

Xiaomi Current Marketing Strategies and Future Penetration into European Market

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Abstract: Mobile devices and internet are some of the most prominent technologies in the modern world. Xiaomi is a Chinese hardware company that is most notable for their rapid success through their efficient smartphone development and unique monetization strategy. Xiaomi's attempts at growing business through formation of subsidiary companies have found short term success within the Chinese and Indian market. This study analyzes the advantages and disadvantages of Xiaomi's marketing strategy through literature analysis. The results showed that Xiaomi's past strategies has limited benefits to their efforts to spread influence and gain market share within the European market. The growth of Xiaomi has been hindered by its brand image and outdated strategy. It is suggested for Xiaomi to distance their future strategies of enhancing brand image from their current brand image. One way for them to do so is the establishment of new subsidiary brands that leaves behind the low profit margin, high sales count strategy of the parent company. Xiaomi's internet marketing strategy can also be enhanced through celebrity and event sponsorship.

Keywords: Xiaomi, marketing strategies, brand image

1. Introduction

Since the 21st century, modern network technology and communication technology with the Internet at its core has been developed and fully utilized at a rapid pace, and the world's economy has thus developed towards information and globalization [1]. In the Internet-based network economy, high-quality electronic products or mobile devices are still the hardware basis for the development of Internet technology.

Xiaomi, a mobile phone brand founded in China in 2010, has been able to enter the global market by 2020. And Xiaomi is in the top three in terms of revenue in the highly competitive global smartphone market due to the brand's marketing focus on low prices and high quality, which has attracted a large number of consumers [2]. In addition to this, the Xiaomi brand is also developing lifestyle products such as hair dryers and kettles through its strong technical team. These simple and cost-effective lifestyle products have also helped the brand to develop the 'technology for life' concept in a real sense.

In studies or reports analyzing the marketing strategy of Xiaomi, many authors have biasedly emphasized the company's pricing advantages, quality assurance and the wise planning of high cost-benefit for low cost investment. However, the brand and customer relationships that Xiaomi has cultivated over the course of its development have also been key to the company's success [2].

By doing secondary research, this study will be able to further comprehend Xiaomi's potential for sustainability and unique strengths and weaknesses in connection to its marketing approach. The study will firstly explain Xiaomi's background and the current market state. Secondly, it will highlight the competitive advantage that the Xiaomi brand and customer relationships have helped it to gain against the intense competitive pressures of its peers, and point out the disadvantages of other marketing strategies. Finally, recommendations will be made to address the problems in Xiaomi's present marketing environment and marketing strategies to provide a more comprehensive marketing mindset for strengthening Xiaomi's brand image and continuing to expand its consumer market.

2. General Background Information

Chinese businessman Lei Jun established Xiaomi in April 2010. Beijing serves as the company's corporate headquarters, and it has operations in more than 80 nations and areas worldwide. Xiaomi initially concentrated on producing smartphones, but it has now expanded its product line to include tablets, laptops, smart home devices, and other consumer electronics items [3]. With a reputation for offering goods that are both economical and of great quality, Xiaomi has had significant success in the Chinese market [4]. Xiaomi has been able to keep pricing low thanks to its creative business strategy, which blends social media promotion, internet sales, and low overhead expenses [5]. Furthermore, Xiaomi has amassed a devoted following that uses word-of-mouth marketing to advertise its products. In addition to India, Xiaomi has grown into other markets, where it has had great success. The business also makes significant investments in R&D and has made significant strides in virtual reality and artificial intelligence [5].

With well-known models like the Mi, Redmi, and Poco series, Xiaomi has achieved widespread notoriety for its smartphones that deliver great performance and features at competitive costs [6]. The company's product line also includes smart household appliances including robot vacuums, cameras, lamps, and plugs. These gadgets are made to function flawlessly with one another and can be effortlessly controlled via the Mi Home app [6]. With the RedmiBook series, Mi Notebook, and Mi Pad series, which provide portability and great performance at affordable rates, Xiaomi has entered the laptop and tablet industry [7]. The firm also offers a variety of wearable gadgets, such as smartwatches, fitness trackers, and earbuds, with well-known models like the Mi Band, Amazfit, and Redmi Earbuds. The Mi TV series of smart TVs from Xiaomi offers cutting-edge features including 4K resolution, HDR compatibility, and voice control [8]. In addition, Xiaomi sells additional consumer electronics items like power banks, gaming accessories, electric scooters, and air purifiers. Xiaomi's broad product line meets a range of consumer needs at various price points, and the company has become a significant participant in the global electronics market because to its creative business model and emphasis on R&D [9].

