

The Analysis of the Marketing Strategies of Xiaomi in India

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Abstract. Smartphones have become our daily necessities in the 21st century. Technology firms keep innovating new devices which provide customers variety of choices. Before buying a new smartphone, customers will usually search it online to watch some videos that evaluate each smartphone. To have a better idea of what how would customers consider before they purchase a smartphone, the authors have created a questionnaire with 45 respondents. The results show that Xiaomi benefits from its high-performance smartphones at a fair price. However, there are some drawbacks that Xiaomi does not satisfy people's demand of vanity like apple did. Also, few places sell used smartphones as new phones and unauthorized smartphones which can damage brand reputation and lose customers. The results of this paper can help Xiaomi to have a better idea of how to improve its marketing strategies to satisfy more customers in India.

Keywords: Xiaomi; marketing strategy; Indian smartphone market.

1. Introduction

Whether a firm is successful or not, marketing strategies account for a large proportion. For a technology firm, a successful marketing strategy will bring more funds for their research which allow the firm to do further research and development. Nowadays, the smartphone becomes our daily necessity, so we have plenty of choices for smartphones such as phones for children, for seniors, for gaming, etc. Geçit and his colleagues state that firms' image and smartphones' price are 2 critical factors that determine customers' choices [1-2]. Therefore, a successful firm must have cost-effective products or a great firm image.

Xiaomi, a manufacturer of consumer electronics, is one of the most famous smartphone producers [3-5]. The authors did a questionnaire on social media and acquired 45 qualitative answers. The majority of respondents are from 18 to 27 years old, and the results show that people are more likely to purchase a phone because people around them are using it or it is very cost-effective [6-8]. 19 respondents purchase a smartphone because it is popular around them, 21 respondents purchase a smartphone because it is cost-effective, and 5 respondents purchase it because the smartphone looks good [9]. Xiaomi benefits from its low price and high performance and it also has many smart appliances that are cheap, and customers can use them easily with a Xiaomi smartphone. This is called Xiaomi ecology and it makes Xiaomi's customers more rely on Xiaomi's products. With all these features, India will be a suitable place for Xiaomi to develop its smartphone market since the majority of Indians have low incomes and are collectivist which is similar to China.

This paper introduces Xiaomi's history and smartphone business with its financial status and stock market trend. Then, the authors will analyze the marketing strategies that have been used by Xiaomi in India from both social media and consumer psychology aspects. Finally, the paper will do a SWOT analysis.

2. Xiaomi

2.1 Overview

Jun Lei founded Xiaomi in Beijing in 2010 with the original goal of producing smartphones. In August 2010 Xiaomi introduced its own firmware "MIUI" which is Android based and used it on its

first smartphone “Xiaomi MI 1”. In 2013, Xiaomi founded its subsidiary “Redmi” with brand new models “Redmi” and “Redmi Note”. In 2014, after Xiaomi introduced its “Xiaomi MI 3”, it expanded the smartphone market outside China and became the most valuable private technology firm in the world. In 2016, Xiaomi tried to expand its business into the smart appliance and introduced a whole series of products such as “Xiaomi Mi Robot vacuum”, “Xiaomi audio”, “Xiaomi band”, and “Xiaomi modem”. Xiaomi has almost any smart appliance we need for a home.

Xiaomi aims to manufacture good products with high quality and fair price and provide innovative technology for its customers to enjoy their life. Nowadays, Xiaomi sets its international headquarters in Singapore and has more than ten thousand stores all over the world [10].

2.2 Finance

Xiaomi’s sales steadily increased from 2017 to 2020 from 17.17 billion USD to 35.95 billion USD. Then, grow sharply in 2021 to 50.9 billion USD. Most of the revenue still comes from its smartphones but a large increase in other products such as “Xiaomi TV”, “Xiaomi modem”, “Xiaomi robot vacuum”, and “Xiaomi air conditioner”. People increased their demand for “Xiaomi ecology”. However, in 2022, Xiaomi’s sales show a decreasing trend mainly due to the pandemic causing a supply shortage, but part of the decrease will be offset by its increased mid-to-high-end mobile phone sales. Also, Xiaomi increases its smartphones’ retail price to compensate for its loss in sales and correspond with the supply shortage.

