

# Research on Platform Strategy of Enterprises from the Perspective of Value Co-Creation

-Taking Xiaomi's Ecological Chain as an Example

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**Abstract**—Taking the Xiaomi's ecological chain as an example, from the perspective of value co-creation, this paper analyzes the relationship between Xiaomi and Xiaomi's ecological chain companies, and deeply studies the platform strategy of Xiaomi's ecological chain, thereby trying to find out the strategic direction of platform-based companies. It is found that Xiaomi's platform strategy is committed to creating an "ecological circle", so that enterprises in the ecological chain can integrate resources to achieve value creation, thereby establishing a platform strategy with stability and development.

**Keywords**—Eco-chain; Value co-creation; Platform strategy; Case study

## I. INTRODUCTION

Xiaomi released some non-mobile products since 2013. Most of these products were developed and manufactured by Xiaomi ecological chain. At present, Xiaomi has invested in 99 ecological chain companies, of which 30 have already released products and achieved outstanding results. In 2016, Xiaomi's eco-chain products have annual revenue of more than 10 billion yuan. The focus of this study is mainly on the following two points: First, to study the relationship between Xiaomi and ecological chain companies, put forward the special model of "Investment + incubation", and analyze the role of various incubators played by Xiaomi; second, the platform-based strategy for the study of Xiaomi's ecological chain, includes the focus on efficiency, Xiaomi-style "new retail", ecological empowerment, reducing costs, and maintaining customer loyalty.

## II. LITERATURE REVIEW

### A. Value Co-Creation

Prahalad et al (2000) proposed that the future competition of enterprises is based on a new way of creating value, that is, consumers and enterprises create value together. He points out that, with the development of the times, the role of consumers has shifted from passive buyers to active participants [1].

Fang wenhai and wang xinxin (2013) put forward two basic research methods of jointly creating value: creating value in the production field and creating value in the consumption field.

### B. Platform Strategy

Eisenmann et al. (2011) believe that platform encircle is also an effective platform market access path and strategy. Surrounded by platform strategy, platform providers can through multi-platform binding into a new platform in the market, use and user resources sharing platform. So that the besiegers can use the network effect of the original platform.

Cusmano (2010) believes that the platform should have three characteristics: first, there must be many basic technologies or products adopted by the company; second, many participants should gather together for common purposes; third, more users and more supporting products and services should be added to increase their value.

### C. Xiaomi Ecological Chain

Zhang Bilei (2017) studies the strategic mechanism of xiaomi ecological chain through "investment + incubation", looking for excellent business team on the market, providing them with Xiaomi's platform and resources to help them to develop high-quality products, improve its market share and competition ability, quickly seize market opportunities.

### III. RESEARCH METHODS

#### A. Literature Research

Literature research is a kind of through the collection and analysis of existing, by words, numbers, symbols, pictures and other information in the form of literature, to discuss and analyze all kinds of social behavior, social relationships and other modes of the research of social phenomenon.

#### B. Case Study

Case study is a comprehensive study of a person or an event. It is characterized by special attention and detailed understanding of a phenomenon. Case study is to collect and collate a large amount of relevant information, and conduct in-depth research on the development and change of events.

This paper employs papers, business journals, books and Internet access to information, draw lessons from the 36 kr, Huxiu, Lei Jun personal subscriptions, other social media published and Xiaomi company related works. This paper makes a comprehensive study on the platform strategy of xiaomi's ecological chain, the value creation system of xiaomi and the ecological chain company. It summarizes the platform strategy of Xiaomi's ecological chain and provides strategic reference for domestic manufacturers.

### IV. RELATIONSHIP BETWEEN XIAOMI ECOLOGICAL CHAIN COMPANIES

#### A. "Investment + incubation" Model

Xiaomi has chosen a special "investment + incubation" model, which is different from the investment institution or the incubator. It has its own unique pattern.

In the early period of the establishment of Xiaomi ecological chain, investment but not holding is the first platform to establish the platform. Xiaomi company provides fund support for ecological chain companies, but it does not interfere with its management decisions and ensure that ecological chain companies hold absolute large stocks. In this way, Xiaomi company can keep pace with the eco chain company and do well in the product. Of course, Xiaomi not only provides financial support for ecological chain companies, but also helps eco chain companies learn the commercial model of Xiaomi from various aspects and develop excellent products. Xiaomi only had the right to recommend the eco chain company at first, without decision-making power and controlling power. The ultimate success of eco chain companies is that each ecosystem company has the ability to survive and become more powerful, not a platform that has always depended on Xiaomi.