Xiaomi's marketing approach, which is focused on online sales, social media interaction, and a devoted fan following, is largely responsible for the company's success in the global electronics market [4]. Xiaomi can provide premium goods at competitive pricing by reducing overhead costs through online sales [10]. Through its social media marketing initiatives, the business cultivates a committed fan base that spreads the word about Xiaomi's products [11]. By placing a strong emphasis on innovation, design, and user experience, Xiaomi sets itself apart from its rivals and positions its products as premium alternatives to more expensive companies [12]. Xiaomi launches its products in restricted quantities to create interest and demand for them. Overall, Xiaomi's marketing approach focuses on developing a strong brand identity, interacting with consumers, and offering high-end

goods at competitive pricing. Xiaomi has become a big player in the global electronics market because to this strategy [4].

3. Marketing Strategies Analysis

3.1. Relationship with Consumers

Xiaomi has a strong competitive advantage in maintaining the attention of its customer base to the brand. In order to maintain the customer base's interest in its products, the brand created the 'Xiaomi Community' concept and application platform in 2016 [7]. Xiaomi users in the community are called MiFans, who are the first to be informed of the brand's new product launches and the latest news in the technology industry. Within the community, MiFans can interact with other MiFans around the world, to discuss and share the problems, tips and tricks they find within Xiaomi products. More importantly, the community will post information about the brand's campaign activities at different times, so MiFans will be able to learn about them before other consumers and have a better chance of winning prizes. For example, for Father's Day 2023, the community's Father's Day page clearly explains the dates and price range of the products involved. More detailed shopping guides and special offers are also available to help MiFans in need to choose the right products more easily.

The 'Xiaomi Community' creates an ecosystem of satisfied MiFans, a system that directly and effectively correlates to consumer retention and proliferation. This is because users who are helped or satisfied in the community will greatly spread the word to friends and family around them in the form of Word of Mouth (WOM).

As a result, 526.9 million smart devices were connected to Xiaomi communities as of June 30, 2022, and it is likely that this number will rise in the future when communities have a sizable enough consumer base to support a spiral or multiplier effect for the brand. Combined with the changing trends in the social environment (cultural trends, attitudinal changes and lifestyles), Xiaomi Community's features help marketers to further understand the needs and desires of consumers in the social environment [13].

According to Alvarez and Fournie, the ability of brands to reflect consumers' personalities in product updates or to improve on consumer feedback can be a powerful way to enhance the relationship between a brand and its consumers, thereby improving brand image. The Xiaomi community, at the heart of the brand marketing approach, treats global fans as an extended family, and the process of engaging with consumers through social channels to receive feedback and suggestions helps the company to incorporate consumer views and improve the user experience in a more targeted manner.

As a result, the development and application of the Xiaomi community helps the brand understand consumer needs and allows consumers to more authentically discover updates to Xiaomi's products and technology. This effectively enhances the brand's credibility and consumer loyalty to the brand.

3.2. Product Operation

Xiaomi attaches great importance to the product iteration for Mifans, while also striving to solve problems through software updates as well as hardware upgrades. Xiaomi getting in a high update frequency to make sure Mifans can try their new update as soon as possible, and sets up user feedback systems on the Xiaomi websites, while periodically scheduling wide scale user surveys. Through these feedback systems, Xiaomi can use the data collected as a reference to edit product features and bring enhanced experience for Xiaomi users [14]. The willingness integrate user suggestions to their product innovation is one of the main contributors to Xiaomi's popularity.

