the world.

### **3.1 Overview By region**

#### **3.1.1 Eastern Europe**

In Eastern Europe, wireline growth is 45 to 60 % whereas wireless is about 100% in developed and almost saturated and 80% in emerging Europe. 3G

network is already launched by Russian company MegaFon. Moreover, internet through mobile growth is 50% in Developed and 18% in Emerging Europe.

### **3. 1. 2Latin America**

In Latin America, wireless growth is about 70%. This region contributes 80% to total global wireless growth. High demand initially leads to saturation now with single digit growth in coming years. However, intake of 3G may give rise future.

### **4. Telecom Growth in India**

Telecommunication landscapes have showed a consistent growth in recent years. According to Matt Walker, a research analyst, most investment was on mobile networks as it gives fast revenue, while fixed land line filled the poor gap in connectivity and targeted low price customers.

Vast expansion in the Indian telecom industry has led to increase in its GDP from 8. 8% to 9. 6% which is the highest in last 18 years directly showing an improvement in the Indian economy. However, in an interview with ZDnet Asia, Kamlesh Kalwar a industrial analyst said that “ This would not have been possible without the growth of the telecom sector.” Also, Indian mobile industry is expected to grow at the Compound Annual Growth Rate (CAGR) from 18. 3% in 2007 to the high level of 53. 4% by the end of 2013 where achieving of the 500 million by end of 2011 is reasonable.

#### **4. 1PEST Analysis**

PEST analysis is an important which tells about the external factors which can affect the project relatively while entering into particular countries (Johnson et al, 2005, Basu, 2004).

##### **Political**

Ø Government body called TRAI (Telecom regulatory authority of India) runs this sector.

Ø TRAI has recommended the operators in India to share the current infrastructure.

Ø Government encourages the telecom sector with infrastructure and financial aids in taxations. (Polishuk, 2007)

Ø Government provide incentives for the potential investors.

Ø Prime minister said auction of 3G spectrum will be done shortly (3G is yet to come).

Ø Government plans to make India as a hub for export and the manufacturing of telecom goods.

##### **Economical**

Ø Telecom industry of India contributes 5. 6% of the GDP.

Ø Telecom sector is most important driver of the economy.

Ø Sector has shown a growth of 103% in 2008-09.

Ø 10% of the total FDI investment contributes in this sector.

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Ø More of 500 million cellular connection is coming year 2009-10

Ø India is the second largest growing economy in the world.

Ø More than 250, 000 villages in country will be connected to broadband by end of 2012. (Levi, 2007)

### **Socio culture**

Socio cultural factors are very sensitive. It differs from country to country sometimes even from region to region and it has a considerable effect on the working culture of the enterprise. (Trigger, 1998)

Ø India is a land of mix culture which helps the people to share their beliefs.

Ø Modern education and high literacy rate attracts the foreign investment.

Ø India's backwardness is related to the caste system which slows its growth.

Ø Family, religion and society play an important role.

Ø Working hours here can vary from 8 to 12 hours a day.

Ø Payment methods are based on monthly basis.

Ø Low cost labour is a key feature.

Ø Literacy rate may vary from region to region.

### **Technological**

Technological advancement in India is massive due to suitable government support which has resulted into economic growth.

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According to the Cellular Operators Association of India (COAI) there is an addition of 8.3 million subscribers in May 2009 which leads to the total of 306.4 million mobile users in the country. (Bezboraa, 2009).

Ø Advancement in technology as 3G spectrum is yet to be released.

Ø Telecom technology is growing at the faster rate and draws the attention of the world.

Ø Telecom technology includes educational research, patents for products and industrial forums. Also major R&D centres have been developed.

Ø Government supports huge investment for development of technology.

Ø Technology is been switched from wired based to the optical fibres and microwaves which have been the backbone in expanding the network in India.

Ø Technology also focuses on other value added services other than the basic calls.

Ø Production of some small telecom products is also in progress.

Ø Key success of the technology advance is to support more users, eventually reduction in the cost and even attracting new users.

(Jhunjhunwala et al, 1998)

#### **4.2 Objectives to enter general market**

Objective to enter the market must be realistic as the companies which need to be operating worldwide should have good experience to be global.

Depending upon the countries and the type of investment, companies need to make sure that they increase their market share along with the large potential market with increasing number of users in that particular region.

