

A Study of Marketing Strategy that Xiaomi used to dethrone
Samsung in India's Smartphone Market



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This individual study aims to examine the relationship between marketing strategy and firm's market shares. In this case, the theory of marketing mix will be mainly used to analyze how Xiaomi's market share grew in accordance with Samsung's situation. Furthermore, I will take macro environment condition into consideration as the factors that have an impact on the firm's future business. Apart from product innovation and modern technology that are essential things for a phone maker to dominate the market, a business needs to have an effective marketing strategy which can drive up the sales volumes followed by acquiring more market shares. The findings show that, firstly, a firm is more likely to be successful when they enter into a new market if they have a well-defined group of consumers as well as understanding their needs and wants. Secondly, a marketing mix can secure more customers that can lead to grow a business from achieving higher sales. The last fact supports the theory of Porter's generic strategies which allows a firm to understand its competitive advantages and it will be beneficial to a business by helping out the customers to perceive the differences from other businesses.



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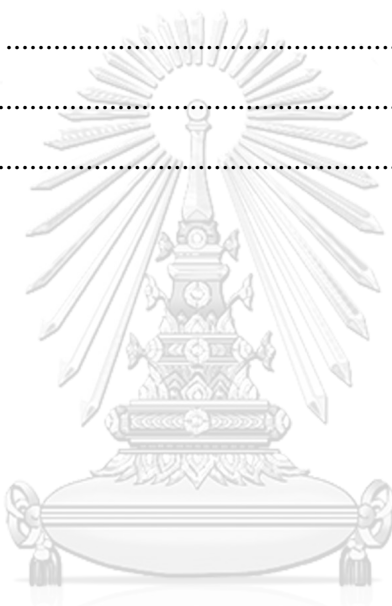
Htet Myat Aung



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1. Introduction

1.1 Significance of Problem

With the exception of non-profit organization, every business/firm has a common goal which is to maximize the profit of a firm. As a business, dominating the market is very important in the long run. In order to dominate the market, a firm must cover a majority of market share compared to its competitors in a specific industry or sector or product line based on the market size. There are several techniques to occupy the market share in real-world businesses. However, in this study, I will mainly focus on marketing aspects and how a good marketing strategy can secure more customer base which will lead to increase in market share within a short period of time.

Nowadays, many smartphone makers have an eye on Indian market because India is one of the biggest countries in Asia in terms of population, land areas and economic growth. Recently, India took the place of the world 3rd largest economy by purchasing power parity from Japan. In the meantime, the user base of mobile phones in India has been increasing constantly year by year and the smartphone makers are really interested to expand their markets in India including a young company like Xiaomi which is known for its budget line smartphone phones. Unlike other mobile phone manufacturers, Xiaomi has occupied more market shares than Samsung within three to four years.

Therefore, I have decided to compare specifically between Xiaomi and Samsung because both of their products are supported by the android operating system while over 90% of market share belong to android and iOS covers as little as 5% of market share in India in 2019 as per statcounter.com. Therefore, there is no doubt that India is named a country of android users. Since India is a low middle income country, many smartphone makers try to sell their mid-range phones in the India market. Before Xiaomi was crowned as a market leader, India's phone market had been dominated by Samsung when a Chinese budget phone manufacturer, Xiaomi started operating its business in 2014 as a market follower.

1.2 Objectives

The main objective of this study is to analyse how did Xiaomi's marketing strategy help its business to entitle as a market leader in India smartphone industry and the broad objectives of my study can be summarized as follows,

1. To evaluate macroeconomic conditions of India and learn how these macroeconomic conditions can help Xiaomi to implement a suitable marketing plan.
2. To analyze the marketing tools that Xiaomi used for the India market to draw the customer's attention and study how its marketing strategy impacts on sales growth, in other words, the revenue of a company.
3. To conduct SWOT analysis on Xiaomi to understand its strengths and weaknesses and find out external influential factors of the company.

1.3 Scope of study.

Mobile phones are substitute goods and the nature of the competition among firms are highly competitive especially in low cost and middle range phone sectors. As I mentioned above, I will examine how a good marketing strategy can drive up sales volumes and capture more market share. Despite focusing only on marketing mix, a marketing manager could not be able to craft a suitable strategy without taking other factors into consideration because understanding other external and internal factors of a firm and/or industry will help to get a good marketing mix. In this regard, I will be conducting SWOT analysis and evaluating the economic condition of a country to support my research question. There are a few limitations in this study due to accessing the data via online. Furthermore, I used only four elements of marketing mix to analyze this study while some researchers could apply more than four elements as there are seven variables in modern marketing mix.

1.4 Methodology

Descriptive research design will be used in this study to describe the situation of the market economy of the smartphone industry in India, what kind of services Xiaomi offer and what kind of factors that gave a chance to Xiaomi to be crowned as a Smartphone King in the Indian market.

