



# Model Innovation on Corporate Performance in the Context of Digital Economy--the Case of Xiaomi Automobile

Wenhao Huang

School of Economics, Guangdong University of Finance and Economics, Guangzhou, China

dean4321@uok.edu.gr

**Abstract.** In the era of the digital economy, the development of the new energy automobile industry is intensifying, and the public's demand for automobiles is also increasing. This paper uses Xiaomi Automobile as an example to explore the impact of business model innovation on enterprise performance within the context of the digital economy. Under the wave of the digital economy, enterprises are facing unprecedented opportunities and challenges, and business model innovation has become the key to enterprise survival and development. As the strategic layout of millet group to enter the automobile industry, the business model innovation of millet car has significant characteristics of the times. This paper analyzes the innovative practice of Xiaomi Auto in platform operation, intelligent manufacturing and other aspects, and analyzes the characteristics and advantages of its business model, and then evaluates the impact of the launch of Xiaomi Auto on Xiaomi Group's market share, customer satisfaction and profitability and other performance indicators, to provide a reference and reference for enterprises to carry out business model innovation in the context of the digital economy.

**Keywords:** Digital Economy, Business Model Innovation, Corporate Performance, Xiaomi Auto, Ecological Synergy.

## 1 Introduction

As an important pillar industry of the national economy, the automotive industry is in a critical period of digital transformation against the background of the deep integration of the digital economy and the real economy [1]. In this context, the traditional business model is facing great challenges and opportunities. Numerous technology companies have ventured into the automotive field in an attempt to reshape the pattern of the traditional automotive industry [2]. Xiaomi Group, as a technology company that started with smartphones, has risen rapidly in a short period by virtue of its unique "triathlon" business model. With the increasingly fierce competition in the smartphone market, Xiaomi Group has begun to seek a diversified development strategy, entered the smart electric vehicle industry, and launched Xiaomi Auto. The

© The Author(s) 2025

P. S. Borah et al. (eds.), *Proceedings of the 2025 5th International Conference on Enterprise Management and Economic Development (ICEMED 2025)*, Advances in Economics, Business and Management Research 346, [https://doi.org/10.2991/978-94-6463-811-0\\_79](https://doi.org/10.2991/978-94-6463-811-0_79)

launch of Xiaomi Auto is not only an expansion of Xiaomi Group's business scope but also an important manifestation of its business model innovation in the context of the digital economy [3].

This paper will take Xiaomi Auto as an example to deeply analyze its business model innovation practice in the context of the digital economy, analyze the characteristics and advantages of its business model, and explore how Xiaomi Auto's business model innovation is of significant theoretical and practical value for understanding how emerging technology enterprises can utilize non-traditional automobile manufacturing background to enter and subvert the traditional automobile industry. This study helps to reveal how Xiaomi Auto responds to the complex and changing market environment through its innovative business model and provides a reference for other enterprises to transform and innovate and assess the impact of Xiaomi Auto on the performance of Xiaomi Group.

## **2 Business Model Innovation of Xiaomi Automobile in the Context of the Digital Economy**

### **2.1 Business Model Innovation Practice**

Xiaomi Auto continues the platformized operation strategy of Xiaomi Group and builds a huge ecosystem. With the huge ecosystem of Xiaomi Group, Xiaomi Auto realizes the interconnection and interoperability with smartphones, smart homes, and other products to create a "full ecosystem of people, cars and homes". For example, users can remotely control some of the functions of the car through the Xiaomi cell phone, such as starting the vehicle, adjusting the temperature of the air conditioning, checking the status of the vehicle and so on. The car can also interact with smart home devices to provide users with a more convenient and intelligent life experience. Not only that, Xiaomi Auto integrate all kinds of resources to provide users with richer services and experiences. For example, Xiaomi Auto cooperates with navigation software manufacturers to provide more accurate navigation services; it can cooperate with charging pile operators to provide more convenient charging services. This platformized operation mode can not only reduce the operating costs of enterprises, but also improve the stickiness and loyalty of users, and provide a rich experience to every user [2].

