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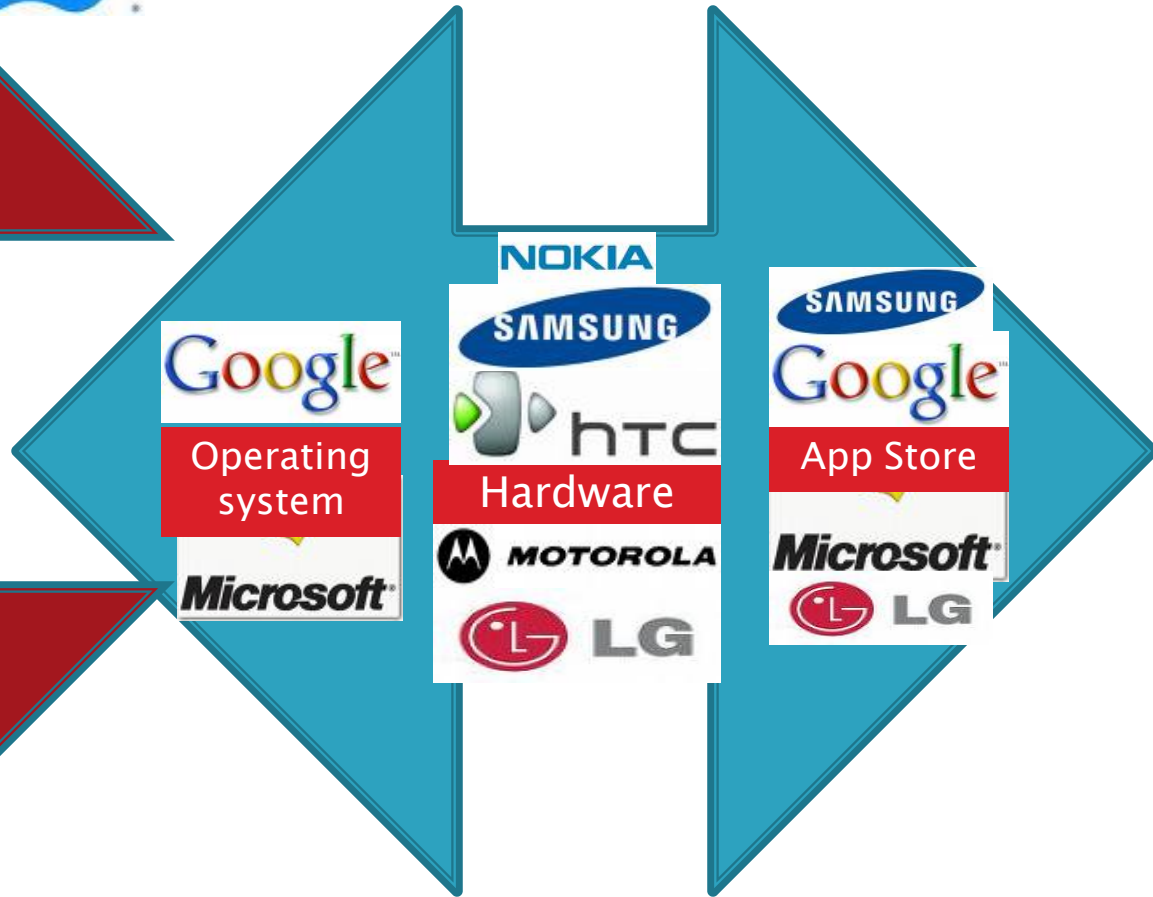