In order to support the facts, both qualitative and quantitative research methods will also be conducted to uncover the successful story of Xiaomi India. Besides, the theories of market segmentation and marketing mix will be mainly used to find out an answer to Xiaomi's growing business in India.

Therefore, I will use these data as a secondary data for my study which will include some news, interviews and articles from reputable media such as economictimes, Reuters, etc. for qualitative part. Furthermore, I am going to evaluate macroeconomics conditions in terms of GDP, population, unemployment and income categories based on World Bank's data. Hence, some financial figures from the annual report could be applied to my study if necessary.

1.5 Background Story of Xiaomi

In April 2010, a Chinese billionaire entrepreneur founded Xiaomi Incorporation in Beijing, China and the company was listed at Hong Kong Stock Exchange in July 2018. Now, it becomes one of the largest mobile phone makers in the world.

The logo of Xiaomi is “MI” which comes from mobile internet as the company's main business is internet services. Xiaomi has developed its own IoT platform which has been marked as the world largest consumer platform and over 213.2 millions smart devices (excluding smartphones and laptops) have been using IoT platforms. A few years later, Xiaomi expanded its business by introducing smart electronics devices such as smart home products, computer notebooks, smartwatches and TVs, etc. under Mi trademark. The company's mission is to deliver good products with reasonable prices, which they called “honest price”, to everyone who can enjoy a better life by using their

innovative smart products. Currently, Xiaomi products are available in 90 countries and regions around the world.

1.6 The Evolution of Mobile Phones

Ten years before a mobile phone was commercially released into the market, Martin Cooper one of the senior engineers from Motorola used a mobile phone to have a public call for the very first time. More than a decade ago from today, Finnish telecommunication named Nokia was dominating the mobile phone market across the globe. At the time when Motorola firstly introduced a mobile phone in 1983, there were no other functions in that phone except calling features. In 1991, the Global System for Mobile Communication (GSM) was launched in European Union. One year later, Nokia started selling the Nokia 1011 using a digital mobile network and it came with two additional functions: SMS and games apart from calling functions. A phone with only four colours supported display was invented by Siemens in 1997 called Siemens S10. Year later, Nokia presented a phone that could change its cover and it was the first fashion orientated phone at that time. Between 1995 and 1998, people can do other added functions such as sending email, setting a vibrate alert and experiencing a coloured display.

The time period of 1999 to 2002 can be called growth of the feature phone because many mobile phone manufacturers were competing with each other in the market by developing new features to be more innovative and take the market advantages. As a consequence, mobile phones became more advanced than the previous models. In the year of 1991, Nokia 7110 model made a record of using the technology of WAP (wireless access point) and Japanese company, Sharp was a world first company launching a camera phone in 1992. Unfortunately, they exclusively sold in the Japan market but it was a sign that people had started interested in phone photography. However, in 2002, another Japanese company named Sony had followed the footstep of Sharp with unveiling its clip-on camera phone, Sony Ericsson T68i that drew the attention from western markets. Main phone features of this era can be summarized as WAP, video calling, GPS navigating, camera, polyphonic ringtones, mp3 player, Bluetooth, memory card and multimedia messaging service (MMS).

There was a mobile phone revolutionary period between 2003 to 2006 because 3G (third generation of mobile wireless telecommunication technology) mobile network has been implemented during this time period and some functions like Wi-Fi, full web browser were also included apart from creating waterproof phones in some models. From 2007 to 2014, a progressive development occurred in the smartphone industry. To be exact, 29th June of 2007, an American Tech company, Apple, has started entering into the smartphone industry by introducing their first generation of iPhone-1 which used their own mobile operating system, iOS. In 2008, Google, a giant internet services provider kicked off the important project which became a challenger of iOS named Android and many smartphone's companies have been using Android as their phones' operating system.

A few years later, a giant Korean electronics group, Samsung, jumped into the smartphone battle along with its first smartphone powered by Android and has become the world biggest maker followed by Apple and Huawei until now. Nowadays, smartphones become a part of our daily life as an essential product which is more than just a phone but a smart device that can do almost everything of our daily routine jobs. It can be assumed as a magic wand of 21st century because there are so many functions included in these little smartphone devices. For example, it can perform as a personal health care monitor device pairing with a smart watch, a credit card for payment, a camera and a mini computer, etc. For that reason, competition among smartphone makers is becoming more and more intense.

Generally, almost every phone in the market available right now is supported by two mobile operating systems: Android and iOS as it was already mentioned earlier. iOS is developed by Apple and it only supports the iPhones because Apple does not allow third parties to make any changes in iOS, in other words, iOS is not an open source. So, we can say that iOS is the trademark of iPhones and the property of Apple. Since Apple products are unique and exclusive, iPhones are coming along with a high price tag. Apparently, not many people are unable to buy iPhones, especially in those countries which have a huge percentage of low and middle income people.

