Creating a Hunger Driven Smartphone Market by Xiaomi

Dr. Priyanka Rawal¹, Dr. Alka Awasthi², Dr. Shekhar Upadhayay³
Assistant Professor
Department of School of Management
Jagran Lakecity University, Bhopal, India

Abstract:
Instead of having large meals throughout the day, fitness freaky people consume food in small quantity to ensure the body is in shape and also reflects a healthy life style. Similarly, Xiaomi, the brainchild of a serial tech investor and entrepreneur Lei Jun believes that to gain market leadership instead of producing in bulk at one time it gets profitable in producing small amounts of products at regular intervals. This means an increased efficiency with no surplus raw material resulting in a situation where the demand is more than the supply. Xiaomi, a Chinese brand, is one of the major electronics companies in China having high product features of being reasonably priced, an efficient distribution system followed by immense community who are making the brand so popular. This brand is creating the next wave in the Smartphone market by launching smartly designed android based handsets at moderate prices, an efficient distribution system followed by immense community who are making the brand so popular. This brand is creating the next wave in the Smartphone market by launching smartly designed android based handsets at moderate costs. Within a span of 4 years this power pack brand has already shaken the Chinese Smartphone market and is all set to be the next buzz word internationally. Consumers can no longer be lured through a traditional marketing campaign, instead in order to differentiate from the rest companies are now focusing on different marketing campaigns. Changing technology and consumer preferences have led smart phones manufacturers to occupy the global mobile phone market with astonishing pace. Being an amazing brand, Xiaomi has become a highly successful smart phone brand in Indian market after shaking the Chinese market. It’s pioneering localized marketing strategy and business model is redefining the mobile phone market internationally, and is striving hard to reach the top position in a few years time. For any organization the key element which determines its success is its Marketing strategy whose execution is as important as conceptualizing and creating it. It helps companies attain their overall goals and objectives by employing scarce resources made to be used in the most efficient and effective way. A detailed literature review was carried out so as to show the value of marketing strategy and the process of implementation. This research paper is an attempt for understanding the various marketing strategies used by Xiaomi Inc in India, which are placing the company at a very competitive position than its immediate contenders.

Keywords: Xiaomi, Global Smartphone industry, Consumers, business model, Chinese Smartphone market, Marketing Strategy, Innovation, e-Commerce, Hunger marketing, guerrilla marketing, word-of-mouth.

I. INTRODUCTION

A rapid growth is been observed for the Smartphone industry in last 5 years where manufacturers are giving them a smarter and a more stylish appearance. Due to exciting features consumers no longer need to depend on carrying a 2-3 kg of a laptop for their daily work. In recent years Smart Phones are adopting a strategy known as Hunger marketing, where the manufacturer intentionally restricts the availability of product to attain the occurrence of surplus demand. A massive change can be seen in the consumption and behavioral pattern of consumers which has to be very strategically tapped by companies. Owning a smart phone has become a necessity and has become part and parcel of our lifestyle as well. A privately owned Chinese electronics company Xiaomi Inc. is headquartered in Beijing and is the 4th largest Smartphone maker. Xiaomi the company not only designs and develops but even sells smart phones, mobile based apps, laptops and other related consumer electronic products. Xiaomi officially launched MIUI which is its first Android-based firmware on 16th August 2010. Later in August 2011 Xiaomi launched its Mi1 Smartphone. The company gained popularity among mobile phone enthusiasts where further models were launched namely M2, M3 and Redmi Xiaomi phones on domestic fronts. New markets for increasing the revenues were explored by Xiaomi as it hired ex-Google android executive Hugo Barra making to products available in markets other than China as well. With the launch of its Android-based firmware MIUI (pronounced “Me You I”) Xiaomi began its operations in 2010 where the company officially launched its first Android-based firmware MIUI and was co-founded by eight partners in August 2011. Xiaomi Mi1 Smartphone came into existence. Its product portfolio comprises of consumer electronics products which include band and cases, MiTV Smart TV, Mi power bank, Mi WiFi network router and tablets other than mobile phones. With sales of over 60 million Smartphone’s in 2014 Xiaomi made an entry in the Indian market in July 2014 and since then reported rapid expansion in India. Initially Xiaomi sold its products exclusively through Flipkart and on 7 April 2015 a change in its distribution strategy was made when it announced its partnership with both Amazon.com and Snapdeal to expand its retail base in Indian market. Launch of its own Mi Store App was done on its first anniversary and in a partnership with Foxconn Xiaomi began its first factory operations in Sri City, Andhra Pradesh. Inspite of India being the second largest Smartphone market in the world it still lacks the penetration rate which should be there as per changing consumer requirements. As around 200 million own Smartphone out of over 1.2 billion people thereby creating a huge opportunity for global players to cater to the consumer needs. Xiaomi came in India in the year 2014, capturing nearly 1.5% market share by the year end. It
showed growth signals by doubling its market share to around 3% in 2015 in the market dominated by strong brands like Samsung and Lenovo along with home grown brands like Micromax and Lava. This resulted in setting up a manufacturing base in India and now more than 77% of the smart phones are locally made helping the company to cut the operational costs .In a very less time, Xiaomi which is often being cited as the Apple of China” has created its leadership position in Chinese Smartphone market and has a vision the replicate the same with localization strategy internationally. As a part of their expansion strategy after China Xiaomi made its presence in countries like Vietnam, Russia, Indonesia, Thailand, Philippines, Malaysia, Turkey, Brazil, Mexico and India.

