

# An Analysis of the Xiaomi Phones Sell Well Around the World

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**Abstract.** With the development of the mobile Internet, domestic smartphone companies have joined the battle for market share in recent years. The competition in the domestic market is getting more and more intense, with the diversification of consumer demand and the continuous improvement of consumption levels. In recent years, as a newcomer Xiaomi mobile phones naturally pulled the country's vision to the domestic mobile phones, but also set off a wave of 'Xiaomi fever'. At this time, the product characteristics of Xiaomi mobile phones have also attracted the attention of industry leaders. This study analyses the reasons for the popularity of Xiaomi mobile phones on the basis of the basic information about Xiaomi mobile phones and gives an outlook on the development prospects of Xiaomi mobile phones. This paper provides a comprehensive analysis of Xiaomi's pricing strategy, business model, and differentiation strategy. At the same time, this paper also puts forward reasonable suggestions for Xiaomi's future development based on the current market situation. The author hopes that these suggestions can help enterprises improve their overall strength, and withstand the rapid development of this era of the torrent, in the fierce competition to survive.

**Keywords:** Pricing strategy, business model, differentiation strategy, Xiaomi mobile phone.

## 1. Introduction

Xiaomi Corporation is a consumer electronics and smart manufacturing company focused on smartphones, smart hardware, and IoT platforms at its core. The company was founded in April 2010 by Lei Jun and others and was listed on the Main Board of the Hong Kong Stock Exchange eight years later. Xiaomi has grown up in the fertile land of innovation in Zhongguancun, Beijing, and has created many remarkable miracles. Xiaomi was officially born on 6 April 2010, with its unique business models and innovative products, the rapid rise of the mobile phone industry as a 'disruptor'. Starting out as a small company, Xiaomi became China's No. 1 and the world's No. 3 in less than three years. At the same time, Xiaomi is also the fastest-growing company in terms of revenue, taking less than five years from its inception to become the record holder with revenues of over \$1 billion and \$10 billion. Despite going through a difficult period in 2015-2016, Xiaomi managed to turn things around in 2017, achieving ahead of schedule the goal set at the beginning of the year of over \$100 billion in revenue. In comparison, it took 15 years less than Apple, seven years less than Facebook, four years less than Google, 12 years less than domestic tech companies Alibaba and Tencent, and 16 years less than Huawei. This achievement of Xiaomi fully demonstrates its strong market competitiveness and innovation.

Through a cost-effective pricing strategy, unique business model, differentiation strategy, product innovation, and efficient supply chain management, the Xiaomi mobile phone has successfully occupied a place in the global smartphone market and provided useful reference for peer enterprises to promote the development of the global smartphone industry.

## 2. The Pricing Strategy Analysis

In the current global market of smartphone R&D, production, and retailing, the main competitors of Xiaomi mobile phones are Apple, Huawei, Samsung, Nokia, and other companies that are mainly engaged in the same kind of production and service. However, the difference is that the main customer groups served by Xiaomi mobile phones are young college students, newcomers to the workplace

who have just joined the workforce, and other low-income groups. Therefore, from the very beginning, Xiaomi aimed at the low-end and middle-end markets. One of the major selling points of Xiaomi mobile phones is its affordable price, which is also its biggest advantage.

Xiaomi's 'ultimate price/performance ratio' is due in large part to the company's penetration pricing strategy. This pricing strategy takes advantage of the consumer's cheap consumer psychology, by setting a lower price to attract customers, to help Xiaomi in the early days of the product market to capture the market quickly, and through economies of scale to reduce costs, so as to achieve a cost-effective product image. Specifically, millet mobile phones in the market, usually set the price at a lower level, in exchange for attracting the attention of consumers, and through the way of thin margins, millet can achieve with the increase in production, the fixed cost per unit of product decline, so that the overall cost of the product is reduced. Millet again through the penetration of the pricing strategy, successfully shaped the 'cost-effective' brand image, which not only attracted a large number of users, but also for the company a good reputation, while the low price also formed certain industry barriers in the market, micro-benefits to prevent competitors from entering the market, and greatly enhance the competitiveness of their own products [1].