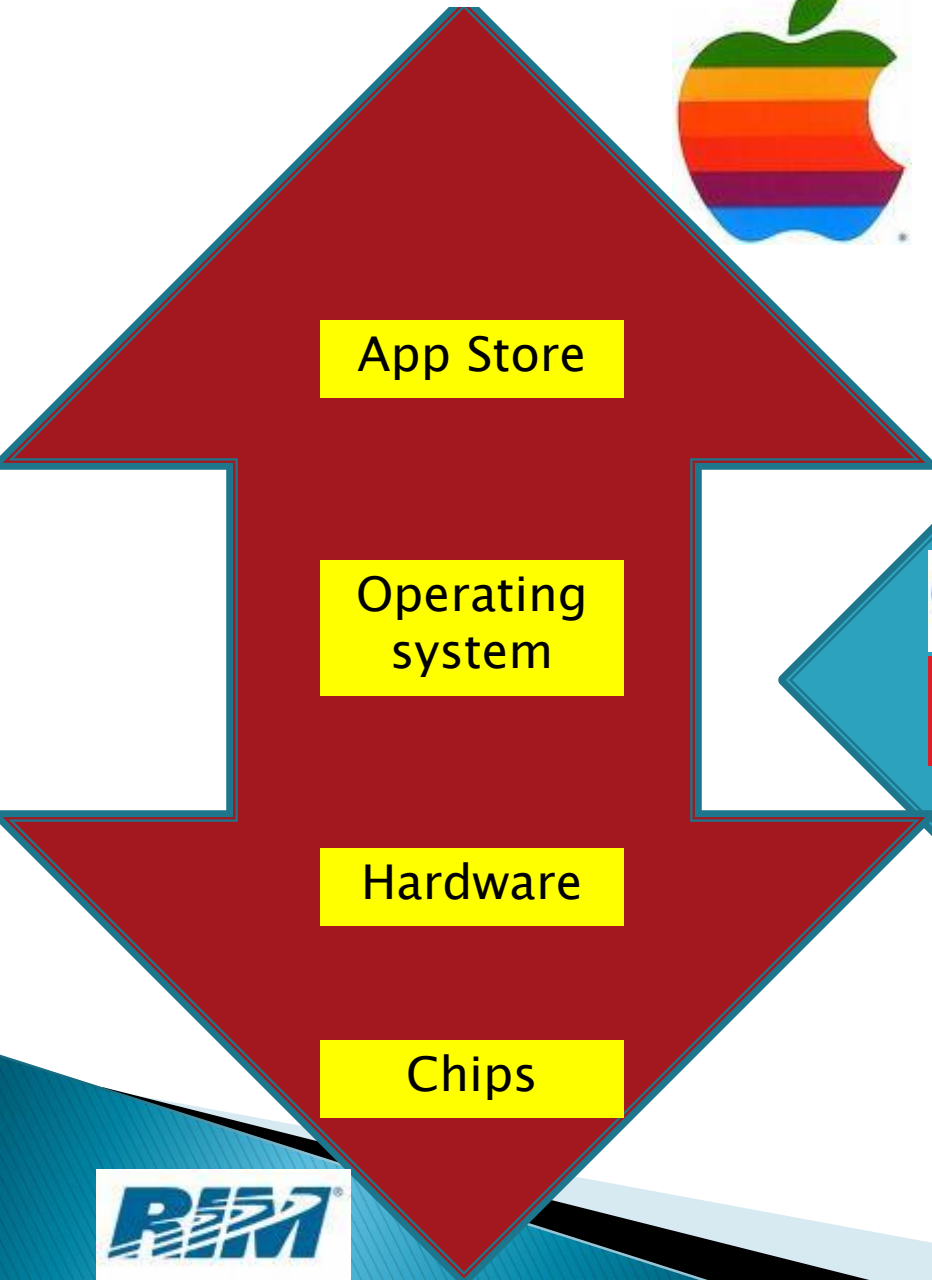
# Background

