



Research on the Development Opportunities and Challenges of Xiaomi Corporation's Mobile Phone Business

Yinghao Gao*

Zhengzhou Foreign Language School, Zhengzhou, 450001, China

*yinghao_gao@outlook.com

Abstract. This article takes the mobile phone business of Xiaomi Corporation as the research object. Through analyzing brand positioning, SWOT analysis and marketing strategies, it systematically studies the competitive situation and development path of Xiaomi Corporation's mobile phone business in the smartphone market. The research finds that its dual-channel marketing strategy (both online and offline) and high cost-effectiveness have effectively supported market expansion and accumulated a large consumer base; policy aspects such as "trade-in for new devices" and "satellite communication" and the growth of high-end market consumption demands have provided development opportunities for it. These advantages have ensured that the market share of Xiaomi mobile phones is on the rise. However, Xiaomi mobile phones also face significant crises. They are confronted with technical pressure from high-end brands such as Huawei and Apple, as well as the diversion of market share from mid-to-low-end brands like OPPO. Xiaomi's long-term focus on the low-end market has led to low gross profit margins and hindered the breakthrough to high-end markets; therefore, Xiaomi mobile phones need to enter the high-end market and further increase investment and research and development in the high-end sector. The conclusion of this article can provide strategic references for Xiaomi, helping it achieves a balance between the mid-to-low-end market and facilitating their transition to the high-end market.

Keywords: Xiaomi Corporation, Marketing Strategy, Brand Analysis.

1 Introduction

1.1 Research Background

In recent years, according to IDC data, the growth rate of global smartphone shipments in 2024 was less than 3% [1]. China, as the core market, faced even more intense competition. Against this backdrop, Xiaomi Corporation, as a representative of domestic mobile phone brands, has rapidly risen since its establishment in 2011, leveraging extreme cost-effectiveness to achieve rapid success. In 2024, it ranked among the top three in global shipments and firmly held a leading position in the industry. However,

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with the acceleration of industry technological iterations (such as the popularization of foldable screens and satellite communication technologies), the upgrading of consumer demands (the sales of high-end models above \$1,000 increased by 18% in the first half of 2024), and changes in policy environment (such as the national "trade-in" subsidies and the guidelines for the satellite communication industry by the Ministry of Industry and Information Technology), Xiaomi is facing dual challenges of breaking through the high-end market and maintaining the basic market of mid-to-low end. In the high-end market, Huawei, Apple, and Samsung have dominated through technological barriers and brand advantages. In the mid-to-low end market, brands like OPPO have diverted consumers through supply chain optimization and channel layout. In the third quarter of 2024, the gross profit margin of Xiaomi's mobile phone business has hit bottom, and its traditional competitive advantages are being challenged.

1.2 Research Purpose and Significance

This paper aims to address two core issues: Firstly, what are the core competitive advantages and weaknesses of Xiaomi's mobile phone business in the current market environment? Secondly, can its existing marketing strategies support the transformation towards higher-end products, and in which aspects should they be optimized? Through a series of analyses of brand positioning, market trends, SWOT, and marketing strategies, this paper provides feasible development suggestions for Xiaomi and other domestic mobile phone brands.

2 Analysis of Xiaomi Corporation's Brand and Marketing Environment

2.1 Introduction and Analysis of Xiaomi Corporation's Brand Positioning

Since its establishment, Xiaomi has dominated the low-end market in the Chinese mobile phone sector with its "ultra-high value for money" strategy. The cost-effectiveness of Xiaomi phones mainly lies in the combination of low hardware profit margins and high ecological value. In the early stage, by leveraging a strategy of high performance and extremely low prices, it accumulated a consumer base and established a brand positioning of "low price with high technology".

Its development process is clearly segmented according to slogan iterations [2]. In the early stage of its company's establishment, with the slogan "Born for Fans", it attracted young people who pursued technical configurations but had limited budgets [3]. These were the first wave of loyal fans of Xiaomi phones. In the middle stage of its development, the company's slogan changed to "Innovation that everyone can enjoy", and Xiaomi phones increased R&D investment and improved performance based on the previous foundation, growing into a representative brand of high-quality and advanced technology in China's manufacturing industry. Now, "Let everyone in the world

enjoy a better life through innovative technology has become the strategic goal of Xiaomi Corporation, shifting from the low-end market to the high-end market, forming a complete ecosystem for Xiaomi.

