The Export market of Smartphones: Xiaomi Case Study

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Abstract. The introduction of smartphones over the course of the last decade or so has resulted in a dramatic increase in sales of smartphones all over the world; however, since 2018, the market for smartphones has been experiencing a decline. As a result, this research uses the smartphone manufacturer Xiaomi as a case study to investigate the challenges that the firm confronts, as well as its advantages, and to provide solutions to the problems that have been identified. According to the findings of the research, the most significant challenges for Xiaomi include having strong competition, having poor sales in the Indian market, and not having product patents. Its distinctive advertising approach, cost leadership plan, and the MI community are among its most notable qualities. In addition, minimising the effect that rivals have is made possible by developing a robust three-stream ecology. Concentrating on the millennial generation as a demographic subgroup may be an efficient way to generate sales. Product differentiation will be made possible via the continued development of Xiaomi's proprietary MIUI and the MI Community.

Keywords: Xiaomi; Export; Smartphone; Marketing.

1. Introduction

Smartphones, as opposed to feature phones, have their own operating system. By enabling the installation of additional apps, this operating system expands the phone's fundamental communication capabilities. The growth of mobile internet is partly responsible for these improved features. The R380, the first smartphone officially issued by Ericsson, did away with the necessity for consumers to carry several mobile devices since everything was housed inside one compact device. WAP services connected more than 120 nations globally across 5 continents and supplied Internet information. Users may communicate and work from anywhere at any time using this mobile phone. WAP services on the R380 allowed users to receive or send an email, visit their Web sites, or even get information about weather forecasts, flight information, and updates about life like sports news, and traffic information. It also provided organizational skills and personal contacts with a touch screen and graphical richness [1].

As a result of advancements in technology, today's smartphones are more capable of doing more tasks and offering more features. Cellphones can now be used in lieu of cash payments, can keep track of people’s bodies, can play games, can watch movies, can purchase whatever you want, and can solve any problem. In addition to being able to make phone calls and talk with one another, smartphones can also solve any problem. When going out in public, a person living in modern times has to bring just one cell phone with them. As a direct consequence of this, the worldwide smartphone industry has expanded at a breakneck pace over the course of the last 10 years, with sales more than tripling in that time. Statistics show that the number of smartphones sold around the globe had a meteoric rise between 2008 and 2018, going from 139.29 million units to 1,556.27 million units [2]. Apple, Samsung, Huawei, and Xiaomi are the most important businesses in the smartphone industry worldwide. However, there is a modestly decreased tendency in the worldwide sales of smartphones, which will go from 1556.27 million units in 2018 to 1433.86 million units in 2021 [2]. The oversaturation of the global smartphone industry is the primary factor contributing to the drop in sales of mobile devices on a worldwide scale. To put it simply, more than 85 percent of the world's population currently own a mobile device of some kind. In addition, the new crown pneumonia pandemic that swept the globe in the year 2020 has caused instability in supply chains, decreased efficiency in logistics and transportation, interruptions in offline brick-and-mortar spending, and a worldwide economic depression in the business of smartphones. As a consequence of this, it is not an easy task for firms that manufacture smartphones to acquire market share in the currently depressed worldwide market [3].

Therefore, it is important to evaluate the current business situation of smartphones and come up with reasonable countermeasures. This study is based on a representative company in the smartphone industry - Xiaomi. The study will analyze and summarise in general terms the main threats Xiaomi faces in the international export market and the company's own strengths and will give three recommendations that can address the threats and increase sales.

2. Case description of XiaomiSection Headings

Lei Jun, a Chinese businessman, established Xiaomi in 2010. On July 9, 2018, Xiaomi was listed on the Main Board of the Hong Kong Stock Exchange. Since its founding in 2010, the business has entered the fiercely competitive market and accumulated a sizeable clientele. Along with televisions, routers, set-up boxes, and android phones, the company also specialized in other electronic base accessories. Xiaomi is a fantastic company. In 2011, it first entered the mobile phone industry. The market value of Chinese smartphone manufacturers was only $4 billion in June 2012. After a funding round at the end of 2019, the company's market value surged more than 10 times as the market's confidence grew as a result of the firm's strict margin strategy and local emphasis [4]. As of the third quarter of 2022, Xiaomi was one of the top 3 global smartphone manufacturers in terms of shipments. Aside from smartphones, tablets, and laptops, the company has developed the biggest consumer AIoT (AI+IoT) platform in the world, with 558.3 million smart devices connected to it as of September 30, 2022. Xiaomi products are sold in more than 100 countries and regions worldwide. When the company was listed on the Fortune Global 500 list for the fourth time in August 2022, it was ranked 266th, up 72 spots from 2021 [5].

