

Huawei Technologies Co. Ltd.

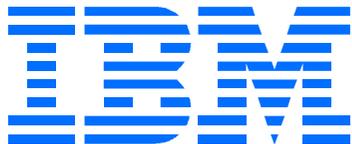


A study on Huawei Customers' Wants & Needs

REPORT

June 29, 2000

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In order to obtain a COMPLETE VIEW of what important improvements are needed in the total supply chain, it is crucial to include the view of the customers

The ISC project took 2 approaches:

1. Looking from within, through the eyes of the consultants and the from internal Huawei's staff observation
2. Looking from without, through the eyes of the customers, who are the final decision makers of Huawei's success

We want to find out Huawei customers perceptions on:

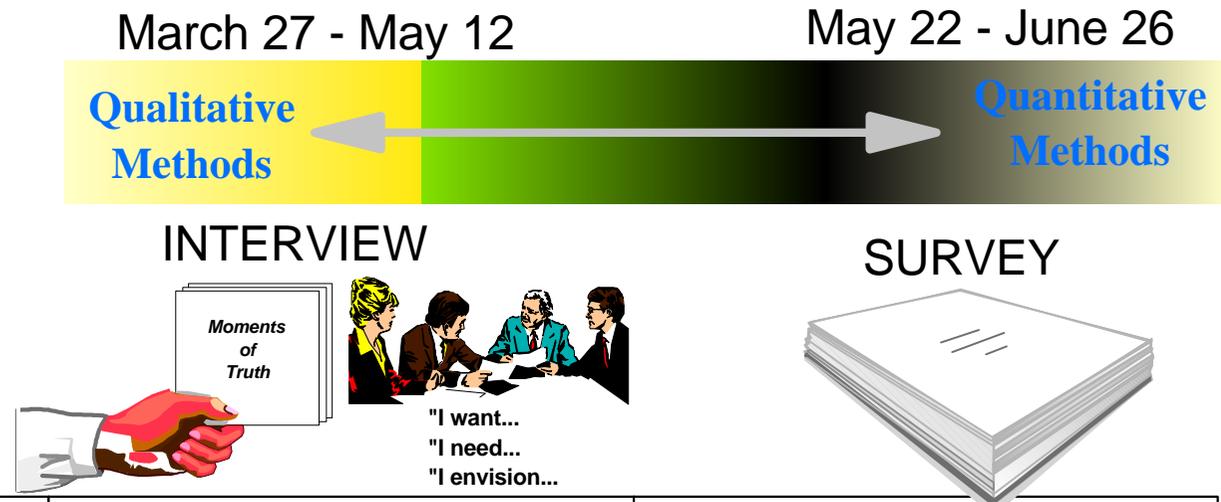
1. desired wants and needs - from the stage of evaluating to buy a telecommunication network product to the final stage of using that product
2. Huawei performance in these areas
3. Best of Breed competitor performance in these areas



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Over 3 elapse months (March to June), we have reached a total of 46 customers* through 16 interviews and a mail survey with a result of 30 responses



Purposes:	Generation, Formulation of Hypothesis	Testing of Hypotheses
Format:	Loosely structured, permissive subjective; Rich in content	Well structured, constraining objective
Limitations:	Results cannot be projected	Lacks descriptive power; diagnostics

Total effort spent : 100 person days of Huawei staff and 50 person days of consultants

Note: see appendix for details of the interviewed and surveyed customers



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16 customers were selected by Marketing from 3 major cities and 3 provinces to be interviewed

maturity level in purchasing

- high maturity
- medium maturity
- low maturity

Interviewee Profile

- 10 China Telecom units
- 2 HK telecom operators
- 3 China Mobile units
- 1 China Unicom unit
- All of the interviewees are of high to medium ranking
- Estimated total 1999 revenue to Huawei of **RMB10.3yi (9.8% of total 1999 revenue)**

Note: Maturity classification is determined by experience in Marketing and Technical Support functions



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From the interviews, we learnt of the customers' wants and needs in their key interactions with a network equipment vendor - from the buying to the usage processes

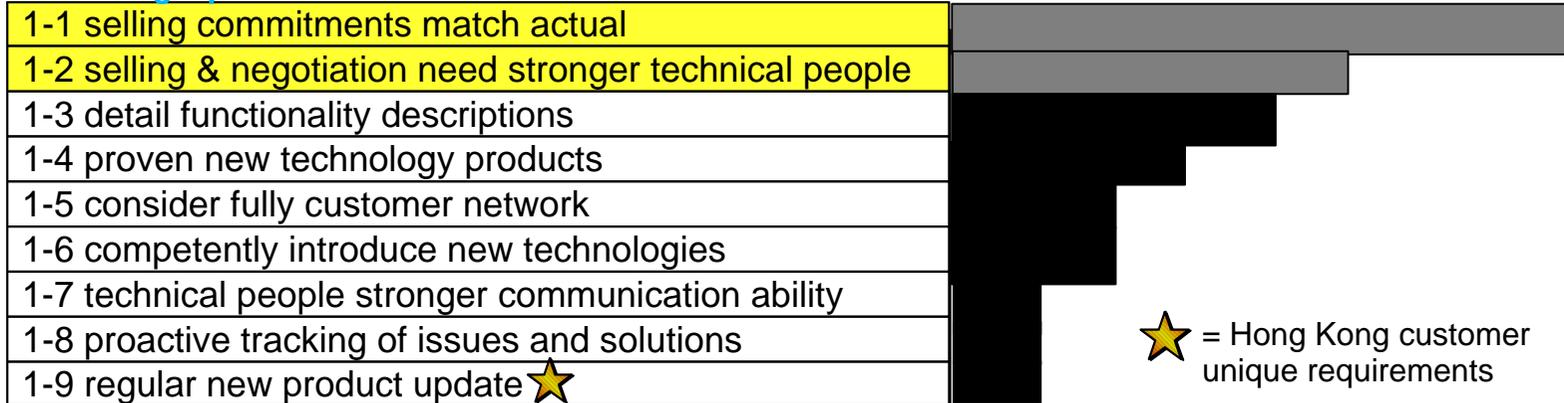
Key customer interactions classification

Buying Experience
- Evaluating a product
- Reviewing a proposal and negotiating
Contract Delivery Experience
- Taking a delivery
- Installing a product
- Payments settlement
Usage Experience
- Using a product

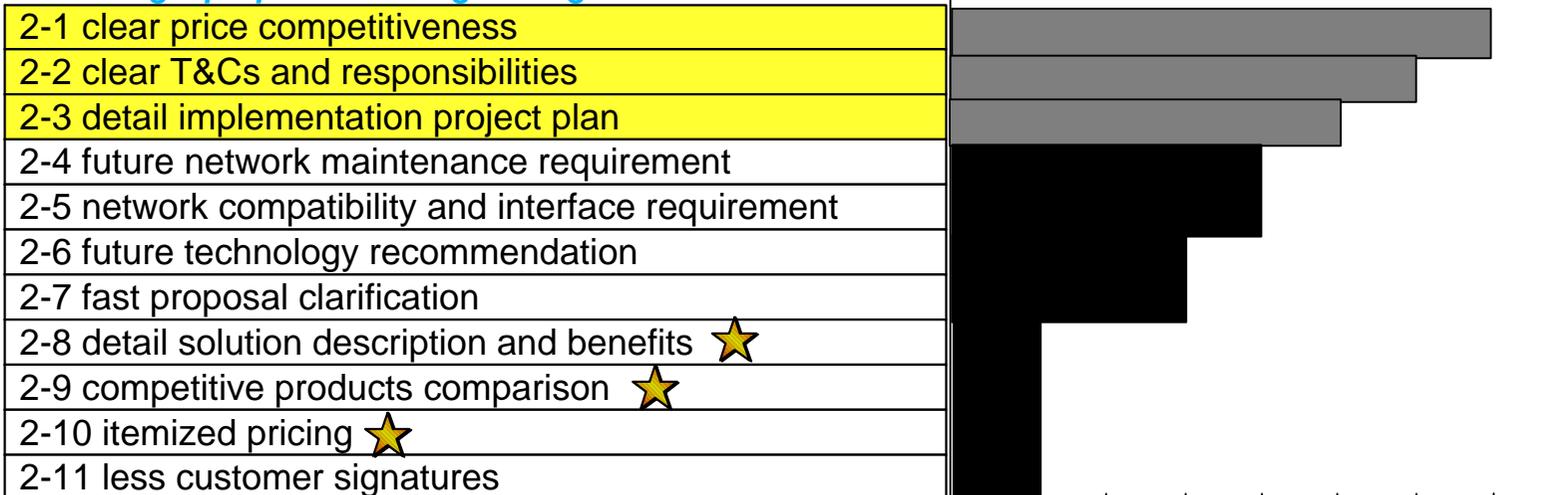


For the Buying Experience, customers value a reliable and competent sales force who can deliver a comprehensive and highly professional proposal on their recommendation