- ▶ HTC was one of a dozen great success stories of the last decade from Taiwan
  - Jumped on a big, new emerging arena
  - Three strategic bets
    - Microsoft, then Google's Android
    - Network operators vs. Handset mfgs
    - Horizontal vs. vertical (next slide)

# Vertical

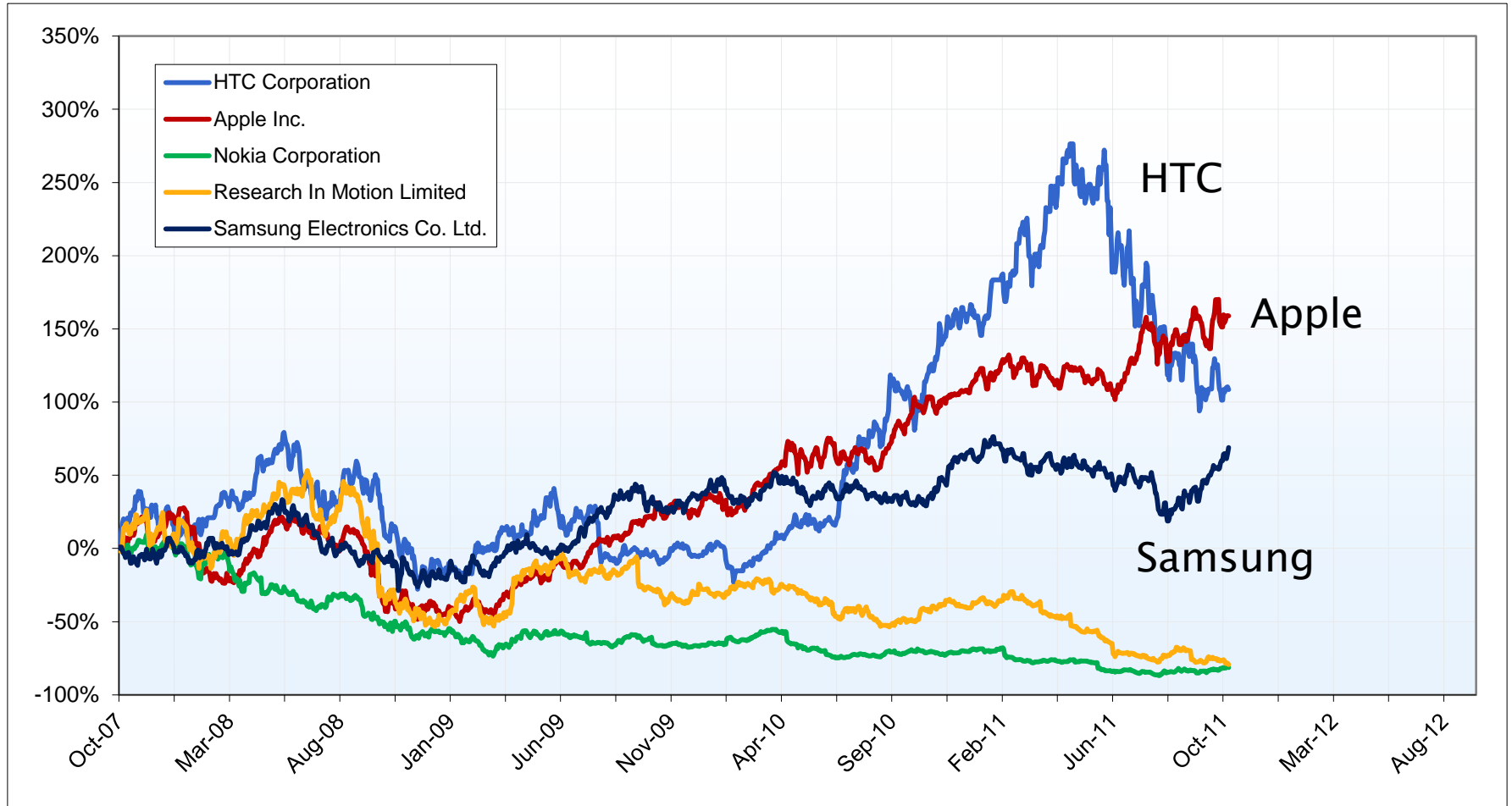
vs.

# Horizontal



# HTC was rewarded:

## HTC share price change 10/2007 to 10/2011



Source: S&P Capital IQ

# It has been a rough 2 years: HTC share price change



# Context for HTC: smartphone usage

How many smartphones estimated for 2014?

~1.2 billion from 900m in 2013 (according to IDC)

What's the average wholesale price of smartphone?

-\$250 (down from \$344 in 2011); what's Apple?  
-\$650

How much time/day did the average user spend on a smartphone in 2013?

1 hour, 7 minutes up from 22 minutes in 2011

How many times per day does the average smartphone user check their phone?

150!

