Huawei's smartphone sales rise after emulating Xiaomi

REUTERS, *Beijing*

China's Huawei Technologies Co Ltd has taken sales of its low-price Honor brand of smartphones to 20 million from 1 million in just one year, hitting pay dirt with the disruptive online-only strategy it copied from smaller upstart Xiaomi Inc.

Given the early signs, Huawei executives hope to emulate the phenomenal growth of Xiaomi, which broke into the global top five in just a few years - a success not likely to go unnoticed by the growing ranks of low-cost Chinese smartphone makers.

But analysts say the low-cost strategy has fanned the price wars and thin profit margins prevalent in China, and that its spread could affect margins at all makers.

Honor brand president Jeff Liu said industry transition to an online sales strategy was inevitable given the competitive pricing, afforded by reduced distribution expenses that would otherwise make up 30 percent of handset costs.

"E-commerce is massively changing the traditional channels for the smartphone industry, and we needed to go in that direction too," Liu said in an interview in Beijing, where he unveiled the Honor 6 Plus smartphone last week.

Honor handsets dropped the Huawei name last December and have since been marketed and distributed independently of Huawei-branded phones. They are sold in countries ranging from Belgium to Brazil, primarily via marketplaces such as those of JD.com Inc in China and Flipkart Online Services Pct Ltd in India.

The brand makes up a quarter of Huawei's 2014 shipment goal, and in the third quarter, helped the Shenzhen-based telecoms equipment maker pip Xiaomi to the number three spot in global market share, according to data from Gartner.

Huawei is not the only Chinese smartphone maker to notice Xiaomi's online approach. Lenovo Group Ltd in October said it would sell a line of devices by Internet only, though it has released few details.

The strategy has taken off in this year in particular. Privately owned Xiaomi, valued at over $45 billion, sold 15.8 million smartphones in July-September versus Huawei's 15.9 million, according to Gartner. A year earlier, Xiaomi reached just 3.6 million compared with 11.7 million for Huawei.

"It's going to be a very, very close race this next year," said Counterpoint Research analyst Neil Shah. Huawei has been pushing the Honor brand in Europe and Latin America, in contrast to Xiaomi which mainly targets China and India, Shah said.

"If Huawei is strong in two or three markets, it balances out Xiaomi doing well in China," he said.

Huawei has long sought to establish a brand outside of China, but the online model it has adopted for Honor could export the price-sensitive market conditions it seeks to avoid.

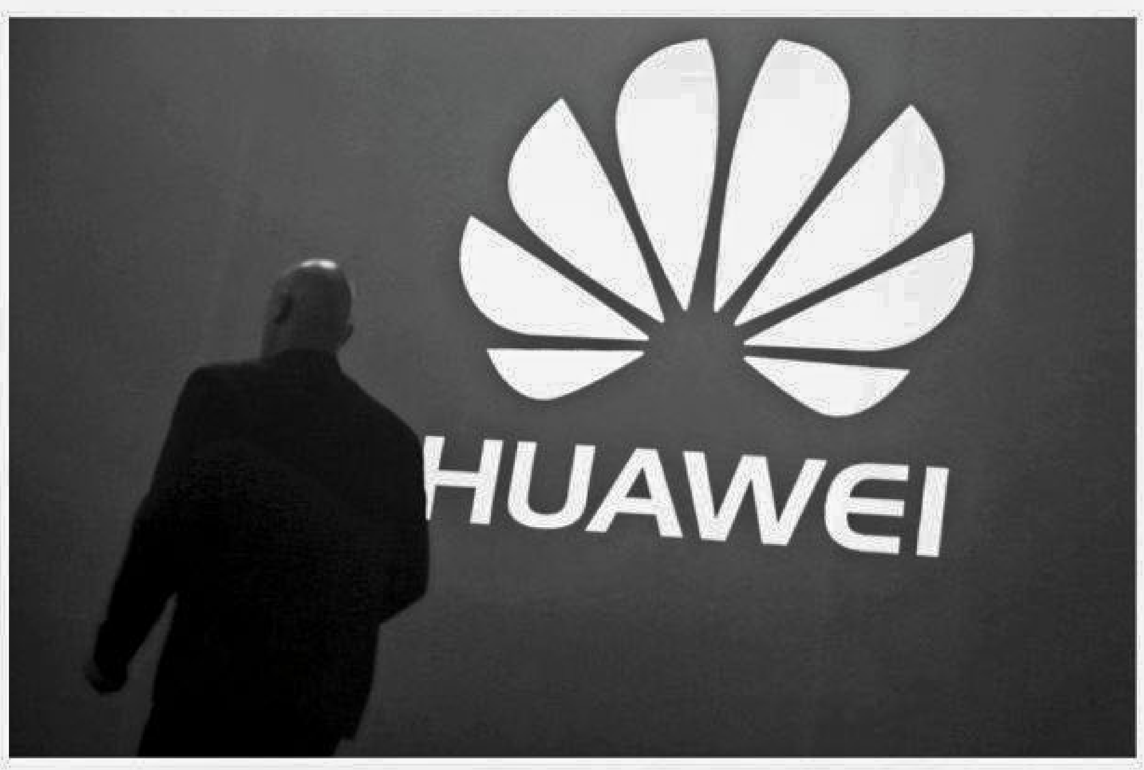
The continued success of Xiaomi and its aggressive pricing is likely to squeeze profitability in the medium term for nearly all handset makers except market leader Samsung Electronics Co Ltd and high-end handset maker Apple Inc, Fitch Ratings said in a report in October.