Xiaomi accomplished outstanding accomplishments in all of its international markets in 2021. In 2021, we generated RMB163.6 billion in revenue from abroad markets, a 33.7% year-over-year increase and 49.8% of our overall revenue. The market share of smartphones shipped by Xiaomi in 2021 was the highest internationally and placed first in 14 countries and regions. It also ranked among the top five in 62 countries and regions [6]. As a leading multinational in the smartphone industry, Xiaomi has a significant number of competitive advantages to build its leadership position. However, Xiaomi is also experiencing several threats from international markets. Therefore, this study will argue some of the main problems Xiaomi encounters in the export market and Xiaomi's strengths and give Xiaomi's suggested solutions to deal with the threats.

3. Analysis of the threat of Xiaomi

3.1 Competitive analysis

On the one hand, the first threat is that Long-term rivals for the business included reputable global conglomerates like Apple, Samsung, and Huawei, among others. Since the majority of the target customers were loyal to the rivals, winning them over would be difficult and result in a hostile atmosphere. Price wars were the norm as Xiaomi tried to establish itself in the market by using all available means [4]. In addition, the media and the general public are actively debating the Xiaomi mobile phone due to its flaws and the issue of consumers' after-sales support, and public opinion has greatly influenced the device's future development. Through price cuts, premium mobile phone brands have taken control of the smartphone market. Xiaomi's cost-effectiveness will continue to decline soon, despite the fact that it cannot sell at a low profit like Xiaomi in the short run [3].

3.2 Analysis of marketing strategies in India

In addition to employing full-page newspaper adverts to publicize its smartphones in India, Xiaomi also put on sizable "Xiaomi fan festivals." Xiaomi encouraged more customers to benefit from time- and quantity-limited discounts on a variety of products. Lei addressed his Indian Xiaomi followers for the first time at the Xiaomi 4i release event in New Delhi by asking them, "Are you OK?" in his clumsy English with a strong Hubei accent. An online greeting video clip that was altered into numerous variations and became popular served as the basis for Xiaomi's successful viral marketing campaign. Nevertheless, because its international sales through the Xiaomi website and other collaborative e-commerce platforms were consistently underwhelming, Xiaomi had to ask local operators and dealers for help. The MobileStore Limited, a chain of smartphone retailers with over 800 offline locations in India, and Bharti Airtel were sought after because India was Xiaomi's biggest international market. However, the results remained disappointing [7]. Xiaomi only sold 3 million phones in India in 2015, compared to total smartphone sales of around 90 million in the country. If Xiaomi does not address this issue quickly, Chinese mobile brands Oppo and Vivo are creeping into the Indian market, putting huge pressure on Xiaomi [8].

3.3 Product patent deficiency

The final threat is product patent deficiency. In December 2014, Telefonaktiebolaget L. M. Ericsson, a provider of telecom equipment, brought a lawsuit against Xiaomi before the Delhi High Court. Ericsson claimed that Xiaomi had violated a patent it held for a communications method. Over the course of three years, Ericsson tried to start conversations with Xiaomi about sharing the technology, but Xiaomi never responded. As a result, Ericsson sued Xiaomi in an effort to completely outlaw Xiaomi phones in India [9]. In 2014, the court issued an injunction to Ericsson, preventing Xiaomi from bringing in and marketing phones in India until the dispute was resolved. In order to monitor Xiaomi's adherence to the injunction, the court sent supervisors to its operations in India. Consequently, Xiaomi's sales in India for a single quarter fell sharply, by 46%. Xiaomi filed an appeal against the order, claiming that some of its phones had processors from a different manufacturer. The court limited the order, preventing Xiaomi from importing or selling anything other than phones having Ericsson-related parts. In India, Xiaomi may still import and market mobile devices using Qualcomm processors. Since December 2010, when Xiaomi filed its first patent application, the company has filed a total of 6,773 patents. Xiaomi still had a long way to go in terms of patent holdings compared to Ericsson and Apple, but research and development needed a sizable research workforce and significant financial resources. In addition, the time between research and the patent issue was considerable. For Xiaomi, it was quite challenging to outperform the mega patent titans. For a very long time, this issue prevented Xiaomi phones from being sold outside [7].

4. Analysis of the strengths of Xiaomi

On the other hand, Xiaomi has many strengths. As previously said, Xiaomi is one of the newest entrepreneurs to humiliate well-known electronics manufacturers. The success of the firm has been largely attributed to a few important elements. Focusing on customers and advertising strategy is one element that has kept the business going [3]. Customers are significant stakeholders for the business, and in order to gain their confidence, it is crucial to provide them with the products and services they need at the time. The business creates economical items that will interest clients immediately via its vigorous advertising and campaign. In order to keep its client base, Xiaomi has a goal of giving its consumers who use its products an amazing experience [3]. The strategy has allowed the business to generate strong profits in addition to increasing the number of customers for its exclusive services like Mi shop, Music, and Mi Cloud, among others.

