

Research on Marketing Strategy of Huawei Brand in Kazakhstan

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ABSTRACT

Marketing research is a complex multi-step process that requires in-depth knowledge of the object of study, the accuracy and timeliness of the results of which largely determine the successful operation of the entire enterprise. Most business failures (from loss of market share to bankruptcy) are because important strategic decisions are made either in conditions of lack of information or on the basis of erroneous or outdated data. Marketing research will provide the necessary information and reduce the risk when making important decisions. Marketing strategy is the collection of information about the activities of the enterprise, in the main areas (product, price, customers, and promotion) and the use of the results to choose the direction of business development.

The goal is to identify possible ways to improve the effectiveness of Huawei’s marketing strategy in Kazakhstan. Theoretical issues of marketing are considered, namely the concept of marketing, goals, objectives, functions and issues of marketing, marketing macro and microenvironment, marketing research.

This article will be of positive importance for the study of foreign investment of Chinese enterprises.

Keywords— Brand, Huawei Company, Market Environment, Marketing Strategy, Marketing Research

I. INTRODUCTION

Probably, each of us thinks about how this or that industry developed. When did the first car appear on the roads? Who developed the first space rocket? How and when did the mobile phone appear and what influenced its development? Just the last question we will disassemble. Mobile industry is really interesting and extensive, although there are only a few decades. How have mobile phones evolved so much in a couple of decades?

The world’s first mobile phone call occurred in New York in 1973, and this phone did not work from the fixed network. Refinement of the world’s first phone, Motorola continued - and after 11 years (1984) the first portable telephone equipment went on sale. The beginning of the history of this legendary technology is considered in 1984. The first mobile phone was equipped with a thirty-number memory, a ringing tone and a display. His weight was 800 grams; the price was about 4 thousand dollars.

The real discovery happened in the 21st century. Mobile devices are rapidly becoming cheaper; there are new companies that generate impressive competition.

China is one of the fastest growing and most promising mobile phone manufacturers in the world. This can be seen in the example of Huawei’s influence on global mobile electronics markets. Chinese manufacturers of mobile devices have the main advantages of survival in the global market - price, quantity and speed.

II. BACKGROUND

According to IDC (International Data Corporation), a well-known marketing research organization, for the first time in the global market, Huawei surpassed Apple and moved to second place. In addition, the company continues to lead the mobile market in China with a record share of 27.0% in the second quarter of 2018.

Vendor	2Q18 Shipments	2Q18 Market Share	2Q17 Shipments	2Q17 Market Share	Year-Over-Year Change
1. Samsung	71.5	20.9%	79.8	22.9%	-10.4%
2. Huawei	54.2	15.8%	38.5	11.0%	40.9%
3. Apple	41.3	12.1%	41.0	11.8%	0.7%
4. Xiaomi	31.9	9.3%	21.4	6.2%	48.8%

5. OPPO	29.4	8.6%	28.0	8.0%	5.1%
Others	113.7	33.2%	139.5	40.1%	-18.5%
Total	342.0	100.0%	348.2	100.0%	-1.8%
Source: IDC Worldwide Quarterly Mobile Phone Tracker, July 31, 2018					

China's mobile phone enterprises are developing rapidly, and their marketing and competitiveness are becoming stronger. At present, Chinese mobile phone companies are beginning to equate the importance of overseas markets with the domestic market and increase their investments. Phones of Chinese companies are currently in demand in Europe, America, Russia, South Korea, and the United Arab Emirates and in Southeast Asia. However, companies also show high rates of sales in Kazakhstan. Due to the project "One belt - One road", technology is being exchanged within the framework of economic cooperation between our countries. As a leader in foreign investment, Huawei took the initiative and actively began to implement the strategy in the Kazakhstan market.

Economic reform has led to a high rate of development of the national economy and an increase in the living standards of the population in China. Largely, this was a consequence of the country's transition to a market economy. One of the necessary conditions for improving the management of the Chinese economy is the introduction of marketing into the practice of enterprises.

China began to study the theory of international marketing in the 1980s. Many Chinese scientists study international marketing from different points of view. However, there are several studies on international mobile phone marketing in China.

The development of a market economy in Kazakhstan has led to the need to use and study marketing. At the present stage, the study of marketing fundamentals and knowledge of its features are necessary, as the market has entered a period of development, when competition intensifies, and companies are faced with such questions as how to predict their activities, what path to develop, have competitive advantages, which tactics and strategy to choose in their activities.

