

Analysis and Research on Data of Xiaomi Strategy in Colleges

—Based on research from colleges in South Hunan Province

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Abstract—Since Xiaomi technology company ("MI" for short) was founded in 2010; it has entered into an increasingly competitive mobile market by means of MI chat and MIUI system. After its establishment, it mainly focuses on those consumers who can effectively accept new technology, and with low or middle income. MI has gained masses of faithful consumers (commonly known as 'MI fans') with the concept of 'MI community'. From its release of the first mobile phone in 2011, it has achieved unprecedented sales performance through network direct selling, hungry marketing and so on, presenting an amazing growth rate. Under the current situation, MI has formed a strategy that uses 'triathlon' as its core idea, together with marketing strategy. Based on 213 questionnaires from 16 majors of 4 colleges in South Hunan Province, this paper aims at analyzing the marketing measures, product development strategy, as well as the background of current strategic distribution in Xiaomi Company.

Keywords— *Xiaomi technology; Marketing measures; Product development strategy; Questionnaire survey; SWOT analysis.*

MI keeps amazing growth rate since its foundation. It sold out 7,190,000 mobile phones in 2012, 18,700,000 in 2013, and 61,120,000 in 2014. Not only is the phone business growing up, but also many other products are overturning the traditional market, including the internet TV, set-top box, smart TV, home smart routers, and intelligent household products. By the end of 2016, Xiaomi had developed 77 subsidiaries. What is worth mentioning is that MI portable source, MI Band, MI air cleaner and MI piston earphone have become star products in a short time, thus influencing the whole electronics consuming market [1].

I. SWOT ANALYSIS ON MI STRATEGY

It has been ten years since smartphones are on the market. Most consumers are 20 to 40 years old. However, MI's product design and marketing strategy aimed at grassroots. MI's strategy concentrates on college students and low-income migrant workers, who prefer the phones with low price but high performance. At the same time, they can accept high-tech more easily and are emerging-tech fanatical pursuers, named tech-fanciers. Their preferences are shown in Fig. 1.

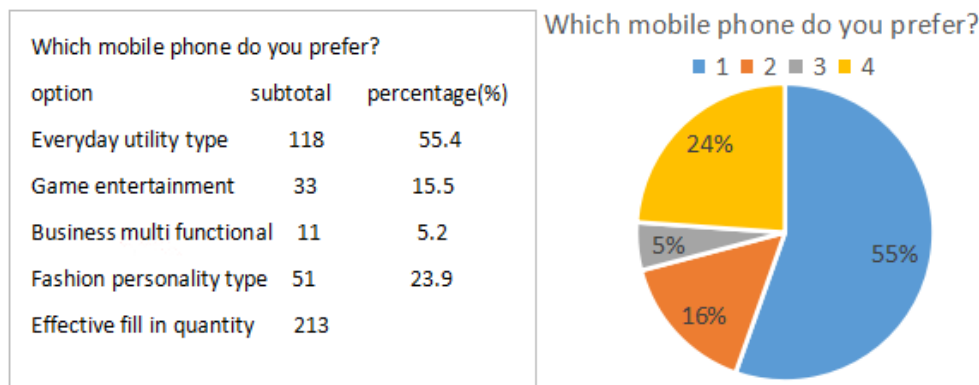


Fig. 1. Demands on the performances of mobile phones

A. Advantages

1) Simplifying the flow of goods and making use of EB

Since its establishment in 2010, MI's product strategy has achieved desired result by its own independent network platform (call MI store) and unique network marketing tools. Meanwhile, it has avoided many problems, such as profit

sharing from the middle agents and distributors, and inefficient capital recycling. It produces quick return on capital, zero stock, high production efficiency, and low marketing costs, which bring high growth rate of MI and reduces the problem of hardware of mobile electronic products.

2) *Low cost, high performance*

MI has been under the slogan ‘MI, born for fever’ since the first MI product sold on the market in 2012. It has always been carrying out the concept---low cost, high performance. Take MI note as an example, the price is only 3,299 Yuan with the cost of 3,000 Yuan, which wins the trust of many tech-fanciers.