### **3. Business Model Analysis**

#### **3.1. Production Mode**

In just 10 years, Xiaomi has grown from a small unknown company to a new smartphone giant, and Xiaomi's success cannot be separated from a special business model. In terms of production methods, Xiaomi has adopted the strategy of customizing products on demand and deciding production volume on demand [2].

Xiaomi has innovatively broken away from the traditional product development model and adopted the user-centered 'Orange Friday' development model. Under this model, the MIUI team releases system updates on the forum every Friday, which contain a variety of new features and improvements, both mature ideas and immature features will be frankly shown to users. After using the updated system for a week, users will submit a 'four-gram experience report' to collect their preferences, dissatisfaction, and expectations for new features. More than 100,000 people participate in each activity, providing valuable data to the development team. Based on this feedback, Xiaomi engineers will modify and improve the system to ensure that the product better meets user needs. This practice not only realizes the concept of user-centered design but also enhances user loyalty to the brand.

In order to understand the demand of the market, Xiaomi uses the reservation system and pre-sale system. As we all know, if you want to buy the latest release of Xiaomi, you need to make a reservation on the official website a week in advance. Only reservation users are eligible to participate in the product rush on the day of Xiaomi's product release. Users making reservations to buy, to millet company has brought a lot of benefits so that millet company can know in advance of the market demand for the product, so as to millet mobile phone production to buy valuable time, and can be selective arrangements for production. This reduces its risk to some extent and reduces inventory. The reservation system allows users to be eligible to participate in the event on the day of the rush, but because the product is too hot, the number of people who made reservations greatly exceeded the current supply introduced by Xiaomi, resulting in a lot of users may not be able to buy a Xiaomi mobile phone even if they have made a reservation. So, Xiaomi introduced the pre-sale system. The advent of the pre-sale system is to help Xiaomi's loyal fans to buy Xiaomi mobile phones. Xiaomi's pre-sale system means that consumers pay about three weeks in advance, and Xiaomi sends a uniform shipment to consumers after three weeks. The pre-sale system also brings a series of benefits to Xiaomi, in addition to getting orders in advance, so that production can be reasonably arranged, but more importantly, it is in advance to obtain funds, which can be invested in production and reduce the risk of financing.

### **3.2. Sales Methods**

Xiaomi's sales channel is completely 'online', not set up offline physical shops, using the form of e-commerce. Xiaomi sells its products through its own official website, no longer like the traditional mobile phone manufacturers 'manufacturers - provincial agents, municipal agents - retail shops' sales model. For traditional mobile phone manufacturers and dealers, each level of price increases to the next level of pressure goods, the real hands of consumers' mobile phone prices have been much higher than the manufacturing cost. Millet company using the Internet, gets rid of intermediate links, directly facing the end user, the pricing initiative firmly in their own hands. Xiaomi's positioning is the highest cost-effective. Xiaomi adopted the sales model of an e-commerce platform, got rid of intermediaries, and saved a large amount of channel costs, for mobile phone products to provide the possibility of price reductions. Xiaomi's e-commerce model, the 'de-channelization', and 'de-intermediation' concepts to the climax, but also for the future of retail business model provides a reference.