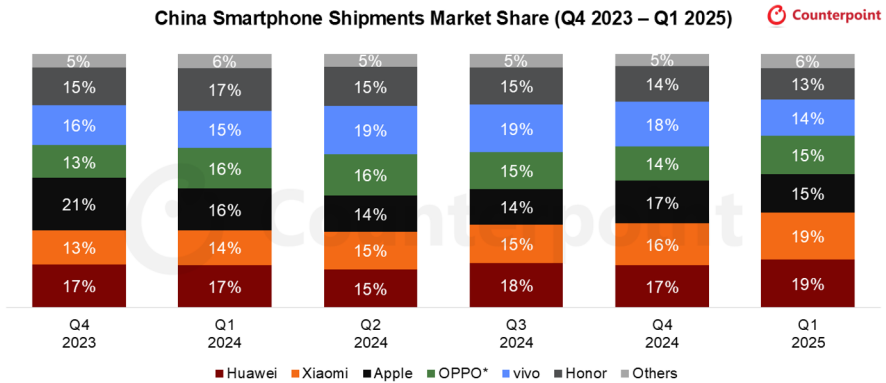
2.2 Phone Market Trend Analysis

In recent years, smartphones have become essential items in people's lives, which has led to a huge demand in the mobile phone market and thus promising prospects for the development of the smartphone industry. However, as the market demand continues to grow, industry competition has also become increasingly fierce. To compete for consumer volume and market share, major mobile phone manufacturers have been enhancing their competitiveness through two core paths: technical and marketing. In terms of technological innovation in mobile phones, major enterprises have increased their investment in mobile phone research and development, breaking through cutting-edge technologies, such as developing their own chips and improving the pixel of mobile phones, to enhance the technological sense and consumer experience of mobile phones. In terms of marketing, the executives of various companies have optimized marketing strategies. Some executives are dedicated to building personal IPs, developing consumer-centered strategies, strengthening brand building, and enhancing brand awareness. Therefore, although the Chinese mobile phone market has promising prospects, the competition is very intense. In this situation, Xiaomi phones should survive by finding a niche market.

2.3 Analysis of Competitors in Xiaomi Corporation's Mobile Phone Business

Xiaomi Corporation's mobile phones have multiple series and cover a wide range of market segments. Thus, Xiaomi's mobile phones have different competitors in different market segments. In the high-end mobile phone market, Xiaomi Corporation launched the high-quality Ultra series, directly competing with international leading brands such as Apple Pro series, Samsung Galaxy series, and Huawei Mate series. These enterprises have been deeply involved in the high-end market for many years and have a large customer base as well as relevant experience in the high-end market. Therefore, the competition pressure on Xiaomi's mobile phone business in the high-end market is extremely high. In the low-end mobile phone market, Xiaomi Corporation launched the Redmi series, directly competing with enterprises such as OPPO, Vivo, and IQOO that pursue the ultimate cost-effectiveness. This is the main battlefield of Xiaomi Corporation's mobile phone business. Therefore, in this low-end market, Xiaomi needs to continuously invest to ensure the stability of the market.

As shown in Figure 1, in the period from Q4 2024 to Q1 2025, the market share of Xiaomi's mobile phones tends to stabilize and shows an upward trend (The market share ranges from 13% to 19%). The development of Xiaomi's mobile phone business is very promising.



Source: Counterpoint Research Market Monitor Service
 *OPPO includes OnePlus since Q3 2021.