B. *Disadvantages*

The weak after-sales service and incomplete hardware. MI takes the advantage of convenient Internet sales, and saves agent costs comparing to traditional sales; meanwhile, it cuts many after-sales service agents. MI is famous for quick after-sales service and nationwide service centers, but there is only one or few service centers in one city, so obviously it is not enough.

MI controls two main points, product design and marketing. Except these, MI outsources most of business and marketing. It designs products by interacting with users in MI community, and then the products will be sold online in MI Global, and be assembled at high speed, in order to be zero stock. This reduces inventory costs, but the manufacture and assembly are not MI’s proprietary, which makes MI lack of hardware control.

C. *Opportunities*

1) *Downturn of high-end market, rapid development of mobile hardware*

Under the myth of Moore’s law, performance of mobile hardware is updating faster and faster. As shown in picture 2, in the condition of meeting people’s daily work and business, cell phone performance has surpassed the need of majority people, so they are not crazy at smartphones anymore when they choose cell phone. Most tech-fanciers no longer pursuit the top cell phone brands, such as Apple and Samsung. At the same time, the vast majority of consumers are grassroots, so MI cell phones with low price and high performance can satisfy the need of young people and their income.

2) *Arrival of big data, formation of smart household*

The proposal and application of ‘Big Data’ mean that ‘Internet plus’ has been deeply rooted in the heart of people. In the wave of mobile Internet, most Internet companies and traditional manufacturing enterprises hope they can enter the field of Smart Household and achieve rapid growth. MI cooperates with Midea, Kingsoft and Xunlei to build hardware and transmit data. It aims to build an Internet Ecosystem belonging to MI.

D. *Threat--few proprietary technology patents*

A few proprietary technology patents belong to MI. It is experiencing rapid growth along with product diversification. At the beginning of the start-up, MI made progress by imitating the design and marketing of Apple. With the growing number of MI fans, Apple and other cell phone manufactures begin to focus on MI. Jony Ive, Chief Designer Officer of Apple, said the copy of product idea from Apple made him angry, which implied what MI did. Once MI fall into the patent

lawsuit, brand image of MI would have a big discount and MI would cost more time and pay higher economic costs due to long lawsuit time and high legal costs.

II. STRATEGY OF BRAND

A. *Triathlon*

MI’s triathlon is hardware, software and Internet. First of all, when MI manufactures cell phone, it outsources the production of hardware and accessories, which reduces the costs and at the same time improves production efficiency. This satisfies the consumers’ demands--low price and high configuration. On the other hand, MI has its own MIUI system together with MI’s home and MI chat, which makes MI have its own community and fans, and subtly pass the culture of MI to consumers. With the development of Internet plus, our life is changing dramatically, so is business. MI is one of the representatives. As we all know, MI has no physical stores. From promotion to sales, it is basically performed online. Its propaganda is carried on the chat platform, twitter, web and so on, which makes good use of the function of Internet for reducing sales costs and taking advantage of the price. To sum up, MI has formed its competitive brand strategic advantage through hardware outsourcing, independent software development and effective use of Internet [2].

B. *Sticky Strategy*

During the process of early development, MI takes advice through interacting with fans on MI BBs, MI community, MI Home, twitter, which not only considers the needs of consumers, but also forms the effective interaction with MI brand. There is viscosity between products and consumers.

C. *The Hunger Marketing*

In terms of MI, its marketing method is different from that of other brands. As we mentioned before, there are no physical stores. All the sales are performed online. In the first quarter of 2014, MI’s sales reached 1,040,000 sets in China, more than that of Apple for the first time. In 2015, its sales exceed that of other domestic brands, such as Huawei. Why is it so successful? The reason lies in its hunger marketing. Before launching a kind of new product, on one hand, MI will promote its new products with the help of various online platforms such as Qzone, twitter. On the other hand, nearly 6 million fans will recommend it to each other, making young people full of expectation and curiosity. After the launch, new products will be sold out. This is calling ‘It is precious when the one is scarce’ [3].