Evaluating a product



Reviewing a proposal and negotiating



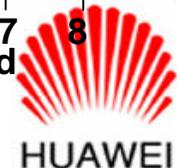
Note: see appendix for further elaboration of the customer requirements



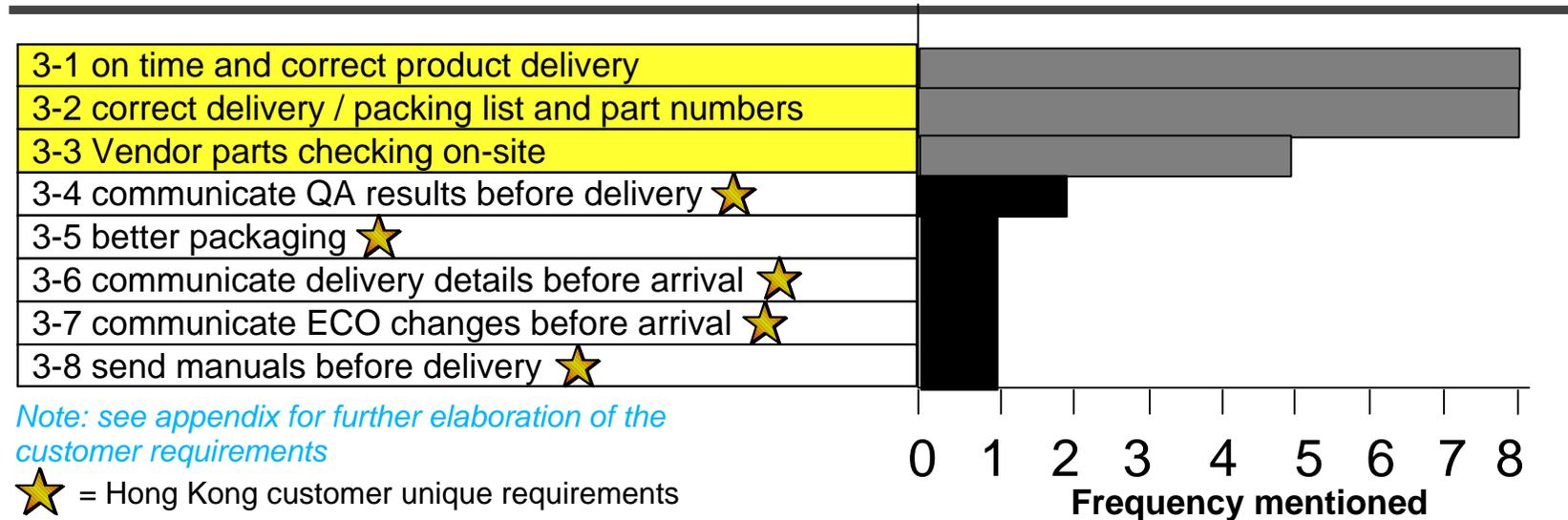
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Frequency mentioned



For the Contract Delivery Experience, customers want no surprises of any sort



"Need to deliver what is committed in contract"

Hutchison Crossing

"we want to receive complete shipment"

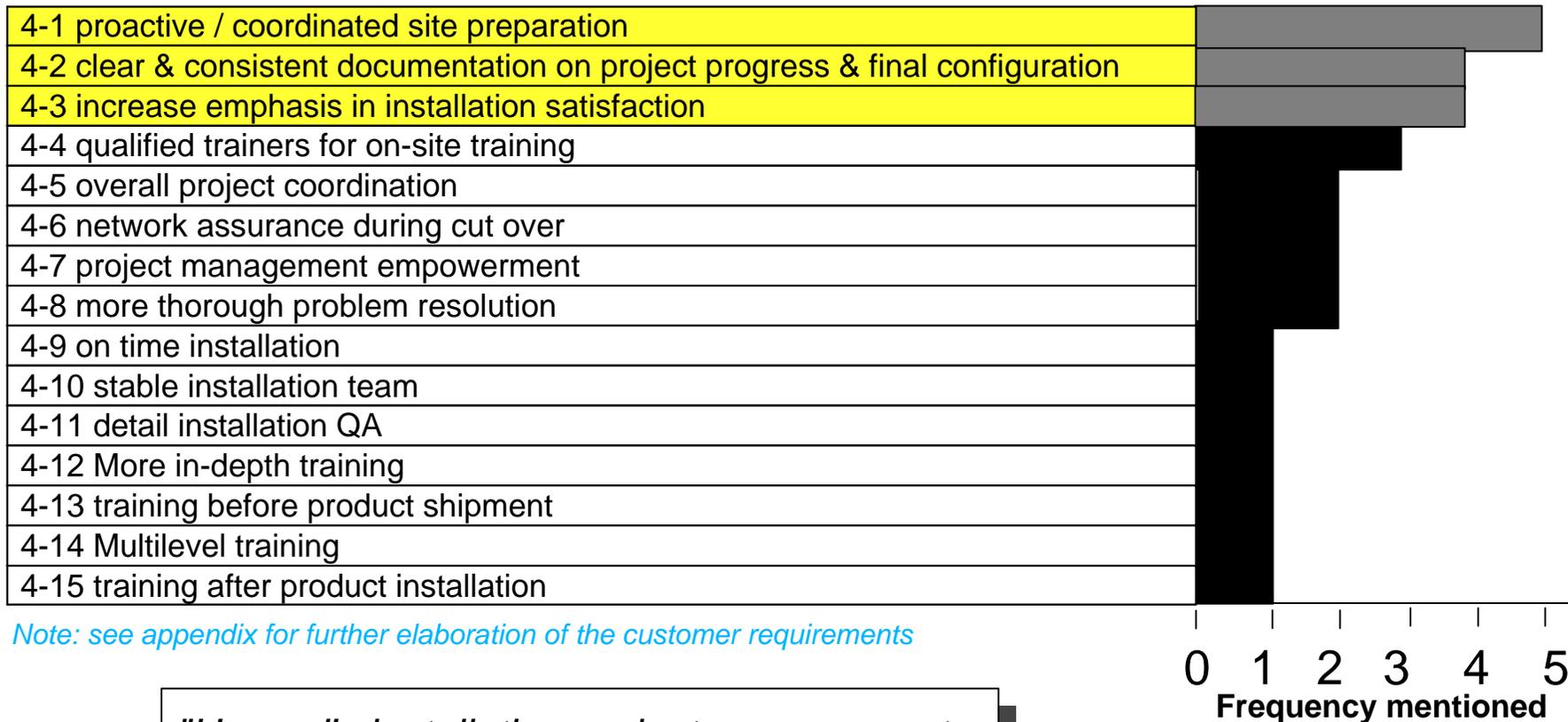
SH City Telephone

"we need to know exactly what versions of hardware and software we will be receiving so that we can ensure their compatibility with the existing network"

