Supply Chain Resilience of Multinational Enterprises in India: A Case Study of Xiaomi Corporation

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Abstract. As globalization accelerates, multinational companies face a series of complex supply chain risks when entering evolving markets, like policy uncertainty, geopolitical factors, and natural disasters. When Xiaomi first entered the Indian market, it developed a very flexible supply chain plan. By producing locally, selling products via various channels, and making several strategic investments, they were able to mitigate the influence of external risks like market fluctuations and policy changes. Having said that, the complex situation in the Indian market requires its supply chain to be more stable and reliable. The study found that the robustness of the supply chain not only depends on the company's strategic choices but is also impacted by the local policy environment, market competition conditions, and cultural differences. By studying actual cases, this article mainly discusses the critical factors that affect the stability of international companies' supply chains and also proposes ways to improve supply chain management. This paper hopes that it can offer some inspiration for other multinational companies that want to enter evolving countries.

Keywords: Xiaomi Corporation, Indian Market, Supply Chain Resilience, Multinational Company.

1 Introduction

Supply chain resilience refers to the ability of a supply chain to quickly recover and maintain normal operation in the face of internal and external disturbances such as natural disasters, geopolitical conflicts, and fluctuations in market demand. It not only encompasses the recovery capacity of the supply chain after being impacted but also involves its preventive and adaptive capabilities in the face of potential risks. Supply chain resilience emphasizes maintaining the stability and flexibility of the supply chain in an uncertain environment to ensure that enterprises can continuously meet market demands.

With the acceleration of globalization, multinational companies are constantly panding into emerging markets to seek growth opportunities. However, in recent years,

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geopolitical conflicts, trade protectionism, natural disasters and public health events (such as the COVID-19 pandemic) have posed unprecedented challenges to the global supply chain. In 2021, global supply chain pressure increased sharply, with approximately 70% of enterprises reporting logistics delays or disruptions. According to data from the International Monetary Fund (IMF), the economic losses caused by global supply chain disruptions in 2021 are expected to exceed 400 billion US dollars. Therefore, multinational companies must build resilient supply chains that can flexibly adapt to market changes to ensure long-term competitiveness.

Since entering the Indian market in 2014, Xiaomi Technology (referred to as Xiaomi) has achieved rapid success supported by high cost-performance products and innovative marketing strategies. Xiaomi's market share reached 23% in the third quarter of 2017. However, in its subsequent development, Xiaomi encountered multiple challenges such as changes in policies and regulations, and its market share once dropped to 15% [1]. Therefore, an in-depth study of Xiaomi's supply chain resilience building in the Indian market not only holds significant practical significance but also provides valuable references for other multinational enterprises.

This study takes the supply chain resilience of Xiaomi Corporation in India as the entry point, which is of great significance. On the one hand, it can enrich the theoretical system of supply chain management of multinational enterprises, especially in the emerging market environment, how to enhance the flexibility and risk resistance of the supply chain through means such as localized production, optimizing procurement strategies and strengthening supplier management. On the other hand, Xiaomi's practical case in India provides an empirical basis for understanding how multinational enterprises build and maintain resilient supply chains in complex emerging markets, which is conducive to in-depth exploration of the intrinsic connection between supply chain resilience and enterprise competitiveness as well as market adaptability. Furthermore, this research can also provide theoretical support for multinational enterprises to deal with challenges such as cultural differences and policy changes in the process of globalization and promote the integrated development of cross-cultural management and supply chain management theories.

2 Development History of Xiaomi in Indian

2.1 Strategic Choices

Xiaomi is one of the world's largest mobile phone manufacturers. With the intensification of competition in the Chinese market, internationalization has become an important strategy for it. India is a highly promising smartphone market. Xiaomi's journey into the Indian market has been both successful and challenging [2]. Xiaomi chose India as its first stop for internationalization, and the main reasons include the following three points: First, India has a large population base. According to World Bank data, India's population exceeds 1.3 billion, and the penetration rate of smart phones is increasing year by year, with huge market demand. Second, policy advantages: The government's "Make in India" policy provides a favorable policy environment for foreign investors.

Iii. Internet Popularization: By 2014, the number of Internet users in India had exceeded 300 million, laying a foundation for online sales [3-4].

In its early stage, Xiaomi quickly opened up the market by cooperating with e-commerce platforms such as Flipkart and adopting the online flash purchase model. With the high cost-performance Redmi series of mobile phones, Xiaomi became the third largest smartphone manufacturer in India at the end of 2015. This strategy not only helped Xiaomi quickly accumulate a user base but also established its brand recognition in the Indian market [5].

2.2 Localized Production and Product

In response to the demands and policy changes in the Indian market, Xiaomi began to cooperate with Foxconn in 2015 to establish a production base in India. According to Xinhuanet's statistics, as of 2019, Xiaomi had built seven factories in India, achieving over 95% of its products being produced locally. This measure not only reduced costs but also created a large number of job opportunities for the local area, enhancing the stability and responsiveness of the supply chain.

In addition to online channels, Xiaomi is also actively promoting the expansion of its offline market. After 2017, Xiaomi began to build a large number of offline stores called "Xiaomi Home". Through the combination of online and offline methods, Xiaomi further consolidated its position in the Indian market [6].

Xiaomi has launched several mobile phones with large-capacity batteries and long standby time for the Indian market to meet the needs of local consumers for long-term mobile use. In addition, Xiaomi has also collaborated with local software companies in India to develop the Xiaomi Wallet that supports the local payment system in India, as well as a mobile phone cooler designed for the high-temperature environment in India.

