

Research on Marketing Strategy of Chinese Mobile Phone Brands in Southeast Asia

Yan Gong

Business School

Yunnan University of Finance and
Economics
Kunming, China
18864807836@163.com

Li Zhu

Yunnan University of Finance and
Economics
Kunming, China
zhuli2001@126.com

Jingyi Zhu*

Institute of International Relations
Yunnan University
jingyizhu@foxmail.com
Kunming, China

Abstract—Under the background of global economic integration, brand internationalization has become an inevitable trend. The huge growth potential of the Southeast Asian mobile phone market has also become the opportunities which Chinese mobile phone brands should seize. Based on the theory of brand internationalization, this thesis analyzes the development of Chinese mobile phone brands in the Southeast Asian market, and then further discusses the marketing strategies that Chinese mobile phones should take in the Southeast Asian market.

Keywords: *brand internationalization, Chinese mobile phone brand, Southeast Asian market, marketing strategy*

I. INTRODUCTION

A. Literature review on the internationalization of brands

As the theoretical research and practice of brand internationalization become a frontier issue at present, scholars at home and abroad become used to define brand internationalization from a processing and dynamic view. Levitt (1983) has proposed the concept of brand internationalization as early as 1983, which believed that brand internationalization is a standardized concept[1]. Su Yong and Zhang Ming (2005) from Fudan University believe that brand internationalization is a hidden international market which is expected to achieve wide recognition and gain enterprise-specific interests[2]. Jeryl and Fernando (2007) define the brand internationalization as a dynamic process for enterprises to operate by combining the theory of others their own research[3]. Zhao Huan (2013) thinks that brand internationalization is a process of outputting a brand for a enterprise to foreign ones, and the process spans time, space and psychological distance[4]. The brand internationalization that Zhao Yuhan (2014) understands refers to the behavioral process of the company's brand promotion from the domestic to the international and global, so that the brand is widely recognized and influential in the international scope[5].

B. Literature review on the internationalization of China Mobile phone brands

With the increasing development of economic globalization, the international mobile phone market are expanding. Meanwhile, following the international economic trend, the Chinese mobile phone brands are going to the global market. Xiao Che (2005) points out that more and more enterprises in the domestic mobile phone industry have begun to turn their attention to the international market since they experienced the foreign brands' impact in the international market[6]. Hang Dong (2011) believes that in the context of economic globalization, Chinese mobile phones can enter into the international market by taking good advantages of their flexibility, low cost and comprehensive capabilities[7]. According to Gao Hua (2010), mobile phone industry has a history of more than 20 years in China. And now it has formed a complete industrial chain which accounts for an increasing proportion of GDP and exports, and plays an increasing important role in the national economy[8].

In summary, in the context of economic globalization, the trend of brand internationalization is unstoppable. And many companies have already pushed their brands to the international market, while Chinese mobile phone brands also have entered the international market and occupied an important position in the international market. At present, most scholars focus on the study of performance of Chinese mobile phone brands in the international market. There are few studies on the Chinese brands' mobile phone marketing strategy in Southeast Asian market. So this paper, combining the theory of international marketing strategies with the selling performance of Chinese mobile phone brands in the Southeast Asian market, carefully analyzes the marketing strategies of Chinese mobile phone brands when they enter the Southeast Asian market.

II. ANALYSIS OF CHINESE MOBILE PHONE BRANDS' EXPANSION IN SOUTHEAST ASIAN MARKET

A. The motivation to expand the Southeast Asian market

1) The shrinking of the domestic mobile phone market

In recent years, as the user dividend in China's Smart phone market is coming to an end, the mobile phone market is

*Corresponding author

becoming saturated. According to a report released by International Data Corporation (IDC) in 2015, China's Smart phone shipments declined 4.3% year-on-year and 0.8% QoQ in the first quarter of that year. In the 2017 report, Gartner mentioned the shrinking of China's smart phone market. Compared with the third quarter data of 2016 and 2017, China's Smartphone sales accounting for the global market share reduced from 32.3% to 27.8%.

2) Large potential users in Southeast Asian countries

In 2014, India's smart phone shipments accounted for only 17% of total mobile phone shipments while it accounted for less than 10% in 2015. And emerging markets such as India, Indonesia and the Philippines are expected to have a strong increase in demand of mobile phone in the future. Besides, Southeast Asia has a large population base and a high proportion of young people. It rightly undergoing a period of demographic dividend, which means that the Southeast Asian market has huge room for growth.

