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ZTE Targets European Smartphone Retailers to Chip at Samsung (2)

By Adam Ewing on June 27, 2013

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ZTE Corp. (763), the largest Chinese handset maker, plans to sell more smartphones directly through retailers in Europe to improve its brand awareness, the company's head of mobile phones said in an interview.

"Right now it's the operators in Europe who choose our brand," He Shiyou said in Stockholm this week. "In the coming three years we'll make a transition from focusing on operators to focusing on the open market."

ZTE wants to boost the proportion of smartphones sold through non-carrier partners globally to 40 percent over the next three years, from 10 percent now, He said through an interpreter. The executive declined to discuss specific retailers. While most handsets in Europe are sold along with subscriptions by carriers, consumers often seek bargains at stores such as Carphone Warehouse Group Plc (CPW) and Groupe Fnac. (FNAC)

Already a major brand in its home market, ZTE is less recognized by European and U.S. consumers. The Shenzhen-based company is doubling its marketing budget this year and is opening up new sales channels, moves seen as crucial for lifting revenue and profit.

"ZTE has to change the brand awareness in the market if they're going to expect any real smartphone growth outside of China," said Francisco Jeronimo, an analyst at IDC in London.

Fifth-Largest

ZTE is the fifth-largest maker of mobile phones, selling 13.5 million handsets in the first quarter for a 3.2 percent market share, according to data compiled by IDC.

Of those, 9.1 million were smartphones that can access the Internet. Its 4.2 percent market share in that segment put the company behind Huawei Technologies Co., which had 4.6 percent, and LG Electronics Inc. (066570) with 4.8 percent. Samsung Electronics Co. (005930) and Apple Inc. ([AAPL](#)) are the biggest smartphone makers controlling half of the market between them.

ZTE forecast its smartphone shipments will reach 45 million to 50 million units this year, compared with 35 million last year, as the company focuses on more lucrative models that run on fourth-generation networks based on long-term evolution technology.

China had 1.17 billion wireless users at the end of last month. About 27 percent have switched to high-speed networks, leaving more than 850 million users who could upgrade to smartphones, according to data released by the nation's three wireless carriers.

ZTE, which makes handsets based on Google Inc.'s Android system, plans to sell its first smartphone using

Mozilla Corp.'s Firefox operating system through Telefonica SA (TEF) next month, He said. It's planning another model or two in Latin America by the end of 2013, he said. There is no plan to adopt the Intel Corp.- backed Tizen software.

ZTE shares rose 0.8 percent to HK\$12.56 at the close of trading in Hong Kong. The stock is down 3.8 percent this year, compared with the benchmark Hang Seng Index's 9.8 percent slide.

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