Fig. 1. China Smartphone Shipments Market Share (Q4 2023- Q1 2025) [4]

2.4 Policy Impact Analysis

In the current domestic consumer market, the influence of policy orientation on the development of enterprises and product sales has become increasingly significant. Among them, the national subsidy (referred to as “national subsidy”) policy has become a key factor driving the changes in the smartphone industry landscape. In 2025, the National Development and Reform Commission and the Ministry of Finance jointly issued the "Notice on Implementing Large-scale Equipment Upgrades and Consumer Goods Trade-In Program in 2025 with Expanded Coverage (Document No. 13 of 2025 from the National Development and Reform Commission and the Ministry of Ecology and Environment)", clearly stipulating that for individual consumers purchasing mobile phones, tablets, smartwatches, and fitness bands with a unit price not exceeding 6,000 yuan, a subsidy of 15% of the product sales price will be given, with a maximum subsidy of 500 yuan per item. This policy stimulated the sales of Xiaomi mobile phones [5]. Under this policy context, the sales of Xiaomi mobile phones saw a significant increase. On January 20th, the new purchase subsidy for digital products began, and the sales of the Xiaomi brand increased by 468% year-on-year. According to the relevant person in charge of Chongqing Xiaomi, taking the sales of Chongqing Xiaomi as an example, the sales of Xiaomi mobile phones in Chongqing saw a significant increase, ranking first among all terminal brands in terms of the month-on-month increase [6]. Therefore, the development of Xiaomi mobile phones conforms to national policies and has broad prospects.

3 SWOT Analysis of Xiaomi Corporation's Mobile Phone Business

SWOT analysis is a commonly used tool for enterprise strategic planning and market competition analysis. It deeply analyzes the situation that an enterprise faces from both internal and external perspectives. It plays a significant role in the feasibility assessment of enterprise projects. In the following part of the SWOT analysis section, this article will elaborate on the four aspects of strengths, weaknesses, opportunities, and threats.

3.1 Strengths

Ultra-high-cost performance product positioning (core competitiveness). The cost-effectiveness of Xiaomi mobile phones comes from the superior configuration and experience at the same price range. At the same price point, Xiaomi phones usually offer better performance and hardware configuration (such as processors, screens, cameras, etc.), achieving "optimal performance at the same price, and the lowest price for the same performance". Xiaomi precisely targets young consumers with limited budgets and a pursuit of high-quality technological experience and has built a well-known brand, laying an important customer foundation for it in the mid-to-low-end market and even challenging the high-end market. The head of Xiaomi Corporation, Lei Jun, promised that the comprehensive net profit margin of Xiaomi phone hardware $\leq 5\%$ [7]. Xiaomi phones only earn a very small profit in hardware, profoundly demonstrating the high cost-effectiveness of Xiaomi phones.

Mature and Collaborative Ecosystem Chain System. At present, Xiaomi has established a complete ecosystem chain covering the upstream supply chain (such as deep cooperation with chip and screen manufacturers) and the downstream terminals (mobile phones, Xiaomi cars, Xiaomi laptops, smart home devices, wearable devices, etc.). The effective combination of upstream and downstream has not only improved the manufacturing efficiency of mobile phones but also formed a "consumer experience loop centered on mobile phones and multi-device interaction", enhancing consumer stickiness [6]. Additionally, the ecosystem revenue of Xiaomi mobile phones in 2024 was 28.6 billion yuan, with a gross profit margin of 65%+. Under such circumstances, Xiaomi mobile phones still maintained a revenue of 365.9 billion yuan in 2024, with a year-on-year growth rate of +35%, far exceeding the industry average, demonstrating the effectiveness of the model [8].

3.2 Weaknesses

As the market becomes saturated and competition intensifies, the mobile phone business of Xiaomi Corporation has long focused on and accumulated in the low-end market. However, the positioning in the low-end market has led to low gross profit margins and weak profitability of individual products, further increasing the difficulty of its breakthrough into the high-end market. It is also very difficult for Xiaomi phones to

enter the high-end market. Due to Xiaomi's deep focus on the low-end mobile phone market, its marketing and R&D investment in the high-end sector are relatively insufficient. Therefore, under this background, Xiaomi Corporation should increase the research and investment in high-end mobile phone categories to ensure that the core technologies have the qualifications to enter the high-end market. And after completing the establishment of a high-end brand, it needs to combine market research and business data analysis to formulate pricing strategies that are in line with the positioning of high-end mobile phones, ultimately ensuring the enterprise's profits.