HK Telecom



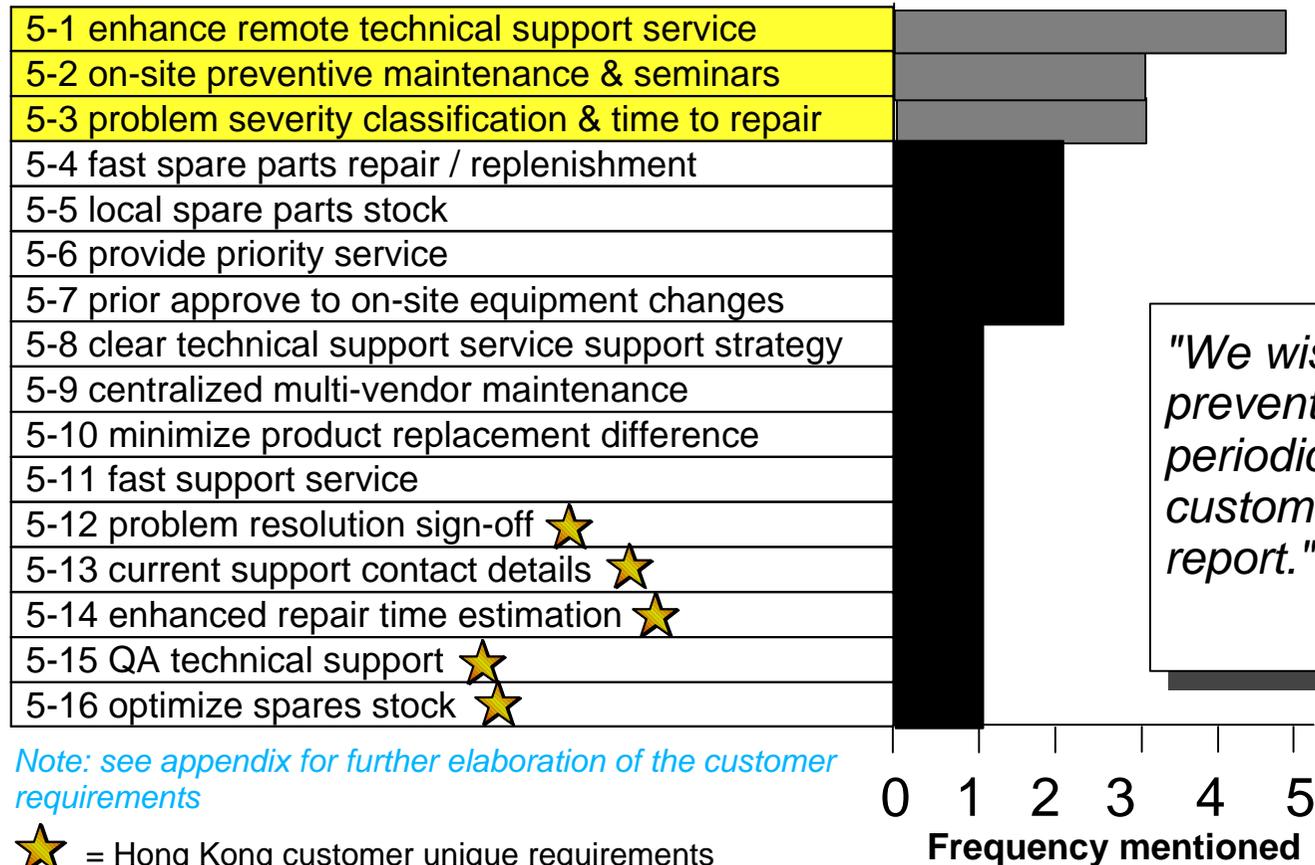
Customers wish to see consistency of installation quality in terms of attention to details by an equally competent project team from beginning to end of the installation cycle



"Huawei's installation project management quality is not consistent"
GD Mobile

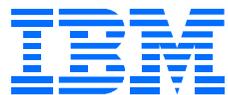


For the Product Usage Experience, customers desire preventive maintenance and speedy repair service with accurate duration estimation

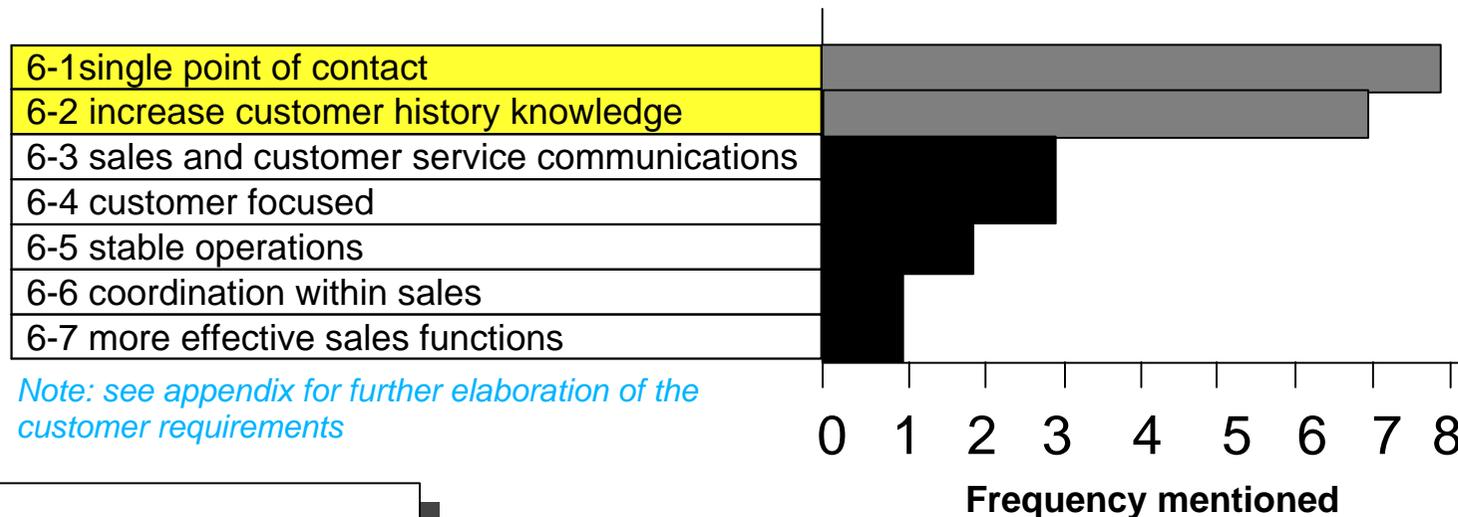


"We wish you can perform preventive check periodically, and give customer quarterly update report."

BJ Suburb Telephone



Customers expect Huawei to be well coordinated from sales to technical support, and be knowledgeable about the customers background and installation details



"We feel Huawei has strong departmental walls - hard to relate a message to the right party"

Hutchison Crossing

"Vendor must take the view of the stand as operator to solve problem."

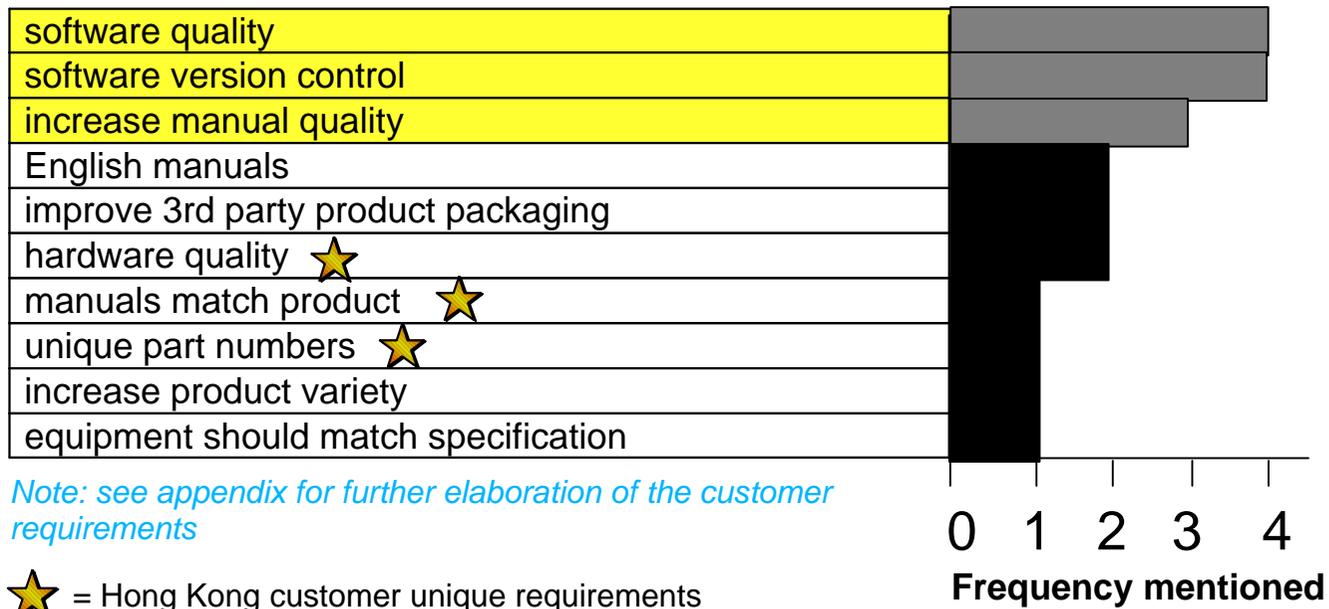
BJ Suburb Telephone

"We feel there is no backing of management support to the identified focal point - he seems to be very powerless."