Xiaomi's provides their users comprehensive service [15]. First of all, Xiaomi has 24-hour, 7-days a week hotline that users can use to contact Xiaomi support personnels at any time when encountering

problems with Xiaomi products. In comparison, Apple offers unfavorable AI services that later transfers to a real person. In addition, Xiaomi products have, three-year free repair warranty, along with large number of repair stores in countries where they have high market shares, allowing customers to easily find repair stores wherever they are [15]. This gives reassurance to Xiaomi's product quality.

3.3. Price Strategy

The main objective of the Xiaomi brand is to offer cost-effective products, using the manufacturing price of the product as the selling price of the product [16]. In other words, the brand decided to enter the mobile device market through a zero-margin sales model before attempting to grow the market using a penetration pricing strategy [16]. And while such a pricing strategy for Xiaomi may attract some consumers at a lower price point, it weakens consumers' perception of the brand.

According to research, in India, consumers are price sensitive and are unwilling or unable to afford expensive smartphones [17]. Xiaomi's pricing strategy of producing and selling products on a 'sell low today, make profit later' basis has first attracted consumers who are not willing to spend a high price on a mobile phone. On the other hand, as the brand's penetrative pricing strategy also meant an increase in price for enhanced features, it made Indian consumers interested in experimenting with multi-functional phones or even willing to spend more for a more cost effective product [16]. As a result, Xiaomi has been able to win in the highly competitive mobile phone market in India compared to Samsung, Oppo and Vivo.

Despite the brand's unique pricing strategy that has helped Xiaomi Enterprises gain significant market share and penetrate global markets, Xiaomi products are seen as inferior in some parts of the world, particularly in the US, due to the stereotype that 'low price equals poor quality' [18]. This has meant that Xiaomi has had difficulty penetrating these biased markets. In addition, Xiaomi entered the market with the concept of low prices and was therefore seen as a budget option by consumers from all over the world, rather than being chosen for build quality and high performance as Apple was [18]. This price policy has thus damaged Xiaomi's reputation generally and discouraged many customers, even those with tight budgets.

3.4. Penetrating the Global market

Xiaomi products are popular and well-known in China, they are still creating breakthrough in global market. Xiaomi since entered India smartphone market to became one of word top 3 technology brands in only 9 years [19]. In 2015 Xiaomi started to participate in European market, set up their first "MIUI HOME" in Paris, and in 2019 they decided to enhance their MIUI triple across all main cities of Europe. Xiaomi also created their official Instagram and YouTube channel to publicize new products they will release, and spread their ads in social media to attract more consumer [20]. In addition, Xiaomi products have set in different languages due to selling locations, with general Chinese and English, which is enhancing global acceptance for Xiaomi products across the world [20].

As a Chinese brand Xiaomi does not developing very smoothly at the beginning of they decided to take part in global market. Huawei was the leader of Chinese technology brand in overseas, and none of another Chinese technology brand beyond Huawei in international sales volume [19]. But for some political and national factors Huawei had to give up some of its market share in Europe, Xiaomi caught this chance and got more recourses from operators. Xiaomi stride the first step in Europe since then and still behave as an increasing trend of market [21].

Even though Xiaomi is successful in Europe and Asia, Xiaomi still not really get into North America [22]. North American technology is controlled by most of operators, and most of these

operators have already collaborate with Apple and Samsung, especially the biggest ones. Xiaomi need to spend lots of human and time recourses to build their own operator net in North America, but they cannot sell their products in the price as other countries because of high cost. North American market is a threat of Xiaomi to develop global market.

4. Suggestions

4.1. Development within the European Market

Recognizing the potential capitalization of developed nations, Xiaomi is increasingly focused around attracting customers within the European market. The company aims to develop a “slice of life” product image that resonates with customers within developed countries, with an elevated focus on the camera and street photography elements of life, hence their collaboration with the German camera company Leica.

However, contrary to their current goals, Xiaomi has historically created a simplistic and convenient customer service to synergize with Xiaomi’s brand image. This simplistic brand image and service appeals to customers without highly sophisticated mobile phone needs of features, turning to Xiaomi for decent quality, but cheap mobile phones [22]. This causes most of Xiaomi’s customers to be from developing countries such as India. Xiaomi’s website Traffic, online advertising, other events are also heavily focused on India and has a strong emphasis on discounts and gifts. This heavy focus on the affordability-based market has a negative impact on Xiaomi’s performance in developed nations.