Platform-based operation lays the user foundation for new retail [4]. Xiaomi Auto has adopted a new retail model that deeply integrates online and offline channels. On the one hand, Xiaomi Auto opens offline experience stores so that users can experience the products in person, and not only provides test-drive services, but also enhances users' awareness and goodwill towards the brand by organizing user activities and product explanations [5]. As of January 2025, Xiaomi has deployed 216 sales and service integrated stores in 64 cities across the country, and plans to open 81 after-sales authorized stores in third and fourth-tier cities, with a gross profit margin of 30% in the after-sales business [6]. On the other hand, it utilizes an e-commerce platform for online sales, in the Xiaomi Mall app, which makes it easy for users to buy

anytime, anywhere. 70% of the orders for Xiaomi SU7 come from Xiaomi Mall and the official app, and the average delivery cycle is shortened to 4 weeks (industry average 6-8 weeks) after locking the order online. This new retail model of online and offline integration not only takes advantage of the convenience and information dissemination of the online platform, but also utilizes offline stores to enhance user experience and brand trust. At the same time, Xiaomi Auto also uses big data technology to analyze users' purchasing behavior and preferences, so as to provide users with more personalized services and recommendations [7].

Xiaomi Auto's intelligent manufacturing, on the other hand, provides product support users. Through the introduction of advanced production technology and equipment, production efficiency and product quality are improved. Xiaomi Auto utilizes automated production lines for parts assembly and production, and artificial intelligence technology for quality inspection and control. Through integrated die-casting technology, the number of SU7 rear bottom plate parts is reduced by 70%, and the manufacturing cost is reduced by 15%. At the same time, Xiaomi Auto also uses IoT technology to realize the visualization and intelligent management of the production process. This intelligent manufacturing model can effectively reduce production costs and improve product competitiveness [8].

Xiaomi Auto continues the Xiaomi Group's user participation model, which encourages users to participate in product design and improvement. Through MIUI community forums, social media, and other channels, Xiaomi Auto actively listens to users' opinions and suggestions, and quickly responds to customized features. This user co-creation model, which runs through the entire value chain, can effectively improve user participation and sense of belonging and enhance user satisfaction.

## 2.2 Business Model Innovation Characteristics

Xiaomi Automobile's business model innovation emphasizes efficient collaboration between various departments within the enterprise and between the enterprise and external partners. Through the establishment of an efficient communication mechanism and collaboration platform, Xiaomi Auto can realize the rapid transmission of information and the effective integration of resources, thus improving operational efficiency and response speed. For example, Xiaomi's cell phones, homes, and cars can be interconnected through the Xiaomi ecology; Xiaomi Auto works closely with suppliers to improve the quality and supply capacity of components. This efficient synergy realizes high conversion user, with about 30% of Xiaomi Auto users also using Xiaomi cell phones, reducing customer acquisition costs [9].

In the era of digital economy, the market is changing rapidly, and enterprises must have the ability to rapidly iterate. Xiaomi Auto's business model innovation emphasizes rapid iteration, optimizing products and services through continuous trial and error and improvement to adapt to market changes and meet user needs. For example, OTA (Over-the-Air Upgrade) technology: Xiaomi SU7 is equipped with HyperOS, which supports the continuous optimization of intelligent driving and car-machine interaction (e.g., the iteration of HAD Smart Driving System). With rapid iteration,

Xiaomi Auto's production capacity exceeded 20,000 units, in a single month in October 2024, the fastest record for a new force.

Xiaomi Auto's business model innovation always adheres to the user-centered approach and is committed to providing users with high-quality products and services. Xiaomi Auto deeply understands the needs and pain points of users and applies them to the design and development of products. At the same time, Xiaomi Auto also focuses on interaction and communication with users, actively listens to their opinions and suggestions, and solves their problems in a timely manner. In the customer satisfaction score, the Xiaomi SU7 user rating is 85/100, and the intelligent experience ranks in the top three of the new forces [10].

In the era of the digital economy, data is an important production factor. Xiaomi Auto's business model innovation emphasizes data-driven, and through the collection and analysis of user data, it understands user behavior and preferences to provide users with more personalized services and recommendations. For example, Xiaomi Auto will provide personalized driving advice and maintenance reminders based on the user's driving habits and vehicle data; Xiaomi Auto will recommend nearby charging piles and service outlets based on the user's geographic location and travel habits. In terms of smart driving, Xiaomi's Smart Driving System (HAD) has an active rate of more than 85%, with a NOA (Navigation Automatically Assisted Driving) share of 82.4%, and an increase in passage efficiency of 30%, improving the smart driving experience in all aspects.

