

# The Factors influencing Marketing Strategy of XIAOMI Electronic Products

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## ARTICLE DETAILS

### Article History

Published Online: 03 Oct 2018

### Keywords

Marketing strategy- Innovative-smartphones- Electronic products-market share- Xiaomi

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## ABSTRACT

In these modern days mobile phone users are increasing day by day. People are using not only the mobile phones but also the electronic products like T.V, Laptops, Power banks, Smart watches etc. The Chinese mobile phone company Xiaomi has introduced their first smart phones in 2010. Within few years they have reached highest percentage of market shares. This study aims to identify the marketing strategy of Xiaomi and to analyze the factors influencing marketing strategy of electronic products. They are using Business to Business marketing strategy. They have also decreased the price of the product in the competitive business environment.

## 1. Introduction

Consumers who are unaware about a product generally make alternatives based on the differences in other products which are easy to compare. In studies involving electronic products such as smartphones, digital cameras, MP3 players and laptops the author commonly showed whether consumers choose products depend on differences in standard feature versus unique features that are not shared by other brands. Consumers with limited knowledge about product made choices based on basic features that could be easily related among brands. Many companies spend lot of resources on research and development to introduce unique features, without noticing that many of their customers have a preference for better rather than different features. The companies should compare between an expert and apprentice consumers when developing marketing plans for their products. For example, in the point and shoot digital camera market, where most consumers are beginners, companies may be better off competing on having a higher number of pixels because it can be easily be compared with different brands. However, in the digital single lens reflex (DSLR) market, consumers are more mature and are likely to observe that the number of pixels is just one of the factors affecting picture quality. Hence, companies competing in the DSLR market should try to develop other different aspect that cannot be directly compared with other brands.

## 2. Background of the study

Xiaomi is a growing company their growth are tremendous within the short period. The researcher wants to identify the marketing strategy which they use to reach their customers. The strategy they are using is different when comparing to others. Xiaomi is a Chinese company founded in April 2010 by Lei Jun. Headquarters of Xiaomi is located in Beijing. The "MI" stands for "Mobile Internet". It also has other meaning which is "Mission Impossible", because Xiaomi faced many challenges that had seemed impossible to defy their early days. Xiaomi makes and invests in smartphones, mobile apps, laptops and other consumer electronics. Xiaomi acquit its first smart phone in August 2011 and has immediately gained market share in

China to become China's largest smart phone company in 2014. In the start of Q2 of 2018, Xiaomi is the world's 4<sup>th</sup> largest smart phone manufacturer. Xiaomi has developing a wider range of consumer electronics, including a smart home device ecosystem.

As of the start of Q2 of 2018, Xiaomi is the world's 4th largest smart phone manufacturer. Xiaomi has more than 15,000 employees in China, India, Malaysia, Singapore and also is expanding to other countries such as Indonesia, the Philippines and South Africa. Xiaomi was now only making its own software but also its own hardware too. MI Ecosystem products including Smart home products, wearable's and other accessories. At present over 30 countries and regions, Xiaomi is expanding its foot print across the world to become a global brand.

### Products of Xiaomi

Mobile Phones, Television, Wi-Fi devices, MI band, Power banks, Air purifier, Headphones, MI VR Play, Selfie stick, Bluetooth Speaker, Back packs, Charger & Cables, Cases and protectors, Portable mouse, Electric toothbrush, MI drones. These are the products manufactured by Xiaomi.

### Top 5 products of Xiaomi

- **Television:** Xiaomi's MI TV 2S is a mere 9.9 mm thick, 1mm more than its present flagship, the MI 4. Till date, it is Xiaomi's thinnest television frame, and the MI TV 2S has a 48-inch panel, supporting 4K playback. It runs on MIUI 6 (Android v5.0), with 2GB of RAM and 8GB internal storage. It has Wi-Fi and Bluetooth connectivity, coming bundled with a Bluetooth LE remote, and can also be composed by a smart phone app. The TV has a metal body, and it is available in five colour variants - gold, silver, pink, blue and green. It is priced at around Rs. 30,000 for the Standard edition, while the Theatre edition costs around Rs. 42,000, including an independent, Dolby-powered audio system.