Xiaomi ecological chain guarantee mechanism makes Xiaomi company very open, this mechanism has a dual protection of Xiaomi, the enterprise makes a very successful product of Xiaomi brand, or make its own brand success, Xiaomi is the ultimate beneficiary. In the long run, the success of the eco chain company is the success of Xiaomi. Xiaomi uses the "Investment + incubation" mechanism, making the eco chain company and Xiaomi grow together.

#### B. Value Co-Creation

In the era of Internet, enterprises must cooperate with other enterprises to survive, and isolated enterprises will be eliminated by the market. The current market competition is more a test of the cooperation ability and mutual help ability of enterprises, and it can also be called the competition between ecological chains. Xiaomi can provide ecological chain companies: a large number of user groups, sufficient sources of funds, perfect product definition and methodology, as well as strong channels and supply chain resources. The ecological chain company can make full use of the resources of Xiaomi company to make up for the limitations and disadvantages of the enterprise itself, so that it can have a better development platform [2].

Xiaomi for the ecological chain companies, just like a carrier, Xiaomi company is the core of the ecological chain, for the ecological chain company to provide a full range of support. If the products of the ecological chain reach the Xiaomi internal test, Xiaomi will open the two brands of "Mijia" and "Xiaomi" to provide product support for the ecological chain company. Xiaomi has accumulated a large number of supply chain resources in the mobile phone business [3], with high reputation and premium, Xiaomi use its own industrial integration ability to provide supply chain support with its high reputation for ecological chain companies; Xiaomi provides four major channels to reach standard products in the ecological chain: Xiaomi, Mi Global Home, Xiaomi Youpin and Mijia, and provide financing and investment support. In addition to the full range of platform support, Xiaomi company dispatched its core engineers to provide technical support for the ecological chain company. The Xiaomi engineer is in the cooperation of the ecological chain team, the product definition, the ID design and the quality requirements, and the ecological chain products will be carefully screened in every link.

Every company in the Xiaomi ecological chain is responsible for a specialized field, and through the resources of the field, technology, patents, contacts and supply chains, which can be shared with the Xiaomi company and other companies in the ecological chain, which can also be called a shared economic model. The ecological chain model of Xiaomi is carefully considered:

First, let professional teams do professional things so as to ensure that every team focuses on their products and concentrates on one thing, and then makes good products. As we all know, Xiaomi ecological chain of a variety of products, but each kind will only have one or two products. Each company focuses on one product, and every detail of the product will be taken seriously. This will result in a single product explosion.

Second, to solve the problem of incentive mechanism, Xiaomi companies on ecological chain companies do not control the investment, ecological chain companies have more powerful motivation and full enthusiasm.

Third, Xiaomi belongs to Internet Co, free is a notable feature of Internet Co, it shows the low gross margin of the hardware industry. Low gross profit hardware products can

bring a large number of users to Xiaomi, and bring traffic to Xiaomi.

## V. XIAOMI ECOLOGICAL CHAIN PLATFORM STRATEGIC ANALYSIS

### A. *Efficiency First*

Efficiency represents speed, is to obtain as much output as possible with as little input as possible, is the soul of the enterprise. The high efficiency enterprise has the high market competition ability.

The essence of business is to maximize the efficiency, and the efficiency of the enterprise is not only the execution force, but also in the multiple dimensions. In terms of product definition and product planning stage, the principle of xiaomi product definition is to meet 80% of users' requirements, and to keep the rationality as minimalist as possible. 80% of users refer to the majority of ordinary Chinese people, and 80% demand refers to the relatively concentrated and universal demand. Xiaomi chooses to do the functional sex of the highly standardized products, it has advantage of internal efficiency, and with consumption upgrades and the growth of the Internet population dividend, high quality products in the field of intelligent hardware has a broad market. Capital is also an important means to improve the efficiency of enterprises. In making financial investment, xiaomi has entered into many fields such as banking, payment and crowdfunding to improve the efficiency of eco-chain enterprises. Strict control of product quality is also an important means to improve efficiency. High quality products can improve the user's life efficiency and user experience to guide customers to repeat purchase and lead to consumption.

