

# Research on the Huawei Business Model and Hongmeng System

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## ABSTRACT

The launch of the Hongmeng system is both a major innovation for Huawei in the field of technology and a major exploration of Huawei's business model. What it brings is not only a major victory for Huawei in independent research and development, but also a new future for Huawei's business development in the commercial field with the use of the new system. Therefore, the introduction of the Hongmeng system is of great significance to Huawei's business model. In this process, the paper used 4P and survey the masses in the analysis of the Huawei market. There are many options for people of different ages to use Huawei phones, so Huawei is gradually innovating and developing new products every year for people to use.

**Keywords:** *Hongmeng system; Huawei; Business Model*

## 1. INTRODUCTION

Modern enterprises require a successful business model to protect the enterprise's long-term development, which places high demands on the enterprise's mastery of itself, the market, and its future planning. At the same time, due to the highly integrated nature of modern business, a good business model is not only related to the operation of the enterprise at the management level, but also to the products launched by the enterprise. In this paper, the business model of Huawei, the leading smartphone company in China, will be discussed in detail, and the changes and impacts it brings to Huawei's business model will be explored by analyzing its just-launched Hongmeng system.

## 2. TRADITIONAL BUSINESS MODEL

### 2.1 Overview

Huawei Technologies Co., Ltd. is headquartered in Bantian Huawei Base, Longgang District, Shenzhen City, Guangdong Province, China, and was established in 1987 as a private company engaged in the manufacture and sale of communication equipment. As a company born in the reform and opening up and the third industrial revolution, mainly selling all kinds of electronic communication equipment, its development and product sales are greatly influenced by the development of science and technology. In terms of business model, it can be divided into four stages influenced by the development of the enterprise.

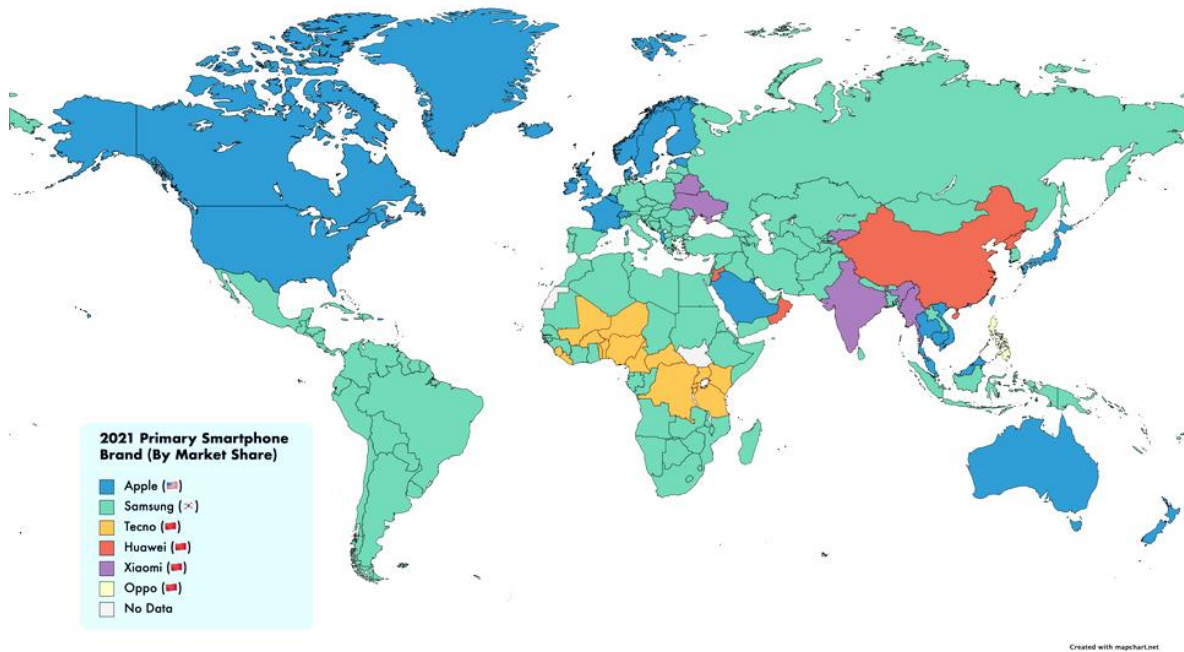


Figure 1. Huawei market occupy

### 2.2 1987-1989

At this stage, Huawei was a small enterprise, so it focused on the modern communication business that had just emerged in China at that time, and its business model was oriented to public institutions and corporate users, selling communication equipment such as user switches on behalf of users. During this period, due to the scale of the enterprise, Huawei's own brand had not yet been established, and its technology was mostly referred to by other enterprises in the market.