Today, according to world practice, marketing has become a key element of any business. Kazakhstan companies take into account consumer preferences and motives of consumer behavior, but almost do not care about long-term work and practically do not pay attention to issues of strategic development.

III. FEATURES OF THE DEVELOPMENT OF MARKETING IN KAZAKHSTAN

In Kazakhstan, marketing appeared in the mid-90s of the 20th century. The first specialists and marketing departments, having no previous experience, independently mastered and studied marketing technologies. Already, most managers understand that the success of an enterprise largely depends on effective management, making optimal decisions, studying the market, and recruiting staff. Therefore, marketing issues receive great attention and an understanding of the importance and necessity of this science arises.

In Kazakhstan, marketing has not yet received proper development, but at present, each company understands the true nature of marketing and strives to create marketing departments.

In general, the development of marketing in Kazakhstan can be divided into three stages. The first stage can be attributed to the period from 1990 - when only the concept of marketing appeared, it lasted until 1996, at this stage a number of organizations involved in the provision of marketing services emerged.

The second stage of the development of marketing can be attributed to 1996 to 2000. Marketers appeared, but mostly theorists. The lack of practice could be seen in the examples of the activities of marketing departments in companies. The following years made changes in the development of the emergence of practitioners from foreign countries. Specialists conducted a large number of seminars on the practical application of marketing, which allowed domestic companies to form marketing departments and use marketing tools. This period is characterized by the unstable state of the economy, caused by crises, which to some extent gave an impetus necessary for further development.

Kazakhstan begins the beginning of the third stage of the development of marketing in 2000. The changes that have occurred this year in the concept of marketing can be compared with the period of the 80s of the USA, and the consumer comes to the fore, not production. Gradually, this situation is changing and the needs and demands of consumers come to the fore. This is due to high competition and changes in the goals of the companies themselves. Now, many companies have restructured and are working for potential, that is, they are striving to linger on the market and gain the largest possible market share. This changed the concept of marketing, which continues to this day.

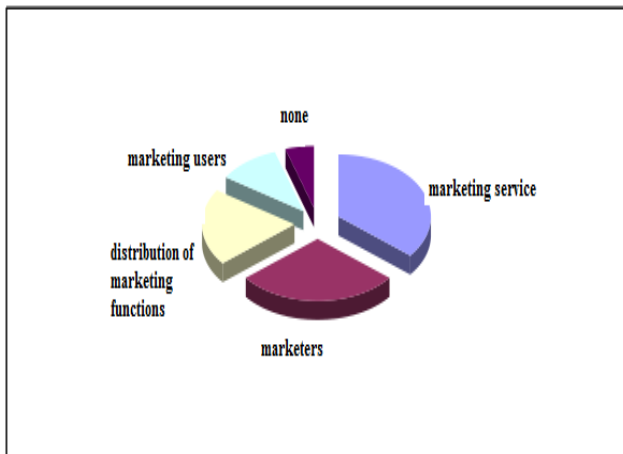
However, Kazakhstan strives for world trends, changes have occurred in some companies, which allowed the marketing department to stand on the same level with such divisions as finance and production. These companies

came to this in various ways: some by experience from their mistakes, others based on good management and the availability of qualified specialists.

During the last 2 years, the most significant problems for the enterprise were identified as the overall aggravation of competition, 46.4%, the problem of expanding market volumes - 39.3%, and the need to improve product quality - 32.1%. Among the internal problems were named in the field of marketing for the last 2 years:

- The problem of image formation for the brand, product, company - 50% of the total number of respondents;
- Problems of developing new products, expanding or improving customer service and forecasting sales (market volumes) they amount to 39.3% and 32.1%.
- Creation of marketing information systems in the organization and monitoring of sales - 10.7%.

Over the past five years, Kazakhstan marketing is going through a developmental stage. Already more than half of enterprises have in their structure marketing departments and marketing specialists. According to the latest data, 36.3% of companies have a separate dedicated marketing service. One third of the company (28.6%) have marketing-trained specialists in their composition. More than 20% of enterprises distributed marketing functions to other services. Almost 11% of firms use other forms of marketing organization in their enterprise: in most separate departments and marketing services, up to five people work. According to the study, the most important personal and professional characteristics of a marketing specialist were: strategic thinking - 78.6%; ability to negotiate - 78.6%; innovation and flexibility - 75.0%; interpersonal skills and knowledge of other functions besides marketing - 71.4; market orientation, planning skills - 67.9%; the desire to gain new knowledge and the ability to work in a team - 60.7%. For some reason, respondents underestimated such marketer qualities as leadership and analytical skills (Picture 1).