- **Power Bank:** Xiaomi continue its commitment to manufacture the world's best power banks in India. 10000mAh Mi Power Bank 2i delivers on contemporary design, excellent quality and high output capacity. The all-new 10000mAh Mi Power Bank 2i is a portable powerhouse that offers two-way fast charging and ensures that the devices make it through the busiest and longest days.
- **Earphones:** Capsule appearances, soft and gentle for ears. Weight is very less (14 grams). Polished aluminium chamber, Tangle free flat cable aerospace grade metal diaphragm. Uniquely designed, the 3rd generation balanced damping system boosts sound and air flow. It separates air flow at the front of the chamber and let's sounds through the back to create a mellow and transparent sound.
- **Xiaomi YI:** Portable video camera, camera lens comes with a wide angle of 155 degree, 3D noise reduction and Wi-Fi connectivity.
- **Xiaomi Xiaoyi:** Security camera, easy to install and easy to handle, start works automatically when you are not present at home.

### 3. Review of Literature

Hanhui Huang & Niopat Jitphasong (2017) has analyzed that the use of high cost performance and excellent system, on the other hand, they also has a group of capable marketing team and the correct marketing program to do the guidelines. The marketing strategy of Xiaomi phone, for Xiaomi technology after launched a list of new products to lay a solid consumer groups and provide successful experience.

Lung Tan lu (2017) has studied the order of strategy types, the author may go back to SWOT matrix to find what kind of SO-ST-WO-WT strategies can be performed. These strategies are classified as market development. Second, one ST strategy cooperating with car firms to enlarge its smart home system into Internet of things is categorized into related diversification, which may be considered into related diversification, which may be considered to put into effect after three market development strategies.

Makhmoor Bashir et al. (2017) has explained that the major challenge for the company is that for the first time in last decade the smart phone sales in China showed some sort of decline. The another challenge faces in almost all the markets is the production capacity constraints. Although the company has increased their production capacity from tens of thousands a month two year back to currently about three million a month.

Yuan Xiao, et al. (2017) has portrayed that MI takes seven years to obtain the achievement but many other phone manufacturers need more than ten years. New ideas, new sales model and unique marketing methods make it happen. Low costs, low prices and high performance help MI win the market quickly. The sales of daily necessities and communication network let more people focus on MI. This

makes MI become a data platform company with hardware and software in a short time.

Fangqi Xu (2015) has found that Xiaomi is doing its best in software, hardware and networks, seeking perfection by synchronizing those elements. Xiaomi has caught up with Apple, which it viewed as a bench mark, and would like to go beyond Apple. The internet of Things (IOT) has become a buzzword. It means connecting all sorts of things, not just computers and mobile phones, but also eyeglasses, beauty equipments and fitness equipments around us to the internet. Smart T.V developed by Xiaomi uses a smart phone instead of a remote control to control the TV. Thus Xiaomi can be called a leading IOT company.

Pu Huizhen Xiong (2014) has stated that Xiaomi has a viable opportunity to increase market share in India. A situational analysis of the opportunity showed that the company should pursue a price based competitive strategy and set a primary target of increasing market share by twenty percent within three years. By offering this marketing in expensive mobile device, Xiaomi has a real opportunity to compete with Apple and Samsung.

Sonam Gupta & Ishneet Dhillon (2014) has stated that Xiaomi has still not made a brand appeal. Marketing, combined with a strong product line at the middle to lower end of the market, represent Xiaomi's competitive strengths. Other lower ends can offer similar quality but lack the buzz that Xiaomi is able to generate. Top-tier names like Apple and Samsung can generate buzz, but can't come close on price.

### 4. Objectives of the study

- To study the factors influencing marketing strategy of electronic products.
- To analyze the marketing strategy of Xiaomi electronic products.