A regulatory filing showed Xiaomi's operating profit margin was just 1.8 percent, though the smartphone maker said the figure did not take into account all aspects of its business. By comparison, Samsung's 2013 margin was 18.7 percent.

Honor "doesn't make money but doesn't lose money," said brand president Liu.

To widen the profit margin, Honor needs to raise its image and woo wealthier consumers with high-spec products, Huawei consumer division chief Richard Yu told reporters last week.

"If Huawei wants to survive, we have to win in developed markets like Europe, a high-end market," said Yu. "Next year is very important for us to target the high segment."



REUTERS/FILE

A man walks past a logo during the presentation of Huawei's new smartphone, the Ascend P7, in Paris on May 7.

India eases foreign ownership rules for medical device makers

REUTERS, *New Delhi*

India has made it easier for foreigners to fully own existing medical device makers in the country, in a bid to boost investment in the $7 billion sector.

The government said on Wednesday foreigners wanting to buy 100 percent of device makers no longer need to get prior approval.

India has already allowed full foreign ownership of new companies, but the requirement for prior approval for purchases of existing firms has kept down investment in manufacturing.

In a statement, the government said it was easing "norms" for the medical devices industry to encourage inflows of foreign direct investment, adding that the domestic capital market "is not able to provide much needed investment in the sector."

India currently imports about 70 percent of its medical devices requirement from overseas, HDFC Securities estimates.

Shares of device makers jumped on Wednesday after the government's decision. Shares in Opto Circuits (India) Ltd surged almost 16 percent, while Siemens India gained 2.2 percent.

Rahul Guha, partner and director at Boston Consulting Group welcomed the move but said the government needs to do more to boost the medical devices industry.

"This needs to be followed up with clarity on price regulation as well as manufacturing incentives before foreign players consider India," Guha said.

SAYEMAN HOTEL

Mosharraf Hossain, housing and public works minister and co-founder of Sayeman Hotel, speaks while Mahboob Rahman, managing director of the hotel, looks on at a programme to celebrate the 50 anniversary of the hotel at Star Zone in Bashundhara City in the capital on Tuesday.

Hotel Sayeman of Cox's Bazar celebrates 50th anniversary

STAR BUSINESS DESK

Hotel Sayeman in Cox's Bazar launched a 10-storey resort condominium at a programme in the capital on Tuesday on the occasion of its 50th anniversary.

The resort—Sayeman Heritage Residence—conceptualised by Mumbai-based architect Eranna Yakbote will soon be completed, officials of the hotel said at the programme at Star Zone at Bashundhara City.

Engr Mosharraf Hossain, public works and housing minister and co-founder of the hotel; and Mahboob Rahman, managing director of Gasmin Ltd—a construction firm—and the hotel, spoke at the celebration event.