The marketing strategy used by Xiaomi is another factor in the success of the business. Due to its employment of the cost leadership strategy, the corporation has maintained a limited marketing approach [8]. Unlike its close rivals, including American companies Apple, Huawei, and Oppo, Xiaomi chose to use social media instead of a conventional marketing strategy to save expenditures on advertising. Additionally, the business uses hunger marketing as the foundation of its internet marketing strategy. It operates in accordance with the emotional demands of the target market, which is achieved by intentionally restricting supply, generating buzz, and inspiring buyers to want to acquire a Mi smartphone [10]. Despite the fact that other businesses have used this strategy, Xiaomi is different. As the business expands into new markets, it engages consumers in novel ways by making offers and discounts and soliciting feedback about its goods from prestigious clients. Due to the favorable tax structure, the firm, therefore, produces its gadgets domestically. Long-term expenses of device manufacture result in greater savings for the firm. Since there are no import formalities, a further advantage of local manufacturing its equipment is that it takes little time to get to the plants.

Another strength is the company's standing has improved thanks in large part to the MI community. The pros and cons of the devices are often discussed among MI aficionados. The information would subsequently be used by the business to enhance its offerings. Xiaomi has recently done something that other businesses did not: it has depended on the judgment, opinions, and viewpoints of its consumers. As a result of having an advantage thanks to this, the corporation has surpassed Apple to take second place after Samsung in South Korea [10]. Despite its success, the business hasn't yet established itself as a household brand in the US market. This is due to the parent firm of the brand being blacklisted by the US Department of Defense amid allegations that it has ties to the Chinese Military. Despite the prohibition being lifted, Xiaomi has not yet made substantial inroads into the US market, in contrast to other nations. The US market limits several assortments that the firm would need, which prevents it from entering one of the biggest marketplaces. It is anticipated that the company and US authorities are still negotiating an accord. Chinese smartphone manufacturers like Xiaomi, Oppo, and Vivo will soon dominate the US market [3]. In any case, according to the most recent statistics, the world of smartphones is gradually changing, and soon, Samsung and Apple won't be the only electronics companies dominating the worldwide market for gadgets and assortments.

5. Suggestions

To address the first threat posed by competitors in this study, an effective approach would be for Xiaomi to create a three-stream industrial ecosystem. Building the whole industrial chain ecosystem has several goals, the most important of which is to achieve complete control over the flow of information, cash, and logistics among the management, grassroots, and consumers of the entire industry. Production capacity and market share are two areas in which Xiaomi must continue to grow. It is essential for the corporation to increase its presence in nascent markets, such as the automotive and artificial intelligence sectors. When Xiaomi controls the whole industrial ecosystem, not only the manufacture of Xiaomi phone accessories but also the production of electronic furniture and appliances, may achieve economies of scale, which in turn reduces the prices of all these products [3].

Secondly, an efficient solution to Xiaomi's unsatisfactory sales in foreign markets is demographic segmentation. It is risky for a corporation to have a range of demographic groups since it is difficult to create strategies for every demography. However, the target market's distinct demographics allow the business to create a sustainable paradigm that will please them. Demographic segmentation is crucial, particularly for companies that must compete fiercely in the market [11]. Additionally, concentrating on a certain age group will let the business devote time and money to persuade them and maintain a strong position in the market. Additionally, by using demographic segmentation, the business will be able to develop customized marketing plans for its target audience, which will help to clarify its goals and direction for advertising and promotion. The strategy will assist the business in determining the most effective ways to find new clients and establish fixed pricing for the goods and services. According to estimates, a business using this method is expected to save up to 85% of its costs, especially if its customers are between the ages of 18 and 35. In addition to diversifying its sales channels, the business will boost its profit margin by 65% when it enters a new market [11]. Xiaomi reportedly achieved a sizable number of sales in the first quarter after using the same strategy to enter India. This study, therefore, recommends that Xiaomi focus on a specific market in terms of demographic segmentation - Millennials - as they are loyal buyers of smartphones [12].

Developing patents requires a lot of research staff and financial resources and takes a long time, so it is a very difficult problem for Xiaomi to solve. This study recommends that Xiaomi should focus on the existing Mi User Interface (MIUI) to improve and enhance its development. Huge benefits have been achieved owing to the MIUI system's advantages and the collaboration between the various manufacturers. In addition to laying the groundwork for future business partnerships, the development of the MIUI system has also decreased the costs of research and development at Xiaomi Company, enabling it to differentiate its products and increase its market share [13].

6. Summary

To sum up, this study found that Xiaomi's main threats in the smartphone market are competition from Apple, Samsung, and Huawei, sluggish sales in the Indian market, and the lack of adequate product patents. In contrast, Xiaomi's core strengths are its customer-focused advertising strategy, its cost leadership strategy, and the customer base that comes with the MI community. In addition, building a three-stream ecosystem to achieve economies of scale and diversify into various sectors is an effective way to compete with other competitors. Secondly, by focusing on the post-2000s segment, the advertising and promotion of Xiaomi's smartphones can be clearly targeted to increase sales, and by using Xiaomi's own MIUI and MI Community to differentiate its products and gain market share. This study provides a general analysis of Xiaomi's smartphone exports, which will help to provide a clearer picture of its threats, strengths, and solutions to them. Finally, this study has too little analysis of Xiaomi's external environment and future research could use PESTEL analysis and Porter's Five Forces to discuss the threats and benefits posed by Xiaomi's external environment.

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