

# Research on the Problems and Countermeasures of Huawei's Development in the UK

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## Abstract

Huawei is a very famous information provider. On July 3, 2019, Vodafone, a large British operator, officially opened 5G services for consumers in 7 cities in the UK. Some of Vodafone's 5G network facilities are provided by Huawei. Huawei was in a good situation at that time and suffered a blow after the relevant ban was issued in the United States. Britain and other countries successively issued relevant bans. In 2020, Huawei's European market share fell from 15% in January to 5% in December. This article will analyze Huawei's development in the UK from the business environment and strategic choices, summarize the main problems Huawei is facing at this stage, and put forward feasible suggestions in order to provide a reference for Huawei's development in the UK.

## Keywords

Huawei; UK; Countermeasures.

## 1. Market Environment Analysis

### 1.1. Consumer Analysis

The average monthly income of the British people is 2000-3000 pounds, equivalent to 17767-26650 yuan. It can be seen from this that British people have higher incomes and stronger economic strength, and companies face lower cost pressures in terms of customer income. British residents also have higher requirements for product quality. Britain is usually conservative, introverted, traditional, and rational, but they have a high degree of trust in advertising. According to the different consumption preferences of British residents, Huawei can formulate different strategies.

### 1.2. Market Competitor

Finland's Nokia and Sweden's Ericsson are Huawei's strong competitors in the UK 5G field, while the US's Apple and South Korea's Samsung are Huawei's main competitors in the UK mobile phone market. Huawei itself is one of the top three manufacturers in the UK market share, so it has a certain market competitive advantage. However, this advantage has changed dramatically since the ban was implemented in some countries in 2020. Huawei's lost market share has attracted many new manufacturers to enter the UK market. It was particularly intense. Xiaomi achieved great success in Europe in 2020 and performed very well in the UK market. The latest research by Strategy Analytics shows that through close cooperation with British operators O2, Vodafone, EE/BT and Three, the two major Chinese manufacturers Xiaomi and Oppo are rapidly emerging. Facing such changeable market competition, Huawei must stabilize its position and analyze the situation in order to seek long-term corporate development. After all, the market changes rapidly, and only stable quality can win customers' long-term consumption.

### 1.3. Requirements of the British Government

On July 14, 2020, British Prime Minister Boris Johnson decided on the issue of Huawei's 5G equipment at the National Security Council meeting. Culture Minister Oliver Dowden then responded publicly to the incident. The government did decide to ban domestic telecom operators from purchasing Huawei's 5g equipment from December 31, 2020. In January 2020, the British government said it would allow Huawei to participate in the construction of non-core parts of the UK's 5G network. Due to the escalation of Sino US trade friction, the US Department of Commerce announced on May 15 that it would cut off the supply of Huawei chips. Since then, the Johnson administration has changed its mind on the issue of Huawei's 5G. The United Kingdom has decided to withdraw its previous plan to allow Huawei to take part in the construction of its 5G network and stop using Huawei equipment. The United Kingdom will eliminate all Huawei equipment from the existing domestic 5G network within 7 years. The decision of the British government has put great political pressure on Huawei to expand its market in the UK. In terms of politics, the British ban seems to be unchangeable. However, this does not mean that the situation will remain tense. The Huawei issue is related to my country's foreign policy to a certain extent. Only by putting national interests first, can Huawei be able to develop in the long term.

## 2. Problems with Huawei's Development in the UK

### 2.1. Traditional and Non-traditional Security Threats Coexist

In addition to traditional security threats such as arms races, military deterrence, and wars, Non-traditional security threats such as conflicts between ethnic groups and even separatist behaviors, extreme religious forces, and disputes over territories and borders are constantly playing out in various regions of the world. [1] With the deepening of economic globalization, the scope of Non-traditional security threats has become larger and more diverse, and the activities of international terrorist organizations in some regions are still very active, including various illegal immigration, transnational crimes, and drugs. International issues such as smuggling and environmental pollution have become more prominent. At the end of March, a large-scale public protest took place in the UK. The number of participants in the parade was nearly one million, spreading to dozens of cities across the UK. At the same time, the epidemic of novel coronavirus pneumonia has become popular all over the world since 2020. Up to now, there are still many patients in the world. As of March 31st, there were 4 million 200 thousand confirmed cases of novel coronavirus pneumonia in the United Kingdom. Because of it, the economy is developing slowly. As of March 31, there are 4.2 million confirmed Novel coronavirus pneumonia in the UK. Under the influence of the Novel coronavirus pneumonia, economic development has been slow. Affected by the government's lockdown and other related policies for epidemic prevention and control, most residents are isolated at home. Many cities are closed, and entertainment venues are closed, which is detrimental to Huawei's development in the UK. At present, many countries in the world have developed a Novel coronavirus pneumonia vaccine. The situation of the Novel coronavirus pneumonia epidemic has been eased, and the economy is expected to recover steadily in the near future.

