

# ***Research on the Monopolistic Characteristics and Countermeasures of China's Mobile Phone Market***

**Jiayang Kou<sup>1,a,\*</sup>**

<sup>1</sup>*College of Economics, Sichuan Agricultural University, Chengdu, 611134, China*  
*a.jiayang.kou@students.mq.edu.au*

*\*corresponding author*

**Abstract:** With economic development and technological innovation, mobile phones have gradually become necessary for people's lives. Today's mobile phones have both standard communication and powerful entertainment functions. This study uses the methodology of Literature research and Comparative analysis to infer the competitive structure of the Chinese mobile phone market through secondary data collected and to provide corresponding competitive strategies for each manufacturer to cope with the complex social environment, which is of great significance to the development of the Chinese mobile phone market. The study found that: the competitive structure of China's mobile phone market is in a state of monopolistic competition, with high product differentiation and relatively easy exit and entry for manufacturers. With high manufacturing costs, finding a competitive strategy that works for the company to survive better in the competition is vital. Moreover, among these many strategies, technological innovation is the most effective way for every manufacturer to drive.

**Keywords:** phone, competitive structure, China market

## **1. Introduction**

### **1.1. Research Background**

In today's electronic information age, mobile phones and computers have gradually become indispensable items in people's lives. In anticipation of the emergence of the electronic information age, China has seen the emergence of many renowned mobile phone brands worldwide, which have expanded the size of the Chinese mobile phone market and increased China's position in the international arena. Among these brands, companies such as Xiaomi and Huawei have significantly increased their market share from 46.1% to 85.4% in the five years between 2015 and 2020 [1]. This market share increase cannot be separate from the surge in mobile phone subscribers, with the number of 4G subscribers in China Mobile already surpassing 594 million in 2017 [2]. In order to effectively attract more consumers, each brand has adopted different marketing models and research and development ideas, and all these initiatives have intensified the competition in the mobile phone market.

In the face of fierce market competition, many different manufacturers have entered or been forced out of the market, which has posed great difficulties to their operations. This paper aims to examine the competitive characteristics of the current Chinese mobile phone market and propose

relevant measures for the major players to cope with the complex environment to help them maintain or increase their market share and improve their market share.

With the popularity of mobile phones and the emergence of different mobile phone brands, many scholars have researched the mobile phone market in China in recent years. The available literature has mainly studied the structural characteristics related to the Chinese mobile phone market

## 1.2. Literature Review

With the popularity of mobile phones and the rise of different mobile phone brands, many scholars have conducted relevant research on Chinese mobile phones in recent years.

Zixin believes that the domestic mobile phone market is close to saturation and that there is no monopoly of the market by very few brands, as was the case in previous years, thanks to the rise of domestic brands. A monopolistic competitive market still characterizes the current mobile phone market. With the continuous influx of domestic brands into the mobile phone market and the increasing market share of brands such as Huawei and Xiaomi, the mobile phone market is gradually developing from a monopolistic competitive market to a weak oligopoly market [2].

Xu Yi Fei Found that people's demand for mobile phones has gradually changed from non-smartphones to smartphones, so there is an urgent need for each brand to stimulate consumer demand by upgrading their products while ensuring the quality of their mobile phones to increase their market share [1].

In his research on how companies can gain an advantage in a turbulent environment, Cao Yanfeng proposed the Essence One Strategy: ONE Model by analyzing OPPO's unique strategic Model. He focuses this Model on three perspectives; opportunity, cutting-edge technology, and experience. He argues that a company must continuously output user value to gain an advantage in a turbulent environment [3].

Through their research, Shen and Dan found that the global mobile phone market is experiencing a decline in sales, and the Chinese market is no exception. Most of the reason for the downturn in the mobile phone market is that mobile phone brands need to be more innovative to stimulate consumers to replace their phones with new ones. Therefore, if manufacturers want to break the market, they must improve their research and development to seek more consumers [4].

## 1.3. Research Gap

In the literature, most of the scholars have studied the fundamental market structure of the Chinese mobile phone market and given the manufacturers corresponding competitive strategies based on the market structure. These studies provide a comprehensive picture of the Chinese mobile phone market from all angles. However, in the literature, it has been found that there are certain limitations in a large number of studies. As the main consumers, only a few articles have analyzed the response strategies of mobile phone manufacturers from the perspective of the purchasing psychology of university students. Therefore, in the study of the response strategies of mobile phone manufacturers to market competition, this paper will also address the consumer psychology of university students and provide a fresh perspective on the response strategies of the various manufacturers, which will go some way to filling the gaps in the existing literature.