The companies could find it difficult initially to enter the market as the sector has not yet been completely privatised and in certain areas the government still holds with the monopolies. In this kind of scenario, the companies need to work in partnership with the government in terms of public and private sector, later gradually expand the business and then finally could open their own subsidiary in that country. (Levi, 2007)

#### **4. 3 Important things to be known**

According to Levi (2007), following are the 5 important strategies to enter a telecom market:

Ø Companies need to know their strength and weakness.

Ø It needs to choose the proper segment and way to go forward. For this purpose, they need to know what is the best type of investment in that particular market and the particular time required to meet the market demands.

Ø Needs to follow real and generic strategies.

Ø Be away from direct competition.

Ø Make proper plan and effectively work it out. (Levi, 2007)



#### **4. 4Type of entry strategy in Indian market**

A joint venture and the strategic alliance with the local partner can help a company to avoid the bureaucrats and red-tapism which would help them to speed up their operations. Foreign companies can look after the financial and technological support and leave the rest like control of operation, marketing etc on the local operators. Although many companies have entered the Indian market, business structure in India remains to be traditionally affected by politics, social norms and be influenced by the hierarchal structure which can be improved by analysing the opinion of the local partners. Planning of headquarter in appropriate place in India with nomination of local head is an important part of the market entry strategy. Following are few important factors to be considered while entering the Indian market: (Levi, 2007)

Ø Potential in telecom sector

Ø Trade barriers

Ø Investment polices

Ø Focus on different regions in country which could encore high potential revenue.

Ø Potential and strong local joint venture partner is also a key factor.

Ø Target customers in particular segment

Choice of a suitable region with high potential and few competitors would not only prove to attain good revenue for the company but also help them to develop the brand image. Further, gradual expansion in the other regions

would make the foreign company market entry strategy successful. (Levi, 2007)

#### **4. 5Product Certification Required in India**

As per the government resolution telecom products are tested by Conformity Assessment bodies (CABs). Products need to fulfil a certain criteria to achieve the Certificate of Designation and then get it finally certified by the by TEC (Telecommunication Engineering Centre). However, this certificate is valid for 3 years.

#### **5. Huawei Technologies**

Huawei Technologies is a telecommunication based Chinese company incorporated in 1998. Ranking 1st in China with a rapid growth, innovation in latest technologies and good response in its services, it is one of the world's largest telecom equipment provider in China, Europe, Africa and India. It is the 1st company to launch LTE (long term evolution) 4G product. Moreover, by providing 4G network in Oslo, Norway it has become world's 1st 4G network provider with a speed up to 100 Mb/s which 10 times more than that of the existing 3G networks.

#### **5. 1Financial Information**

The company has a healthy financial growth with its current sales of USD23. 3 billion in 2008 with 46% increase in growth compared to 2007. However, 75% of its revenue is generated from the international customers which are its major strength.

## **5. 2Huawei products**

Huawei technologies have built up the products which include mobile network, IP-based, optical network, broadband network, terminals and telecom value added service.

## **6. Strategies of Huawei**

### **6. 1Partnership for long term**

Huawei serves 36 out of 50 leading operators in world with its services, solutions and unique products. It focuses on strategic partnership in developing countries and emerging markets. This strategy helps them to maintain long term relationships with customers in various regions like East pacific, Europe, China, and North America. This strategy benefits them to get future projects.

### **6. 2Research and development based on Customer Needs in Market**

The company has developed R&D centres to meet customer needs and demands on time related to technologies, upgraded products, services and solution. In this process the company involves 48% of 35, 000 in R&D centres located in china, Russia, U. S, Sweden, Indonesia. It invests 10% of its total revenue in R&D. Recently; Huawei has won R&D 100 Award for its product called Optix OSN 6800/OSN 3800. Moreover, all its R&D centres are awarded by CMM Level 5 Certification.

### **6. 3Edge products and latest solutions**

Huawei products which are used in network development, Broadband, IP core network, different software's, terminals and solution almost ranks top 3 in above categories. This gives them a competitive edge over their competitors.

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This strategy helped its latest development in LTE (Long term evolution) 4G marketed it and launched worlds 1st 4G (generation) network in Oslo, Norway.

#### **6. 4Excellent Operation for customers (Product and Supply Chain)**

It implies world class programs for its products and supply like IPD (integrated product development) and ISC (Integrated supply and chain). In order to meet customer demands and time to time delivery of product, it has maintained high level of supply and chain management (figure 1).

#### **6. 5Technology Innovation**

Technology has enabled companies to acquire resources worldwide, achieve global responsiveness to customers and establish commercial relationship. (Forster, 2006)

Increase in the digital growth leads to the increase in the number of users, which in turns increases the heavy tariff on the existing networks. Expansion of these networks increases the cost but lags the revenue growth which is one of the major concerns in this sector.