### B. *Xiaomi's "New Retail"*

In October 2016, the efficiency of the Xiaomi mobile phone encountered Waterloo, the Xiaomi East Mountain is difficult, at this time, Xiaomi founder Lei Jun began to reexamine the strategy for these years. From the beginning of its business to the beginning of 2016, Xiaomi has always attached importance to online sales, ignoring the layout of offline stores, which made Xiaomi hit hard by sales in 2016. As a result, Xiaomi began to lay down the shop under the line, and promised that the product price of the entity store is the same as that of the online store, and it is called Xiaomi type "new retail". Lei Jun believes that new retail is more efficient retail. The Internet uses the Internet as a tool and method for the online store to return to the line. It improves the path of the offline regression, improves the efficiency of traditional retail, and realizes the integration of online and offline.

The key problem of new retail sales is to maximize the efficiency. Xiaomi repositioned the location of Xiaomi's home. Xiaomi company's president Lin Bin found that the Xiaomi user group and unigo, Starbucks, no Indo products highly coincide, so Xiaomi set the location strategy is to open the shop with these businesses, the main site of the Xiaomi home is the main location in a second line city core shopping center, priority and well-known real estate business cooperation, and compute unit time visitors flowrate.

Xiaomi uses explosive strategy and big data to improve conversion rate. Each category of Xiaomi has only one or several products, the explosion of money strategy makes each product have better quality than the same product on the market. The huge sales volume will reduce the cost of supply chain, resulting in the price as cheaply as possible. Xiaomi's home through the big data selection products make the line shop products are selected products and free products, greatly improving the conversion rate of users. By increasing the joint rate and increasing the sense of experience, we can improve the customer price list and enhance the repeat purchase rate through strengthening brand awareness and opening up all channels.

### C. *Ecological Empowerment*

Empowerment, in short, is the ability and energy to give a subject. After 6 years' hard work, Xiaomi has trained many outstanding talents and teams, and has absorbed many experiences and lessons. Xiaomi has gained continuous brand attention and has accumulated a huge population of 180 million -2 billion. Xiaomi, as China's top four e-commerce platform, has strong capital support, robust reputation and stable supply chain. Xiaomi has sufficient ability to provide full help for ecological chain companies and give them sufficient energy to help them. Help them develop better. The role of Xiaomi ecological chain is to be the value amplifier of the enterprise, help the ecological chain enterprises to develop rapidly, become the top enterprises in the industry, and accelerate the transformation of traditional enterprises.

The investment of Xiaomi to the ecological chain is mainly to export value to the eco chain company, put forward methodology and provide financial support. In addition to the resources already owned, Xiaomi can also empower the eco chain company by creating a more powerful resource pool. In 2016, Xiaomi, with new hope group and Chengdu red flag company, started operation, which can effectively solve the fund problem in the development of Xiaomi ecological chain enterprises. By the end of 2017, Xiaomi ecological chain has 99 enterprises, when 99 companies concentrated upstream for business procurement, the maximum pressure can be made. At a low price, suppliers can also get scale benefits and achieve a win-win situation. The products of ecological chain enterprises are not only for domestic market, but also for developing foreign markets. The international distribution team has begun to help domestic enterprises to open up the international market. Because of the different market conditions, laws, customs and cultures of various countries, ecological chain enterprises will meet all kinds of difficulties when developing foreign markets. The brand of Xiaomi can be a favorable endorsement for the development of the ecological chain enterprises in various countries. To help ecological chain enterprises expand the local market quickly.

Through the platform of Xiaomi ecological chain, Xiaomi has given the eco chain company more capacity and energy to open up a broader road for its growth and development [4].

#### *D. Reduce Cost*

Price has always been an important yardstick for measuring consumer buying behavior, and every consumer is pursuing products with high cost performance. Xiaomi eco chain products have always followed the principle of honest pricing. The so-called honest pricing is to ensure a reasonable profit while ensuring product quality. The premise of honest pricing is high quality products. Xiaomi will never control cost at the expense of product quality, and honest pricing is the concept of the definition of Xiaomi product. Xiaomi products are designed to make middle-income people enjoy a high quality of life.

High efficiency is the premise of honest pricing. Xiaomi adopts the direct selling mode of the front shop and the factory, which reduces the multiplayer dealers in traditional commerce and improves the circulation efficiency, thus greatly reducing the cost. Suppliers are an important factor in controlling the cost of hardware products. Xiaomi products have always favored cooperation with first-class suppliers. Many enterprises think that the price of first-class suppliers must be very expensive. In fact, this is a big misunderstanding, but the first-class suppliers are cheaper. The reasons are as follows:

First, the first-class supplier material procurement is very large, thereby reducing procurement costs; second, first-class suppliers have advanced products and technologies, with low reject rate and high quality; third, first-class suppliers have a sound production system and high efficiency; fourth, first-class suppliers have high reputation and low financial cost.

