

Qingcheng's Strategic Play for Market Share

Newcomer hopes niche market will grow

■ By June ZHU



The dominant colour in Qingcheng's office is a vibrant orange, a play on its name which translates to green orange, and a way to convey the young company's vitality and optimism. It's one of the offices in Zhangjiang High Tech Park, a hub for Shanghai's major technology players.

Qingcheng was launched three years ago by an industry veteran. With more than 15 years of experience in the field, CEO Wang Xun (CEIBS EMBA 2007 alumnus) is now staking his reputation and the company's success on serving a very unique niche market. Qingcheng's latest product: cell phones for outdoor activities. Wang knows the mobile phone market inside out, and the value of offering a product that's unique in meeting customers' needs. He used to be part of the R&D team that worked on Motorola's first China-made cell phone. He then joined Lenovo in developing its first phone and later, with a former Motorola colleague, founded Regentek which focuses on ODM (Original Design Manufacturer). His long-cherished dream of one day building a Chinese brand that outshines big name global players led him to launch Qingcheng.

Early this year, the company unveiled its 6th product line, the VOGA V1, becoming the first Chinese brand to offer a phone specifically for outdoor activities. So far, thousands of customers have placed orders on and offline.

In the extremely competitive mobile phone industry in and outside China, will Qingcheng ever be able to fulfil Wang's dream of being one of the best brands in the world? Read on for more in this exclusive interview.

TheLINK: Why did your company decide to go into such a specific niche area of the cell phone market?

Wang Xun: Ever since our launch in 2012, Qingcheng has been focused on customising cell phones. In China, we were the first company to carry out this kind of disruptive innovation in the cell phone production process. From 2012 to 2013, recognising that there was still a lot of room for hardware configuration, we provided customers with different choices in CPUs, colours, functions and apps.

We've been keeping a close eye on the changes taking place over the years. In 2014, there was no longer much



of a difference in hardware. So we had to employ another strategy, and went even further in personalised customisation. We chose to mainly focus on outdoor activities including travel and sports. We opted to go this route because when you're on the move you tend to have your phone on you, as opposed to placing it on a desk while you're at the office. All our customisation is now categorised according to different outdoor activities. Our phones are dustproof, waterproof, and shockproof, and are installed with basic outdoor applications. For instance, for running we'll include a route designer and intercom inside the phone. All around the world, the phone itself hasn't undergone a lot of change. The biggest changes are in apps and extra equipment.

TheLINK: How big is the market you're targeting? What are the sales channels?

Our brand represents the outdoor spirit. The owners of our phones are not only people who are actually doing outdoor sports. After all, not all the people wearing sportswear are really athletes. We're selling products to people who have an outdoor spirit, who're attracted to positivity and optimism.

We've been selling phones both on and offline, as well as through some partners who specialise in outdoor activities. We opened the first O2O Qingcheng experience store in Shanghai last April. The ultimate goal wasn't about sales, but more for the user experience. We provide our customers with a platform to exchange ideas about our phones and their shared interests. For VOGA V1, thousands of phones have been ordered through JD.com. Many people who are into the outdoors and fashion like the phone so we also reach them by utilising related platforms. We also have a blog on our official website where our customers can chat with each other about their shared interests. And we've initiated many promotional outdoor activities to interact with our clients and build brand loyalty. At the same time, within our company there's a more noticeable outdoor culture. Staff members have been actively taking part in outdoor events, and we've seen that this lifts their spirits so we will keep on doing these events.



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For example, we'll keep organising different cycling events in the future, and all Qingcheng's friends will be invited to participate.

TheLINK: Who are your competitors? How do you differentiate yourself from other brands?

The market is huge. The more mature Chinese brands are paving the way for us. Generally speaking, China's role is changing from a producer to a creator, and we can see local brands rising abroad. When the pioneering Chinese brands are widely accepted by the Chinese market – and even the entire world – Qingcheng can have a chance. We just need to be patient and remain focused on improving the user experience, and creating real value for the brand.