The weakest link in the majority of Kazakhstan firms from all components of the marketing mix is the product policy of the firms. Most firms pay attention to such elements of marketing as consumer preferences and consumer behavior.

If more than 60% of commercial and executive directors in America and in European countries are former marketers, because they deal with the main issues of the company's activities, while in Kazakhstan marketing specialists are often viewed as a useless business. However, the future of Kazakhstan companies depends on the effective implementation and use of marketing tools.

Now Kazakhstan's mobile phone market is oversaturated with respect to manufacturers and sales points, the number of which is increasing annually at the expense of Chinese, Korean and other Asian companies. There is a problem of the strongest competition for new producers, who are only planning to enter the market. Existing companies, for the most part, find it extremely difficult to hold positions and maintain their place. There is a question of how, with such a density of competition, to gain an advantage in the market and expand our capabilities.

In general, Kazakhstan is becoming an increasingly competitive market for mobile devices. Last year, the country imported 4.5 million mobile devices for half a billion dollars. Almost all imports come from China and Vietnam. Mobile devices, manufactured in other countries are rare in our market. Among the manufacturers, Samsung is still leading by a large margin. Apple traditionally ranks second. Chinese brands Huawei and Xiaomi took the third place from LG in Kazakhstan's mobile market.

The main difficulties of Huawei is the Huawei brand itself. Huawei has a long history, but before Huawei entered the Kazakhstani market, this story took place in the B2B (business to business) and B2G (business to government) sectors. The first problem was - the problem of perception in the consumer market. The second problem is the background Made in China. The stereotype about low-quality technology comes from China, which is firmly entrenched in the minds of consumers. This is especially true of consumers from the CIS. These problems were solved by long and hard work on the quality of service in the country. The consumer needs time to believe in the brand, seeing how high-quality devices Huawei produces.

IV. ANALYSIS OF HUAWEI'S INVESTMENT ENVIRONMENT FOR THE PROJECT "ONE BELT - ONE ROAD" IN KAZAKHSTAN

With the introduction of the economic project of the Silk Road, the concept of “One Belt - One Road”, China’s trade relations have become closer with neighboring countries. Due to the initiative, new alternatives and greater opportunities to invest abroad for Chinese companies have appeared. As a leader of foreign investment by Chinese enterprises, Huawei took the opportunity of the “One Belt - One Road” and actively implemented the strategy. This paper uses a case study method, for example, the PEST model and the analysis of Porter's five forces based on the summation of the investment case of Huawei. There will also be talked about the advantages of location and the Huawei investment market on the project “One Belt - One Road” in Kazakhstan.

The idea of reviving the ancient Silk Road was first voiced by the current leader of China, Xi Jinping, in September 2013 during a visit to Kazakhstan and speaking to students in Astana. The “One Belt - One Road” initiative is aimed at creating a bridge of trade and communication in the context of globalization and achieving economic integration, therefore this concept has also received great attention and recognition from the international community. 65 countries took part in the development and construction of the “One Belt - One Road” strategy, affecting almost 4.4 billion people, total production reaches 21 trillion US dollars, which is 29% of the whole world. The “One Belt - One Road” strategy promoted economic development and trade between China and countries along the Silk Road route, with the result that new points of economic growth appeared in China, a huge population, market potential and economic volume became a new direction for China’s foreign investment and mutual benefit.

Huawei has entered Asian, African and Latin American markets, as well as European and American markets, based on its accumulated advantages in the field of telecommunications. Currently, the company has more than 100 branches abroad, and its foreign investments are mainly concentrated in the field of telecommunications and information. Data show that in 2016, Huawei's turnover reached 520 billion yuan. Currently, Huawei is increasing its investments in IT integration systems, information services and telecommunications services in different countries.

Due to difficulties in the marketing market, marketing research of PEST analyzes and Porter’s five forces from Huawei in Kazakhstan will be described below.

PEST analysis is a marketing tool designed to identify the political, economic, social and technological aspects of the external environment that affect the company's business.