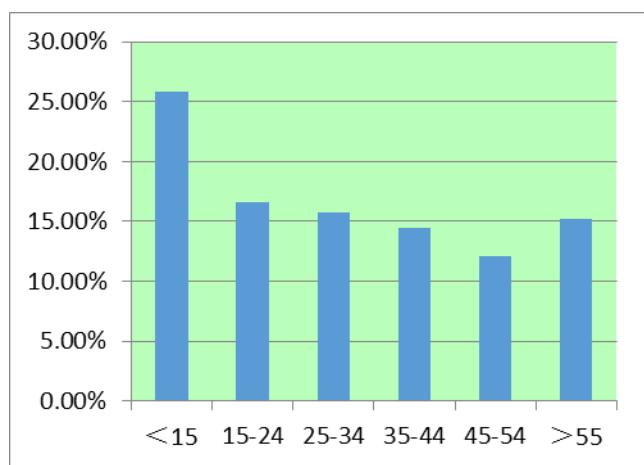


Fig. 1. Population structure of Southeast Asian countries in 2018
Source: iiMedia Research

3) The good economic development of Southeast Asian countries

Despite the complicated and volatile global economy and the serious problems of trade wars in recent years, the economies of many Southeast Asian countries have maintained stable and good development and the economic growth momentum is strong. Some countries are ranked among the top in the world in terms of economic growth. In 2018, India with its growth rate of 7.4% ranked first in the world. Among other Southeast Asian countries, Cambodia and Vietnam grew at a faster rate, which are 7.3% and 7.1% respectively.

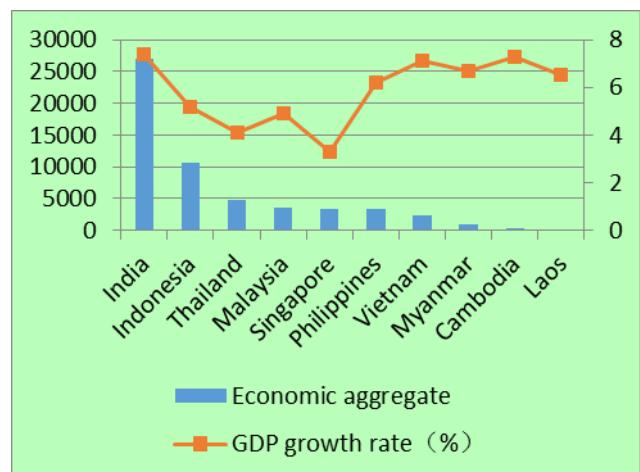


Fig. 2. Economic growth of Southeast Asian countries

Source: iiMedia Research

4) The strong growth of Southeast Asia mobile phone market

In 2014, India's smart phone shipments accounted for only 17% of total mobile phone shipments while it accounted for less than 10% in 2015. And the emerging markets such as India, Indonesia and the Philippines are expected to have a strong increase in demand of mobile phone in the future. According to iiMedia Research, the penetration rate of mobile phones in Southeast Asia is generally low, especially in the two populous countries of India and Indonesia, the penetration rate is less than 30%. Ai Media Consulting analysts believe that with the continuous improvement of the mobile Internet environment in Southeast Asia and the further solidification of user mobile network usage habits, the demand for smart phones will continue to increase.

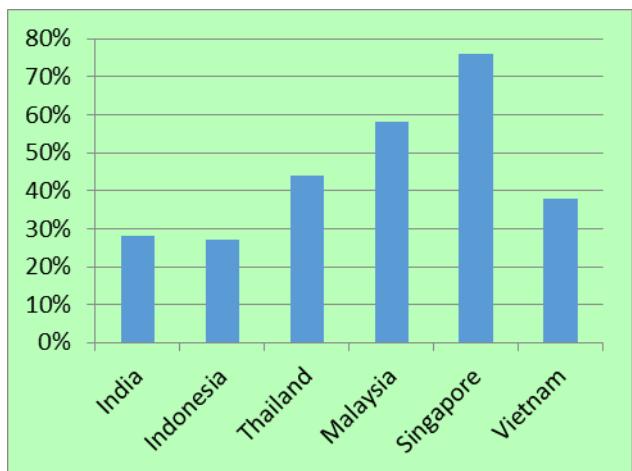


Fig. 3. smartphone penetration rate in some countries in Southeast Asia in 2018
Source: iiMedia Research

The strong contrast between the downturn in China's mobile phone market and the huge potential of the Southeast Asian mobile phone market has led Chinese mobile phone brands to enter the Southeast Asian market and gain more and more market share in Southeast Asia.