### 5. Methodology

The aim of this study is to identify the marketing strategy of Xiaomi Electronic products and to study the factors influencing marketing strategy of Electronic Products in a descriptive method. The secondary data for the previous period has been taken for analysis has been applied to find out the market share growth in India. The existing literature relating to the marketing strategy also been discussed for better understanding.

### 6. Analysis and Discussion

#### **Marketing Strategy of Xiaomi**

1. Xiaomi has its own e-store. The numbers back up Lei Jun's claim. Xiaomi's website is the largest business-to-consumer (B2C) e-commerce store in China in terms of sales volume.
2. That online commerce focus finds its apotheosis in the Xiaomi.com website. Most of the gadget brands use their homepages as showrooms or glorified online adverts. However Xiaomi cuts to the quest by making

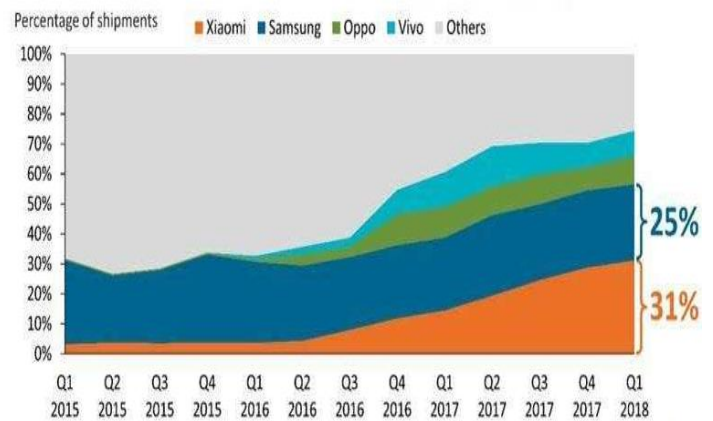
its home on the web into a pure e-commerce store. Xiaomi's web home updates daily to put an emphasis on which products are next available in its on-going flash sales.

3. Another crucial part of Xiaomi's social media strategy is that it runs Weibo accounts for every product range. Xiaomi has 10 main weibo accounts, the most popular of which is the Xiaomi mobile Weibo with close to 11 million fans. Gadgets are very personal, but companies tend to be rather faceless, this makes sense from a human aspect- yet it is something that so few companies do, particularly outside of China.
4. Xiaomi's flash sales help it rein in inventory and reduce wastage, avoid the kind of over- production disasters seen recently with Amazon's fire phone and Microsoft's surface RT. While that makes it harder to get a Xiaomi gadget, the company has managed to spin that into a positive, creating periodic promotion as flash sales of a limited number of devices open up each week.
5. Xiaomi has 451 national service centers, but they're not stores although they do look rather a lot like Apple's iconic shops with their pine desks and lots of space for playing around with the gadgets. These are relatively small shops, usually just outside of a city's main shopping area. Xiaomi save spending on premium retail real estate. When Xiaomi adventures offline such as with events or its services centers it's all very much secondary to its e-commerce core.
6. Xiaomi has kept the price for its flagship phone, which is now the Mi4. Xiaomi has also increased its hardware design game so that the aesthetics of the phone itself are no longer too much of a compromise compared to models from Apple and HTC.
7. Along with its careful social media subterfuge, Xiaomi is also dedicated in running its own community forums. This is where the brand's addicted fans, termed as "MI fans", they meet to discuss gadgets, share knowledge and generally hangout. This is something common to Chinese companies, but largely not followed by major brands overseas.
8. Xiaomi follows a strategy of "Develop hand in hand" with customers and act responsibly to environment and products, incorporating circular economy concepts into product design is the prerequisite for minimizing environmental impact.
9. Xiaomi largely sells its phones online, social media is an important part of the way it remains visible and engaged with both customers and prospective buyers.
10. It does indulge in advertising but in an innovative way. It takes social media and word of mouth as a weapon to build brand image.