Hutchison Crossing



Customers have cited a lot of areas, mostly in the supporting aspects, for Huawei products to improve on. The details were passed to IPD project team for their reference and consideration



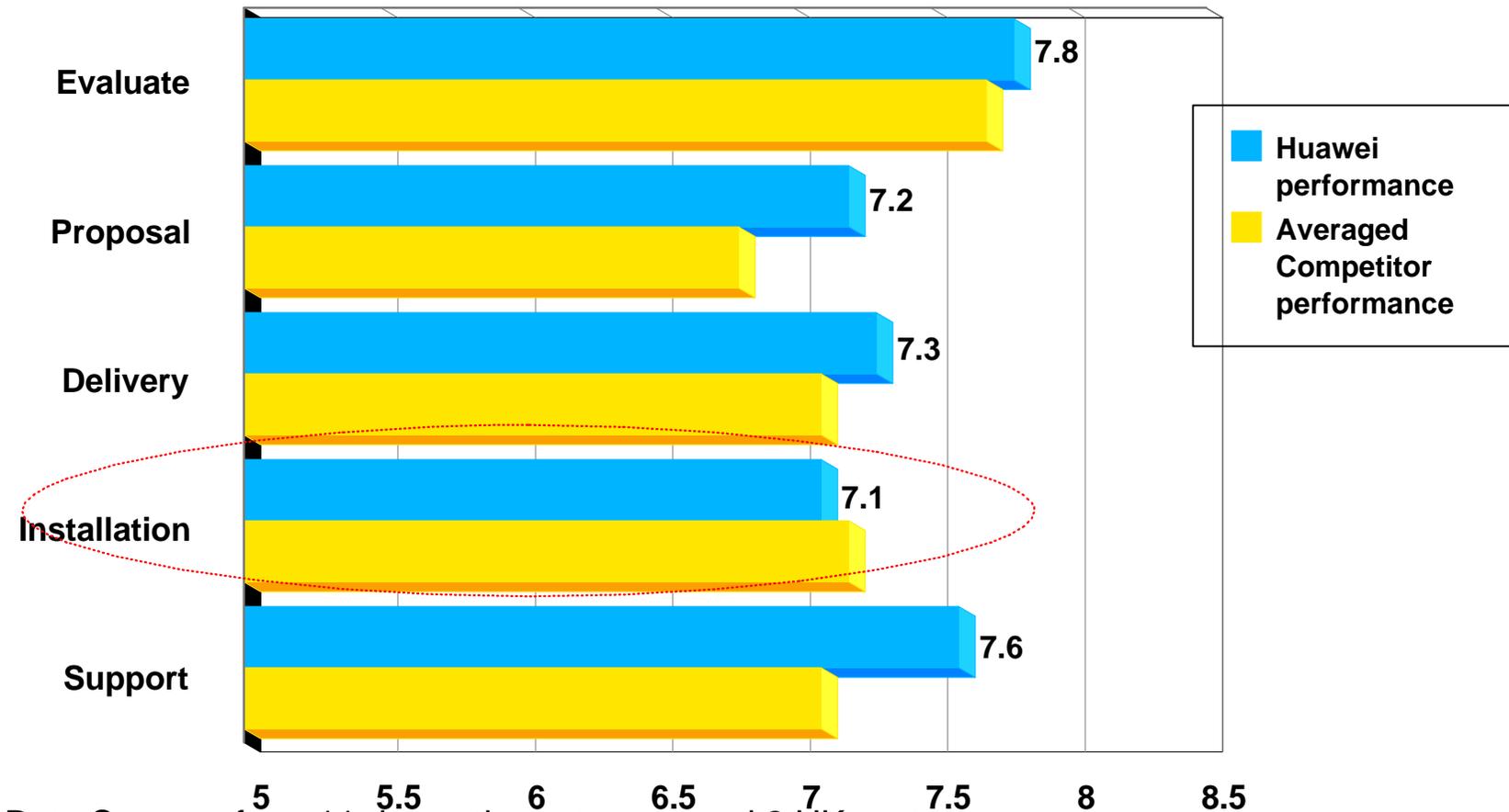
"We hope the installed software edition can be functional for a long time. Huawei should not solve problems by upgrading software edition because this will cause big burden on our maintenance department."

SH City Telephone



Huawei seems to perform generally better than its top competitors, except in '*Product installation*'

Overall Performance Comparison



Data Source: from 11 domestic customers and 2 HK customers



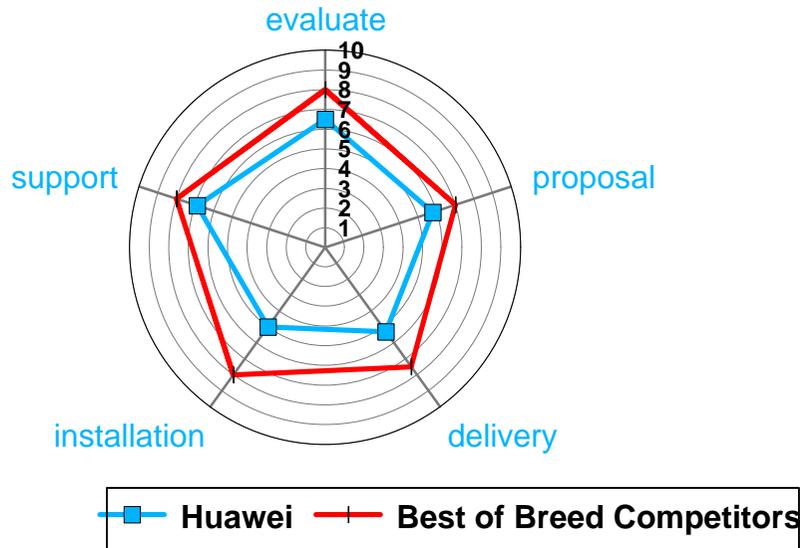
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However, the 2 HK customers find Huawei consistently worse off than its top competitors, this contradicts directly to the view of Huawei's domestic customers

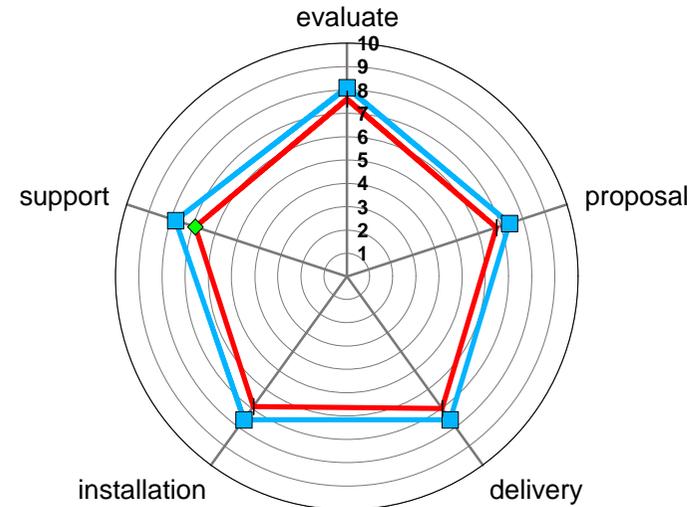
Performance comparison

(by the 2 HK customers)



