

# A 6Ps-Based Analysis of HTC Company's Marketing Strategies in Mainland China

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Taiwan's smart phone brand HTC was once a typical symbol of Asian information technology and one of the world's largest smart phones' OEM as well as the earliest companies involved in the development of smart phones manufacturing. Since 2011, due to its complex product line, single sales distribution and deficiency in marketing investment in Mainland market, sales volume of HTC has been declining unceasingly, with market share decreasing year by year. The brand seems to have disappeared in recent years. This study applied the 6Ps model to analyze the marketing strategies of HTC in Mainland China by observing the current marketing environment. Through the analysis of current development of HTC, problems and inner causes could be found and reasonable suggestions provided accordingly.

*Keywords:* HTC, marketing strategies, smart phones, Mainland market

## Introduction

### Research Objectives and Significance

The competition between major mobile phone manufacturers has been extremely fierce in Mainland market. The former giants Nokia, Blackberry, and Motorola slipped from the top, while Samsung, Huawei, and Xiaomi have seized the opportunity and struggled their way up to the top ladder. This kind of rapid change in the short term has rendered people to think deeply.

As a domestic brand from Taiwan, what we want is to witness its triumph instead of crashing. Additionally, HTC was one of the few brands in Taiwan's technology industry that could make a difference in the world. HTC's difficulties in the Mainland market and solutions provided to existing problems may be guidance for HTC to revive and some lessons are provided for other domestic brands in developing marketing strategies.

### Literature Review

6Ps was formed on the basis of the original 4Ps marketing model. Professor McCarthy (1960) summarized the controllable factors of the company's marketing activities into four categories, namely, products, prices, sales channels, and promotions. In the 1980s, marketing scholars Kotler (1980) added two Ps: power and public relations, to create a good international marketing environment for the company.

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Kotler (1980) believed that with fierce competition and various forms of re-emerging government intervention and nominal protectionism getting higher in international and domestic market, political power and public relations are needed to break trade barriers in international or domestic markets for enterprises. He also invented a new word, Mega Marketing, to express this new marketing perspective and strategic thinking. To effectively implement marketing activities, companies must have the correct guiding ideology to serve people as well as the guidance of strategic marketing combination, which includes market research probing, market segmentation, market prioritizing, and market positioning.

Xin Feiyan (2014) focused on the marketing strategies of HTC's intelligent terminal under the background of the mobile internet development, and proposed that the mobile internet affects consumption habits, fragmentation of purchasing behaviors, increased consumers' initiatives and interactive information communication of people. Habits of payment can change chronically. He's recommended that HTC should strengthen the precision of marketing on big data.

Yuan Haolun (2014) analyzed the marketing strategies of HTC, and pointed out that HTC's current marketing strategies are insufficient, and its low brand value, single sales channel, and massive product line as well as poor after-sales service are main defects of HTC's marketing strategies.

### **Advantages of Domestic Brands**

Domestic brands usually are more affordable. Domestic manufacturers are able to make cost-effective products while maintaining their own features. The main selling points of Vivo and OPPO are camera function and sound quality. The advantages of Huawei are more obvious; its strong battery cycle, outstanding signal, clear product line have made itself a selling champion. The high-end mate series are mainly designed for the people with business desires, and the low-end Honor series can meet most of the needs of consumers while keeping the price around 1,000 yuan. All these attributes can be equipped with domestic mobile phones. Therefore, the advantages of HTC do not seem to be clear in the Mainland market.

### **The Rise of Domestic Brands and Decline of HTC**

As the world's largest mobile phone market and the main battleground for major mobile phone brands, the huge potential of the Mainland market has propelled its own development. By 2018, the number of mobile phone models launched by China's own brands has reached 700, ranking first in the world. Secondly, the "counterattack" of domestic mobile phones has something to do with the operator policy support. From 2010 to 2013, cheap domestic phones quickly occupied low-end market in Mainland market. Most of the operators' 4G terminals are domestic mobile phones such as ZTE, Huawei, Coolpad, and Lenovo. The terminal subsidies provided by operators further promoted the booming of the low-end smart phone market.

Conversely, sales of HTC are constantly declining. The watershed of 2011 witnessed the rise and fall of HTC. In the same year, HTC's market share was surpassed by Samsung and then began to decline dramatically. The stock price in 2013 was only 159.5 yuan, and it fell to around 110 yuan at the autumn of 2015, only one-tenth of the highest market value. The degree of recession reached 87.73%. By the time of 2016, HTC has basically terminated releasing new products ever since. HTC's recently announced revenue report shows that in 2018, its accumulated revenue was NT\$23.74 billion, and the decline rate reached 61.78%, compared to that of 2017.