II. RESEARCH OBJECTIVES

1. To study about Xiaomi Inc.
2. To understand the Marketing Strategies of Xiaomi Inc.
3. To analyze the success story of Xiaomi in Indian market.

III. LITERATURE REVIEW

For any multinational brand its marketing strategy varies from country to country where the marketing department should be aware of various marketing mix strategies which will significantly impact the cumulative success of the firm. Either the companies can make use of conventional marketing mix or can customize this existing mix as per the country they are carrying out their business in. when assessing the appropriateness of certain strategies the performance of the company is one of the most crucial aspect (Jain, 1989). To exceed customer expectations it is extremely important to offer right product/service offerings to the target market which forms the value proposition (Slater 1995). For a successful marketing strategy it is very important to design and deliver product/service that satisfies customer needs. To create brand loyal customers, marketers should strive hard so that the customer experiences with the brand should meet if not exceed their expectations as per Keller, (2003) to satisfy customers it is essential to exceed their expectations so that they always remain loyal towards the company offerings. Companies when trying to expand their market rely on forces which influence either the adaptation or standardization strategy with an aim to improve the company performance (Samie & Roth, 1992). When entering a foreign market any firm needs to make modification in their marketing mix so as to satisfy the needs of the customers. In case of an adoption strategy any element of the controllable marketing mix is altered so as to achieve a competitive advantage when an entry has to be made in the foreign market. When considering an international marketing adaptation approach it is important that brands put a lot of emphasis of customization in order to meet diverse customer necessities. When firms use the same marketing mix as in the domestic markets in the export country to attract customers a firm makes use of standardization strategy as it requires less investment as compared to the adaptation strategy. As proposed by some researchers in case of standardization there is a union of cultures along with the customer interest across the world (Jain, 1989; Levitt, 1983). Author also is of an opinion that companies have moved away from customizing products to that of providing globally standardized products which are functional, reliable and even low priced. Companies make use of various strategies to increase the awareness level about the benefits offered by their brand offerings and one such strategy is known as Guerrilla marketing which is low cost marketing (Manker, 2014). Brands also make use of social media like Facebook and Twitter in today’s era to market their products. Xiaomi became very successful by using guerilla marketing where they concentrated their marketing efforts mostly on Weibo (in China) and Facebook when they expanded in global markets. For a successful guerilla marketing marketers need to follow certain success driven strategy (Levinson, 1994)

1. To achieve temporary dominancy over your customer’s marketers need to be highly focused especially with respect to particular place, time or event.
2. Prevailing marketing trends should never be blindly followed.
3. Post marketing campaign analysis has to be carefully done.
4. Flexibility is the key to success and should be made possible for all variables in the plan.