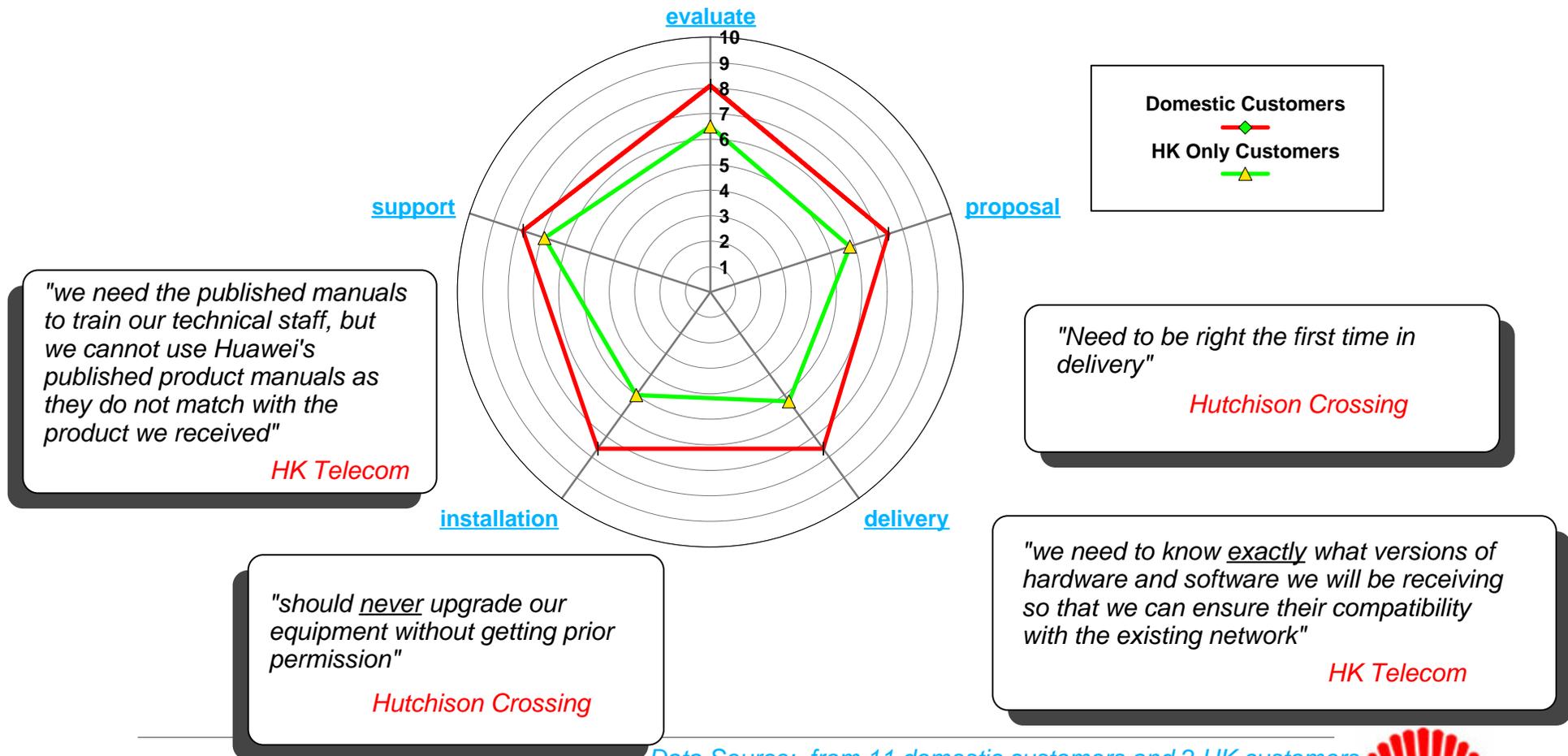
Performance comparison

(by the 11 domestic customers)



In fact, having much more international experience, the 2 Hong Kong customers hold a more critical view on Huawei's performance than the other domestic customers

Huawei's Performance Rating



Data Source: from 11 domestic customers and 2 HK customers



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The importance of the requirements gathered from the interviews were verified by a survey of which 30 customer* responses were received from 13 provinces

maturity level in purchasing

- high maturity
- medium maturity
- low maturity

Survey Respondents Profile

- 24 China Telecom units
- 3 China Mobile units
- 3 China Unicom units
- **Over 90% of the respondents are of medium to medium ranking**
- estimated total 1999 revenue of **RMB14.5yi (14% of total 1999 revenue)**

* The survey was issued under the IBM's name

Note: Maturity classification is determined by experience in Marketing and Technical Support functions

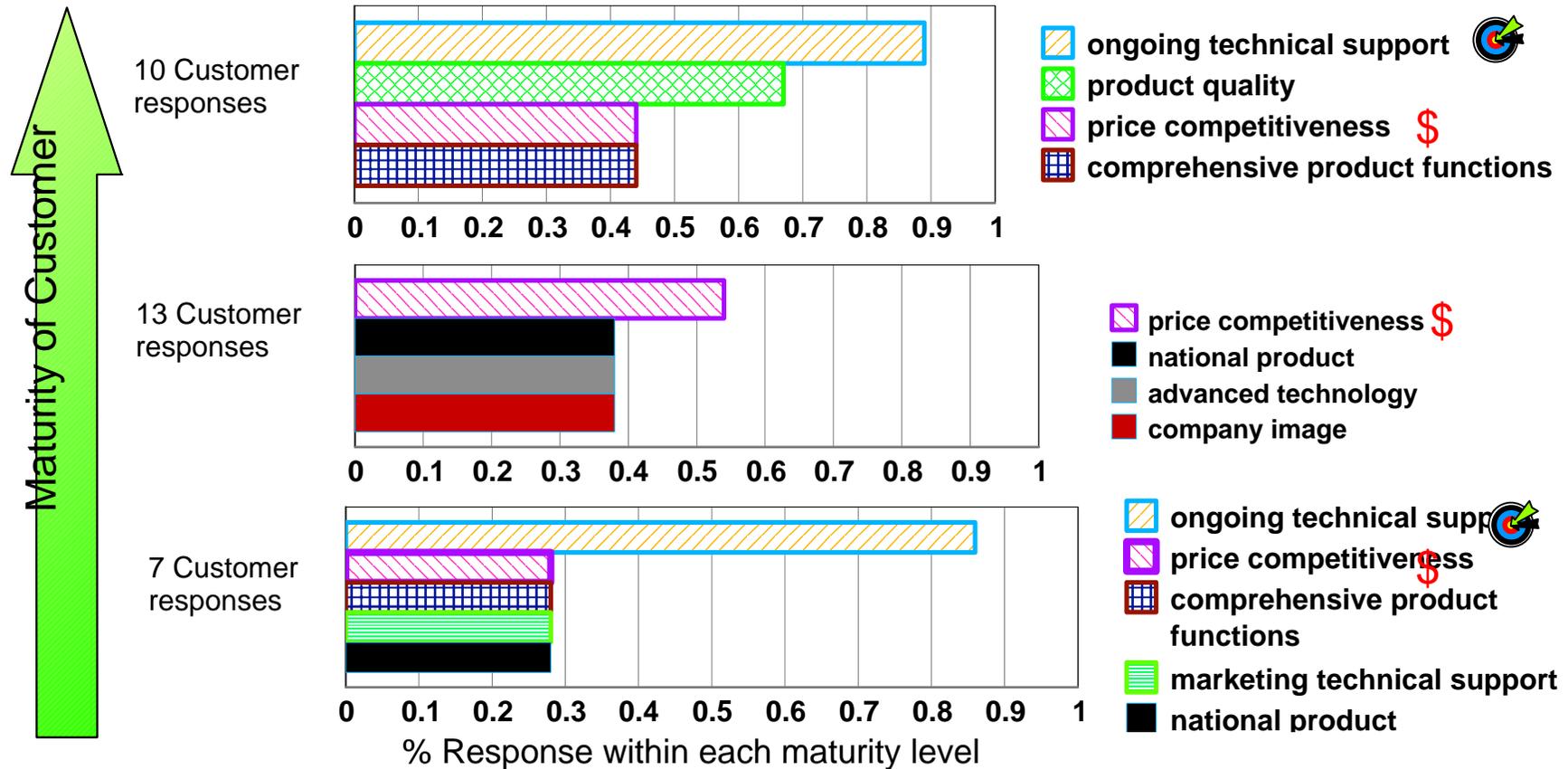


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From the survey results, it indicates "Ongoing technical support" as one of the top reasons customers buy from Huawei, and there seems to be no major deviations due to the level of customer maturity