## 1.4. Research Framework

With the mobile phone market as the main object of study, this paper first examines the basic structure of today's Chinese mobile phone market from a macro context. Secondly, by collecting secondary data, we analyze the current psychology of mobile phones purchased by university students and the factors influencing the consumer's tendency to purchase mobile phones. Finally, the structural

characteristics of the mobile phone market are addressed, and suggestions are given for relevant manufacturers' competitive strategies based on a new perspective of university students' purchasing psychology.

## **2. Method**

### **2.1. Literature Research**

In this study, the development of China's mobile phone market and the consumption of contemporary university students are investigated through the literature research method. It should be emphasised that the data collected in this paper is not from primary data but from secondary data. Secondary data is very different from primary data in that it refers to statistics that already exist in existing research and has the advantage of being low-cost, easy to access, and quick to collect. The sources of secondary data are mainly divided into internal secondary data and external secondary data, and external secondary data is used in this paper. A set of data for the study was summarised through the collation and analysis of existing literature. This paper collects the shipments of the top five Chinese mobile phone manufacturers and their market shares for the two years from 2017 to 2019, in addition to the difference between global and Chinese smartphone shipments from 2015 to 2019. According to the purpose of this study, it is hoped that this data will paint a basic picture of the vendors in the Chinese mobile phone market [5]. Finally, through a micro perspective, this study collected statistics on the daily consumption of college students at a university to provide relevant suggestions for manufacturers with a new perspective on the consumption situation of college students [6].

### **2.2. Comparative Analysis**

Comparative analysis refers to the comparison of different individuals to summarise their similarities and differences, and ultimately to obtain relevant conclusions, the study can use the comparative analysis method to grasp the development of the law of things more clearly. This study will compare the marketing strategies of the major mobile phone brands. Through the comparison of these brands, the study will combine the marketing strategies of each brand that are worthy of reference and eventually make a series of recommendations for each manufacturer based on the existing competitive market conditions.

## **3. Results**

### **3.1. Background of Industrial Development**

At the beginning of the 21st century, the Motorola Tinto A6188 entered the Chinese market as a trans-generational product. Its appearance marked that mobile phones have gradually become indispensable to people's daily lives [7]. From the beginning of the 21st century to now, for more than 20 years, mobile phones have been constantly updated and upgraded. Now the mobile phone can not only complete the communication function but can also be used for leisure, entertainment, or even work. In order to meet the demand for smartphones in this new era, more and more mobile phone manufacturers have started to compete to enter the market. As a result, the mobile phone market has undergone unprecedented changes over the years. 2001 marked the beginning of a new era for the mobile phone market with Motorola's first smartphone launch. Until 2003 the mobile phone market slowly passed through its initial development period. 2004 to 2006 saw more and more manufacturers enter the market and the mobile phone market entered a period. Finally, the competition in the mobile phone market has become increasingly intense.

### 3.2. Analysis of Competitive Characteristics of Chinese Mobile Phone Market Vendors

From Table 1, by analyzing the shipments of the top five Chinese mobile phone manufacturers and their market shares in the two years from 2017 to 2019, it can be concluded that the largest manufacturers in China's smartphone market shipments are Huawei, Oppo, Vivo, Xiaomi, and Apple, who occupy a large part of the mobile phone market [7]. Table 2 shows that China's current mobile phone market has gradually evolved into a market dominated by state-owned brands. As a country with a developed manufacturing industry, China's mobile phone manufacturers have cheaper manufacturing costs than overseas manufacturers. With the rise in patriotic sentiment among consumers in recent years, more and more consumers are willing to buy state-owned mobile phone brands [8]. However, even so, Apple, as a foreign company, still holds a market share of 16.8%.

Table 1: Compiled from IDC Data.