3.3 Opportunities Analysis

In terms of policies, the Ministry of Industry and Information Technology issued the "Guidelines on Optimizing Business Access to Promote the Development of Satellite Communication Industry", clearly stating that by 2030, the goal is to achieve a complete satellite communication management system, an improvement in the comprehensive level of the industry, large-scale application of direct satellite connection for mobile phones, and the development of over 10 million consumers. This policy has promoted the transition of satellite communication from a professional field to the public, bringing new functions to mobile phones and other terminal devices [9]. The Xiaomi 15 Ultra has already realized satellite data functionality, which is an opportunity for Xiaomi phones to enter the high-end category. In terms of consumers, as shown in Figure 2. In the first half of 2024, the sales volume of smartphones was priced at \$1000 and increased by 18% year-on-year. As consumers increasingly prefer high-function and high-performance smartphones, it is an excellent opportunity for Xiaomi Corporation's mobile phone business to enter the high-end market [10].

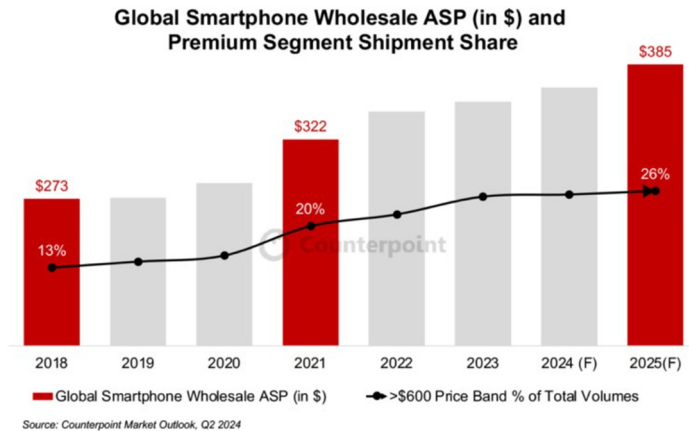


Fig. 2. Global Smartphone Wholesale ASP (in \$) and Premium Segment Shipment Share [11]

3.4 Threat

In the context of an increasingly fierce competition in the smartphone market, the mobile phone business of Xiaomi Corporation is facing multi-dimensional market environment pressures.

From the perspective of competition in the high-end market, the innovation advantages of high-end brands have continuously eroded Xiaomi's market space. Huawei, through its long-term in-depth research and development in the field of terminal technology, has continuously introduced new products. Its innovative products, such as the tri-fold screen mobile phone, have not only reached the industry-leading level in hardware structure design, but also precisely met the specific needs of its customer base. They have successfully attracted consumers who have high requirements for cutting-edge technology and high-quality products. These innovations have had a direct and powerful impact on Xiaomi, which is also committed to breaking through in the high-end market. Apple and Samsung, relying on their accumulated core technologies and control over the entire industrial chain, have long dominated the high-end market. Apple, with its core competitiveness of chip performance advantages and the smoothness of the iOS system, has an extremely high brand loyalty among high-end customer groups; Samsung maintains a leading position in hardware fields such as screen display technology (such as Dynamic AMOLED 2X) and image sensor research and development. The technological leadership and brand influence of both in the high-end market make Xiaomi, when challenging the high-end market, need to achieve greater breakthroughs in key dimensions such as chip performance, system experience, and imaging capabilities, to capture consumers' attention, and the competition is extremely difficult.

In the mid-to-low-end market, Xiaomi is also facing intense competition from brands like OPPO. These brands have seized the opportunity by accelerating product iteration speed, optimizing supply chain cost control, and adopting a high-value-for-money product strategy to quickly capture the mid-to-low-end market share. Their entry-level phones and mid-range models have continuously upgraded in aspects such as battery life, fast charging technology, and design, while leveraging extensive offline channel layouts and intensive marketing campaigns to further close the distance with consumers and divert the mid-to-low-end consumer base that originally belonged to Xiaomi. This has gradually weakened Xiaomi's price advantage in the mid-to-low-end market and exposed it to the risk of market share decline.

In summary, whether it is the high-end market being firmly occupied by brands such as Huawei, Apple, and Samsung through technological innovation and brand advantages, or the mid-to-low-end market being strongly challenged by brands like OPPO, the mobile phone business of Xiaomi is currently in a dual competitive predicament of "difficulty in breaking through in the high-end market and pressure on the mid-to-low-end base". It is facing significant market pressure and development challenges. In Xiaomi Corporation's Q3 financial report in 2024, the gross profit margin has already reached its bottom [12]. Therefore, Xiaomi Corporation must rapidly adopt methods to invest in and invent new technology to guarantee its profits.