### Market Shares of Xiaomi

By achieving the above marketing strategy Xiaomi has achieved the 31% of the market share. China's Xiaomi shipped over 9 million units, giving it a market share of just over 31%, the highest ever for a vendor since the first quarter 2014, when Samsung had a share of 33%. Xiaomi showed an impressive 155% annual shipment growth in the first quarter of 2018, widening the gap between Xiaomi and Samsung, which delivered under 7.5 million smartphones, growing by 24% on last year. Oppo has acquired third place with 2.8 million shipments, and Vivo took fourth place with 2.1 million shipments.

**Table 1: Market share of Xiaomi**



Source: telecom.economictimes.indiatimes.com

Table 1 presented above, shows the Chinese Smartphone company Xiaomi is seeing improved growth, after suffering damage setbacks at the hands of local competitors over the past two years. But continuing this action comes at a high cost. In the second quarter of 2017, Xiaomi re-entered the ranks of the world's top five smart phone brands by shipment. The company delivered 21.2 million units worldwide, representing a 59% increase from last year. This achievement represents a major inflection point in their growth after two years of international recalibration. Xiaomi is once again board on a rapid growth trajectory, the company's founder Lei Jun wrote in an internal letter announcing Xiaomi's latest quarterly results back in July. Lei points out is highly impressive. Xiaomi is the first brand which starts online flash sales model, once saw its smart phone shipments dip as low as 40% year over year as when compared to other Chinese brands follow its strategy. The consumers increasingly want to try the devices before making a purchase.

### Factors Influencing Marketing of Electronic Products

1. Population Growth:
 

The expansion in population naturally increases the demand. Businesses are made up of people. Increase in population causes increasing the markets or business, increasing the consumers, who have increased demand for goods, in kinds, varieties, preferences etc.
2. Increasing Households:
 

The demand for household products is more than it is to the total population at any time. Due to many

reasons Joint family system has become unpopular. Most of the families are separated and this increases the number of families and this leads to increase the demand.

3. Disposal of Income:

Mechanization in industries, commencement of many new firms etc. open the door of employment. Hence people have increased their income and in turn desire for more satisfaction and more comforts. When the income increases, the purchasing power is also increase.

4. Surplus Income:

The people have excess income left after meeting the expenses on essential items. This surplus amount will be spent on unnecessary items or luxury goods. The people have excess income left after meeting the expenses on essential items. This surplus amount will be spent on unnecessary products or luxury goods. Such items are preferred by people, if they can give comfort to their needs and desires.

5. Technological Development:

Day to day science and technology improves. Science and technology improves day by day. Usually new innovations of products take place. No one will have the assurance that their products will always possess good demand in the market. Some technical advancement may over rule the existing products in turn the total industry may come to standstill. People always wish to have the updated model. Old products are replaced by the number of new products in the market often. Consumers have a liberty to choose from the new products. Therefore consumer oriented marketing is necessary.

6. Mass Communication Media:

The growth of mass communication media Newspapers, magazines, radio, television etc. helps

the buyers to know about the new products available in the market. The buyer gets information about the new products, faster and more effectively.

7. Credit Purchases:

Credit Purchases through hire-purchase schemes and installments are familiar today. The sales are pushed by the credit sales. The customers can enjoy the facilities and this broadens market.

8. Changing Social Behavior:

The society is changing day to day. It is necessary for any product or service to keep step with changes in order to survive in the market. The western style has extremely affected in developing countries, including India. The demands for electronic and entertainment items and consumer products have changed hugely in the last 15-20 years.

9. Transport Facilities:

The fastest and easier transport facilities have resulted in urban and rural interaction regularly. Global tours are also become very familiar among people. This is the reason for the changes in consumer's attitude towards marketing activity. The demand from day to day products like moisturizing cream, soaps to electronic products like fuel efficient cars, battery operated machines, remote controlled electronic machines are high in demand. Buyers and consumers are searching for superior products.

10. Increase Competition:

With fast mechanization, the manufacturing base went up and large numbers of companies are manufacturing consumer products and give acceleration to competition. Consumers have an option to select an applicable product or brand which could meet their requirements. Hence, the marketing activity of all challenging products has become important it cannot be ignored.