B. The development status of Chinese mobile phone brands in Southeast Asia

1) High market popularity and satisfaction

The use of Chinese-branded mobile phones has become a fashion in Southeast Asian countries. Chinese mobile phone brands are widely available in Southeast Asian countries. And OPPO and vivo counters are always crowded with bustling customers. According to a reporter from the Global Times, Zhang Yudong, executive director of Southeast Asia Telecom (Cambodia) Co., Ltd., who has worked in both Myanmar and Cambodia, said that in the eyes of Myanmar and Cambodian people, Chinese mobile phone brands mean trend, fashion and high cost-effectiveness, which has ability to compete with iPhone and Samsung. On March 29, 2018, the launch press conference of the new vivo device "V9" was held at one of the world's cultural heritages, Borobudur, an Indonesian Buddhist monastery. All of this shows the popularity, popularity and popularity of Chinese mobile phones in the Southeast Asian market.

2) Fast growth

In recent years, the market share, shipments and sales volume of Chinese mobile phone brands in the Southeast Asian market have grown rapidly.

In 2017, the share of TOP 5 in the Southeast Asian smart phone market increased by more than half, from 49% in 2016 to 63.8%. Shipments all ushered in growth, with vivo growth of 118.2% and OPPO growth of 29.3%. Huawei, which has less growth, also has 3.8%. Taking Indonesia, the largest smart phone market in Southeast Asia, as an example, OPPO sales increased by 163% year-on-year, and Xiaomi sales grew by 233%.

In 2018, in Thailand, for example, among the TOP5 brands in Thailand, the Chinese mobile phone brands still performed well, with the overall share close to half.

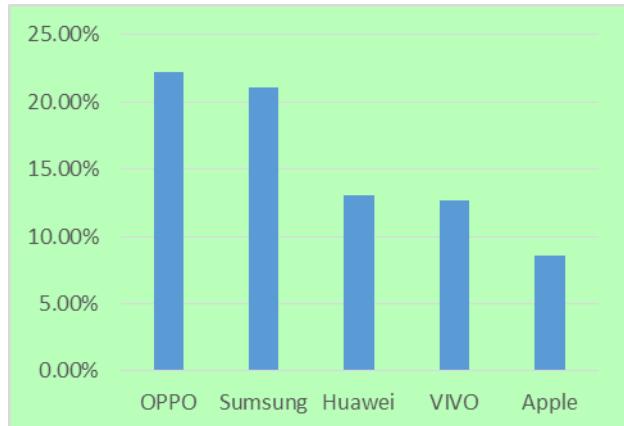


Fig. 4. 2018 Thailand TOP5 smartphone brand market share

Source: Canalys estimates

This year, according to the "Southeast Asian Smartphone Market Report for the Second Quarter of 2019" officially released by the market research organization Canalys, the number of Chinese mobile phone shipments in the Southeast Asian market reached 19 million in the second quarter of 2019.

Chinese brand shipments accounting for the total shipments of smart phones in the Southeast Asian market increased from 50% in the same period last year to 62% today.

The above data shows that Chinese mobile phone brands are growing rapidly in the Southeast Asian market.

3) High market share and large shipments in Southeast Asia

Market share is one of the best data to show the success of a product. In recent years, China's mobile phone market in Southeast Asia has performed well, and the mobile phone market share is high and growing year by year. In 2017, China's three major brands surpassed Samsung in the five major emerging countries in Southeast Asia for the first time. The shipments have also grown tremendously compared to 2016, and this sales volume has increased to 20 times in 2013.



Fig. 5. Market share comparison
Source: IDC Worldwide Quarterly Mobile Phone Tracker, March 2, 2018



Fig. 6. Shipment comparison
Source: IDC Worldwide Quarterly Mobile Phone Tracker, March 2, 2018

Taking the Indonesian and Thai markets as examples, there was a huge increase in 2018 compared with 2017. In the fourth quarter of 2018, the shipment of Xiaomi in the Indonesian market was close to 2 million units, an increase of 139.4% year-on-year, and the market share increased to 20.5.%; OPPO shipments of 1.85 million units, market share of 19.5%; vivo shipments of 1.51 million units, an increase of 132.0% year-on-year, and market share also increased to 15.9%. In the fourth quarter of 2018, in the mobile phone market in Thailand, OPPO surpassed Samsung for the first time with a market share of 22.2%, winning the market first. Among the TOP5 brands in Thailand, the overall performance of Chinese mobile phone brands was excellent, with the overall share close to half.