Xiaomi took only 4 years to position itself as the fourth largest Smartphone manufacturing company of China as pointed out in a study conducted by of Kharpal (2014). Founded by ex-CEO Lei Jun of Kingsoft Xiaomi earlier was basically a software firm having an expertise in creating customized ROM based on Android OS of Google (Haluk Koksal, and Ozgul, 2010). The pace at which smart phones have dominated the life of all of us is phenomenal and is no more a product to own for luxury. (Nature Methods, 2010) Smart phones are now considered as the most essential necessity where firms are approaching with new marketing strategies leading to cost cutting and a better ROI. Mails are the most cost effective way to attract consumers to buy the product (Mele, 2015). In past few years marketing has become highly innovative where acceptance of such devices by consumers is rising exponentially, giving marketers lot of new opportunities to target customers (Ajax Persaud, 2012). 

Introduction to Marketing Strategy

Consumers will never purchase what you sell to them; instead they buy what is of value to them and makes their life less cumbersome. Looking at current scenario people are exposed to hundreds of marketing messages on a daily basis where it gets highly tough to be receptive to all those messages. Hence only a well planned and focuses strategy can create that differentiation in the customer’s mind. Marketing is all about creating, communicating and delivering value to customers and to do this effectively marketers need to frame a marketing strategy that helps an organization achieve its overall objectives, in today’s fast moving competitive markets marketing performance is the key to succeed and only when marketing performance is measured can it be managed effectively (Anonymous, 2006a). Marketing strategy is a method though which firms make an attempt to satisfy the needs and wants to their target markets, where its success depends on how well you understand your customers. Unless and until an exhaustive market research is done, it gets tough for the marketer to come up with offerings for their targeted customers. Company’s marketing strategy should always aim to deliver a greater value for money to their
customers. It helps to collaborate with the customers, make them aware about the product features and the benefits provided by them. An organization can either go for implementing a completely new innovative strategy or can go ahead with already tested one so that there is lesser risk of failure. Any industry need to face stiff competitive environment in order to survive in the market as identified by Walker (2014). As Smartphone manufacturing is gaining momentum the primary approach to have a competitive advantage and survival its extremely important that firms maintain their profit margins along with expanding their customer base (Kharpal, 2014).

IV. MARKETING STRATEGIES ADOPTED BY XIAOMI

Within just 5 years of span this company with its unique blend of innovative business ideas and effective implementation of strategies it has successfully established itself as a valued start up and in coming 5 to 10 years, Xiaomi has the chance to develop into the worlds topmost Smartphone Company. Xiaomi follows two competitive strategies which are producing products with superior quality and features, and the other is production at a lesser cost (Melo and Leone, 2015). In addition, the additional applications, present in Xiaomi phones, catch the attention of the customers towards them. Before launching its first android Smartphone the company carried on an aggressive market survey which is one of the competitive strategies of the company (Haluk Koksal and Ozgul, 2010). Xiaomi made an intelligent move by realizing that the competing giants of the world, Apple Inc. and Samsung Electronics Co. have their strong customer loyalty as a result of their separate features and OS platform bases. As a result Xiaomi chose the Android OS platform and designed MIUI (Mi User Interface and pronounced as "Me You I") to deliver smart phones at a cheaper rate. Cloud services, security app, music and video player, browser and many more common apps were developed by the company (Mi.com, 2015). Thus the competitive cost advantages, quick expansion in the international market, online selling strategy and the razor-thin margins are among the most important core competitive strategies through which Xiaomi made a strong global presence (Kristianto, Helo, and Takala, 2011). Technical and cheap cost of its products may not be enough to entirely uproot the market Xiaomi is entering. In terms of brand recognition in India market Xiaomi still needs to compete with to that of its competitors like Samsung, Apple, Micromax etc as they already have a success history and a huge customer base. Indian market is very large to tap at one go, hence a narrowed segment to cater to initially which aspire for a great product but at the same time are financially very conscious regarding the pricing aspect. To find out its market dominance let us have a look at the marketing strategies Xiaomi has adopted to conquer its market.

