

Exhibit 14

How ZTE Accomplished What Other Chinese Phone Brands Haven't: Enter The U.S. And Japanese Market



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ZTE booth at MWC 2016. Photo: Pau Barrena/Bloomberg

We know that Samsung, Apple and Huawei are the three largest phone companies in the world, followed by Vivo and Oppo in some order. But these rankings and stats only apply on a macro, global scale. Within each country is a different tale. That's why one of the things I do when I travel is observe the mobile landscape of that country. I'll pay attention to billboards, posters on mobile carrier stores, and eye what phone everyone is using on the train. It's fascinating to see the unique preferences of each country -- and realize that it isn't always as simple as "this phone brand is popular here because of marketing," sometimes, it's about the culture, history, and even politics, of that region.

Huawei, for example, is huge in Europe and Southeast Asia, but has very little presence in the U.S. and Hong Kong -- the former due to a [suspicious U.S. government weary of Huawei's](#) supposed ties to the Chinese government; and the latter because Hongkongers have long had an aversion to mainland Chinese brands. Vivo and Oppo may be number four and five on the world chart, but it reached those numbers almost solely off China sales -- in the west, lower-ranked brands like LG or Sony have 10 times more brand recognition.

Samsung phones are popular almost across the entire globe, with the sole exception of Japan, where its phones are rarely seen on the streets, and the brand is literally invisible (because [Samsung, out of tense Japan-Korea diplomatic relations, removes its own branding](#) on products sold in Japan).

Japan's mobile market is an interesting one. It is a relatively insular and proud country, and those traits worked in its favor in the 80s and 90s when it was the land of consumer electronics innovation. But its lack of desire to follow global trends eventually led to Japan's biggest tech companies completely [missing out on the smartphone bandwagon](#). Eventually, Japanese people fell into two camps: they either stuck with local Japanese brands despite its outdated products, [clinging onto flip phones](#) years after other developed nations have moved on, or sucked it up and adopted the most mainstream smartphone available (iPhone). The latter is beginning to win out, and this is why Japan's mobile market share is more dominated by a single brand -- Apple -- more than anywhere.

major cities, because I've traveled to Tokyo half a dozen times in the past few years, and it seems like three out of four people there use iPhones)

And so ZTE's recently announced Axon M is unique in many ways. Not only is it a *different type of phone* than what everyone else is doing in 2017, it's that rare Chinese phone that will launch in both the U.S. and Japan -- two of the top three economies in the world.

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So how did ZTE manage to get into the Japanese market when no other Chinese brands have yet to do so? Well, according to Jeff Yee, ZTE's vice president of mobile devices marketing, the very idea of the ZTE Axon M came from Japan.

"I'd say the idea started with [Japanese carrier] NTT Docomo," says Yee. "They went to us about two years ago and said, 'phones have been pretty much the same for the past decade ... let's do something different.'"

Yee said that set in motion a partnership that will see the Axon M launch in Japan through NTT Docomo this month.

Jeff Yee at Consumer Electronics Show (CES) in Las Vegas this past January. Photo: David Paul Morris/Bloomberg

"We [ZTE and NTT Docomo] want to challenge the industry," says Yee.

As for the U.S. market, ZTE has actually been a presence in the U.S. for a couple years now. In fact, ZTE, with a 12.2% market share, is the fourth largest phone brand in North America behind Apple, Samsung, and LG. This has all been part of ZTE's core strategy known as "ACW -- America, China, Worldwide."

Yes, as the order of the acronyms suggests, ZTE prioritizes the U.S. market over even its native China's.

"We are on pace to ship close to 20 million phones in the U.S. this year," says Yee. "We're the fastest growing OEM in the U.S."



The ZTE Axon M. BEN SIN

Being available on U.S. carriers is a crucial part of growing in stateside, as that is still the main channel through which American consumers get their phones. ZTE's partnerships with various U.S. carriers -- its *budget devices are available on the budget legs of major carriers like T-Mobile and Sprint* -- along with its various sponsorship of NBA teams has helped it grow its market share in recent years. The Axon M may only be available on AT&T, but it will still reach a lot more American consumers than Huawei's phones, which are only sold unlocked at retail outlets like Amazon and Best Buy.



NTT Docomo is one of the world's largest wireless network operators in terms of subscribers. Photo: Akio Kon/Bloomberg

Getting a carrier partnership is something Huawei is actively working on, and there are [strong indications that it will finally succeed next spring](#). But until then, ZTE is the only Chinese player in the game right now to the average American consumer.

Of course, ZTE's status in America and Japan is enviable for other Chinese phonemakers, but there are enough smartphone markets in the world for companies to share. Xiaomi may have no presence in those two markets ZTE is focusing on, but it's extremely popular in India -- a country with more than double the population of U.S and Japan combined. Huawei, meanwhile, is not exactly hurting -- its billboards are all over Berlin, Barcelona, Milan, and other European cities I've visited this past year, and its [Mate 10](#) is garnering a lot of positive buzz in North America.

I've started a [YouTube channel](#) in an effort to provide multi-media coverage of gadgets I come across. If you're interested, [please subscribe](#).

*I'm a Chinese-American journalist in Hong Kong, covering consumer tech in Asia. Before focusing on this exciting beat, I was a general culture writer and editor with bylines in the *New York Times*, *Wall Street Journal*, *Sports Illustrated*, *New York Magazine*, among others. ... [MORE](#)*