### **3 Analysis of the Impact of the Proposed Xiaomi Car on Xiaomi's Performance**

The impact of the launch of Xiaomi's car on Xiaomi's performance is multifaceted, including both an increase in market share, an increase in customer satisfaction and an increase in profitability.

The launch of Xiaomi's automobile will help Xiaomi Group to expand into new market areas and increase its market share. Since the launch of Xiaomi's first model SU7 in March 2024, cumulative sales reached 140,000 units in 8 months, becoming a "dark horse" in the new energy market and completing the 100,000-unit delivery target ahead of schedule. 39,790 units were delivered in the third quarter of 2024, a 45.7% increase from the previous quarter, propelling Xiaomi's car into the top 10 of new energy vehicle sales in China. Vehicle sales were in the top 10. 2024 annual deliveries were approximately 135,000 units, and the target for 2025 was raised to 350,000 units, with market share expected to increase from approximately 2.5% in 2024 to around 5% in 2025. The smart electric vehicle market is an important direction for future development, and the launch of Xiaomi Auto means that Xiaomi Group has officially entered this emerging market. With the brand influence and user base of Xiaomi Group, Xiaomi Auto is expected to occupy a place in the smart electric vehicle market, thereby increasing the overall market share of Xiaomi Group. In addition, the success of Xiaomi Auto may also drive the sales of Xiaomi's ecological chain products, further consolidating Xiaomi Group's market position. The rapid expansion

of market share not only directly enhances the scale of revenue but also lays the foundation for subsequent improvement in profitability through the scale effect.

The number of orders for Xiaomi SU7 far exceeded the capacity after its launch, reflecting consumers' high recognition of the product's performance and price-performance ratio. Intelligent functions (such as car-machine interconnection and automatic driving) and ecological synergy (cell phone, home and car interconnection) have become differentiated competitive advantages. The core of this lies in the use of Xiaomi cell phone ecological resources to reduce R&D costs while improving user experience. Third-party research shows that Xiaomi's cars rank among the top three new power brands in terms of "technology perception" and "user interaction experience". In addition, Xiaomi SU7 also shows obvious advantages in comparison with competitors. Table 1 shows a side-by-side comparison of Xiaomi SU7 Ultra with Tesla Model S Plaid and Porsche Taycan Turbo GT.

**Table 1.** Xiaomi SU7 Ultra with Tesla Model S Plaid and Porsche Taycan Turbo GT.

	Xiaomi SU7 Ultra	Tesla Model S Plaid	Porsche Taycan Turbo GT
Vehicle start-up speed	2 seconds.	3 seconds.	4 seconds.
Voice Interaction Accuracy	95%	90%	80%
Cross-device linkage	Support Xiaomi's entire ecosystem	Tesla App only	No deep ecological integration
Auto Parking Accuracy	5cm	10cm	Optional (15cm) required

In the future, with the continuous optimization of the big AI model, the intelligent experience of Xiaomi's car is expected to further widen the gap with competitors. Increased customer satisfaction not only guides the product and improves the service, but also brings a positive effect on business performance.

The smart electric vehicle market has high profitability, and the success of Xiaomi Auto will bring new profit growth points for the Xiaomi Group.2024 In the third quarter, although Xiaomi's automotive business still lost 1.5 billion yuan, the loss of a single vehicle dropped significantly from 66,000 yuan/vehicle in the second quarter to 38,000 yuan/vehicle (down 42%), reflecting a narrowing of short-term losses and an incipient effect of scale. Revenue from the automotive business reached RMB9.7 billion in the same period, up 52.1% year-on-year, accounting for 10.5% of the Group's total revenue, making it the fastest-growing segment. Through capacity creep (quarterly capacity increase to 40,000 units) and supply chain integration (e.g. 10% reduction in battery procurement cost), automotive gross margin improved from 15.4% in Q2 to 17.1% in Q3, which has significantly outperformed the cell phone business (11.7%). This trend suggests that medium-term cost optimization drives gross margin improvement with scale expansion and supply chain efficiency improvement, and losses are expected to narrow further. Positive capital market expectations for the automotive business: Xiaomi's market capitalization surpassed HK\$1.07

trillion in February 2025, leapfrogging it to the third position in the global automotive industry (after Tesla and Toyota). If the revenue share of automobiles increases to over 15% by 2025 as planned, its profit contribution ability may become a new pillar of the Group.