Established in 1964 by Hossain's father, late businessman Sayedur Rahman, Sayeman was the first private hotel in Cox's Bazar, the hotel said in a statement yesterday.

In addition to enjoying vacation, people can own Sayeman Heritage by investing in it, participate in the hotel rental programme and generate income from their investment, according to the statement.

Of the 240-unit resort, there will be 78 single bedroom suites, 116 two-bedroom suites, 40 three-bedroom apartments, four three-bedroom penthouse duplexes and two presidential suites.

France strikes record unemployment high

AFP, *Paris*

Unemployment in France hit a new record in November, with official statistics published Wednesday showing 3.488 million people claiming jobless benefits.

The figures showed a rise of 27,400 people on the jobless queue compared to the previous month, up 0.8 percent from October and 5.8 percent compared to the previous year.

Reducing unemployment is one of President Francois Hollande's main pledges, but more than halfway through his five-year term, that has yet to happen.

In an interview last month, he said he would not stand again for the French presidency in 2017 if he had not managed to live up to his promise to bring down unemployment by then.

France's economy is barely growing, showing a gain of just 0.3 percent in the third quarter. The government is Paris has forecast 0.4 percent growth for the full year, but is banking on lower oil prices and a weaker euro to breathe some life into its economy in 2015.

But many economists believe France needs average of 1.5 percent growth is needed to reduce unemployment.

ENVOY TEX

Kutubuddin Ahmed, chairman of Envoy Textiles, presides over the company's 19th annual general meeting at Samarai Convention Centre in Dhaka yesterday. Abdus Salam Murshedy, managing director, was also present. The company declared 12 percent cash and 3 percent stock dividends for the year ended on September 30.

Uber hits roadblock as CEO charged in Korea

AFP, *Seoul*

South Korean prosecutors brought charges on Wednesday against the founder and CEO of controversial smartphone taxi app Uber for operating an illegal cab service, the latest roadblock for the California-based firm.

The charges, which carry a maximum penalty of two years in jail or a 20 million won ($18,150) fine, came with the company facing criticism and bad publicity around the world despite its high levels of popularity.

Travis Kalanick and Uber's Korean partner MK Korea, a local rental car service operator, were indicted for violating a law on passenger transport services.

Neither was detained, and it was not immediately clear whether Kalanick would visit Seoul for trial. Last year he showed up at a police station in Seoul for questioning.

In South Korea, rental car service operators are barred from conducting passenger transport business using their cars.

Uber said in a statement it would fully cooperate with the investigation and it is "confident" the court would make a fair and sensible judgment.

"We firmly believe that our service, which connects drivers and riders via an application, is not only legal in Korea, but that it is being welcomed and supported by consumers," the statement said.

Uber, which operates in more than 50 countries, started its service in Seoul in 2013.

Last year the company launched Uber Black, which links users with limousines and, in October this year, it unveiled UberX, which connects passengers with drivers of non-luxury vehicles.

The Seoul city government, however, filed complaints with prosecutors, saying Uber's operations raised passenger safety issues and threatened the livelihoods of licensed taxi drivers.

City regulators have launched a crackdown on drivers and rental cars that cooperate with Uber, with a one million won reward offered for those who reported the company's activities.

But Uber has vowed to continue its business regardless of the crackdown.

South Korea's online community was split over the indictment, with some users describing Uber as illegal and supporting the crackdown on its service in order to protect domestic taxi drivers.

"Uber is illegal and endangers the livelihood of our taxi drivers," one user wrote on the popular Internet portal Naver.com.

However, another user named SungNoChoi wrote: "Uber is providing a service catering to our clients. Its fate should be decided by consumers."

Uber is the most prominent of several smartphone apps that are shaking up the traditional taxi landscape in cities around the world.

It has already faced significant resistance from regulators in several countries, who accuse it of unfair competition and a lack of standards.

Uber has also sparked angry protests by cab drivers in France and other countries who fear it is chipping away at their client base.