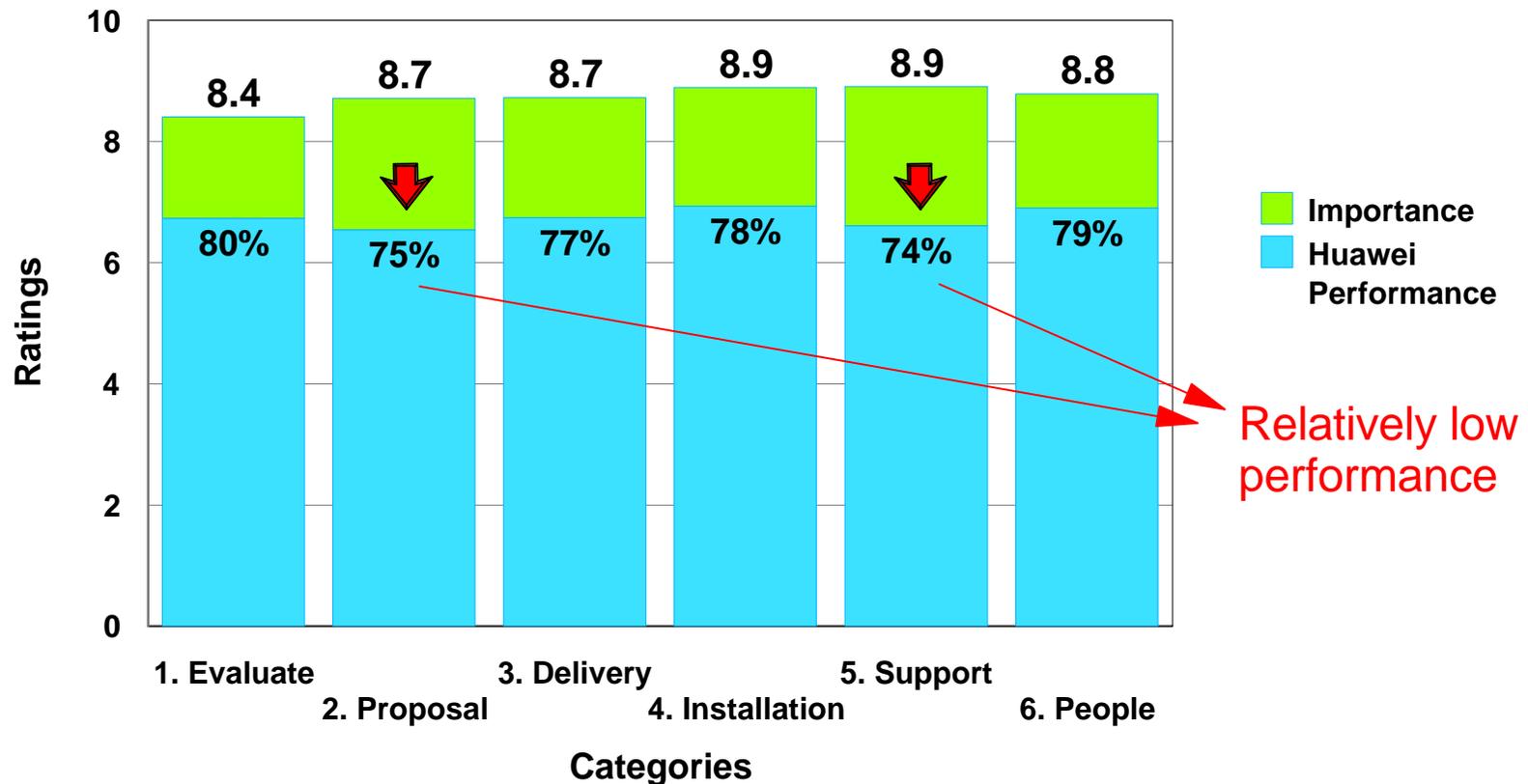


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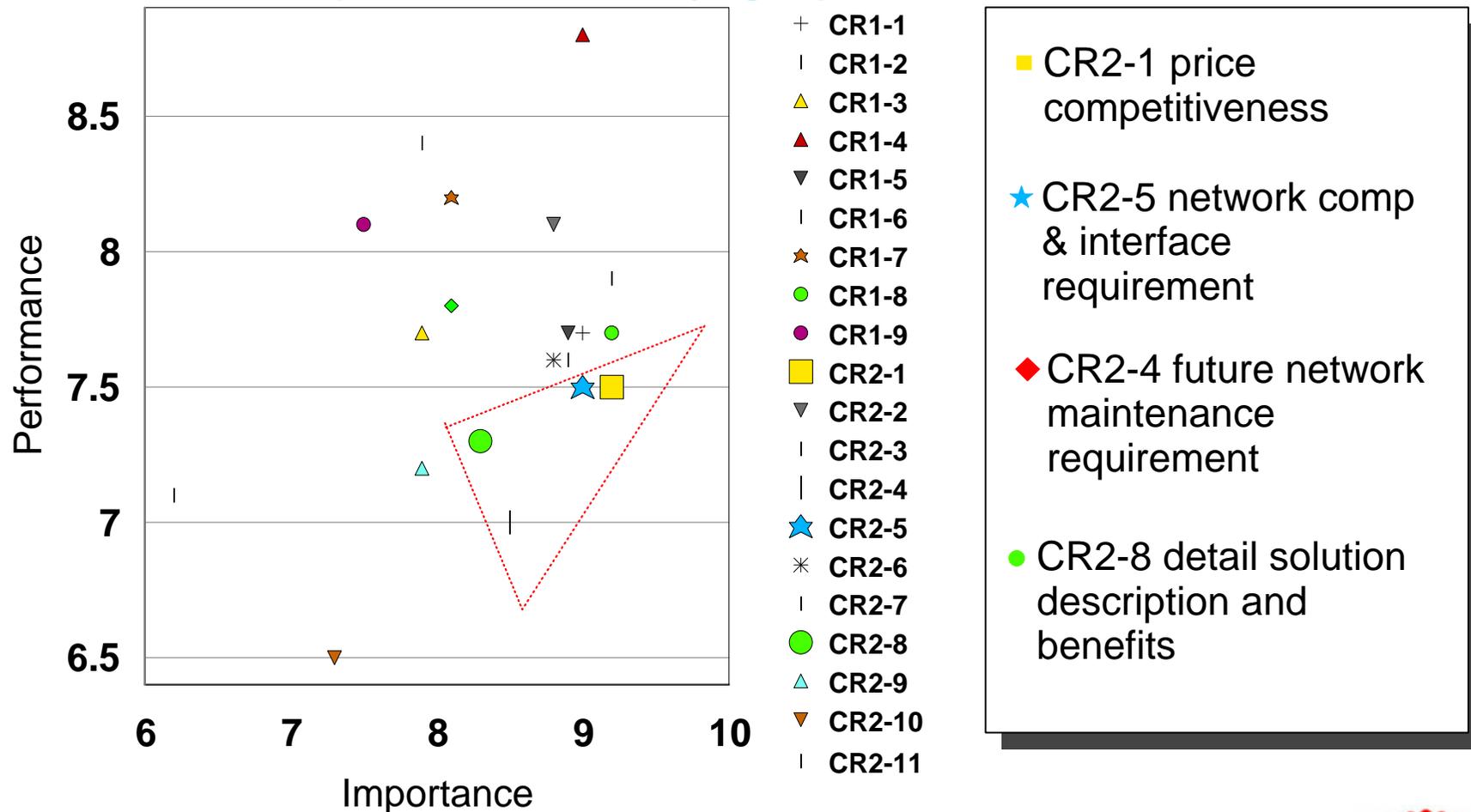
The survey results also indicate that Huawei needs to pay more attention in the wants and needs for Proposal and Ongoing Technical Support