Huawei with its R&D development came up with the innovative ideas which focused on the value added services other than the basic calls such as convergent billing, advertisement, digital home, personal entertainment, digital media, and ICT (Information and communication technologies) solutions. Now, it also helps its customer to support its users with these services, opening up new ideas and opportunities that gradually increase its revenue. The service based traffic intelligence of Huawei technology which is a type of the management system which helps the customer to provide good

quality service and increases the bandwidth utilization by 30% which makes it unique and valuable providing a competitive edge.

## **6. 6Partnership to achieve competitive edge**

Huawei believes in strong and healthy relationships with its major players, suppliers, local customers and international customers which are necessary in today's world. However, managing resource is a concern by organisation which directly produces their products and services (Azhashemi et al, 2000). Therefore, in order to avoid this, with the proper management transformation, Huawei has alliance with companies which support it in fields like product, supply chain, organisational transformation, quality control, human resources and finance. However, this gives a cutting edge over its competitors.

Thus with its best strategies Huawei has overtaken Alcatel-Lucent and has become world's 3rd telecom company also crossing Nokia and Siemens networks to become 2nd in the world in its 3rd quarter of 2009.

## **6. 7Scope of expansion with a unique product**

In the emerging markets more than 1 million users will be added to the existing networks which will help in the development of digital and economic conditions. However, due to the low ARPU (average revenue per person) it is really critical for the operators to succeed.

On the other hand, there are also problems like increase in the cost in the emerging markets due to basic infrastructure, power supply engineering and transmission. Therefore, in order to meet this, Huawei comes up with the idea of high power coverage, natural heat dissipation, wind and solar power

suppliers and power control. These innovative ideas increase the coverage and saves resources. Further, basic necessity in the emerging market is to attract new users. However, Huawei also helps its operators to create more value for its services to increase its revenue.

For example Huawei in Bangladesh with the leading network provider not only helped the country to develop the network but also added value to its services by developing the Grameenphone (GP), which is a solar operated product BTS (base transceiver stations) adding as a solution for power instability.

## **6. 8Huawei services**

Today the market position is not about the big eat the small, it's about the fast will eat the slow. Hence, Huawei plans to seek the opportunities and try to make it place by developing technologies, meeting customer requirement and thus creating a competitive environment. On the other hand, customers require quick response in terms of network optimization, new service evolution and after sales service i. e. maintenance and licence upgrade. As these are the most important and essential factors Huawei makes it all possible with speedy response and service assurance.

## **6. 9Marketing Mix Strategy Success in Thailand**

With 20 million subscribers using the value added services (VAS). Among them 6 million users downloaded 18 million files and is double every year. Success can explain by marketing mix as follows: (Kotler, 2000)

Product: Fresh content and large number of varieties available and 15000 songs updated every week.

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Place: Place with large number of user 20 million out of which 88% are prepaid once.

Promotion: Massive direct and indirect marketing and free trials makes it successful.

Price: Pricing is affordable and is categorized in a way to meet the user demands which make it convenient for them and increase their sales.

### **7. Other factors which makes it a successful worldwide**

Huawei focus is not only to sell its products and make profits but also looks out for proper supply and chain management and quality assurance. These activities are most prominent in this field. It works out in 3 simple parts

Firstly, signing up and getting the project details to get a clear idea about the demand and the supply in order to always remain in contact with the customer. Hence, it further looks at seven things such as technique, environment, accountability, cost, quality, delivery and response.

Secondly, depending upon the customer requirement of delivery i. e.: direct or indirect, the documents are been amended. The risk and critical factors are been discussed with the suppliers and are tried to minimized as it says supplier are there best teachers.

Thirdly, depending upon the purchase requirement, the net sales and the extra charges it produces the bill that gives a clear idea of the necessary purchase as payment are one of the most important part of the project.

Companies that want to expand globally have to develop win to win relation so that both the company as well as the customers develop a strong bridge of relationship. This eventually would help Huawei to develop the brand image globally and serve them with future projects. The figure below shows the financial success of Huawei.

### **Conclusion**

Summarizing the report, it gives clear idea about telecom growth globally and opportunities related to it. It explains about global terms and principles which impacts the growth of the companies. It even describes the important strategies which need to be adopted and other factors which need to be considered before going international. Furthermore, it also tells about Huawei Technologies entry strategy in the Indian market with help of its generic strategies

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