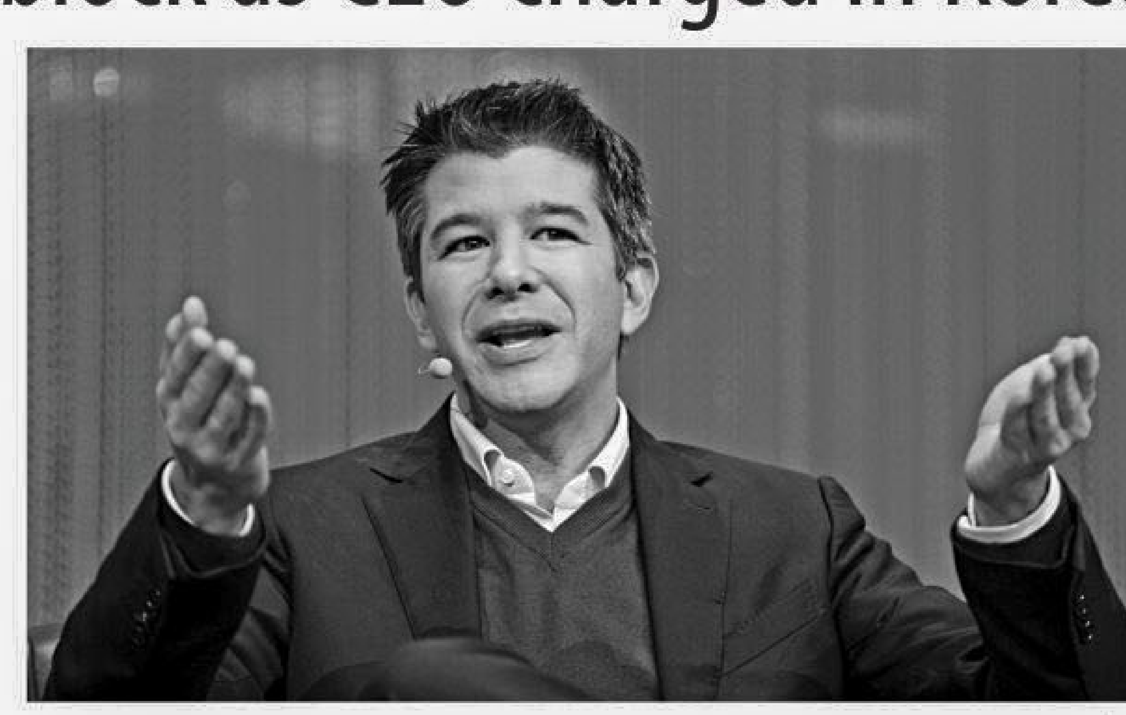
It made headlines this month when an Uber driver allegedly raped a passenger in New Delhi.

Also on Wednesday the company apologised for raising prices as frightened people fled an armed cafe siege in the Australian city of Sydney last week.

The firm reportedly charged customers four times the regular fare to leave the area -- a move that sparked outrage.

Globally Uber has defended surge pricing, arguing it effectively matches supply with demand by encouraging drivers to move to areas where there are shortfalls.

It has, however, had to concede to cap surge pricing throughout the United States during national emergencies after reaching an agreement with regulators.



AFP/FILE

Travis Kalanick, co-founder and CEO of Uber, speaks during a session of the LeWeb 2013 event in Saint-Denis near Paris last year.

China highways bleeding money despite high tolls

AFP, *Beijing*

China is losing more than $10 billion a year from its expressways, state media reported Wednesday, despite levying hefty tolls on the world's largest highway network.

China spent 431 billion yuan ($69 billion) on building, maintaining and operating highways in 2013, but only took in 365 billion yuan from tolls, the China Daily reported, citing the Ministry of Transport.

For years the building of roads, high-speed rail lines and other infrastructure projects helped China hit double-digit gross domestic product (GDP) growth. But with the economy slowing and authorities working to fight graft, the government is increasing scrutiny on spending.

Laying one kilometre of highway cost about 91 million yuan in 2013, an 80 percent increase from 2011, according to the Ministry of Transport's annual report.

Under current regulations, local transport bureaux can collect tolls for 15 years to recoup the cost of building highways. But many have also applied for extensions for what they say are maintenance costs, the China Daily reported.

Experts said the move was really a loophole designed to fill local coffers rather than improve roads, and construction costs are often inflated in order to ensure continued toll collection, the newspaper said.