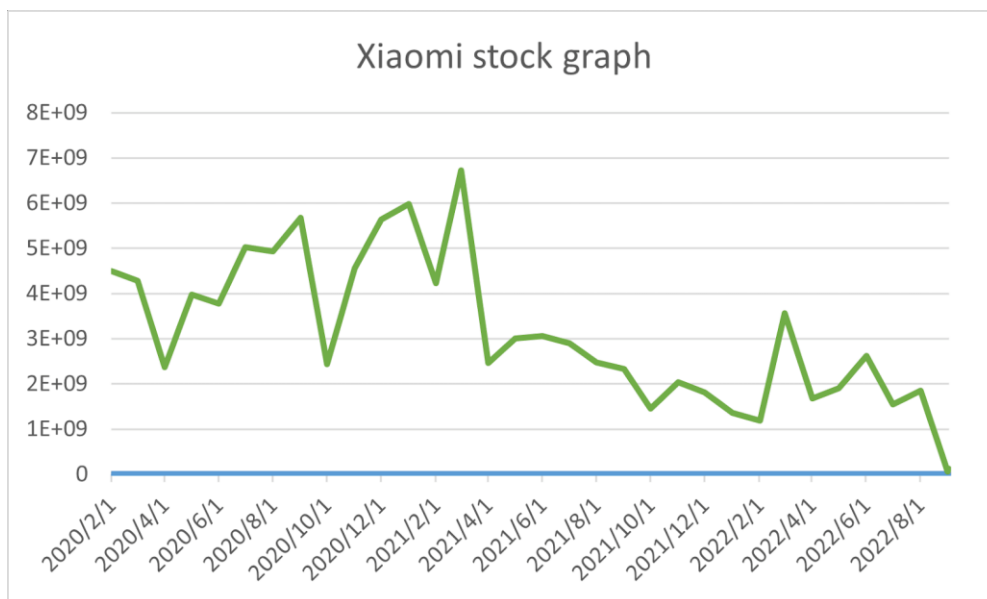


Figure 1. Xiaomi’s stock graph

As the figure 1 shows, Xiaomi’s stock price kept increasing in 2020 with a decreasing trend and reached its highest value at 33.05 HKD per share on December 27th, 2020. This increasing followed by a sharp decrease and recovered on May 30th, 2021. Then, Xiaomi’s stock price kept decreasing with fluctuations to its lowest value at 11.02 HKD per share on August 12, 2022.

The volume from 2020 to April 2021 was stable at around 1.2 billion despite the peak on March 7th, 2021, at 2.48 billion, and the lowest value on April 26th, 2020, at 248 million. Volume decreased along with the stock price. From April 2021 to August 2022, the volume was stable at around 600 million despite its peak on March 13rd 2022 at 1.08 billion, and the lowest value on January 30th, 2022, at 58 million.

3. Marketing Strategies Analysis

In terms of Xiaomi's marketing strategies, it mainly focuses on targeting customers and the local characteristics in India. Here, a detailed explanation is listed from the 4P theory, namely, price, promotion, place, and product.

3.1 4P model

3.1.1 Product Strategies

In terms of products, Xiaomi mainly promotes Xiaomi's medium and low-end model Redmi in the Indian market. On the one hand, this mobile phone has a large screen that is easy to use and has various functions. On the other hand, the price of the products is relatively low, which is in line with the general pursuit of high-cost performance in India [3]. In fact, in addition to the price of the mobile phone itself, by integrating the design with local characteristics, Xiaomi's localization strategy in India will be more in-depth, such as the in-depth integration of the mobile phone wallpaper and the theme of the Taj Mahal, the theme design of the Indian Diwali festival, and so on. This is of great significance to increase the attraction of the product and narrow the distance between the product, the enterprise, and the local people.

3.1.2 Price Strategy

Compared with the world, India's per capita income is not high, which makes India more sensitive to price. Therefore, considering the consumption situation of local people, Xiaomi's mobile phone products have a lot of bargaining space. To occupy the market as much as possible in a short time, Xiaomi adopted a low-cost strategy in the Indian market [4].

