

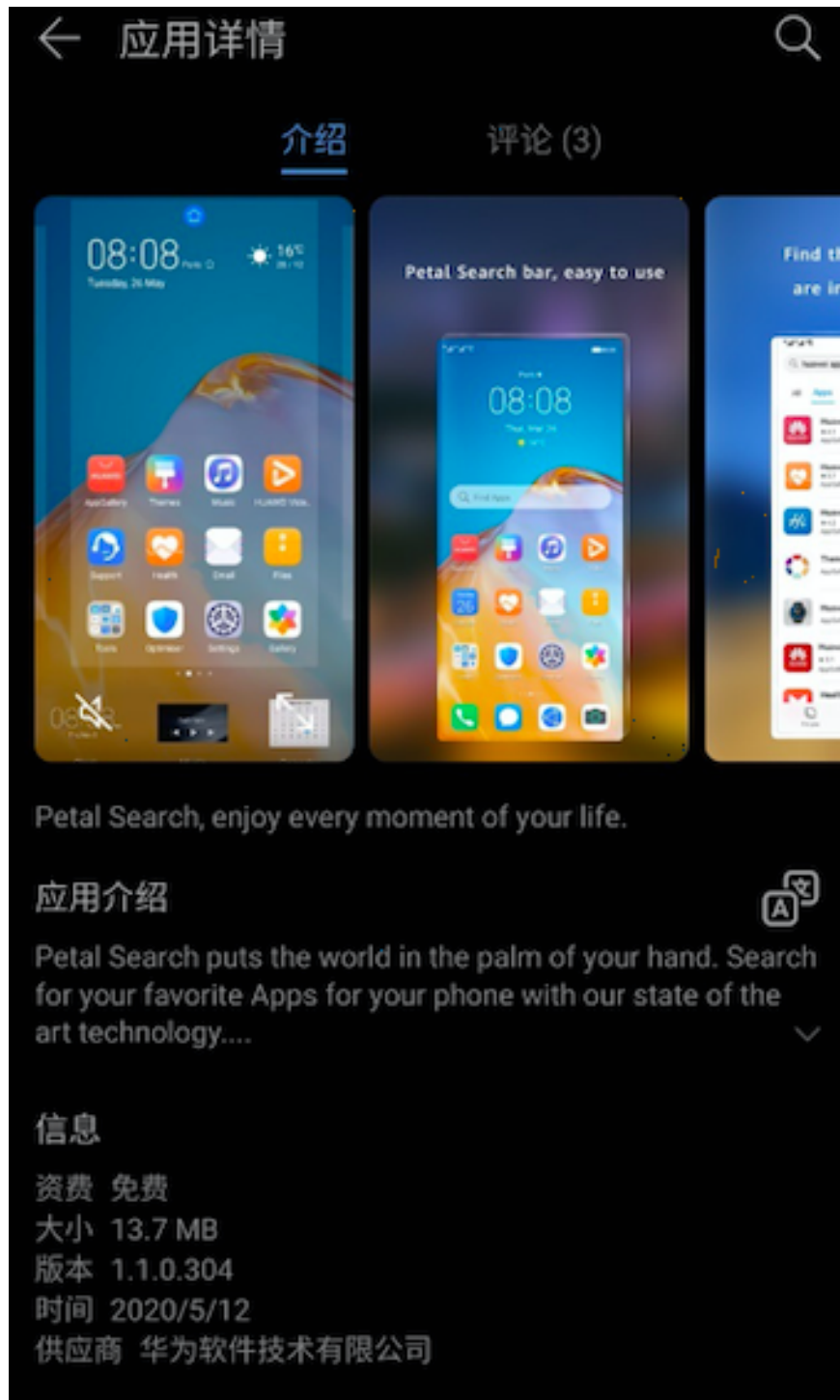
Not a chip, this is the 'Achilles heel' in Huawei's smartphone business

Huawei's app ecosystem has the opportunity to survive under enormous pressure from Google or not is only a matter of life and death.

For Huawei's smartphone business, 2020 is a particularly difficult year.

On the one hand, under a trade ban signed by the United States last year, Huawei phones cannot access Google's proprietary apps and services on smartphones sold abroad. This has seriously affected its sales. On the other hand, not so long ago, the US government upgraded the ban and began suppressing Huawei's supply chain and semiconductor business.

Of course, in this case, Huawei would not sit still and wait for death.



Huawei's Petal Search.

That is why recently, Huawei officially launched an independent search application, which attracted a lot of attention. This app has actually been launched since early February this year, but at the testing stage. It was originally called Huawei Search. However, in May, Huawei Search was renamed to Petal Search, and Huawei's AppGallery app store was officially launched.