III. STRATEGY OF ELEVATING MARKETING APPRAISEMENT

Since its operation in 2010, MI has adopted new mode of operation. Under the condition of zero-stock cost, MI lowers the prices significantly in order to capture the market. Adopting concentric diversification can help to strive for more users, control product design and sales operation. Outsourcing hardware production and assembly can drastically reduce fixed costs of enterprise. With the expansion of operation team, MI begins to turn single products into diversified products. Acknowledges of the products are shown in Fig. 2.

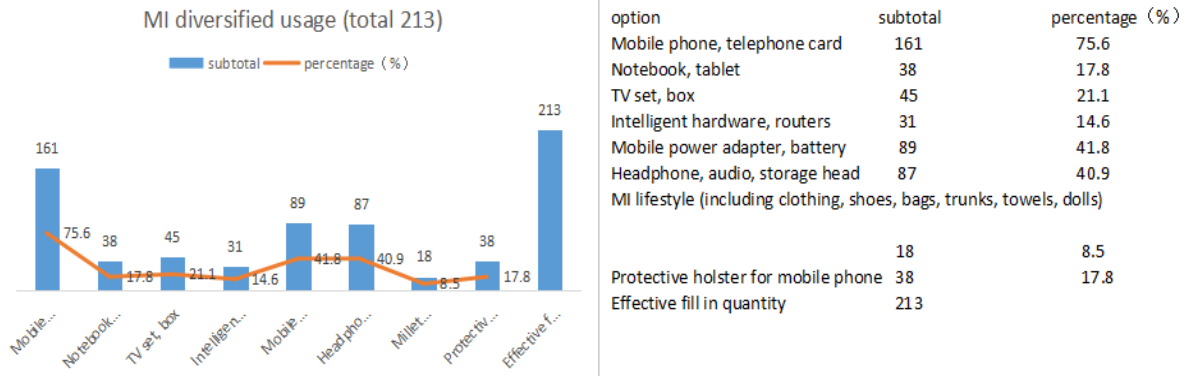


Fig. 2. Acknowledges of the products under the MI's diversification

A. Concentric diversification

MI accumulates initial users by MI chat and then enters the cell phone hardware market. MI takes phones as the core, and gets into fields relating to concentric diversification. MI phones, MI televisions and MI routers are star products. With a large amount of fans, low costs and low prices but high performances provide the foundation for its expansion and strategic layout to be a platform enterprise.

B. Centrifugal diversification

After accumulating a large number of users by concentric diversification, MI turns to centrifugal diversification mainly with MIUI system. The user groups, accumulated during the earlier stage, are young people, but such groups will gradually become the main consumption as time passes by. Their average income and the need of household appliances are rising. In view of this phenomenon, MI proposes a new strategic layout of smart home, such as self-balance scooter and air purifier, which makes MI get into people's lives.

IV. SUMMARY

MI takes seven years to obtain the achievement but many other phone manufactures need more than ten years. New ideas, new sales model and unique marketing methods make it happen. Low costs, low prices and high performance help MI win the market quickly. The sales of daily necessities and communication network let more people focus on Mi. This makes MI become a data-platform company with hardware and software in a short time. But in the process of expansion, MI pays too much attention to speed and neglects independent research and development, which are very dangerous for Mi. Meanwhile, MI has no hardware product line. Once there is something wrong with existing phone hardware and cannot deal with it for a long time, MI would face huge costs of changing the line of production. Above all, the experience of high-tech growth of MI is worthy for present and future technology companies drawing on. However, the hidden dangers of its strategic layout cannot be ignored. We reckon the college consumers MI aimed at in the beginning is moving toward middle age, so their consumption potential is increasing. Turning concentric diversification to centrifugal one is a wise choice [4].

ACKNOWLEDGMENT

The study is sponsored by project of investigative study and innovative experiments of students in Xiangnan university in 2015(a strategic study of Beijing xiaomi technology co., LTD.)

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