### 2.3 1989-1996

In this period, because the business operation gradually got into the right track, coupled with the new development of communication technology in the past decade, Huawei's business model had further changes, on the one hand, Huawei then played its own brand, on the other hand, it began to build a team to carry out independent innovation and development of switch technology. At the same time, due to the vigorous development of its own enterprise, the customer groups it faced also expanded further, and the post and telecommunications system began to become the main user group of Huawei.

### 2.4 1996-2010

During this period, along with the entry of mobile communications into millions of households, China's communications market ushered in huge changes, with the traditional electronic communications industry shrinking in market size and being replaced by mobile communications gradually becoming the mainstream of

China's communications industry. In the international market, thanks to the new technology and the background influence of economic globalization, more and more countries have started their own mobile communication business development, which gives Huawei, which has already established a firm foothold in the market, a wonderful opportunity. At the turn of the century and the first decade of the new century, Huawei's communication business had better development, and at the same time, it was no longer satisfied with the proportion of its products and services in the domestic market, but actively opened up the overseas market with the strategy of "low cost and low price", which not only enhanced Huawei's influence in the global market, but also made Huawei's products and services more competitive. This not only strengthened Huawei's influence in the global market, but also provided a solid foundation for Huawei's vigorous development in the smartphone and Internet communication fields.

### 2.5 2010-2018

During this period, thanks to the introduction of wireless communication technology and smart devices, the global communication market ushered in a major reshuffle, and many traditional communication companies either faced transformation or met the fate of corporate bankruptcy. At the same time, due to changes in life brought by wireless communication and smart devices, the target customer groups of communication companies began to shift from enterprises and operators to end consumers. At this stage, Huawei's business model emphasizes moving with the times, utilizing its many years of development experience and inexpensive business strategies, while focusing on the follow-up and

development of cutting-edge technologies in the field of Internet technology, and while producing and selling wireless communication devices for traditional user groups, it began to launch smartphones using the Android smart system for individual consumers, aiming to achieve a high product market share of products and thus establish Huawei's brand image in the eyes of consumers [1].

### **3. NEW ERA BUSINESS MODEL**

After 2018, with Huawei's dominant position in China's smart device market, coupled with significant breakthroughs in its own scientific and technological research and development, Huawei's business model has undergone a transformation. On the one hand, in the field of wireless communication, Huawei started the development and application of 5G technology, ensuring its dominant position in the global market in the field of communication. On the other hand, it changed the sales strategy of its smart devices, aiming to take into account the low-end market while starting to compete with overseas brands for the high-end market through new design and application of technology, thus achieving full coverage of its products in all consumer tiers of the market.

The Hongmeng system has certain disadvantages in all aspects due to its late development, and as a new system, its maturity is far less than that of market-tested operating systems. Nevertheless, its development still has great significance for Huawei. On the one hand, because of changes in international trade and communication markets, the phenomenon of trade barriers is becoming more and more serious, which poses no small challenge to the smartphone field that requires an open and inclusive R&D environment. At this time, the launch of China's first and self-developed smart operating system Hongmeng has a trans-generational significance, which marks significant progress in the field of independent R&D and innovation of smart devices, allowing China to gradually get rid of its dependence on foreign technology. On the other hand, as an open-source system, the introduction of the Hongmeng system also played a positive role in China's intelligent device market, it set a benchmark, not only for Huawei, but also for the development and use of the devices based on the Hongmeng system, to achieve and international smart operating system model sales and use of the convergence.