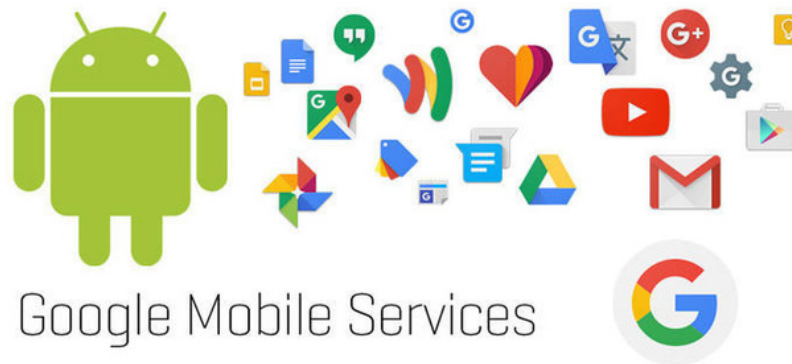
If you notice that Huawei's Logo is the petals, changing the name to Petal Search (Petal in English means petals) is not really a big deal. But in terms of functionality, Petal Search can provide information search services regularly, such as weather forecasts, news, videos, photos, music, financial information . and also some New features like the ability to directly download and get suggested apps. It can be seen that Petal Search is like a combination of Huawei Search and AppSearch before.

But, the most important reason that Petal Search receives much media attention is because it is a mobile search engine for users abroad. And its direct competitor is Google Search.

This means that through the construction of Huawei's application ecosystem (HMS - Huawei Mobile Services), it and the Google application ecosystem (GMS - Google Mobile Services) have formed a competitive relationship.

Of course, this may not be what Huawei hopes to do. But under pressure from the US government, it was not a matter of choice.

And HMS's ambition is to create a "foot" position with iOS and GMS.



Google application ecosystem.

In fact, apart from Petal Search, HMS has tried to replace GMS in many ways. For example, on AppGallery, you can find Here WeGo, an application that supports navigation and positioning of more than 1,300 cities in more than 100 countries. This service is considered an alternative to Huawei's Google Maps map.



Huawei AR Map.

At the recent Huawei Consumer Business Summit, the company also launched the latest HMS ecosystem processes. It includes Huawei Terminal cloud service with more than 650 million monthly activities worldwide. Or the number of registered developers worldwide exceeds 1.4 million, an increase of 115% over the previous year. The number of applications connected to HMS has exceeded 60,000 .

Still, Huawei's overseas mobile phone business is still suffering badly. The above positive HMS numbers cannot compare to GMS with millions of apps, billions of monthly active users on Google Search, Chrome, Gmail, YouTube, Google Drive and others.

In other words, compared to GMS, HMS is too weak and it can only play a substitute role without GMS. And obviously it's not enough to impress consumers.

"I have no interest in buying a new phone without Google Play - regardless of how impressive and smooth the hardware is , " a foreign customer once told Huawei.

In fact, for most users outside of China, Google is indispensable. The US tech giant has built the infrastructure of the entire Internet service - especially in the Android world, so to say that Google's control is absolute. Almost every activity of Android users is inseparable from the Google ecosystem.

Therefore, Huawei's mobile phone business without GMS will undoubtedly suffer.

According to data from the market research agency IDC, in the first quarter of 2020, in the global smartphone market, Huawei's smartphone shipments were only 49 million units, down 17.1% over the same period last year. . Experts say the decline in Huawei shipments is related to the GMS shortage.

According to data from Canalys, in the first quarter of 2020, Huawei shipments in Western Europe fell by 40%, ranking third behind Samsung and Apple, while Xiaomi increased 79%, ranking fourth. Clearly, this decline is related to the lack of GMS.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q1 2020 (shipments in millions of units)

Company	1Q20 Shipment Volume	1Q20 Market Share	1Q19 Shipment Volume	1Q19 Market Share	Year-Over-Year Change
1. Samsung	58.3	21.1%	71.9	23.0%	-18.9%
2. Huawei	49.0	17.8%	59.1	18.9%	-17.1%
3. Apple	36.7	13.3%	36.8	11.8%	-0.4%
4. Xiaomi	29.5	10.7%	27.8	8.9%	6.1%
5. vivo	24.8	9.0%	23.2	7.4%	7.0%
Others	77.5	28.1%	93.5	29.9%	-17.2%
Total	275.8	100.0%	312.3	100.0%	-11.7%

Source: IDC Quarterly Mobile Phone Tracker, Apr 29, 2020

Huawei's smartphone sales are plummeting in the international market.

Is Huawei's next-generation Kirin processor affected?

On May 15, the Commerce Department issued a statement announcing restrictions on Huawei from using U.S. technology software to design and manufacture semiconductors. Huawei's Kirin processor may also be affected. Strictly speaking, it is a matter of providing input of the leading chip processor in Huawei's next generation - Kirin 1020.

However, according to media reports, this ban will affect future orders, but not orders that Huawei has placed with TSMC. The ban has a grace period of 120 days, sufficient for the negotiation efforts of both Huawei and TSMC.

It is worth mentioning that, in addition to the self-developed processor, Huawei can also choose the processor of Samsung and MediaTek. It can be seen that Huawei still has enough room to exist in the field of hardware related to smartphone processors.

Therefore, the biggest weakness is still HMS and Huawei still has no answer to this conundrum.



Trading with TSMC is not yet Huawei's core issue.

Currently, although Huawei is strongly promoting the development of HMS, it still needs more time to develop. Of course, HMS and AppGallery are not exits from the Android ecosystem, but just starting a new path outside of Google's reach.

The phone business is not Huawei's core business, but it has spent a lot of money on technological research and development. It is also a door to Huawei's future development, as a terminal. Chinese companies are well aware of this.

And the last question that still awaits the answer is: Under the increasing US repression, can Huawei's smartphone business stand up?

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