4 Analysis of Xiaomi's Marketing Strategy

4.1 Multi-channel Marketing Strategy

Xiaomi has adopted a dual-channel sales strategy, with the "Xiaomi Store" as the core, combined with online store sales and mainstream e-commerce platforms such as Taobao, JD.com, Douyin, etc., to form a marketing model that attracts online traffic and provides offline experiences. As of the end of Q2 2025, there were approximately 17,000 Xiaomi Stores in China and about 200 in overseas locations [12]. Under the online direct sales model, such as the Xiaomi Mall App, the number of intermediate links was reduced, and fixed costs such as store rent and employee salaries were decreased, achieving controllable mobile phone prices. In the third-party e-commerce marketing model, e-commerce platforms such as JD.com and Tmall, through marketing on third-party platforms, obtained traffic and promotional exposure. Under the offline self-operated model, Xiaomi Stores provides customers with the entire process of experience, sales, and after-sales service, providing services and motivation to enhance brand perception and promote impulse purchases. The mobile phone business of Xiaomi Corporation continuously explores new marketing channels. Such as social viral marketing methods like WeChat mini-programs and smart home linkage, which extend the scenarios of marketing channels and enhance the stickiness of the enterprise and young consumers.

4.2 Pricing Strategy

Xiaomi's mobile phones initially seized market share with ultra-high value for cost and a thin profit strategy, attracting a large customer base. The company's core revolves around the business model of "hardware diversion, ecosystem monetization", with a pricing bottom line of "hardware comprehensive net profit does not exceed 5%". Relying on supply chain integration and scale effect (global shipment volume ranks top three in 2024) to achieve "same price high configuration" [8]. Through the "Xiaomi + Redmi" dual-brand stratified coverage of the high-end and low-end markets [13]. Redmi focuses on the 1000–2000-RMB range, using the Note and Turbo series to consolidate the basic position of low-end market cost performance; the Xiaomi brand mainly targets the mid-to-high-end market, reducing prices to meet the market conditions of the mid-to-low-end segment. For example, the Xiaomi 14 12GB + 256GB version was reduced to 2,699 RMB, achieving "high-end popularization". In addition, Xiaomi's pricing strategy is deeply bound to the product life cycle. When new models are released, they are priced as "benchmark of cost performance" to quickly seize market share, and later, through inventory clearance and price reduction to make way for the new generation of models, ensuring the price competitiveness of products at all price segments remains online, deeply in line with market development laws. And its pricing strategy is not simply low prices, but by obtaining over 600 million basic consumers through low profit for mobile phones, feeding back high-profit Internet services. In 2024, the revenue was 34.1 billion RMB, with a gross profit margin of 76.6% [14].

5 Conclusion

The mobile phone business of Xiaomi Group has continued to grow, thanks to its product positioning based on the core principle of "low hardware profit margin and high ecological value", which offers the ultimate cost-effectiveness. However, Xiaomi Group currently faces both opportunities and risks. Whether in terms of current policies or the market, Xiaomi Group has great potential. However, due to the relatively insufficient investment in the research and marketing of high-end models, it is difficult for it to break through the technical barriers when competing in the high-end categories with rivals like Huawei and Apple. Corresponding risks still exist. As the market becomes saturated, the competition among various mobile phone brands intensifies. High-end product companies like Apple and Huawei have attracted many loyal customers based on technological development. The crisis for Xiaomi persists. Therefore, in such an intensely competitive market, Xiaomi Group needs to increase investment in high-end research and development, build technical barriers focusing on cutting-edge technologies such as autonomous chips and satellite communication, and create differentiated technical tags for high-end models to directly compete with high-end brands like Apple and Samsung. Secondly, leveraging policies and demands, precisely position for high-end scenarios. By favoring high-end models in the "trade-in" policy and providing subsidies for applications, expand high-end user scenarios such as outdoor and business use for the satellite communication function; at the same time, optimize offline channels and open high-end experience stores in core cities to enhance users' perception and experience of Xiaomi's high-end models in specific scenarios.

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