In the future, Motorola may return to the China market and provide customised service; but we offer something different. They may simply focus on providing choices of phone covers and colours. But I think future online consumption will be influenced by highly efficient

distribution at relatively low cost. This means people with the same hobbies will be more closely connected, they will interact a lot more with each other. So the range of services that we're offering is ideally suited for their needs. I believe, after China's per capita GDP reaches more than US\$5,000, small but excellent stores will take the place of traditional department stores, and dominate the market.

It's really hard for a brand, once it becomes mature, to make changes. For example, well-known brands such as Lenovo, Huawei, Apple, and Samsung are positioned as mass market brands, which means it's hard for them to make specialised phones. In the past, Canon and Sony attempted to launch sports cameras, but their products were not that specialised and the market share they gained was quite small.

I think differentiation which could bring value to at least one group of people is the best way to make a brand competitive.

TheLINK: Do you have any plans to go global?

That's something we wouldn't begin to look at before the next 3 or 5 years, or even longer. If a company doesn't have a strong foundation in China, there will be a problem if it tries to go abroad. We need to grow into a first-tier brand in China before we take the next step. We want to create a sustainable brand, and we're not in a rush to make money. Yes, we must be profitable, but the more important thing is: you need to use the brand's spirit to affect people, and keep abreast of social and cultural developmental trends. Our ultimate purpose is to provide a service, to benefit our clients. So much technology is keeping people at home; our phone focuses on encouraging people to get back outside, to enjoy being outdoors.

TheLINK: What do you think is the most important element required to be successful in the cell phone industry?

Success stories don't differ very much across industries. Of course, the phone industry has its own unique features. The biggest one is to have a lot of flexibility and be efficient in responding to changes, which means companies must have sustainable innovative abilities. If you cannot innovate in time, you will end up being phased out. One must be highly focused and driven to stand out. Time is the only measurement. Companies are competing in terms of sustainability instead of how fast they can grow. Users have the final say; if you cannot offer any value for users, all your growth means nothing.

TheLINK: What do you think the future holds for the phone industry? How will mobile Internet affect people's life?

The future of the phone industry is all about mobile Internet. Cell phones are an entry to mobile Internet, which will be connected with the Internet of Things. So every person and object will be connected through the mobile Internet. With all the wearable devices, everyone is a centre of computing and information. Our applications will permeate into home design, the auto industry, and offices. We will leverage the gains made by entering the outdoor niche market. It's the way of the future. Of course it's now only a niche market, but Apple only had a niche market 30 years ago. Off-road vehicles used to be a niche market. The key is whether the spirit of the brand can be infinitely expanded or not.



TheLINK: Is there any possibility that Chinese phones will surpass foreign brands?

There's a long way to go, but it will definitely happen. China has the biggest market, and it's reasonable to expect that it will create the biggest brand. But the most decisive factor is the grasp of core technology and a brand's cultural value. In the next 5 or 10 years, we hope 50 percent of phone users will have a Qingcheng phone. Everything is moving towards the right direction – social transformation, changing values, as well as development of the rule of law. We just need to carry on and move forward.

TheLINK: In 2006, you started Regentek, and one year later, you enrolled in CEIBS EMBA programme, why did you choose to study at that point? How did CEIBS help you with your entrepreneurial venture?

I studied while starting up the company. At that time, I wanted to thoroughly understand management issues, and obtain systematic business knowledge. I chose CEIBS because it's the best business school in China, and it's comparatively international.

At CEIBS I learned judgment and decision-making, skills that are useful to run any company globally. And I've also seen CEIBS' devotion to CSR and emphasis on sustainable growth.

Though I graduated a long time ago, I'm still in touch with other alumni. Recently I've been asked if we could provide the VOGA V1 for the CEIBS team during the 10th Gobi Challenge. The phone is perfect for their competition.

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