

# Research on Huawei's competitive situation

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## ABSTRACT

In the rapid development of global economics, domestic large-scale enterprise companies represented by Huawei have accelerated the speed of product updates and technological progress. In the research of Huawei, this article uses Porter's five forces model to analyze the current competitive situation of Huawei from five different aspects. It can be concluded that if Huawei masters core technologies in both chips and systems, Huawei can quickly increase its market share and greatly improve its competitiveness.

**Keywords:** Huawei, five forces model, business analyze, competitive situation

## 1. INTRODUCTION

As a large domestic real economy company, Huawei has been committed to promoting technological progress. The mobile phone business is an important business of Huawei, and the mobile phone industry has developed rapidly in recent years. Therefore, this article combines the mobile phone business and adopts the Porter Five Forces model for Huawei. The company's current competitive situation is analyzed. The main purpose is to investigate and analyze Huawei's competitiveness in today's fierce situation, so that Huawei can better highlight its core competitiveness in its development. This article will describe and analyze Huawei's current competition from five perspectives: the degree of competition among competitors in the industry, the bargaining power of the supplier,

bargaining power of buyers, the threat of new entrants, and the threat of substitutes force. This research completely analyzes the current level of competitiveness of Huawei, and provides reliable experience for communication companies represented by different Huawei. At the same time, it also provides a reference for China's domestic enterprises to become bigger and stronger.

## 2. ANALYSIS OF HUAWEI'S COMPETITIVE SITUATION

### *2.1 The degree of competition among competitors in the industry*

**People’s Republic of China (mainland) smartphone shipments and annual growth**

**Canalys Smartphone Market Pulse: Q2 2021**

Vendor	Q2 2021 shipments (million)	Q2 2021 Market share	Q2 2020 shipments (million)	Q2 2020 Market share	Annual growth
Vivo	18.2	24%	14.8	16%	+23%
Oppo	16.0	21%	14.5	16%	+10%
Xiaomi	12.6	17%	9.3	10%	+35%
Apple	7.9	10%	7.7	9%	+2%
Honor	6.9	9%	12.8	14%	-46%
Others	13.3	18%	31.5	45%	-58%
<b>Total</b>	<b>74.9</b>	<b>100%</b>	<b>90.7</b>	<b>100%</b>	<b>-17%</b>

Note: From Q1 2021, Honor is not included in Huawei’s shipments. Percentages may not add up to 100% due to rounding.

Source: Canalys Smartphone Analysis (sell-in shipments), July 2021

**Figure 1.** People’s Republic of China (mainland)smartphone shipments and annual growth[2]

In the mobile phone industry, the main companies currently competing with Huawei on the same stage in China are Xiaomi, Apple, Oppo and Vivo. Since Apple’s mobile phone started earlier and the operating system is its own more mature ios system, many domestic users still choose Apple’s mobile phones in terms of mobile phone selection; Xiaomi has always been inclined to produce high-end and low-cost mobile phones, and gradually Favored by mobile phone users; oppo and vivo define their mobile phones as camera phones, which have extremely high image quality and strong publicity, so users also have high selectivity. Huawei mobile phones have been committed to the continuous upgrade of technology, constantly optimizing their own performance, and launched folding screens and 5G network mobile phones, which have greater user demand in China. However, due to the large number of mobile phone brands in China, there will still be fierce competition in the future.

After being sanctioned by the US chip, Huawei still launched the mate40 series. Among the new 5G mobile phones, it has a higher cost performance[1]. At the same time, Huawei mobile phones have received a large wave of bonuses due to the earlier release of folding screen mobile phones. But then Xiaomi, Samsung and other

mobile phone companies also launched a series of folding screens. Huawei’s competitive advantage in folding screens has thus weakened. The market for mobile phones is still full of fierce competition in a saturated state.

Therefore, it is not difficult to see that the chip is the core lifeblood of the communications industry. Whether at home or abroad, if Huawei wants to improve its competitiveness, especially its core competitiveness, it must first master this core technology. In this regard, Huawei is taking some long-term strategic measures, such as establishing its own independent laboratory, recruiting high-tech talents or experts, in order to master the leading core technology in the chip field, thereby grasping the lifeblood of the communications industry.

**2.2 The bargaining power of the supplier**

For mobile phones, there are two very important factors, one is the chip and the other is the system. If Huawei can seize the opportunity in these two areas, it will lay a stable and good foundation for greater and better development in the future.