# What competitive advantages does HTC bring to the industry?

## ▶ Comp advantages

- Strong products
  - HTC One
- Carrier focus
  - Established relations with key distribution channel
- Rapid pdt dev capabilities
  - Faster than competition
  - Sense Proprietary UI
- Low cost mfg base
- Growing fast in China
- Google, Msft partnerships

# Despite a number of advantages, it has been tough times for HTC last 2 years

*What's your diagnosis: what's the problem that we need to solve?*

Industry "challenges"	HTC/positioning "challenges"



# iPhone vs. HTC

- ▶ <http://www.ismashphone.com/2010/07/talking-ismack-animated-iphone-vs-evo-debate-nsfw.html>

# Strategically, what should Peter do?

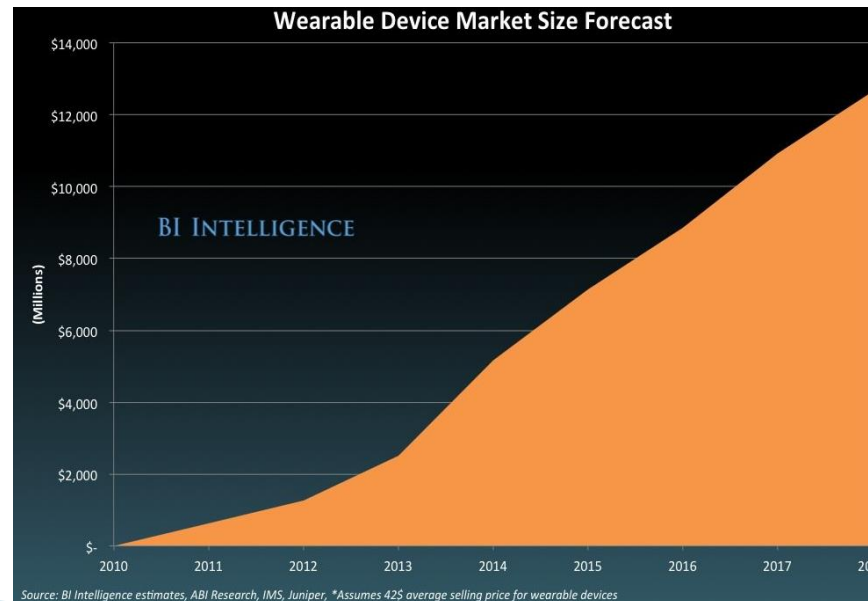
- ▶ Focus on “Hero” phone[s] (e.g., Galaxy S)
- ▶ VS.
- ▶ More customization for carriers
- ▶ Vs.
- ▶ Broad line – especially middle tier?

# Strategically, what should Peter do?

- ▶ OS:
  - 1) Msft & Google
  - 
  - 2) Google only
  - 3) Msft only

# Strategically, pull the options together: what should Peter do?

- ▶ Other major strategic options:
  - Phone only?
  - Add tablets?
  - Cameras?
  - Wearables?
  - Others



# Summary comments

## ▶ Lessons from HTC's successes

- Made contrarian bets
  - **Horizontal model**
  - **Microsoft**
    - Leveraged their brand
    - Established credibility
  - **ODM for carriers vs. handset makers**
    - Got one step closer to the customer
  - **Master of "judo strategy"**
    - Puppy dog ploy (stayed under the radar screen)
    - Follow through fast (rapid product cycles)
    - Avoid tit-for-tat (avoid head-to-head with big players)
    - Push-when-pulled (accelerated the launch of the Touch, after the iPhone was announced)

# Industries can change fast!

- 1) **Diagnosis:** mgt was blind sided by big shifts in consumer preferences & competition (Samsung & Apple), and needed to connect the strategy to the diagnosis
  - many of HTC's early responses were divorced from the diagnosis: must address fundamental shifts in the industry
- 2) **When you are catching a falling blade, you need a thick skin**
  - recognize sunk costs (sunk is sunk) and move on
  - you have to make decisions and commit

# Lesson – HTC

## 3) Short term, the biggest problems were the product and the brand

- HTC fixed the product (which Samsung imitated); not yet fixed the brand
- Also, have to make choices: the customization or consumer brand
  - Culture: please the operator; environment: please the consumer

## 4) Long term, must create competitive distance between HTC, Apple, Samsung, and Xiaomi (China)

- not just product
- also brand, IP, product portfolio, accessories, others
- create true distinctiveness beyond a great product