Perceived Importance of the Wants & Needs within the Six Categories & Huawei Performance



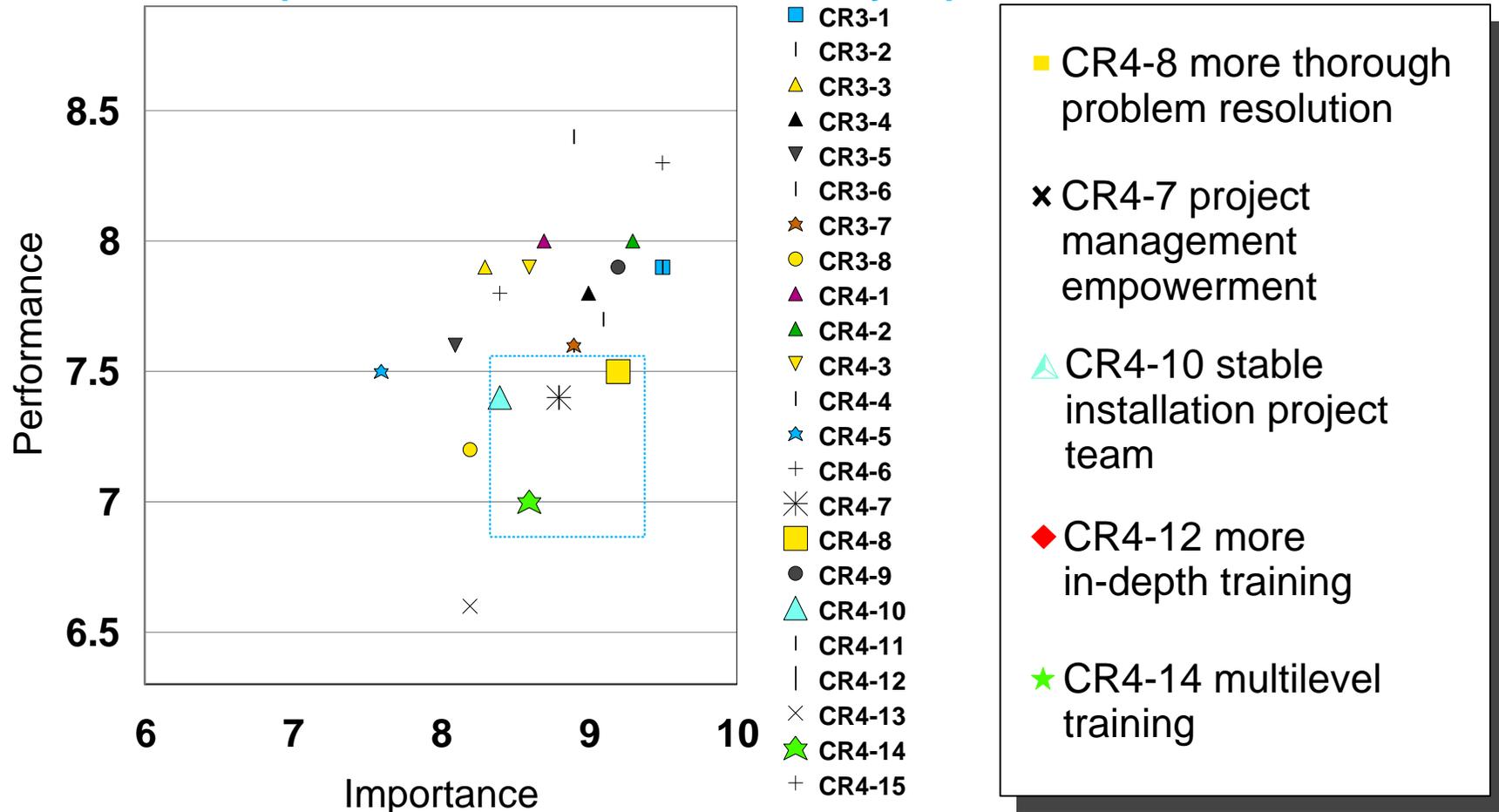
For the Buying Experience, respondents want Huawei to do better in price competitiveness and be more detail in customer's total network considerations

Customer requirements for the Buying Experience



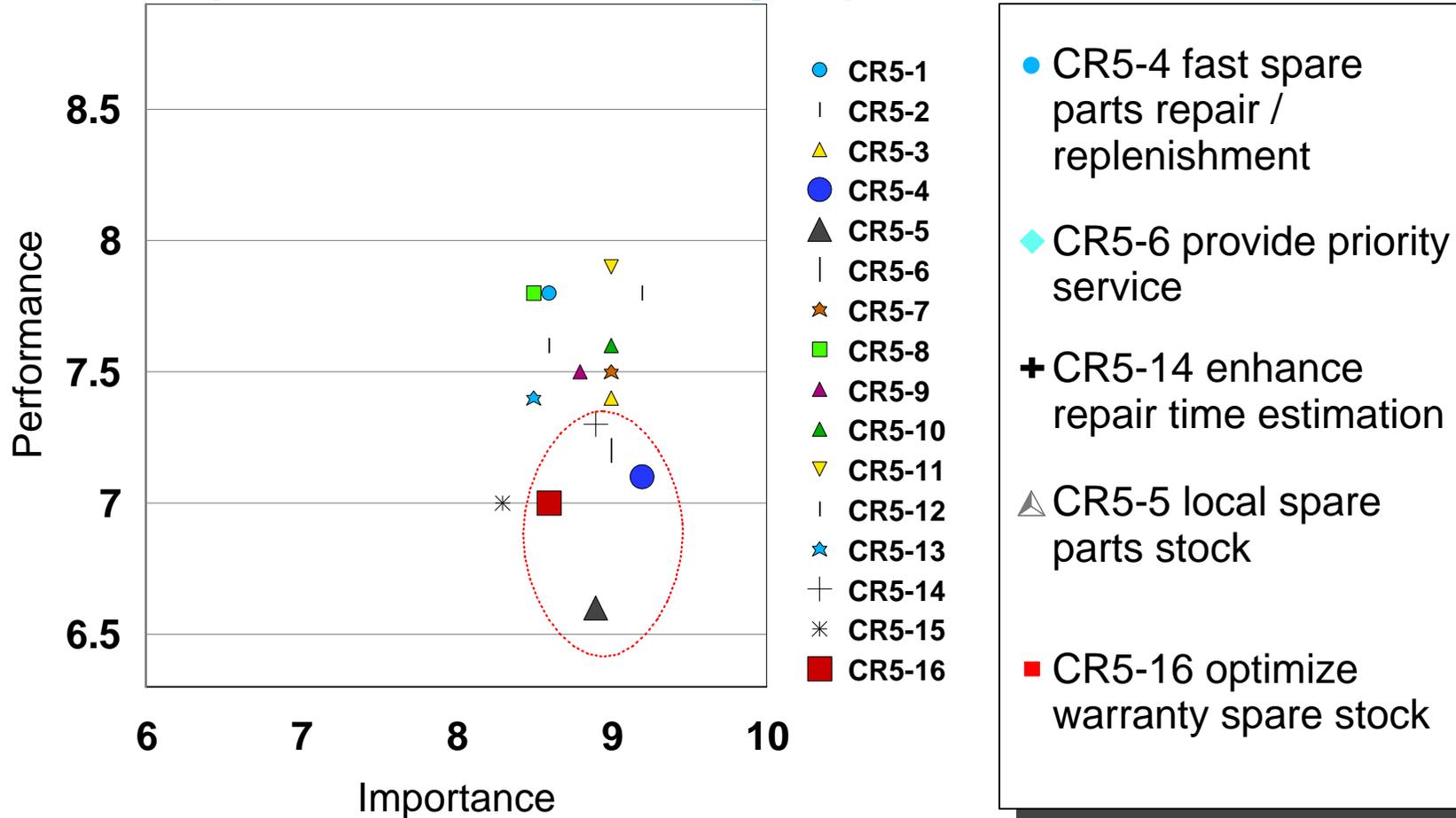
For the Contract Delivery Experience, respondents believe Huawei should put more focus in the installation team, and enhance the training offerings