Fig. 7. 2017Q4-2018Q4 Thailand TOP5 mobile phone brand market share

Source: iiMedia Research

III. MARKETING STRATEGY OF CHINESE MOBILE PHONE BRAND IN SOUTHEAST ASIA

A. Pricing Strategy

Pricing strategy is a make-price method to maximum profit by measuring the buyer's different payment ability and utility, combining with the condition of the product. The economic development level of Southeast Asian countries is relatively low and the gap between rich and poor is relatively large. Due to their low income level, the people's sensitivity to mobile phones' price is relatively high. The demand for mobile phone market is concentrated on the middle and low-end devices, and consumers pay much more attention to the price-performance of the device. Therefore, the majority of Chinese mobile phone brands in the local market rely on sales of middle and low-end devices. According to IDC2017's report, China's mobile phones account for 37% of the low-end devices market in the Southeast Asian mobile phone market while the mid-end machine market accounts for 27%. And the market share of middle and low-end devices exceeds 50%. Taking Xiaomi as an example, when it entered the Southeast Asian market, it used the low-end devices series Hongmi as a striker and low cost-effective model as a weapon to achieve dazzling achievements in Indonesia and Myanmar in Southeast Asia.

B. Product Strategy

Product strategy means that when a company develops its business strategy, it must first determine what products and services the company can provide to meet the requirements of consumers, that is, to solve product strategy problems. On the basis of understanding the mobile phone market in Southeast Asia, Chinese mobile phone manufacturers have carried out product R&D and product portfolio design for the characteristics of the Southeast Asian market, and have integrated product and market characteristics. Due to the different national conditions and history of Southeast Asian countries, there is a big difference between consumption levels and consumption preferences. Chinese mobile phone manufacturers launch different products for different user needs from the perspective of users. According to the tradition of Islam, Huawei's C2802 mobile phone has green and white

color matching for mobile phones. And the phone is loaded with Islamic songs and designed with prayer time reminder to fully meet the needs of local users. With good performance and personalized product service, it was designated by the Indonesian Islamic Association as the recommended phone at that time. Vivo has been conducting various consumer research and market visits in various markets for a long time, and has made adaptive adjustments, such as launching self-portraits, beauty and other functions that are good at it, in order to attract a large number of consumers.

C. Promotional strategy

Promotional strategy mainly refers to the company's marketing objectives by using various means of information dissemination to stimulate consumers' desire to purchase and promote product sales. Its main purpose is to enhance brand recognition. Chinese mobile phone manufacturers have made their products and brands more influential in the Southeast Asian market through a large number of brand promotion activities such as advertising, endorsement and sponsorship, thereby expanding the product market and promoting product sales. OPPO promotes products through a large number of advertisements. In Vietnam, OPPO TV commercials will be broadcast during prime time after the news program and movie space and it is also broadcast after the popular TV programs. Huawei has also invested heavily in product promotion and marketing. For example, when Huawei released MATE7, it invited YaYa Ying, the superstar of the Thai, a sexy goddess and beauty singer, to endorse. With the endorsement of the superstar the promotion of the products may be more successful. Promoting through sports events is also one of the ways of brand marketing. By sponsoring cricket leagues in countries such as Sri Lanka, Huawei has quickly established a brand image of young, sports and sunshine by quickly connecting mobile phone brands with people through sports.

D. Placing strategy

Placing strategy usually refers to a set of interdependent organizations that promote a product or service to be smoothly transferred to consumers for consumption through the market exchange process. Due to the imperfect e-commerce market and supporting service system in Southeast Asia, users still prefer offline shopping. Besides, the perfect smart phone after-sales service system is inseparable from the support of offline channels. Therefore, the construction of offline channels is a successful factor for mobile phone marketing in Southeast Asia. But Xiaomi didn't realize it at first, so it didn't use third-party sellers or retailers in most Southeast Asia at first, but sold its products through online stores, which made local users unable to directly buy the devices from the store and the sales volume was very low. But soon it made Xiaomi recognize the importance of offline channels and then it rapidly expand its retail network throughout Southeast Asia. And the opening of offline stores led to a rapid increase in its product sales

E. Brand localization

When the Chinese bands establish factory in the southeast Asian countries, making their brand localization is one of the most successful strategies. OPPO opened its first overseas assembly plant in 2014 and established a research center in Southeast Asia to increase its technical investment. In June 2015, vivo officially entered the Indonesian market and

invested in the construction of Vivo's local chemical plant in Indonesia. It is also the first time that vivo has announced that it will build factories overseas. In February 2017, Xiaomi opened Indonesian manufacturing and introduced localized elements to the product.

IV. CONCLUSION

This paper carefully analyzes the marketing strategies of Chinese mobile phone brands when they enter the Southeast Asian market and draws the following conclusions. In the process of entering the Southeast Asian market, Chinese mobile phone brands, while maintaining their own advantages, combine the characteristics of the Southeast Asian mobile phone market with the consumption habits of local users, and make full use of various marketing strategies to enable Chinese mobile phones to occupy a major market share in the Southeast Asian market and make Chinese mobile phone become the most popular product in Southeast Asia.

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