In view of the center market, HTC has been in a quite embarrassing situation. Little potential there is in local market in Taiwan, and plainly developed in Mainland market, so HTC does not actually have its main

market. Besides, HTC's focusing on high-end goods only has resulted in its lack of market-competitive low-end products. It was not until 2012 that HTC started to set about preparing for middle and low-end market. But it has been quite difficult to enter into the Mainland already. Today's high-end products in Mainland market have since saturated, so there might be potentials in middle and low-end market in future for development. However in recent years, the competition has been quite fierce in the low-end market in Mainland and HTC has lost its opportunities.

### **A 6Ps-Based Analysis of HTC's Marketing Strategies in Mainland China**

#### **Product Line**

From the early G series to the flagship HTC One series, HTC's product line is complex and confusing for consumers to make a choice. The G-series phones have up to 23 models, including Dream, Desire, Incredible, Sensation, and the Mainland version, the flagship HTC One series include HTC One, HTC One X, HTC One X+, HTC One XL, HTC One V, HTC One S, dual-flagship models HTC One M9 as well as HTC One M9+, and these little-differentiated products were released almost simultaneously in 2015, resulted in an awkward situation where the same mobile phone has different names in different sales distribution. What is even more fatal to HTC is that the massive product line tactics have posed a huge threat to the control of its own supply chain, which has laid latent trouble for future.

#### **Pricing Strategies**

Violation of the market's pricing strategies is one of the main reasons for weak sales of HTC One M9 and other products. The latest HTC One M9 series have been targeted as flagship products, but equipped with the Media Tek MT6795T processor, while Media Tek's processor is synonym of low end products. Obviously, how would the customers pay for a mobile phone at the price of 4,999 yuan with a cheap MTK processor? Similarly, the HTC One M9 is equipped with the Qualcomm flagship Snapdragon 810 CPU, but its consequent problems in heat have also led to a significant price plunge. In Mainland market, the official price is 4,399 yuan, but the prices dropped to 3,500 yuan after only one month, which became the flagship price diving champion.

#### **Place (Sales Distribution)**

As a Taiwanese mobile phone manufacturer, HTC's cooperation with Mainland operators is comparatively tepid. In terms of social channels, it abandoned the national total and provincial underwriting system of Dopod (the predecessor of HTC), but did not create strong and successful social channels as Vivo and OPPO. Additionally affected by fake goods, HTC lacks price advantage in e-commerce platform; the sales are genuinely bleak.

#### **Advertising Promotion**

HTC's being Dopod's OEM for a long time. This unique attribute has led the company to keep its profile too low to be "practical" and is ignorant of brand marketing. Today, mobile phone marketing has become fiercely powerful. Samsung's global marketing investment is as high as \$10 billion, and investment in global ads of Samsung is 4-6 times that of HTC. After 2013, HTC has already realized the importance of conducting propaganda and that it has replaced the global CMO and has invested US\$12 million to invite American movie star Robert Downey Jr. for endorsement. However, at present, many advertisements have little connection with network marketing, ignoring the communication and contact with consumers. HTC's market share is still too low to survive.

### **Public Relations**

In Mainland market, HTC overestimated “blood marketing”. HTC has positioned itself as a Chinese brand. However, in the perspectives of Mainland consumers, “Huawei, Xiaomi, Vivo, OPPO” are the brands of our own blood. Thus HTC are deficient of a sense of identity from Mainland consumers. In addition, in Mainland market, a variety of new media play an important driving force in the process of brand building, but HTC has neglected the interaction with the Mainland media, especially such new Internet media as Weibo and WeChat.

In its “home” of Taiwan, the political, economic, social, and technologically-complex market, HTC, as a standard enterprise, has cold-mannered public relations. Therefore, HTC urgently needs a positive media response strategy.

### **Lack of Power (Support From Policy & Influence)**

No matter how the society develops, there will always be some products designated as consumer products by the government or prescribed by law. But it seems that HTC has hardly benefited from Mainland policies. For example, some enterprises encourage staffs to buy products of Huawei because of a sense of national identity. But few policies support HTC's purchasing for people in Mainland market. Political factors, though sometimes difficult to handle, have strong effects on enterprises.

It's difficult for HTC to compete with big brands in invisible services. HTC has set up more after-sales service stores in various places. However, because of certain quality problems in its products, such as “gap door” and “crack gate”, their weak public relations, the high repairing fee and long-waiting time can lead to users' dissatisfaction. HTC, as one of the high-priced companies, did not provide the customers with better after-sales services, like Apple did. Subsequently its invisible service quality dwarfs in customers' minds. Lack of customer loyalty led to HTC's failures.

### **Solutions for the Transformation of HTC's Marketing Strategies**

First of all, in terms of product strategies, it is necessary to end the massive product lines and “take innovation to the end”. Just as its new flagship M9 sales have met its Waterloo in the market, the main reason is the lack of product innovations and function upgrades, compared with the previous generation. If HTC wants to confront with domestic brands, it will obviously need a revolutionary product strategy to avoid becoming the next Blackberry or Nokia. HTC might as well learn from Huawei, since the latter got the main four series targeted at different people in society, with mate series for businessman; nova for students; P series for young people and Honor brand for people who are in favor of cost-effective phones. Divisions of its product are clear and complete, easy and convenient for customers.