In the mobile phone field, the most important thing is the built-in chip and operating system of the mobile

phone. The suppliers of these core components are in typical oligopolistic markets, and the core technologies are in the hands of foreign companies.

The performance of the chip directly determines the speed of the mobile phone to deal with problems[3]. Moreover, due to the core of the chip development technology, there are very few chip suppliers worldwide. Currently, the world's most influential mobile phone chip suppliers are Qualcomm of the United States and MTK of Taiwan. Therefore, suppliers have higher bargaining power for chips.

In terms of operating systems, before Huawei's Hongmeng system was officially released on June 2, 2021, there were only Apple's IOS system and Google's Android system in the world. Apple's system is only used for the production of its own models and is not sold, while Google's operating system is completely open[1]. Therefore, suppliers do not have strong bargaining power in this regard. However, due to the economic sanctions imposed by the United States and other countries on Huawei during the 2020 epidemic, and restrictions on the core technology chips of mobile phones, Huawei will likely face supplier cut-off issues for a long period of time in the future.

### ***2.3 Bargaining power of buyers***

At present, in China, Huawei's mobile phone orders mainly come from individual orders and corporate government orders. Among them, corporate government orders are large in volume and have strong purchasing power, so they also have strong bargaining power in terms of prices. In terms of individual user orders, The user's purchase of mobile phones tends to be experiential, and the loyalty to the company's mobile phone brand is low, and the demand is small, so the bargaining power is relatively average.

### ***2.4 Threat of new entrants***

Since the basic manufacturing process of the mobile phone industry is in an open and transparent state, manufacturers in other industries can enter the mobile phone market for production after they have mastered certain technical production materials and funds, such as Gree, Lenovo and other technology companies. They all manufacture mobile phones across industries[6]. Although there are many types of mobile phones in the market, the ultimate destination is determined by the user's choice. The user's loyalty to the mobile phone brand determines the degree of threat to Huawei's mobile phone products. Huawei mobile phones have always been committed to the brand and user experience, so Huawei is in the mobile phone field. Less threatened by new entrants.

### ***2.5 The threat of substitutes***

At the current stage, the mobile phone industry has a high degree of integration with various industries, relying on mobile platforms to carry out online business. Compared with computer PCs and tablets, mobile phones are smaller and easier to carry, and their supporting functions are similar to those of computers. And the computer cannot simulate a mobile phone for telephone communication[5]. Compared with smart bracelets, although smart bracelets are smaller in size, due to technical limitations, browser interface browsing and video playback are still not available on the bracelet. Therefore, the mobile phone industry is less likely to be replaced by other electronic products in a short period of time. However, with the development of the future stage, with the continuous advancement of technology, smart bracelets, artificial intelligence, VR and other technologies continue to mature and the supporting facilities continue to improve, becoming smaller and more functional, and may gradually Complete the replacement of the mobile phone.

## **3. CONCLUSION**

This article analyzes the current competitiveness of Huawei from five perspectives. It is more competitive in the same industry. Although there are more mobile phone manufacturers in the domestic market, the market is approaching saturation, and there is extremely fierce competition within the industry. However, Huawei's mobile phone business is due to its perfect hardware, leading technology, and price Advantages such as discounts have created its own brand effect, making its own brand more competitive in the industry.

In terms of bargaining power with suppliers and buyers, Huawei has implemented independent research and development on the hardware of mobile phones on the supplier side, but it still relies on imports for chips, and its bargaining power on chips is weak. Due to the US's restrictions on Huawei's chips, the sales of Huawei's mobile phones have dropped rapidly, and Huawei's mobile phone business has been subject to certain restrictions; on the buyer's side, the supply and demand of mobile phones in the market has made more work than demand. There are more mobile phone manufacturers, so Huawei's mobile phone bargaining power for buyers in the market is still relatively weak[4].

In terms of the degree of threat of alternatives and new entrants, Huawei has its own R&D team and its own supporting hardware facilities. In addition to chips, it relies less on imported hardware. Therefore, there are fewer mobile phone products in the industry that can pose a threat to Huawei. Because of the lack of word-of-mouth and brand effect, the entry of new

products is difficult to threaten Huawei's mobile phone business. Therefore, Huawei's mobile phone business is less threatened by substitutes and new entrants.

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