### **3.3. Marketing Methods**

#### **3.3.1. Word of mouth marketing**

Since its inception, Xiaomi has had its own unique marketing methods, of which word-of-mouth marketing is regarded as one of Xiaomi's most classic marketing tools [3]. The company understands that the word-of-mouth effect can only be triggered by exceeding users' expectations of its products and services, and therefore achieves this by providing high-performance and cost-effective products as well as quality pre-sales, sales, and after-sales services. During the pre-sale phase, Xiaomi gives consumers direct access to and experience its products through offline experience shops such as Xiaomi Home, an experience that not only fulfills consumer expectations but even influences those who merely visit without buying. Let consumers even if they do not buy the product, they are willing to recommend it to others, thus forming a good word-of-mouth spread. In the sales stage, Xiaomi adheres to the strategy of price consistency between online and offline, avoiding the trouble of consumers comparing prices between different channels. In the after-sales phase, Xiaomi offers a warranty that is six months longer than the industry average and provides convenient offline repair and online email repair services. Xiaomi Home also offers services such as free films for life, and these user-friendly services have solved consumers' worries and solidified the brand's reputation. The provision of high-quality services at every stage not only promotes repeat purchasing behaviour, but also makes the 'Mi Fan' group support the Xiaomi brand with an almost fanatical attitude.

#### **3.3.2. Hunger marketing**

'Hunger marketing' is also a marketing technique often used by Xiaomi. Xiaomi mobile phones are marketed using a very good publicity channel, the Internet. They use this way, so that buyers through the Internet for pre-sale, to the official sale and then purchase, so that buyers feel the thrill of the purchase, and through the active system of the number of products on sale, limited to the market to pass a 'hard to find' signal, creating a shortage of product sources on the market phenomenon, so that the millet mobile phone as if become a synonym for a scarce digital product, further stimulating consumers to buy a stronger desire. This action not only contributes to the fierce buying scene every time Xiaomi mobile phones are on sale but also largely contributes to the growth of sales of Xiaomi mobile phones [4].

## **4. The Analysis of Differentiation Strategy**

### **4.1. Positioning Differentiation**

In addition to the business model, in terms of product positioning, Xiaomi buys good products at low prices to distinguish between competitors, this 'high configuration, low price' as the core selling point in the product quality is perfect at the same time, with a very high cost-effective and successful occupation of the minds of consumers [5].

Xiaomi first analyzed the needs of the target consumers. In addition to the most basic SMS and call functions of ordinary mobile phones, smartphones also have many functions of PDAs, especially the web-enabled browsers and applications that can be installed with a variety of special features, which provide users with great convenience and make smartphones a powerful handheld terminal device. Secondly, Xiaomi analyses the buying patterns of customers. The rapid development of network technology has changed many consumer behavior habits, so more and more people have begun to use computers and mobile communication tools to access the Internet, but also for online shopping. Finally, Xiaomi considers the target group matching degree. According to the data of China Urban Residents Research CNRS2012, among the new purchasers of mobile phones for smartphones, 68% of the population aged 20-45, 62% of the population above 3,000 yuan, and 67% of the enterprise and public institution population. Therefore, the Xiaomi mobile phone will target the crowd of enterprise and public institution employees aged 20-45 with a monthly income of more than 3,000 yuan. Xiaomi's mobile phone has positioned itself as a 'high-performance enthusiast mobile phone' from the very beginning. Lei Jun, the founder of the company, explained the reason: the current depth of Android users are basically enthusiasts, and the audience composition of MIUI is also the same. Sina Weibo, RenRen, and other channels of information dissemination speed, the professional crowd, and enthusiasts will play a stronger role than before the choice and use of demonstration. Lei Jun wanted to become a company like Apple when he made Xiaomi mobile phone, and used the product to arouse the enthusiasm of users and cultivate a circle of loyal 'Mi fans.

## **4.2. Product Differentiation**

### **4.2.1. Product function differentiation**

Xiaomi mobile phones with high quality and low price have high-cost performance, although located in the mid-range market, but its configuration is on par with or even ahead of high-end mobile phones. In addition, Xiaomi's mobile phones are equipped with a deeply optimized and developed MIUI system, which differentiates Xiaomi's mobile phones in terms of product functionality and creates a distinctive brand identity. Xiaomi will improve the MIUI system based on consumer feedback, and constantly improve the product experience of consumers. This user participation in research and development allows Xiaomi's researchers to quickly update the MIUI system so as not to lag behind in the era of rapid development of the mobile Internet and also allows consumers to interact with a sense of identity, giving them a different user experience.