At the same time, to achieve a balance between consumers and enterprises, Xiaomi set up a factory in the Indian market to produce mobile phones. This localization initiative will promote the development of residents, enterprises, and India. Specifically, first of all, localized production saves transportation costs and shortens the delivery cycle based on reducing high tariffs. Xiaomi's setting up a factory in India means recruiting employees locally and purchasing raw materials and components locally. Local production, local procurement, and local sales provide more jobs for Indian society. In general, Xiaomi's localized production has reduced the enterprise cost and provided a broad platform for Xiaomi to continue fighting with its low-price strategy.

3.1.3 Place strategy

In fact, in the early stage of entering the Indian market, Xiaomi reached an agreement with Flipkart, the largest e-commerce platform in India cooperation. The two parties carry out the activity of limited-time rush purchase and sales through limited supply quantity and online sales. Ninety percent of Xiaomi's products come from e-commerce websites. Therefore, there is no doubt that online selling has become Xiaomi's main sales channel.

To expand the market through multiple channels, Xiaomi began to develop an offline sales model in early 2015. In practical measures, Xiaomi sought cooperation with Bharti Airtel, an Indian telecom operator. In the process of cooperation, Xiaomi made full use of the operator's retail channels to sell Redmi-note. Since then, Xiaomi has reached cooperation with MobileStore, the largest retail chain. During the cooperation period, consumers can conduct consumption behavior at MobileStore's 800 physical stores, which effectively spread Xiaomi's popularity and popularity in India. Due to the unbalanced development of urban and rural areas in India, the Internet coverage and logistics distribution system are not as developed as those in China. Therefore, more attention is paid to the development of offline channels in the Indian market. In July 2016, Xiaomi started a partnership with Foxconn's just buy live and InnoConn to better develop small-town consumers [5]. Overall, all Xiaomi's initiatives are based on its development and market occupation, while fully considering the economic conditions and logistics conditions of Indian residents, realizing the deep integration of enterprise and social development, and opening a distinctive road of Indian development.

3.1.4 Promotion

To develop the market, Xiaomi has many marketing measures in India. Secondly, Xiaomi invited famous actress Katrina Kaif as the spokesperson for Redmi-Y1. According to data from Canalys, a market research agency, Xiaomi shipped 8.2 million mobile phones in India in the fourth quarter of 2017, with a market share of 27%, ranking first in the Indian market [1]. Secondly, in India, Xiaomi adopts the form of pre-sale code by appointment, and bundle sales and pre-sale bring a great sense of achievement to leading consumers. During the Diwali festival promotion season in 19, Xiaomi's offline sales in India increased by 30 to 40% [6]. The media participated in the press conference held by Xiaomi, which promoted the coverage and promotion of new products. For gaining a foothold in India, Xiaomi has established a good social reputation through donations and other behaviors.

3.2 Social media strategy of Xiaomi in India

At present, the network is full of people's daily life. By using the network, enterprises can achieve the effect of advertising to a certain extent. Specifically, Xiaomi publicizes its products through multiple channels through the Facebook app, TikTok Twitter, Instagram, and word of mouth (WOM) [4]. On these social platforms, people of different occupations, ages, and identities use Xiaomi mobile phones to like / forward videos, etc., which virtually publicizes some functions of Xiaomi mobile phones and will accumulate many potential consumers. It is an extremely Meiji move to expand Xiaomi's popularity by using local people's contacts and social networking.

3.3 Consumer behaviors analysis

It is worth noting that India is a developing country with a wide gap between the rich and the poor, and its labor class accounts for a substantial proportion. Xiaomi, especially Redmi, is very cost-effective and conforms to the social class structure of India. Therefore, the first launch of Redmi can meet the expectations of Indian consumers to a greater extent.

At the same time, Xiaomi can take advantage of the public's love for stars to increase people's trust and satisfaction with products through star endorsement. Although people's liking for products, especially mobile phone products, varies from person to person, the star effect effectively starts with young people and realizes the localization strategy. Among them, for young people, Xiaomi mobile phones promote diversified and life-oriented filters in the Indian market, effectively attracting many young people who love taking photos and recording their lives [9]. In the process of sustainable development, the behavior of young people will have a certain impact on their families, especially middle-aged and old people. Based on this, developing the market from young people is the embodiment of Xiaomi's foresight.

