

# Building Core Competence of Domestic-Made Mobile Phone

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**C**hinese domestic mobile phone producers snatched 30% market share in 2002. Some medias described it as “the first year of a reign” which showed the high expectation from domestic mobile phone industry. The inarguable fact behind the boom is that most domestic mobile phone manufacturers put too more efforts on the brand and market strategy without any breakthrough in their own intellectual property right.

From the experience of the famous international mobile phone producers, system equipment vendors have inborn advantages in the mobile phone R&D. In China the domestic telecom equipment producers started to manufacture switching equipment and mastered the core technology just in the last 10 years, and few of them have the real capability to enter the mobile phone industry.

## Take Advantage of Top Telecom Gear Maker

ZTE was the first one to react to the embarrassing situation in China that we had no mobile phone industry. In 2002, with the success in domestic telecom markets, and the exploitation of overseas markets, ZTE strode into

the mobile phone industry.

ZTE is the largest listed telecom equipment manufacturer in China, providing a broad range of products, including switching, access, video, mobile, data and optical systems, to the main domestic telecom operators. ZTE's products have been sold to more than 40 countries and districts.

ZTE has 12 wholly-owned research facilities in China, the US and South Korea. Forty-five percent of its workforce is engaged in product research and development. More than 1 billion RMB was invested in R&D in recent 2 years. All of those have laid a solid foundation for ZTE to get into the mobile phone industry.

## Set up a Top Level Mobile Phone Team

As the earliest company launching mobile phone R&D, ZTE aims at manufacturing mobile terminals as a long-term strategy. In 1998, while focusing on GSM system development, ZTE set up a mobile phone department and launched a mobile phone project.

In June 1999, ZTE successfully developed its dual-band GSM mobile phone ZTE189 in China, then ZTEx89 series mobile phones came out, which means the R&D of GSM mobile phone and the product line were becoming more and more mature. In 2000, ZTE obtained the contract for a GPRS mobile phone project from the Ministry of Information Industry. In May 2001, ZTE competed for and captured the contract to build the CDMA network in 10 provinces supporting 1.1 million users with a

complete set of its own patent equipment including switching system, base station and mobile terminals. Meanwhile ZTE successfully developed its CDMA mobile phone ZTE802, the first model with detachable SIM card in the world, which consolidated its leading position. As one of the three “little smart” network equipment providers approved by the Ministry of Information Industry (MII), ZTE holds 40% of the PSTN market share which makes it natural for ZTE to enter the “little smart” handsets market.

In March 2002, ZTE set up a mobile phone division in Shanghai that was dedicated to mobile terminal's R&D, production and sale. Now the division has about 1 500 employees, 80% of them with B.S. degrees or above, and 40% of them being technical personnel. Currently the team owns the best technical strength in mobile phone R&D in China. ZTE also setup a CDMA mobile phone research center (ZTE FutureTel) in Korea where the CDMA technology is well developed. ZTE puts emphases on the mastering of core technologies including core software, hardware circuits and key chipsets as well as mobile phone design, integration and testing, and has turned the technologies into the development of products, which has greatly improved the competitive power of its products. ZTE is the first enterprise that can develop its own commercial mobile phone protocol software in China and has become one of the few manufacturers with such capability in the world.

In 2003, ZTE will launch tens of new models, ranging from basic to high-end models, which will give new experience to consumers. The products that have already launched in 2003 are: GSM Model A300 with funny ringing and 24 chords, CDMA Model 826 with delicate shape and targeted for fashionable people, CDMA Model C900 and G218 with 65 k-color screen, “little smart” Model A218 with versatile functions and high performance/price rate, and “little smart” Model A268 sold for just over one hundred US dollars.

### Forge Leading ZTE Brand Through Customer-Driven Services

ZTE has adopted a provincial agent strategy to explore the mobile phone market with focus on



the support for terminal retail, and has gradually constructed a relatively stable distribution network. On marketing strategy, ZTE emphasizes the management of sales networks and investment in the construction of sales channels. By the end of 2002, ZTE had built up a stable nationwide sales team.

At the very beginning of 2003, ZTE set up an independent customer support department that is dedicated to mobile phone post-support. Its goal is to provide high quality mobile terminals to make sure that customers can use them bug-free, and all agents can sell them with strong support.

In the coming years, the competition in the mobile phone market will be fiercer. ZTE's goal is to be the leader among domestic competitors and create a world-famous mobile phone brand. In 2003 ZTE will continue to take state-of-the-art technology as the key point to explore both domestic and international markets, put more effort into design, production and sale, and construct first-class sales teams.

After years of development on mobile phone related technologies, ZTE's mobile phone division has developed a number of mature technical platforms to continually launch new products. ZTE is the only manufacturer in China that can produce CDMA, GSM, and PCS series mobile phones. Now it has 3 series with 30 different kinds of models ranging from high-end to low-end. In 2002, ZTE's mobile phones got a big score in the market: the sales of GSM mobile phones doubled, the market share of CDMA mobile phone is on the top list, PCS “little smart” mobile phones is ranked No.2, and captured almost one third of the market share. ZTE has become a rising force in the mobile phone industry.

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