**Table 2: Comparative Analysis of Xiaomi Marketing Strategy**

Top Five Smartphone Company, Shipments, Market Share, and Year-Over-Year Growth, Calendar Year 2017 Preliminary Data (shipments in millions)					
Company	2017 Shipment Volumes	2017 Market Share	2016 Shipment Volumes	2016 Market Share	Year-Over-Year Change
1. Samsung	317.3	21.6%	311.4	21.1%	1.9%
2. Apple	215.8	14.7%	215.4	14.6%	0.2%
3. Huawei	153.1	10.4%	139.3	9.5%	9.9%
4. OPPO	111.8	7.6%	99.8	6.8%	12.0%
5. Xiaomi	92.4	6.3%	53.0	3.6%	74.5%
Others	577.7	39.5%	654.5	44.4%	-11.7%
<b>Total</b>	<b>1472.4</b>	<b>100.0%</b>	<b>1473.4</b>	<b>100.0%</b>	<b>-0.1%</b>

Source: [www.idc.com](http://www.idc.com)

Globally, Apple and Samsung dominate costly smart phone sales, accounting for about a third of the market. The next certain names on the worldwide best seller list include four, lower cost Chinese competitors that collectively sell almost as many handsets. In China's Smartphone market, the world's largest four companies have been closely matched. Being No.1 in China is not very profitable, however, as there are always new competitors willing to lose money for building up of new market share. In the modern years Huawei has broken down from the market. Becoming the No.3 smart phone maker in the world and the first Chinese Smartphone maker with substantially global foot print. In the new article, resources shows how Huawei decades of experience making and selling telecom networking equipment helped it build superior phones and authorize relationships in markets worldwide with the visible exceptions of the U.S boosting its profile and its profit margins.

Here is a quick field guide of Huawei and its main Chinese competitors.

**Oppo:** Oppo, owned by Duan Yong Ping, has made sales cheaper in rural China where it has 2, 00,000 retail locations. Its recent model R9S looks like an exact copy of an iPhone 7. This is a winning formula which they followed.

**Vivo:** Oppo's sister brand Vivo, also owned by Duan Yong Ping, here he focuses on smartphones camera, a major selling point in selfie dominated China. Also made Celebrity endorsements have pushed the brand.

**Huawei:** The network-equipment giant sold an estimated \$26.5 billion worth of phones in 2016. It is the only Chinese phone maker whose devices are generally seen as being on par with Samsung's in quality which helps explain its strong recent growth in Europe.

**Xiaomi:** Xiaomi's phones, all the rage in 2014, are falling out of favour almost as quickly as they became hits, hurt by mediocre reviews and lack of retail distribution. The online sales only making a push to open a retail stores.

For Apple, the premium starts at about US \$ 700. For Samsung it is about US \$600. But in case of Xiaomi it is only US \$325. They have cut down half of the prices when compared to other brands, because of this the market share have also gone up. Xiaomi is now bringing this cost break to TVs other consumer market that is dominated by heavy weights like Samsung, Sony, and LG. The Indian smart phone market also continues to breakdown, with the smaller vendors finding it extremely difficult to succeed in the face of Xiaomi's growing distinction. The top four vendors accounted for about 75% of all smart phone shipments to India, Xiaomi and Samsung accounting for 56%. India leftover a large investments for any smart phone brand. For small vendors like Gionee and Lenovo, the pressure on profitability has force them to look at their Indian strategies. In the recent research Lenovo's smart phone shipments were just a short of million units, falling by more than 60% year on year. While Gionee shipped all-time low of 1,50,000 units with shipments down 90% year on year.

## 7. Conclusion

This study shows the factors influencing marketing strategy of Electronic products and the Marketing Strategy of Xiaomi Electronic products. Xiaomi has reduced the cost of the product when comparing to other. They are directly selling their products to the customers through online so the work of mediators is Nil. This is the reason they can sell their products at low costs, this is the main strategy followed by them. They are also following the strategy of Hunger Marketing. They are more innovative when compared to others. That's why their market shares are increased with in few years when compared to other brands. Xiaomi is following the same strategy for mobiles and other electronic products, there are no changes in their strategy.

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