### 2.2. The British Government has Issued Some Relevant Bans Against Huawei

Huawei's development in the UK has been hindered by the UK government's ban on Huawei equipment. The British government announced on November 30 that from September 2021, local telecom operators will not be allowed to install new Huawei equipment, and made more explicit provisions on the time when Huawei equipment will be banned. Before that, the British Parliament passed a new bill on November 24. The bill is about unauthorized use of Huawei equipment by local telecom companies. The bill stipulates that British telecommunications

companies that violate the ban will be fined up to 100,000 pounds (approximately 877,000 yuan) per day. This has brought a huge blow to Huawei's development in the UK. If the ban continues to be implemented, Huawei will not even have a future in the UK.

### **2.3. The U.S. Ban has Caused Gaps in Huawei's Chip Supply Chain**

In May 2020, the Bureau of industry and security (BIS) of the US Department of Commerce announced that it would strictly restrict Huawei's right to use US technology. This will affect Huawei's software design, mainly the manufacturing of semiconductor chips. The US export control policy has restricted Huawei in almost every aspect. September 15 is the day when the new US ban on Huawei officially takes effect. On and after September 15th, TSMC, Qualcomm, Samsung, SK Hynix, and Micron will no longer supply chips to Huawei. Chips are an important part of the production chain of Huawei's products, and the supply chain gap must be resolved in time. Even if Huawei has patents for chip design and other patents, it will take a lot of time for manufacturers to build production and assembly. Perfect supply chain management can allow enterprises to obtain the greatest benefits at the lowest cost, and at the same time can improve their work efficiency and production-to-sales rate.

## **3. A Feasible Solution Strategy**

### **3.1. Timely Clarify the Specific Needs of the UK Market**

In the international market competition, it is very necessary to clarify the market demand, and Huawei enterprises need to be vigilant about the British international business and trade market. In different market environments, due to the influence of existing economic policies, competitors, culture and education, consumer preferences also have obvious regional differences. Huawei's marketing staff should conduct adequate research and analysis on the actual situation of the UK's international trade market. Specific implementation measures include adopting a variety of market information collection methods and relying on the corresponding product market matrix. Timely clarification of the specific needs of the British market, such as what British consumers need and which goods are not suitable for the current British market, is critical for Huawei to further expand the market. Huawei should reasonably divide the UK market and formulate different consumption strategies based on market segmentation to achieve the optimal allocation of resources.

### **3.2. Industrial Technology Policy Support, Alternative Supply Chain**

Huawei should strengthen cooperation and exchanges with the government. If they can use industrial technology policies to provide a series of policy support around Huawei's supply chain, Huawei's international business activities in the UK market will be much smoother. According to Huawei's needs, providing policies such as operator procurement, talent introduction policies, financial support, and tax reduction and exemption will increase Huawei's supply chain market share, reduce marketing costs, and reduce financing costs. By increasing Huawei's supply chain tax reductions, exemptions and refunds, attracting and encouraging advanced domestic and foreign suppliers to actively cooperate with Huawei to fill the supply chain gaps caused by the U.S. ban, while striving to maintain the technological advancement of the supply chain, Significantly reduce supply chain transaction costs.

### **3.3. Enhance Technological Creation and Increase Irreplaceability**

Modern enterprise innovation is the key. Developing and applying new science and technology is a necessary ability for intelligent communication equipment enterprises. Affected by the relevant policies of the United States, Huawei's supply chain has a gap. Huawei Kirin's high-end chips are likely to be out of print. At present, Huawei should conduct research on the key points such as the defects of supply chain and improve the quality of ecosystem, accelerate the

research and development of basic principles and engineering technologies of alternative products and technologies. [2]Pay attention to protecting the core of patents, so as to realize the promotion of mid-range products to high-end products, cultivate and form an internationally competitive domestic alternative supplier system of chips, devices, software, etc., and finally form a multi-level supply chain system with a wide range of sources and complementary to each other, Improve the technical level of products, so that enterprises have stronger stability and advancement. Rely on excellent products and services to strive for the British market, stabilize the existing market, and open up new markets.