<p>P (Political)</p> <p>The political situation in Kazakhstan is stable. Kazakhstan has created many favorable conditions for foreign investors and has created a special green channel to allow investors to apply for preferential treatment. However, the preferred policy for domestic investors and foreign investors is unified, and there are no domestic and international differences"</p>	<p>E (Economic)</p> <p>17 million people live in Kazakhstan, and the per capita GDP is about \$ 14,000. It is the largest consumer market in Central Asia, and its domestic economic development is growing steadily. The GDP growth rate in Kazakhstan in 2016 was 1%, and in the first half of 2017, this figure rose to 4.2%.</p>
<p>S (Socio-cultural)</p> <p>The unemployment rate in Kazakhstan is relatively high, and the level of education is at a higher level in Central Asia, but it is exerted by cultural religious influence. Kazakhstan is rich in natural resources, its reserves of oil, natural gas, copper and tungsten are huge, but are financially overly dependent on oil resources, and the structure of industry is unevenly developed.</p>	<p>T (Technological)</p> <p>Kazakhstan's investments in innovations are increasing from year to year, which attaches great importance to the creation of high-tech materials based on universities, as well as cooperation with multinational corporations as one of the most important strategic objectives.</p>

Porter's five forces include: analyzing the threat of the emergence of substitute products; analysis of the threat of the emergence of new players; analysis of the market power of suppliers; analysis of the market power of consumers; analysis of the level of competition.

Huawei appeared on the Kazakhstan telecommunications market in 1997, helping to accelerate the pace of development of the 3G era of Kazakhstan in the 4G era. Huawei has helped Kazakhstan expand broadband coverage. The company is currently investing in providing Internet services, and collaborates with leading companies in the local telecommunications industry for high-tech systems, such as processing and analyzing cloud computing data.

Huawei has put forward many ideas to create an information project for the oil and gas industry, based on a convenient platform provided by "One Belt - One Road, as well as local characteristics and industries. Huawei also contributed to friendly exchanges between China and Kazakhstan: the creation of special scholarships, the promotion of positive interaction between the two cultures. The development of the information technology industry in Kazakhstan is relatively slow, and the communications industry is monopolized by its internal capital. Kazakhstan Telecom is the only telecommunications operator in Kazakhstan licensed to 4G. Huawei successfully became a partner of the company and signed an agreement with Harbin Telecom on the initiative of "One belt - one road" As part of a network cooperation agreement, a project to build a 4G network in Kazakhstan was implemented. Currently, Huawei's modernization and reconstruction projects in Almaty and Astana have been completed and will cover the entire territory of Kazakhstan in the near future.

1. Market Power Suppliers

In the communications industry, Harbin Telecom is Huawei's main competitor in Kazakhstan, but it is also Huawei's largest partner. Therefore, Huawei should build relationships with them and strive to achieve a win-win situation.

2. Consumer Market Power

Some foreign telecommunications companies in Kazakhstan have not received a license for 4G, but they do not exclude competition in the telecommunications industry. Huawei, as a foreign capitalist, has a small chance of obtaining a 4G business license from the government of Kazakhstan. Therefore, on the one hand, Huawei must rely on the status of Harbin Telecom to strengthen its influence, on the other hand, it needs to establish communication in state public relations, maintain relations with the local government and create a corporate image to counter potential competition.

3. Competition Among Existing Players

Currently, Huawei's main competitors are Samsung and Apple. Among the manufacturers, Samsung is still leading by a large margin.

4. The Threat of New Players

High costs for branding and advertising campaigns limit the appearance of new players in the mobile market. The emergence of new competitors in the mobile market for Huawei is unlikely, but possible.

5. The Threat of the Emergence of Alternative Products and Services

According to analysts, the demand for mobile phones and telecommunications devices in the near future should not fall, so from this side for Huawei in the future there are no visible threats.

V. CONCLUSION

Based on the above analysis, we can conclude that the investment situation of Huawei in Kazakhstan is improving, and there is great potential for economic growth.

It is usually considered how the particularities of a country, including cultural ones, influence the marketing mix, the specifics of segmentation and positioning, as well as operational marketing decisions. However, the existence of a national marketing model of a country, as a certain business philosophy that differs depending on the country of origin and has certain unique characteristics, is an unexplored topic.

According to the Russian author Stepanov D. (2002), Chinese managers never take an unreasonable risk to receive immediate profit, and even if the risk is justified, but to gain a profit, it is necessary to do something contrary to the company's philosophy, this benefit is often not even considered. It is this approach to mission, that is characteristic of the Chinese approach to business and marketing.

Product innovations, corporate culture, excellent marketing and a mobile phone enterprise development model characterize the main advantage of Apple's mobile company. The role of education lies in the fact that in order to increase the marketing strategy of Chinese mobile companies, it is necessary to accelerate the cultivation of the corporate culture of mobile phones. Chinese companies need to focus on innovating various marketing strategies.

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