## **4. THE HONGMENG SYSTEM TO HUAWEI BUSINESS MODEL TO BRING CHANGES**

### ***4.1. The development of business fields***

5G technology and the introduction of Hongmeng

technology will greatly improve the user experience in using smart devices, while users are more willing to use smart devices, which involves many fields, in the home field, can make the traditional electrical equipment linkage enhanced, so as to facilitate the use. At the same time, as the application of smart TV is more and more extensive, but different manufacturers use different operating systems, which brings a lot of inconvenience to the users' use. The application and popularity of Hongmeng system make such differentiation eliminated, thus allowing users to get a more coherent experience. On the other hand, in the field of intelligent driving, the role of HongMeng system is also huge, as the unification of different manufacturers of equipment and systems, HongMeng system can also make the automotive industry achieve integration, so that the upstream enterprises and parts manufacturers, and even the individual user to achieve intelligent connection, so that intelligent driving is possible. All in all, the application of Hongmeng system in these fields makes Huawei's business has further broadened, which not only can make the enterprise get more revenue and enhance the influence of the enterprise, but also can ensure the advanced nature of Huawei's business model, so as not to be at a disadvantage in the fierce market competition [2].

### ***4.2. Introduction and application of the concept***

For an enterprise with technology as the first productive force, the changes brought by the Hongmeng system to Huawei's business model are not only reflected in the business field and market development, but also the impact on the internal management and decision-making level of the enterprise. It can introduce many new scientific concepts to the management and service of the enterprise, making the internal management and operation of the enterprise more efficient, so that the HongMeng system can not only serve the customers, but also lead the development of the enterprise, to achieve service to the enterprise.

Huawei takes customers and the market as the center, establishes strategic partnerships with customers, and takes win-win as the development goal. "Meeting customer needs is the only reason for our survival," Huawei said. Huawei first establishes a nationwide and gradually global marketing and technical service network organizationally, and sets up corresponding customer managers and regional customer representatives to understand and meet customer needs by subdividing customer groups and market segments. To ensure a timely response, Huawei has a service hotline (call center). Customers can directly express their opinions over the phone. Related problems will be transferred to the relevant internal departments for handling and feedback to customers. For market complaints, the use of a special complaint feedback

electronic flow, by a person responsible for coordination and handling, and timely feedback to customers through front-line personnel. All customer complaints, set the time for handling, customer complaints can not be closed until the completion of processing. After the complaint is handled, the customer's opinion should be consulted. And through the regular review of customer communication methods, evaluate the effect of communication, survey customer satisfaction, and continue to improve customer relations, so as to better meet the needs of the company's business development. Huawei has also established a supply and demand network for long-term cooperation with suppliers and procured materials through modern electronic communication technology and modern logistics technology. Although through the establishment of an electronic information procurement platform, centralized information management, improves the efficiency of material procurement but still needs to spend a lot of costs. The third aspect is the cost of production: we are familiar with the accounting of direct raw materials, direct labor and manufacturing costs, which are classified from the product elements. It can also be divided into two types of costs: variable costs and fixed costs. In addition, Huawei has served 45 of the world's top 50 telecom operators, applied to more than 100 countries around the world, serving one-third of the world's population. With its growing influence, Huawei is gradually entering the market and People's Daily life.

#### **4.3 Problems and improvements**

With the rapid development of Huawei mobile phone, there are also some problems, including excessive dependence on operator channels and slow development of new channels. Inadequate use of network marketing, mobile phone brand reputation is not high. In order to make better improvements. In terms of product strategy, Huawei can adhere to the differentiation strategy, use young technical talents to develop and design products, inject fresh blood and ideas, and promote industrial innovation. In view of the small capacity of mobile phones, poor heat dissipation and other problems, strengthen the construction of hardware technology, and constantly upgrade the product. In terms of price, we should keep most of the middle and low-end products and develop high-end products at the same time, so that consumers can have more choices.

In terms of channel strategy, we should not rely too much on operator channels, strengthen the coordination between online and offline, and reduce circulation costs. We can also build our own sales network to master the market situation, fully understand the needs of consumers, so that the production can better meet the market. In terms of promotional services, Huawei should pay more attention to online publicity and advertising innovation to leave a deep impression on the public. We

can also adopt the policy of gift and price rebate, and we can also adopt the way of free installment for students, which will help to improve the problem.

## **5. CONCLUSION**

In today's world, there are many factors to consider for a business model to be successful or not. As for Huawei's future major strategy Hongmeng system, it needs to use both hard power to profit for the enterprise in the market and soft power to make the enterprise's business model continuously improve and better walk on a diversified and sustainable right path in today's highly monopolized by operating system giants. Huawei's development in the customer field is gradually rising, and it will launch new products in different periods, which are loved by the masses. For Huawei's market progress, China is also a big leap forward. In the coming years, Huawei will further expand the scope and market, which is a good thing.

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