3 Risks and Challenges

Xiaomi used to grow quickly when it entered into the India market, but its share of market decreased from 23% to 15% due to the regulatory behavior of Indian law enforcement agencies. This change was mainly caused by uncertain policy, competitive market and changeable external environment [7].

Risk of policies and laws: The Indian government frequently modified Foreign Exchange Management Act and tax policy, which has put Xiaomi in a hard situation. For instance, Xiaomi’s funds were impounded due to suspected illegal remittance.

Geopolitical factors: According to a report in The Economist, the trust of Indian consumers in Chinese brands would significantly decrease when the Sino-Indian relationship worsened.

Fierce market competition: Local brands such as Realme and Vivo have risen rapidly by satisfying consumers’ needs.

Supply chain risks: The relatively weak infrastructure in India led to inefficient transportation. During the global chip shortage, the production and supply in Xiaomi were directly threatened.

4 Corresponding Strategies

4.1 Operation Strategy

Xiaomi has set a dedicated team to be familiar with Indian laws, finance, and taxation. The compliance manual is updated quarterly, and potential risks are evaluated. The effective implementation of the compliance operation strategy has laid a solid foundation for the stable operation of the supply chain. For example, cooperating with local legal consulting firms, Xiaomi made to avoid violations by adjusting the capital flow strategy in 2021, which ordered the transactions of supply chain, smoothed the flow of the capital chain in raw material procurement, component transportation, etc., and prevented the interruption or deferral due to capital-related violations.

4.2 Localization Strategy

Multiple research and development centers of Xiaomi have been established in India to satisfy local consumers and increase the share of manufacturing in India, which significantly strengthened the supply chain. Otherwise, Xiaomi could accurately grasp the needs of the Indian market and convey the feedback to upstream component suppliers for the improvement and innovation of targeted product. Moreover, the expansion of India manufacturing share was able to shorten the distance between production site and consumer market to speed up supply chain response and promote the development of local supporting industries, attracting more suppliers to join Xiaomi's supply chain system and building a more complete and resilient supply chain network.

4.3 Brand Public Relations and Risk Management Strategy

Xiaomi’s professional brand public relations team has actively communicated with the Indian media and released positive new. A good brand image and efficient crisis management contribute to the cooperative relationship in supply chain. And when negative events occur, the crisis public relations plan with a rapid response can resolve the crisis in a timely manner, stabilize consumer confidence and ensure sales.

5 Achievements of Xiaomi

5.1 Respond Quickly to Market Demands and Maintain Market Leadership

Xiaomi maintained a strong market competitiveness in India, thanks to its optimized supply chain and improved production efficiency. Even while Xiaomi encountered many difficulties, it still ranked fifth in the Indian smartphone market in the third quarter of 2024, with an 8.7% market share. By using localized production, 99% of the smartphones sold by Xiaomi in India are manufactured in Indian factories, significantly reducing production costs and improving the response speed of the supply chain.

5.2 Stability of the Supply Chain in Sudden Situations

During the pandemic, Xiaomi reduced the risk of manufacturing disruptions by diversifying its production bases and strengthening supply chain management. For example,

its factory in India added automated production lines and optimized production processes, quickly restoring its production capacity. Moreover, Xiaomi further enhanced the stability of its supply chain by collaborating with local suppliers.

6 Insights into the Supply Chain Resilience

In today's rapidly changing global environment, only if its supply chain is vigorous enough can an enterprise gain the upper hand in business competition. Primarily, enhancing the flexibility and adaptability of supply chain configurations is particularly critical to speed up response and drop threats [8]. Establishing local manufacturing centers in emerging markets can better respond to emergencies and market changes. Finding reliable partners and establishing in-depth cooperative relationships with them is key to making the supply chain more resilient. By working together, the company can respond to customer needs more quickly and optimize the efficiency of the entire supply chain. In addition, digital innovation is of utmost importance. If they use digital tools, they can make the supply chain more transparent and make decisions faster, so that they can respond immediately to various changes in the market and adjust plans in a timely manner [9]. Localization based on the characteristics of the target market can better meet consumer needs and emphasize the competitiveness of the company. To put it bluntly, how a company manages things is particularly critical for building a stress-resilient supply chain. It mainly helps international companies make strategic decisions, guides them on how to manage risks, and enables them to develop steadily in the complex global market. Therefore, only by strengthening supply chain diversification, partner collaboration, digital application, localization strategies, and extraordinary corporate governance can enterprises remain invincible in future competition. In today's increasingly competitive globalized environment, the resilience of a company's supply chain has become a key factor in maintaining a competitive edge in the market [10].

7 Conclusion

Against the backdrop of accelerating globalization, international companies must address a variety of supply chain threats and challenges as they enlarge their operations in evolving regions. This study will take Xiaomi's entry into the Indian market as an example for further study. It has built a flexible supply chain system via localized production, diversified sales channels and strategic investment, enhancing its ability to cope with market fluctuations and policy adjustments. Whereas the unique complexity of the Indian marketplaces higher demands on the robustness of the company’s supply chain system. Research shows that to increase the robustness of the supply chain system, it is not enough for the company to rely on its own tactics, but also to consider the external environment, like the regulatory situation in the country where it is located, the intensity of competition and cultural differences. By Using case analysis, this study clarifies the critical elements affecting the supply chain resilience of multinational enterprises and then proposes strategies for optimizing supply chain management, with

the aim of providing practical trajectory and theoretical references for other multinational enterprises to enter emerging markets.

Author Contribution

All the authors contributed equally, and their names were listed alphabetically.

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