The price of many products on the market is high, partly because of its many functions. In order to make its products more competitive, many companies tend to add new functions to attract the attention of consumers when they choose the product function. Unfortunately, these so-called innovations are not what consumers really need, not only do their core functions fail to do well, but they increase many costs. Xiaomi products at the beginning of the mass market, based on 80% people to meet the needs of 80%, to build the core functions of the product, improve the quality of products, make the product in the market to win a good user experience and establish excellent user word of mouth, and reduce the cost of a lot of unnecessary, reduce the cost of products. Xiaomi can also reduce costs in many ways, Xiaomi product low gross profit greatly increased the sales of products, Xiaomi use scale effect to achieve the maximum profit; Xiaomi production of high quality products, win word of mouth and reduce after-sales service, reduce after-sale costs and so on.

#### *E. Maintain Customer Loyalty*

In the early days of the enterprise, the Xiaomi mobile phone, through the precise brand positioning strategy, seeks the core fans among the many target groups, and has achieved great success through the vermicelli's reputation and social communication [5]. Now, the ecological chain of Xiaomi has also extended the culture of fans, creating a sense of participation through the forum to realize the exchange and interaction between new and old fans. Xiaomi forum is a professional forum established by Xiaomi vermicelli as the main body of Xiaomi. The content of the forum covers all the products under the flag of Xiaomi. The main body of the forum

not only congregates the core fan users with higher professional literacy, but also attracts a large number of ordinary fans. In 2016, Xiaomi announced the Xiaomi Forum (MIUI) users reached 170 million. Xiaomi fans participate in professional topic discussions through forum and exchange information, which greatly increases the participation of fans and improves the user stickiness of fans.

Xiaomi fans through a variety of social media information exchange, such as micro-blog, WeChat, forum, and so on, Xiaomi company for fans of information feedback very much attention, all the evaluation of the product, Xiaomi will use the principle of priority, careful analysis of the reasons, and timely suggestions for improvement.

### VI. CONCLUSION

Taking Xiaomi ecological chain as an example, using the analysis method of literature research, this paper draws the following conclusion: Xiaomi company uses the investment logic of non holding investment, adopts the special mode of "investment + incubation", breaks through the function of traditional incubator, and provides the full range of product definition, design, research and development and supply chain for ecological chain companies. Support, like a carrier, helps the rapid growth of eco chain companies. At the same time, the ecological chain company also creates great value for Xiaomi. The products of ecological chain can attract more customers for Xiaomi and expand the user group of Xiaomi.

In the study of Xiaomi ecological chain platform strategy, this paper focuses on the methods of improving the efficiency of Xiaomi, Xiaomi new retail, ecological energy, reducing cost and maintaining customer loyalty in the five aspects. The eco chain products have always followed the principle of honesty and low price, and have obtained reasonable profits on the basis of ensuring the quality of products. The first means to gain profit is to improve efficiency. Efficiency has always been the most important thing in Xiaomi. It permeates the whole ecological chain, from supplier to manufacturer to channel merchant and retailer. Every link needs to make the highest efficiency and reduce cost in high efficiency. It is the essence of Xiaomi thought. Xiaomi style "new retail" is mainly to create a line under the entity store, so that the high efficiency of the Internet will return to the line, make full use of the experience and gain advantage of the Internet, make the store to achieve high efficiency, Xiaomi through the increase of traffic, conversion rate, customer price and purchase rate, so as to improve the retail volume of offline stores. Finally, Xiaomi builds Xiaomi forum through vermicelli culture, strengthens the exchange and interaction of Xiaomi fans, attaches great importance to the feedback and opinions of fans, actively solves the problem of users, wins the trust and support of the users, and maintains the loyalty of the customers.

The theoretical contributions of this paper are mainly embodied in the following two aspects: first, enrich the meaning of value co creation and extending its theoretical significance. Xiaomi ecological chain not only absorbs consumers' suggestions on products, satisfies the product requirements, and creates product value together, but Xiaomi ecological chain company and Xiaomi are the value



community, and realize the value creation among enterprises, thus enriching and extending the theory meaning of value creation; second, make a theoretical contribution to the platform strategy. Xiaomi ecological chain as a platform for the various ecological chain companies to provide an innovative business model.

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