4. SWOT Analysis

4.1 Strengths

First of all, Xiaomi has entered Singapore and Malaysia and continues settling in South Africa, Mexico, and other countries. Its rich international market experience and sharper market insight help avoid unnecessary obstacles in new markets. Second, Xiaomi's mobile phone is not a high-end product, and its price has a highly competitive advantage. Moreover, as a well-known mobile phone brand, Xiaomi has a high sales volume and high popularity. In 2018, Xiaomi's mobile phone became the mobile phone manufacturer with the highest sales volume in the Indian market after Samsung [7].

4.2 Weakness

Xiaomi's mobile phone is proportional to its technology investment to a certain extent. Xiaomi's mobile phone system is not stable enough, which has been constantly criticized by the industry. In terms of technological innovation, Xiaomi's independent research and development ability are not strong, there is no independent chip, and its product updating and improvement ability are weak.

4.3 Opportunities

The target market in India has a large population, and the popularity of smartphones is not as high as that of China. Therefore, the industrial competitiveness of this “barren land” is small, providing Xiaomi mobile with enough market to explore and achieve its goals. India with high market potential is a treasure for Xiaomi. In addition, the income of the vast rural areas is generally low, and they are the target customer group of Xiaomi. Therefore, the agreement between the buyer and the seller is very high.

4.4 Threat

Each country has relevant protection policies for its enterprises. For the protection of domestic enterprises, Xiaomi will be sanctioned by the Indian government. In 2022, the law enforcement agency under the Ministry of finance of India announced that because Xiaomi (India) illegally remitted money to overseas institutions, the assets of 55.51 billion rupees (about 4.8 billion yuan) in the bank account of Xiaomi India Company will be seized [8]. In addition, local Indian mobile phone manufacturers Micromax, Intex, and Lava have a significant market share. Their sales are mainly aimed at the rural areas of India. The local advantages will have resistance to Xiaomi's market expansion. In addition, as a foreign enterprise, Samsung is also a strong competitor of Xiaomi.

4.5 Recommendations

Based on the situation of Xiaomi 's market expansion in India, this paper puts forward the following suggestions. First of all, products are the focus of media and consumers. The strengthening of Xiaomi's research and development capability is the key to its continued development in the Indian market and even overseas markets. Secondly, in view of India's social development, Xiaomi should strengthen its propaganda, deepen its penetration into rural areas, and constantly seize market share. What is important is that Xiaomi should better deal with the sanctions of the Indian government in the future. Xiaomi should try its best to adopt local production to avoid tariff barriers. At the same time, Xiaomi should create a more localized brand based on promoting local employment by employing local citizens in localized production.

5. Conclusion

Smartphones as people's daily necessities and investigating firms marketing strategies will be helpful especially when a firm is still expanding over the world. Xiaomi, one of the top private technology firms, is a suitable research object. Authors have created a questionnaire about what features will a customer consider before purchasing and there are 45 respondents.

Results of the questionnaire show that people will be more likely to purchase a smartphone that is cost-effective which corresponds to Xiaomi's marketing strategies. The SWOT analysis demonstrates Xiaomi's target customers in India are the lower class and middle class. Since Indians are more sensitive to price, Xiaomi's price strategy is its strength and its efficiency in India. Also, Indians are collectivist, people will be more likely to purchase a product because people around them have it or people will be more likely to introduce the product to their friends and relatives which can benefit Xiaomi. However, Xiaomi's smartphone has lower stability compared to other firms which is Xiaomi's weakness. When low-class people purchase a smartphone, they would consider how long can they use it, so Xiaomi has to invest more to improve the problem.

The shortcoming of this paper is insufficient respondents to the questions and not specific choices. the questions only have 3 options based on consumers' behavior and external conditions. Also, all respondents are from China so it cannot be representative. In the future, we will create a more comprehensive questionnaire and try to acquire responses from India in order for the paper to be more persuasive and valuable for Xiaomi to understand their customer behavior.

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