Customer requirements for the Contract Delivery Experience

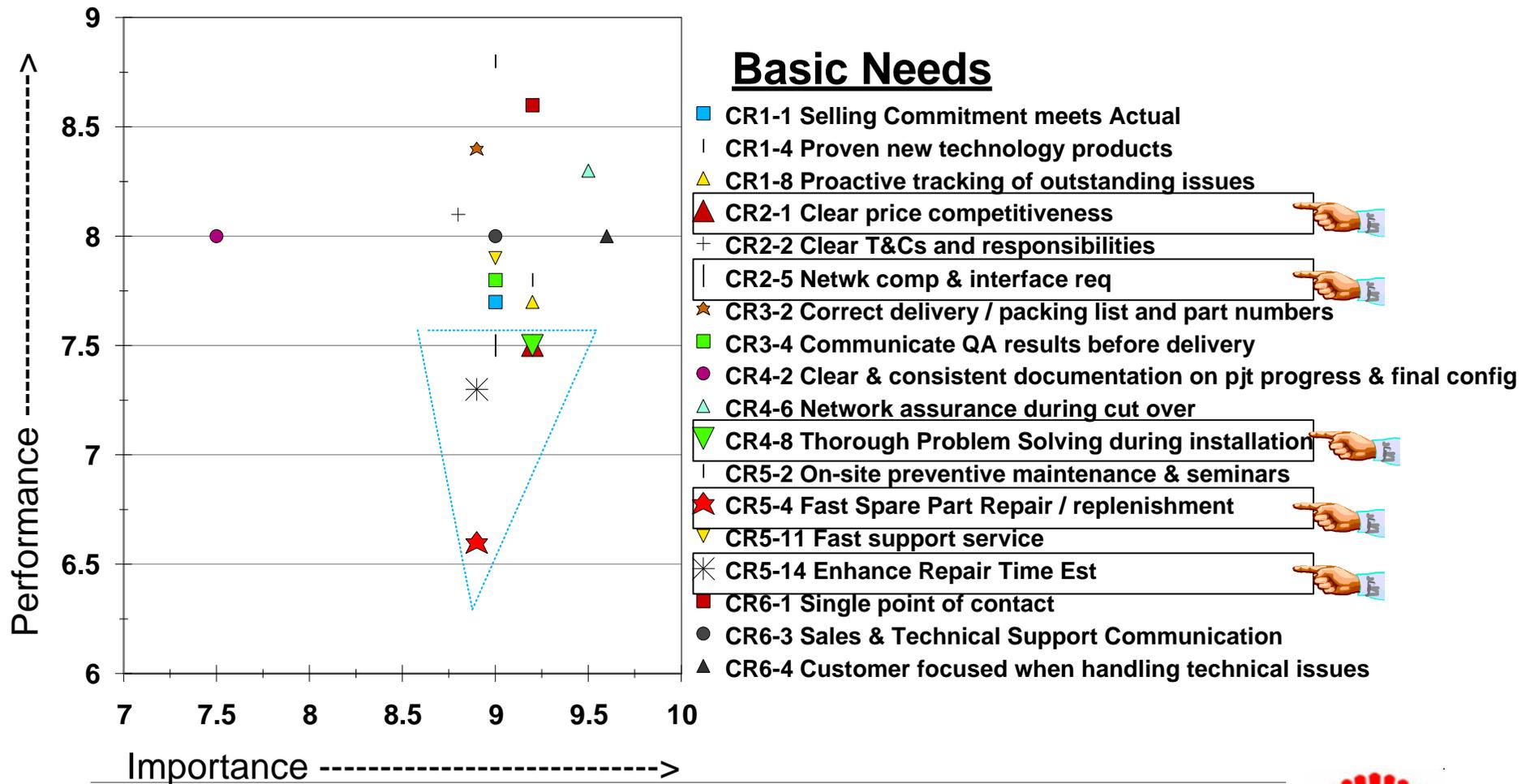


For the Product Usage Experience, respondents express the wish for a matured ongoing technical service offerings from Huawei, particularly in spare parts strategy

Customer requirements for the Product Usage Experience



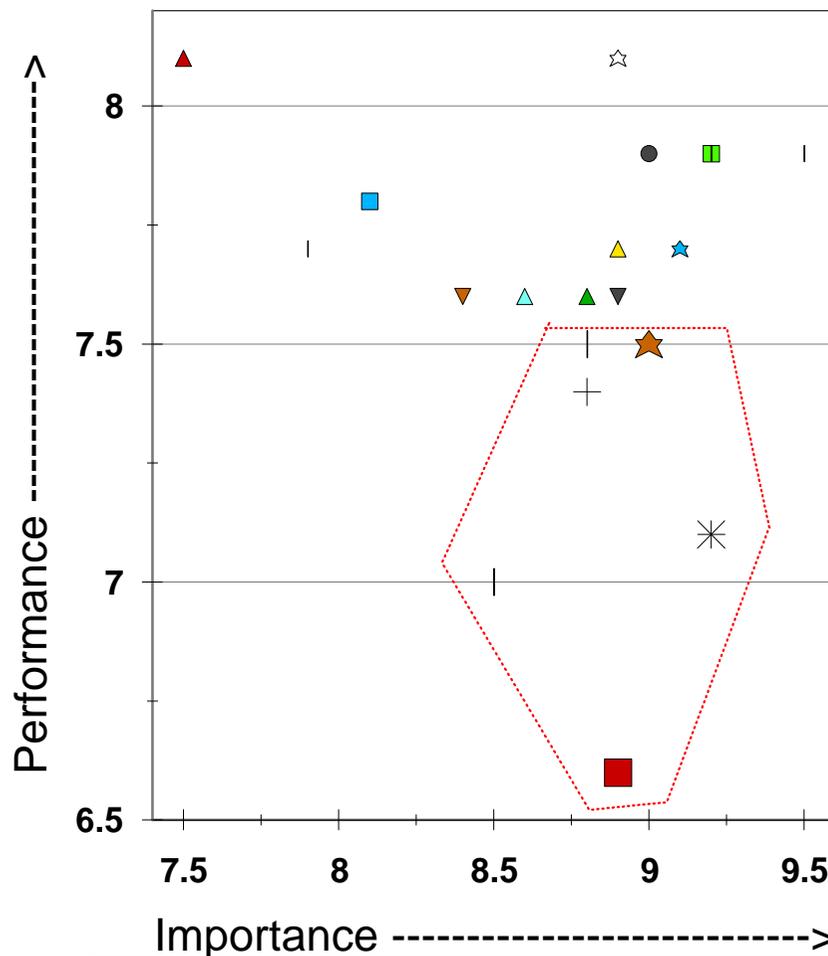
The survey results indicate that Huawei *must first* pay closest attention to monitor on those areas that if not done well could drive customers away, no matter what maturity level they are in



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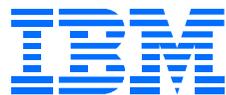


Then, Huawei should also pay attention to improve on those areas that if done well might draw customers to come back for additional business



Attractor Needs

- CR1-2 strong technical marketing
- | CR1-3 detail functionality descriptions
- ▲ CR1-5 full consideration of customer network in recommendation
- ▲ CR1-9 regular new product update
- ▼ CR2-3 detail implementation project plan in proposal
- | CR2-4 future network maint. requirement in proposal
- ★ CR2-5 network compatibility & interface req.
- CR2-7 fast proposal clarification
- ☆ CR3-2 correct delivery / packing list and part numbers
- ▲ CR3-6 communicate delivery details before delivery
- | CR3-7 communicate ECO changes before delivery
- | CR4-1 proactive / coordinated site preparation
- ★ CR4-4 qualified trainers for on-site training
- +
- ✱ CR4-11 detail installation QA
- ✱ CR5-4 fast spare parts repair / replenishment
- CR5-5 local spare part stock
- CR5-11 fast support service
- ▲ CR6-2 increase customer history knowledge
- ▼ CR6-5 stable operation independent of people changes
- | CR6-6 coordination within sales



How these findings link to ISC efforts... (to be added by JS)



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