1: Earning revenue from its software

One of the most effective strategies Xiaomi executed is through its brilliant software based on android and highly customizable having a customer base of more than 30 million users. Apps, theme customization and games which are installed on MIUI contribute to over $4.9 million revenue generation on monthly basis. Xiaomi works a lot like Amazon where is aspires to earn profits via its ecosystem by marketing various goodies and ultimately succeed like an e-commerce giant. It believes that by delivering cheap phone along with a great hardware results in getting a happy buyer for the firm.

2: Nil investment done on Conventional Advertising

A unique marketing approach for brand promotion was designed by Xiaomi to appeal to the market. The face behind making the brand have a “Cool Image” is none other than the CEO of the company Lei Jen. Xiaomi used the word of mouth publicity as they strongly believe that satisfied customers create positive vibes in the market and is also one of the cost effective ways to penetrate in the international market. There was no expenditure made on traditional advertising and they aggressively make use of Social media and other online forums to connect with their target audiences. Employees as engineers had a direct contact with the consumers as it helped them gather lot of information to refine the software are also to overcome other technicalities.

3: Loyal fan base: Mi-fans

Xiaomi has created a huge fan following known as Mi-fans who are known as early adopters and are the first ones to buy MIUI Smart phones. These fans are none other than an army of patrons and bloggers which are called as Mi-fans community who constantly create buzz on the World Wide Web. China s topmost twitter like micro blogging platform lead by Sina Weibo, which had 400 million subscribers is one of the fastest growing social forum. The company understood the power of doing a smart work and finally decided to sell phones directly from Sina Weibo. At present the company makes use of online channels like Flipkart, Snapdeal and Amazon for delivering the products to its target customers. Company makes use of “Customer obsessed” strategy which means that customers can involve themselves completely in the designing and development process where inputs from users can be taken from online medium and ultimately incorporating suggested change in new products.

4: Focus on high quality and aggressive pricing approach

It is very tough to beat the best brand in the market and Xiaomi realized that to rapidly expand its customer base they had to provide high quality products by lowering their premium and setting low prices. Xiaomi focuses on its strength by offering limited range of products, targeted to customers in the price range of 10,000 to 15,000 rupees in Indian market.

5: Product Innovation

Company strongly believes in a system which works on a continuous innovative platform not only for their operating systems but also in terms of their marketing programs. Company manufactures superior quality products which are aimed to provide value for money proposition to their customers. Its two most important series of handsets known as Mi and Redmi has been continuously delivering trendy Smartphone models. Company came out with 4S, Mi 4 and Redmi Note 2 mobile phones in 2015 and rocked the market with great sale numbers. Later in 2016, Xiaomi continued its popularity by launching Mi5, Redmi Note 3 and Redmi 3S. In the history of online Smartphone industry, as per IDC, the highest shipped device with more than 2.3 million units sold within six months was Redmi Note 3.
6: Xiaomi’s Flash sales: Brands like SAMSUNG, Apple, HTC and many more make their products available in the market through physical stores and third party retailers, on the other hand Xiaomi sells most of its products via online mode through Flash Sales*. Such sales are in limited quantity which are put on sale at a particular time and goes on until the stock lasts encouraging impulse buying. Also there is limited availability of the products which motivates consumers to buy on the spot. In this way the company increases its profits and it prevents the firm from over production of phones that it might not sell leading to a smaller inventory. Such a strategy not only creates sales but also create a fake propaganda which goes a long way to achieve overall organizational goals. Xiaomi’s flash sales aids in inventory management, creates scarcity and avoids over production disasters. In Indian market Xiaomi launched the Mi 4, which went on sale for the first time via Flipkart on 10th Feb 2015. During the first flash sale company’s demand exceeded its supply as there were more than 2,50,00 buyers who registered themselves, whereas the company kept approximately 25,000 to 35,000 units of the Mi 4 on sale.