Year	Manufacturer	Huawei	Oppo	Vivo	Xiaomi	Apple	Other	Total
2017	Shipments (million)	90.9	80.5	68.6	55.1	41.1	108.1	444.3
	Market share (%)	20.4	18.1	15.4	12.4	9.3	24.4	100
	Market concentration CRn	20.4	38.5	53.9	66.3	75.6	100	-
2018	Shipments (million)	105	78.9	76	52	36.3	49.5	397.7
	Market share (%)	26.4	19.8	19.1	13.1	9.1	12.5	100
	Market concentration CRn	26.4	46.2	65.3	78.4	87.5	100	-
2019	Shipments (million)	140.6	62.8	66.5	40	32.8	23.9	366.6
	Market share (%)	38.4	17.1	18.1	10.9	8.9	6.5	100
	Market concentration CRn	38.4	55.5	73.6	84.5	93.4	99.9	-

Table 2: Compiled from IDC Data.

Market share of the top five smartphone vendors in China in 2022			
Manufacturers	Market share in 2022	Market share in 2021	Year-on-year increase
Vivo	18.60%	21.50%	-25.10%
Honor	18.10%	11.70%	34.40%
OPPO	16.80%	20.40%	-28.20%
Apple	16.80%	15.30%	-4.40%
Xiaomi	13.70%	15.50%	-23.70%
Other	16.00%	15.60%	-11.20%
Total	100.00%	100%	-13.20%

A basic assessment of the Chinese mobile phone market shows that the current competitive structure is monopolistic, with the market being both monopolistic and competitive. Although these enterprises all produce mobile phones, their products are more or less different, some may be of good quality, and some may be more reasonably priced. Hence, it is relatively easy to enter or exit the market. Manufacturers will first price themselves and then eventually modify their pricing according to the market and the behaviour of other manufacturers. Taking these points together, this study concludes that the current market structure of the Chinese mobile phone market is monopolistically competitive [5]. China adopts an unbalanced development strategy, which means that it concentrates on developing certain regions first, and then eventually drives the development of other regions through these already well-developed regions in an institutionally skewed way. So only mobile phone manufacturers in certain economically developed regions have higher economic and technological resources, allowing them to run their own mobile phone manufacturers better and make their own mobile phone manufacturers more competitive in the market. In such a market context, it also naturally creates a degree of monopoly.

### **3.3. Marketing Strategies of Major Mobile Phone Brands**

#### **3.3.1. Huawei**

As one of the leaders in the Chinese mobile phone market at present, Huawei's rise to prominence is inevitably due to its successful marketing strategy. From the brand's inception to the present, the company's decisions have always been inseparable from pursuing technological innovation and using the best marketing strategies [9]. Huawei attaches particular importance to the process of product development, and in order to avoid as much as possible the serious homogenisation of products today, the Huawei brand uses a differentiation strategy that covers a large target group, successfully meeting the needs of different target groups and achieving great success in its marketing strategy [9].

#### **3.3.2. Apple**

Apple, the world's largest mobile phone brand, still has the most stable fan base even though its market share in China has declined tremendously in recent years. Whenever Apple releases a new series of products, it always intensifies its efforts to promote the product by means of a launch event while at the same time adopting a strict secrecy system for the new product. Apple often uses a viral marketing approach, using its strong fan base to spread the brand virally, a strategy that has been a huge success worldwide.

## **4. Discussion**

### **4.1. Mobile Phone Consumption among University Students**

This paper understands the consumption situation of college students in a university through the secondary data investigated. Currently, the daily consumption of college students in this university mainly focuses on daily necessities, study, mobile phone communication, and mobile phone entertainment, accounting for 39.9%, 4.3%, 9.0%, and 38.1%, respectively [6].

It is clear that currently, university students attach more importance to the entertainment function of mobile phones than to the communication function of mobile phones. The endless forms of entertainment, such as online shopping, game top-ups, and live-streaming for rewards, are attracting more and more young people to spend their money on them. As a result, the use and performance of mobile phones for university students greatly influence their judgment on mobile phone purchases.

Current mobile phones have incredibly broken through the traditional functions of communication. Developers need to upgrade their phones in line with the current trend of meeting people's daily needs. The high-end and quality development of the mobile phone market must converge [6].

University students, as the primary consumers of mobile phones, are the ones who need to be given special attention. They have an extremely high propensity to consume. However, their relatively weak economic power often forces them to put the price/performance ratio of mobile phones first. Therefore, in the highly competitive mobile phone market, manufacturers urgently need to firmly grasp the main force of college students, get closer to their needs and life, and improve their loyalty to the mobile phone brand so that they can put the initiative in their own hands.