### **4.2.2. Product design differentiation**

Nowadays, the appearance of the design of mobile phones and the quality of the same is of great concern to consumers, especially young consumers who pay more attention to the appearance of mobile phones. Xiaomi mobile phone's appearance design and overall style are simple and generous, different models of Millet mobile phones in shape and color design there are some differences.

Product appearance design can be the most intuitive expression of product differentiation. Xiaomi mobile phone the product shape design into the strong brand characteristics, enhancing the brand recognition of the Millet mobile phone. Xiaomi mobile phone shape design has been optimized and upgraded according to technological progress and market trends.

Xiaomi mobile phone has certain characteristics in geo-positioning design, which supports the U.S. GPS and Russian GLONASS satellite positioning system, and supports 7 frequency bands such as GSM and WCDMA, which brings convenience to the user's traveling and expands the advantages in foreign markets.

In addition, the unique 'Xiaomi key' custom function key of Xiaomi mobile phones can make it more convenient for customers to use the product. Xiaomi combines the suggestions made by fans and constantly optimizes the product design, thus promoting the better and faster development of Xiaomi mobile phones.

### **4.2.3. Product packaging differentiation**

The packaging style of Xiaomi mobile phones is simple and distinctive, which is not only easy for consumers to identify but also saves production costs. At the same time, despite being very thin and light, the Xiaomi mobile phone box can withstand more than 85kg of pressure, effectively ensuring the safety of the mobile phone during transport.

Xiaomi packages different series of mobile phones separately. For example, the Xiaomi Youth Edition mobile phone packaging is printed with the word 'youth', highlighting the characteristics of its young user group. This strategy pinpoints the consumer group and makes it easy for consumers to buy according to their needs and preferences.

Xiaomi also puts products of different sizes in one package, which is also a matching packaging strategy. For example, in some promotional activities, Xiaomi will combine mobile phones and their accessories sold together. This strategy not only ensures the sales of the product but also makes it easier for consumers to buy. The packaging design strategy of Xiaomi's mobile phones is considered from multiple aspects, which takes care of the consumer experience and the concept of environmental protection, and also helps to differentiate Xiaomi's mobile phones from its competitors.

### **4.3. Customer Service Differentiation**

Xiaomi's customer service strives to stand in the customer's point of view to think about the problem, which can be based on the customer's problems to provide accurate service in place, this for the sake of the customer's service concept is widely praised. Xiaomi now adopts a network sales model, using Vanel and Rufengda's delivery system to deliver most of the goods. In the trend of direct sales mode of the network, Xiaomi's model, allows consumers to experience the fun of independent shopping unlike elsewhere. Not only that, Xiaomi from the major forums even learning from the netizens to provide feedback, will not ignore the consumer's advice, which also improves their own quality of service.

### **4.4. R & D Team Differentiation**

The formulation and implementation of these strategies cannot be separated from Xiaomi's excellent R & D team, Xiaomi technology advantage is obvious, by the domestic and foreign well-known IT company's outstanding software engineers to set up. Moreover, the millet technology team and dynamic and not lack of experience, this team is mainly working for more than ten years of engineers, at the same time millet is also attaching importance to the cultivation of new forces, the fresh graduate student's also open channel. Formally with such a team of talent, millet technology at the beginning of the venture from the software advantage, to create a reputable MIUI system, and then chose the road of the curve to save the country, to complete the magnificent turn from software to hardware, which also reflects the differentiation of the talent of millet company. Such an excellent strategy coupled with the millet company's team innovation ability, technology optimization and business philosophy, and clever integration of the enterprise's comparative advantage and limited resources, is the enterprise's competitive advantage in the market and the core competitiveness of the company came to the fore, laying a solid foundation for the sustainable development of the enterprise, and achieve the goal of high-speed and stable development. If Millet in the future to expands its differences with competitors to seize the opportunity to develop, and reform their own technical level, to attract more customers, to create a better experience for customers, will certainly be in the field of electronic technology to break out of a piece of their own territory.