Xiaomi’s entry into the Indian Market
Xiaomi’s major move was to move to the India which is the world’s second most populated country after a success record in China. The company will have to fight to prove its worth to potential new Indian consumers as many are apprehensive that the Chinese government will have direct access to their data. Another major challenge is to make a strong position in the smart phone market as there is immense competition, thereby focusing on providing good services to the consumers. India is a land of diversity and in this competitive Smartphone market to be successful company needs to focus on different product mixes and strategies to effectively target different segments. The segments which are sub markets of the larger Indian market segmentation should be done on the basis of four factors which are economic purchase power, required functionality, technological familiarity and Intended use. These guidelines have led to the formation of three broad customer segments:

Entry-Level Consumers: This segment comprises of people belonging to lower socioeconomic classes of India whose discretionary income is low to spend on technology based products, but show a great level of curiosity in owning the product. Pricing is an important factor for them and are always on the lookout for cheaper substitutes. As they are not very literate they are more responsive towards advertising, hence would buy Smart phones to merely getting connected on social media. Also they expect their hand held devices to make their lives simpler by use of digital solutions.

Mid-Range Consumers: These consumers are India’s growing middle class and people who are moving from lower sections of the society towards the higher strata which are approximately 267 million in number. Looking for a reasonably priced product and expect lot of value added features. This segment can be further divided as newcomers, white collar professionals, wealthy ones and high end consumers.

Growth of the most preferred Smartphone brand-Xiaomi
In the first half of year 2016 Xiaomi occupied the top position as its Redmi Note3 became the most popular smart phone brand in India. (Fig:2)

Fig 3 reflects the Global Smartphone sales forecast which shows that China is now a matured market in terms of Smartphone whereas India is all set to become the next major growth wave due to factors like rise of wealthier middle class consumers, intense competition and aggressive promotions from local Smartphone brands to name a few.

Figure.1. Source: http://st1.bgr.in/wp-content/uploads/2015/02/xiaomi-mi-4-sale-numbers.jpg

Figure.2. - Xiaomi Redmi Note 3 was the most popular Smartphone in most Asian countries in the First half of 2016 (Source: Antutu)

Figure.3. Global Smartphone Sales Forecast (2015-17)

As per the findings from Strategy Analytics, it is expected that that global Smartphone sales will reach 1.7 billion by the year 2017 from 1.5 billion units as
seen in 2015. Main countries which are driving this growth are China, India and US.

- Seeing the statistics it becomes very clear to interpret that by 2017 India would be overtaking the United States Smartphone market by selling notable sales figure of 174 million units.

- As can be clearly interpreted from Table 1 that in terms of sales growth India shows a maximum percentage growth rate as in the year 2016 as well as 2017 giving a clear indication that the country has a huge potential to tap.

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<th>Android</th>
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**Table 2. Indian Smartphone: Preferred Brands vs. Share of Installed Base Android Users**

As per the reports and statistics provided by Strategy Analytics, Xiaomi is currently the most chosen Smartphone brand for Android users looking to buy a new device in 2017. Indians prefer the Chinese Smartphone maker Xiaomi over Samsung and Apple where Xiaomi gained 26% share in the most preferred Smartphone brand leaving behind both the established brands in Indian market which stand at 12 per cent each. An interesting thing to watch is Micromax which is the homegrown player was the least preferred brand having a share of only 2%. While OnePlus occupies 6% share, Motorola and Lenovo gained 7% and 6% share respectively. Further, Strategy Analytics’ Smartphone Model Tracker (SMT) program reveal that only 6% potential buyers have a preference towards premium smart phones which are above Rs 35,000 and over half of Indian buyers have a propensity to spend between Rs 15,000-Rs 20,000 on a Smartphone.

**V. CONCLUSION AND FINDINGS OF THE STUDY**

- Being one of the most valuable technology start-up firm valued at US $46 billion Xiaomi has made a huge success in the Smartphone business by implementing marketing strategies which have been proved highly successful globally.

- Xiaomi doesn’t position itself as a premium product but has its competitive strengths due to its strong product line at the mid to low end of the market.

- Xiaomi has successfully managed to create the buzz which is also a strategy adopted by other top tier brands like Apple and Samsung but can’t beat Xiaomi on price fronts. By using Guerilla marketing as a cost effective way made Xiaomi successful along with using word of mouth publicity and building strong customer bond.

- The study reveals that a well planned and excellent execution of the marketing strategy can be highly beneficial for the company. Hence a huge opportunity prevails for Xiaomi to make its leadership position strong and provide consumers with value for money smart phones which they would love to own.

**VI. REFERENCES**


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