Both as the most popular mobile phone manufacturer on MWC, Samsung should be able to give HTC a lot of inspirations. The Samsung Galaxy S6 and Galaxy S6Edge released in the same period as HTC, sold out 10 million units in the first month of 2015. The secret is Samsung's original double glass panel with metal frame, as well as the unique double-sided curved surface of screen design. In smart phone industry, it's vital that one's products must be special enough to stand out among all those competitors. Whether Samsung's curved screen or Apple's one and only IOS system, these special attributes have catered to people's needs. That's exactly why they stand out.

In the current situation, HTC might as well be streamlining product line first. U series products are positioned as high-end series, which is mainly designed for business people, with its price set under 4,000 yuan.

Secondly, HTC One series should be targeting at middle and low-end market, and the target group should be young students with its price set under 3,000 yuan. In the mid-market, HTC is supposed to bring together diverse products into specific collections and differentiate with distinctive characteristics for each series with exclusive product spokespersons.

The past corporate background has accumulated a strong technical background for HTC and focused on the performance of refined processes, which is a difficult substitute for competitors who produce in the form of procurement, assembly, and outsourcing. HTC's Sense user interface and Blink Feed feature in its own products have been well received by consumers. It is a good sign that the users have even been discussing how to port this interface to other Android phones. At present, HTC still lacks the characteristics of the leading market in software. In the future, it should continue to focus on software development and increase the high integration between software and hardware to enhance product differentiation. The excellent image of HTC products has also established a good reputation in the market. It is reasonable to continue to play the award-winning industrial design and exquisite craftsmanship, and upgrading to the boutique image will be conducive to the expansion of high-end products.

### **Establishing a Sub-brand**

HTC has always been worrying that low-end products have side effects for the original high-end brand positioning, thus its low-end products have never been laid out. However, without the support of low-end goods, it is difficult to reduce production costs without economies of large scale.

Under current circumstances, HTC might as well consider cutting by-products to proceed in low-end markets, just as ASUS split ASRock and acquires sub-brand eMachine and Sony cutting Viao. The sub-brand strategy can cater to different consumer buying motives. In 2013, HTC's marketing slogan was "to discover, to change", but the limited changes of strategy introduced by HTC so far have not been effective. The establishment of the sub-brand will help HTC to make bolder marketing attempts, including investment in new categories, and the exploring in technology gaps in market. The sub-brand also gives HTC the opportunity to find in other areas of smart applications, allowing the main brands to focus on high-end competition.

### **Improvement in Sales Distribution and Promotion**

It is necessary to change the exclusive authorization of the international market, and commit to internet marketing channel innovation and ecosystem construction. In Mainland market, the lack of sales channels is a direct cause of the sharp decline in HTC sales. It is urgent to circumvent the shortage of sales channel and build an omniscient marketing channel including those for operators, e-commerce, and chain stores.

Additionally, in promotion strategies, HTC ought to abandon the simple and ordinary promotion strategies instead of building the "excellent brand" marketing with more grounded advertising. HTC mobile phones urgently need to cooperate with media from all walks of life to expand the brand image and influence in business and political circles. For Mainland market, we need to be active. It is important to actively comply with the "new normal" of "Internet plus" marketing, and try to create interactions with Mainland media, especially new media in internet such as Weibo and WeChat. HTC needs to carry out a large number of brand promotion by using the current short live video mode to strengthen internet celebrity and spokesperson promotion, making HTC a familiar brand for consumers.

Then HTC should establish its own marketing channels, cooperating with local operators, and effectively using the advantages of operators to promote their own brands. The second way is to establish its own brand

stores in first-tier cities and cooperate with local agent brands in second and third tier cities, to effectively leverage the geographical, personal, and cost advantages of dealers. At the same time, HTC should expand online and offline sales distribution and enter online flagship stores such as Tmall and Jingdong. In the era of e-commerce booming, online shopping has become an indispensable part in people's lives. To open up the mainstream online marketing channel, HTC is advised to focus on opening online flagship stores.

## Conclusion

### Implications

As a Taiwanese private enterprise, HTC once made extraordinary achievements in the world mobile phone market. That was something worthy of our respect and learning. It is hoped that some of the research and findings provided by this project will be of benefit to other companies or relevant researchers. Envisioning the future, the author of the paper hopes that, when the motherland reunites, HTC will return to its peak and be fully recognized by the Mainland compatriots.

### Limitations and Suggestions

Due to the limited academic ability, the HTC market analysis in this study still has some deficiencies. Some of the marketing strategies are only proposed only according to what the author of this paper has learned, so it is likely that the research is not in-depth enough, and the data still need to be further excavated and analyzed in the future.

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