## **5. Challenges and the Future**

With the rapid development of science and technology, the smartphone industry is in a period of rapid development. As a well-known domestic smartphone manufacturer, Xiaomi has achieved remarkable results in the market with its cost-effective product strategy. However, the price war in the same industry, the speed of product updates, and quality requirements have brought great

challenges to Xiaomi. Since the launch of Xiaomi mobile phones, its excellent cost-effective price in the domestic market best-selling at the same time also attracted the same industry's in-depth analysis and competition. Some competitors have adopted a competitive strategy of price reduction below the price of Xiaomi's mobile phones, posing a threat to Xiaomi's sales and market share. The starvation marketing strategy adopted by Xiaomi has increased the sales volume but also accelerated the life cycle operation of Xiaomi mobile phones. In order to remain competitive in the market, Xiaomi must continue to introduce better products, which requires Xiaomi to invest a lot of human, material and financial resources into research and development.

With an eye on the future of the company, this study makes the following recommendations: firstly, update the brand positioning and establish a brand image. Xiaomi mobile phones should be clearly positioned in the cost-effective smartphone market, emphasizing product performance, value and innovation. It should also create a unique brand image and tell a good brand story through brand publicity and marketing campaigns in order to attract consumers' attention and recognition. Secondly, improve the service system to enhance brand satisfaction. Xiaomi mobile phones should focus on establishing a perfect after-sales service system, providing timely and efficient after-sales service, and enhancing consumer trust in the brand. Third, accelerate the layout of new retail, online and offline integration. Xiaomi mobile phone should strengthen the cooperation with various types of channel dealers, expand the sales network, and improve the market coverage and sales volume of the product. Fourth, invest energy in research and development to harvest brand value. Millet mobile phone should not be scaled down or unchanged on the investment in product research and development, in the rapid development of science and technology today, the speed of product elimination will become faster and faster, and millet should accelerate the output of new products to face the future market demand.

## 6. Conclusion

By studying and analyzing the reasons why Xiaomi's mobile phones sell well around the world, this study concludes that the reason why Xiaomi's mobile phones sell well around the world is due to the company's penetration pricing strategy, which makes Xiaomi's mobile phones' image of good quality and low price deeply rooted in people's hearts. The success of Xiaomi's mobile phones is also due to its unique business model, in which its production, sales and marketing methods are all centered on the 'user': letting the user decide the quantity to be produced; adopting online sales to save intermediary fees for the user; and doing a good job in the three stages of pre-sale, sale and after-sale services to improve the user experience, thus improving the product's reputation. The implementation of the differentiation strategy is an even more important factor in the success of Millet mobile phones. In the positioning, product, customer service, and R & D team, Xiaomi has made a very different strategy from the competition: targeting the low-end market in positioning, product design and packaging, more attention to communication with users, active feedback, and constantly absorbing outstanding talent.

High profile and full of youthful vigor have become synonymous with the Xiaomi brand, and its outstanding achievements in smartphones have always attracted the public's attention. Successful business strategies have helped Xiaomi's success. However, in a competitive market, Xiaomi must find ways to optimize the brand's business strategy in order to improve its competitiveness and the market position of its products. Product innovation and pre-sales and after-sales service of millet mobile phones have been serving customers and providing high-quality products and services is also what they have been doing. At the same time, Millet Mobile Phone should also focus on its own brand image, strengthen the brand publicity, can go to create its own unique brand image, to attract consumer attention and recognition. In addition, Xiaomi mobile phones should also focus on the cultivation of talents and the improvement of the industrial chain, and strive to achieve the integration of product design, production, and sales, to create its own competitive advantage. Through the

implementation of these strategies, millet mobile phones may achieve greater success in market competition.

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