## **4. Marketing Plan Design**

Through the comprehensive guidance and practical operation of 4P's theory, the specific plan of Huawei mobile phone marketing in the UK can capture and occupy the UK market through the integrated operation of product design, price setting, channel expansion and promotion methods. These measures will lay a solid foundation and sufficient material guarantee for Huawei's mobile phones to enter the UK market.

### **4.1. Product Design**

Localization strategy is one of the basic strategies of most multinational companies. In terms of product design, Huawei mobile phones mainly promote the Britishization and localization of mobile terminal products and the use of design elements, adhere to the use of core design concepts, and at the same time design mobile phones for different estimated sales quantity and sales price.

#### **4.1.1. Promote the Use of Product British and Localized Design Elements**

Britain is a constitutional monarchy. The citizens of the country retain the royal worship, especially the Queen of England. Therefore, in the process of mobile phone design, the head of the Queen of England can be printed on the back of the mobile phone by laser printing to localize the United Kingdom. The use of localized elements in the UK can increase the distance between products and consumers. These subtle designs may seem trivial, but they add interest to the boring life of consumers. At the same time, the British Pzi flag is widely used in clothing design, fashion brand design and other fields. Huawei mobile phones should add the British flag element to customize a batch of British flag series products, which are similar to Huawei's current "mate series" and "P Series" and other series are sold as products of the same level. Huawei should also pay attention to the speed of product updates and iterations to cater to the new trends that young consumers yearn for. Britain is a multi-ethnic country. Therefore, Celtic Warrior elements and national musical instruments elements can be used.

#### **4.1.2. Adhere to the Core Design Concept**

The highlight of some smart phone manufacturers is that they are cost-effective. Some manufacturers' mobile phone cameras are more suitable for people who love to take pictures, and some manufacturers are known for their better sound quality of smartphone players. Huawei's core design concepts are different from them. Huawei insists on the application of the best materials and the precise grasp of quality control. Adhere to the core design concepts of signal and quality, and gradually adhere to these designs, and continue to transform them into Huawei's core design concepts.

#### **4.1.3. Determine Different Product Positioning**

With the significant improvement of people's living standards, people have more and more personalized demands for smart phones. In response to the different needs of the British market, Huawei's mobile phone products need to be positioned differently, mainly through the price factor as the leading cost-effective thousand yuan machine series, the young people's face value series, and the mid-to-high-end business series.

## 4.2. Price Setting

It is generally believed that quality determines price. And Huawei also followed this rule. The customization of Huawei mobile phone prices differs mainly due to different users, different design elements and material departments, and different product positioning. There are three main pricing strategies for product pricing. They are high-risk pricing strategy, low-price penetration pricing strategy, and cost-added pricing strategy. Different strategies can be adopted for different products. For example, a low-price penetration pricing strategy can be adopted for mobile phones that are mainly sold to student groups.

### 4.2.1. Varies Depending on the User Population

For the British market, some women who love beauty will use the camera system, so for these women, the price can be increased accordingly to obtain more profit margins; at the same time, for some high-end business people, a comprehensive explanation of the experience store is provided. , In exchange for corresponding profit margins through high-quality services; for some student groups, more cost-effective mobile phones can be adopted, and more market space and market foundation can be obtained through low-price and volume.

### 4.2.2. Varies due to Design Elements and Materials

The pricing of mobile phones is determined by many factors. Huawei mobile phones are redesigning mobile phones by using British elements. The R&D cost should be reflected in the unit price of the mobile phone. If the R&D cost and labor cost are relatively high, the price of the mobile phone is relatively high. Nowadays, Huawei mobile phone materials mainly include metal, glass, polycarbonate, etc. Due to the different procurement and processing costs of these materials, the industry has gradually formed an assembly line processing mode based on polycarbonate, with metal and glass as high-end design elements. These can be used as the basis for pricing.

### 4.2.3. Personal Customized Products

For some customers with higher spending power, they hope that mobile phones have functions specifically designed for their usage habits. The personal customized version of the mobile phone will undoubtedly be more expensive, but if the customer's satisfaction can be obtained, they are also willing to pay a higher price for it. The pricing of individual customized products can be slightly premium, with the focus on satisfying specific consumer customers as the first goal.