In addition, Xiaomi Cars may also be sold in conjunction with Xiaomi's ecological chain products to further increase profitability. For example, users may purchase Xiaomi's smart home products or smart wearables while purchasing Xiaomi cars, thereby increasing the overall revenue of the Xiaomi Group. However, it should be noted that the automotive industry has a long investment cycle and slow returns, which may initially put some pressure on Xiaomi's profitability.

Entering into the automobile industry demonstrates that Xiaomi Group has strong technological strength and innovation capabilities and is able to continuously expand into new business areas. The success of Xiaomi Auto will further consolidate Xiaomi Group's position as a leading technology company and enhance its brand value and market influence.

## 4 Conclusion

In the context of the digital economy, business model innovation is the key for enterprises to realize sustainable development. As the strategic layout of Xiaomi Auto, which is the entry of Xiaomi Group into the automotive industry, its business model innovation has significant characteristics of the times. By analyzing Xiaomi Auto's innovative practices in platform-based operation, new retail, intelligent manufacturing, etc., and dissecting the characteristics and advantages of its business model, this paper argues that the launch of Xiaomi Auto has a positive impact on Xiaomi Group's performance indicators such as market share, customer satisfaction, and profitability.

However, Xiaomi Auto's business model innovation also faces some challenges. For example, the smart electric vehicle market is highly competitive, and Xiaomi Auto needs to continuously improve the technical content and competitiveness of its products. The regulation of the automobile industry is relatively strict, and Xiaomi Auto needs to comply with relevant laws and regulations. The after-sales service requirements of the automobile are high, and Xiaomi Auto needs to establish a perfect after-sales service system.

Therefore, Xiaomi Auto needs to continue to strengthen its business model innovation, continuously optimize its products and services, improve its competitiveness, and actively respond to various challenges in order to succeed in the smart electric vehicle market and bring greater development opportunities for Xiaomi Group. At the same time, the findings of this paper also provide a reference and reference for other enterprises to carry out business model innovation in the context of the digital economy, encouraging enterprises to actively embrace digital technology and carry out innovation and change in order to realize the sustainable development of enterprises. It is hoped that this paper can provide some help to the research in related fields and provide some inspiration for enterprises to carry out business model innovation in the context of digital economy.

## References

1. Hsieh, R.: Research on the impact of Xiaomi Group's ecological chain investment on corporate performance. Master's thesis, Qingdao University of Science and Technology (2024).
2. Qi, F.: Research on the performance of diversification strategy of Xiaomi Corporation. Master's thesis, Shandong Agricultural University (2024).
3. Sun, R.: Research on Xiaomi automobile marketing case and enhancement countermeasures based on 4C theory. *China Business Journal* 3, 74-77 (2025).
4. Yuan, M.: Research on the impact of business model innovation and risk response level on corporate performance of Internet enterprises. Master's thesis, Xi'an University of Technology (2023).
5. Li, Y.: Entrepreneurial personality traits, business model innovation and start-up growth. Doctoral dissertation, Jilin University (2023).
6. Wen, M.: A study on the impact of digitalization on the performance of manufacturing companies. Master's thesis, Sichuan Normal University (2024).
7. Hu, F.: Research on the impact of business model innovation on enterprise performance under the moderating effect of digital transformation. Master's thesis, Beijing Jiaotong University (2022).
8. Duan, W.: Research on the impact of Xiaomi Group's digital platform ecosystem construction on its value creation. Master's thesis, Inner Mongolia University of Finance and Economics (2024).
9. Shao, J., Qu, D.: A study on the relationship between business model and corporate performance: The example of listed automobile manufacturing enterprises. *Business Accounting* 12, 83-88 (2018).
10. Jin, C., Yang, Y., Yu, J.: Review and prospect of business model innovation research. *Soft Science* 36(4), 1-7 (2022).

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