## **4.2. Analysis of Mobile Phone Manufacturers' Competition Strategies**

### **4.2.1. Avoid Excessive Homogeneity of Products**

With the continuous development of research and development, the current market of mobile phones is becoming more and more homogeneous, and mobile phone upgrade space has become relatively limited [7]. In recent years, with the introduction of full-screen, more and more mobile phone brands began to take a full-screen mobile phone flat, t. This design approach has now been, from the beginning, the novelty to the current mediocre. Therefore, mobile phone brands urgently need to establish their brand positioning and advantages to avoid excessive convergence with other mobile phone brands so that they can improve their position in the minds of consumers.

### **4.2.2. Pay Great High Attention to the University Student Group**

As a group of people with weak consumption ability, college students often need more financial ability to choose too expensive mobile phone products, so low prices and high-quality configurations have become the leading consumption choice of college students [10]. Mobile phone manufacturers should attach great importance to college students in their marketing strategy and focus on their consumption habits and personal preferences to break through one by one. As long as the brand has gained a good reputation among college students, it will spread to other groups, and its terrible speed, which will significantly improve the competitiveness of the manufacturers.

### **4.2.3. Enhance Product Innovation**

For any market or industry, the degree of product innovation is a significant breakthrough for manufacturers to establish their advantages. Patented technology, the arrangement of the industrial chain, and a good foundation in the early stage of the middle and low-end market all require a lot of time and energy to be invested by manufacturers to continuously improve their competitive advantage [2] their competitive advantage [2] continuously. Manufacturers need to meet the needs of different consumer groups through product innovation to make the goods less flexible. Through user-friendly features to comply with the market, increase the goodwill of consumers, reflecting the value of the enterprise.

### **4.2.4. Reasonable Recycling of Used Mobile Phones**

A company's reputation has always been a significant point in influencing consumer buying behavior. Many new mobile phones are produced yearly, and thousands of old ones are disposed of. When a mobile phone no longer functions, it becomes so-called e-waste. Undoubtedly, the emergence of e-waste will have an irreversible impact on the planet's environment. In order to maintain and improve the reputation of their brands, mobile phone manufacturers should take the issue of

environmental protection seriously and work with the government to set up a recycling system for used mobile phones. On the other hand, manufacturers should also take up the responsibility of promoting environmental protection so that people can develop a reasonable awareness of the need to protect the environment.

## 5. Conclusion

### 5.1. Findings

By combing through the relevant data on the Chinese mobile phone market, this study concludes that the current competitive structure of the mobile phone market in China is a monopolistic competitive structure monopolistic. In other words, there is not only fierce competition among manufacturers in the mobile phone market, but a certain degree of monopoly exists to some extent. The following features characterize the structure of monopolistic competition in the Chinese mobile phone market: firstly, there is more or less subtle product differentiation in the market; secondly, the intensity of entry or exit from the market is relatively low for the manufacturers. In order to fully increase their market share in a challenging market environment, manufacturers need to use the marketing strategies that are best suited to them to achieve the highest level of profitability. Among the many marketing strategies, increasing product innovation is often one of the most important breakthroughs.

Overall, the Chinese mobile phone market has yet to reach saturation, and there is still room for development. Domestic brands have made great efforts over the past decades, from following the pace of overseas mobile phones to leading the entire Chinese mobile phone market. The Chinese mobile phone market is the most competitive in the world. With so many manufacturers competing, many are often eliminated from the market. In order to prevent a large number of manufacturers from being eliminated due to severe mistakes in decision decision-making, this study suggests strategies to help manufacturers survive in this highly competitive environment. More manufacturers can survive the fierce competition, which will have a considerable impact significantly impact the development of the Chinese mobile phone market.

### 5.2. Limitations and Future Study

However, there are some limitations to this study in certain aspects. Most importantly, the data used in this study is not primary data collected through data collection but secondary data obtained through literature compilation. Secondary data has the advantage of being quick to collect and accurate. However, its lack of timeliness is a severe disadvantage. In the future, the study hopes to obtain as much primary data as possible to increase the data's timeliness and credibility and improve the study's persuasiveness.

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