## 4.3. Channel Expansion

### 4.3.1. Combination of Online and Offline Sales

Huawei mobile phones land in the UK market. Channel expansion can be carried out mainly through offline and online methods. Through the construction of offline physical stores and online online stores, it is assisted by the comprehensive implementation of customized sales with local British communication providers. Channel expansion and striving to occupy the UK as soon as possible is to obtain market development resources and environment.

### 4.3.2. The Plan to Open Nearly a Thousand Stores in Nearly One Hundred Cities

In terms of offline channels, Huawei's mobile phones mainly need to establish mobile experience stores and sales outlets in large cities and important cities such as London, Manchester, and Belfast. And based on the stores in big cities, it will spread to the whole of the UK within two years, and strive to open 1,000 stores in 100 cities, which is the Hundred Cities and Thousand Stores Plan. Through the provision of offline services, British residents can go there. To actually experience the advantages of Huawei mobile phones, you can purchase Huawei mobile phones through offline purchases and online purchases.

### 4.3.3. Online Store

The online "online mall" plan. The online online mall plan can imitate the domestic "Huawei Mall", launching a localized version of the UK app while building the website. Compared with the physical store, the online mall is more convenient and faster, a more intuitive advantage. Therefore, in order to promote the sales of mobile phones in the online mall, discounts and promotions can be carried out in the online mall on a regular basis to improve the visibility and market recognition of the Huawei mobile phone online mall.

### 4.4. Promotion Method

In terms of promotional methods, in order to better enter the UK market, Huawei mobile phones must hold more vigorous promotional activities to transfer more profits to consumers. Today, Huawei's promotional methods have achieved corresponding results in China and have allowed Huawei to enter the top three in the sales market of Chinese mobile phone manufacturers in one fell swoop. Therefore, in promotional methods the choice above can reproduce Huawei's promotion strategy in the UK, and at the same time, specialize in the social market conditions in the UK, and extensively promote campus smart phones.

China's "double 11" Shopping Festival has gradually become a global shopping carnival. In fact, the Chinese double 11 Shopping Festival comes from the concept of Black Friday Shopping Festival in the United States. We can imitate this promotion in the UK. The large profits of manufacturers and consumers may increase the transaction volume greatly. Through the way of discount promotion, consumers can really experience the benefits, which can save a lot of money for consumers. From a certain concept, it is to spend the least money to buy the most expensive products. In China's "Double 11" shopping festival, Huawei's single-product mobile phone's maximum profit margin reached 700 yuan. The profits of mobile phones account for about 20% of the sales price. The average British is more educated. They will also pay more attention to whether the price is consistent with the quality when they choose goods. And their choice of mobile phones also tends to be cost-effective.

Huawei has proposed in China that consumers can participate in online panic buying activities at a specific time. Because of the anchoring effect, people are always more sensitive to discount information. Online panic buying activities have aroused widespread social concern. Online sales is almost a business must choose. Therefore, Huawei mobile phones must pay attention to the discount and profit of online sales promotion. After the HUAWEI Mall has been widely popularized, it regularly launches limited daily online sales activities for HUAWEI brands. The top 10 mobile phone consumers get a 10% discount, the top 100 mobile phone consumers get a 50% discount, and the top 1,000 mobile phone consumers get a 10% discount. This can not only promote mobile phone sales, but also to a certain extent. To further enhance the visibility of Huawei's online store, it fully reflects Huawei's market influence.

Campus smart phones are promoted free of charge. As we all know, the education level in the United Kingdom is generally relatively high, and British consumers have a relatively deep acceptance of iterative mobile phone updates. In the UK, most of the customers who buy mobile phones are young people. Some young people even have two mobile phones. However, the British are generally more realistic and think that mobile phones are just a simple communication tool, and the electronic business in the UK is not as developed as China. Therefore, the choice of mobile phones is biased towards civilians and generalization, and there is no mass acceptance of smart phones. The Chinese mobile phone manufacturer represented by Huawei has long been well-known in the UK. Huawei must seize the opportunity to promote in the UK market. Through the free distribution of campus smart phones, while fixing a group of loyal users, young British people can recognize Huawei phones. When Huawei mobile phones are generally recognized among young people, it is undoubtedly laying a talent foundation for Huawei's development.

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