Considering a European market where Apple - a brand with a “premium quality” product image - has overtaken Samsung in market share, Xiaomi has an opportunity to present itself as a more luxurious, apple-like brand [23]. By taking this opportunity, Xiaomi would be able to gain market share from Samsung while capitalizing on the decline of Huawei in the European market.

4.2. Brand Image Enhancement through Sub-brand

Establishing a new sub-brand could be beneficial to Xiaomi’s efforts to creating a more luxurious brand image. Currently, Xiaomi stands a unique position in the current mobile phone market as an affordable, price-friendly brand of honest price and trusted quality. Xiaomi has pledged that their “overall net profit margin of Xiaomi’s hardware business will never exceed 5%” in their 2018 annual report [19]. Despite this firmly established brand image, Xiaomi has consistently been trying to penetrate the higher-end, more specialized mobile phone market. An example of this effort is the Xiaomi 12S Ultra. However, the perception of Xiaomi’s higher end product by non-Xiaomi-enthusiasts are distorted by its existing brand image [2].

Through the creation of a more sophisticated sub-brand, Xiaomi can utilize this “market blind spot” while capitalizing on higher profit margins. The “net profit margin” described within the 2018 annual report includes marketing expenses as well as research and development expenses within the calculations, allowing for reinvestment of profit from the higher profit margin without breaking their pledge [19]. The sub-brand created should be marketed exclusively for its sophistication and should have its brand image distanced from that of its parent company (Xiaomi). These brands should target customers in the upper-middle class with a more “sophisticated” self-image and identity, taking a market position that is in more direct competition with Samsung in the European market.

Although the creation of new sub-brands is typically seen as a moderately high-risk strategy, the risks are significantly decreased for Xiaomi. As of May 2022, Xiaomi owned at least 85 sub-brands. One example is Blackshark, which have been successful in the gaming market, but still has the brand image of a “budget gaming phone”. The new sub-brand would likely have a similar brand image as One-plus, a successful sub-brand of Oppo.

4.3. Online Marketing Improvements

Another notable strategy that One-plus have demonstrated is their online marketing. By focusing more at online marketing through internet-celebrity and event sponsorships in a method similar to One-plus, Xiaomi can greatly enhance their sub-brand's brand influence.

Xiaomi's earlier emphasis on online marketing and retailing has found great success at building a brand image and cost reduction. However, in today's competitive landscape, Xiaomi is lacking marketing strategies to impact and attract new customers, especially when compared with the greater internet presence demonstrated by brands such as Apple, Samsung, or One-plus. Xiaomi's recent growth activities can be shown when looking at their slowing. Growth in selling and advertising expenses and decreased global market share have all decreased from 2021-2022 [20].

One-plus, through various sponsorships such as that of esports in 2019, various YouTuber sponsorships, sponsorships of the 2022 Boston marathon, and their 2022 UFC sponsorship, One-plus have surpassed Sony in European market share in 2021, and maintained a market share higher than that of the Google-pixel (in the European market). These strategic sponsorships have been a key contributor to the brand awareness of One-plus, creating a sophisticated, high performance brand image for One-plus while staying clear of the cheaper brand image of their parent company (Oppo).

By adopting a similar marketing approach and escaping their low-quality brand image, Xiaomi would be able to significantly strengthen their product image and influence in the global market as well as their local Chinese market.

5. Conclusion

Authors have found that Xiaomi having its brand identification and good operation strategy. Xiaomi catches their customers through formulate price strategy that provide a competitively selling price, insight Mifans' suggestions and advices about their products and service to get along with Mifans, keeping release good product upgrades and after-sell service. But develop overseas market is also something Xiaomi need to notice. Meanwhile, authors suggest Xiaomi to develop European market, get sub-brand enhancement and improve online market after compared Xiaomi's situation with other competitive brands such as Apple and Samsung. Xiaomi could horizon in European market, have collaborate with companies from German or Russia, develop sub-brand to identify more different customers, and improve online market influence. There are still many shortcomings in this study, and more relevant data can be collected for analysis in future studies based on this study.

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