In contrast, Google's android is an open source operating system and allows mobile developers to do the changes. Besides, android is free for not only consumers but also smartphone manufacturers. Due to this advantage, phone companies can cut the cost of developing their own operating system. As reported by statcounter.com, over 75% of market shares were taken by Android and iOS covered around 22% worldwide in 2019. Moreover, it can be drawn as an assumption that android phone users are more than iOS and people could be more familiar with the design of android user interface rather than iOS. Furthermore, creating a new operating system takes some time and a tremendous amount of money must be invested in research and developments. Hence, android is the most commonly used operating system in smartphones and tables.

2. Theoretical Framework and Literature Review

2.1 Theoretical Framework

In this literature review, I will explain how I am going to analyze a successful story of Xiaomi India compared to its competitor, Samsung, by conducting marketing tools and theories such as STP models, Marketing Mix(4Ps), Ansoff Matrix, Porter's Generic model and SWOT analysis.

Market Segmentation, Targeting and Positioning (STP Model) - The STP model is very useful for developing an effective marketing strategy for a business by segmenting the market, targeting a specific customer group and moving their product position in the market. Since marketing is a study of identifying specific customer needs and wants to satisfy them, a business or firm can maximize its sales by delivering a product or service that the consumers want to consume. Otherwise, no one will use a product or service from a firm because it does not match their needs. Therefore, by using this concept, we can examine the marketing segmentation of Xiaomi and how they increased their sales in the Indian smartphone market.

Marketing Mix - The concept of "*Marketing Mix*" is introduced by Neil H. Borden in 1964 and there are twelve elements in his marketing mix. Later, E. Jerome McCarthy grouped these elements into categories and he proposed the 4Ps marketing mix in his

book called *Basic Marketing: "A Managerial Approach"* in 1960. The 4Ps consist of 4 elements: product, price, place and promotion, and this concept is still being used in marketing courses nowadays to identify the role of a company's products in the market. Furthermore, most companies use marketing mix to promote their products and brands in the market. In this case, I will only analyze 4Ps to study Xiaomi India and learn whether using a suitable marketing mix drives its sales which will result in the increase of market share.

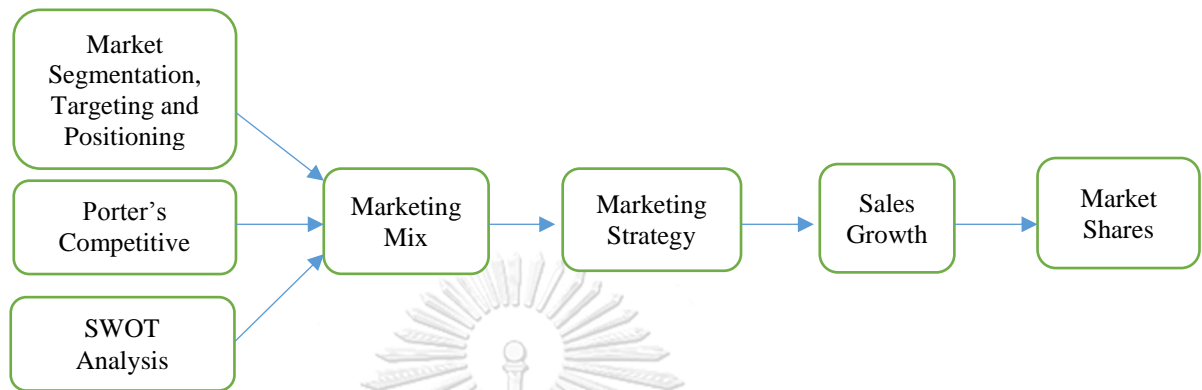
Ansoff Matrix - In 1957, Harry Igor Ansoff developed a marketing tool called Ansoff Matrix which gives an idea to a business for deciding what kind of strategy is going to be implemented in a given set of circumstances. Ansoff Matrix is most widely used in common to forecast possible growth of a business. Moreover, Ansoff Matrix is a useful marketing tool used by many firms to analyze and set their marketing strategies to increase market growth and share either in the existing or new market. For every business, choosing the right marketing strategies is really important especially when it enters into an existing or new market because other competitors have already covered some market shares. There are four main marketing strategies in Ansoff Matrix: market penetration, product development, market development and diversification. A company's marketing strategy can be changed and it might apply all four strategies over time.

Porter's Generic Competitive Strategy Model - Not like Ansoff Matrix, Porter's model allows us to observe the relationship between market share and nature of the market that a business is operating in. From this concept, we can link with the case of market share growth of Xiaomi India.

SWOT analysis – It is a strategic analytical tool invented by Albert Humphrey in the 1960s. This analytical can be applied to both organizational and individual levels to find out and understand the strengths, weaknesses, opportunities and threats of a business or a person. It can be categorized into two parts: internal and external factors. Strengths and weaknesses will fall under internal factors while the remaining will go to external factors. Particularly, it helps the business to fully aware the internal and

external factors that can have an impact on its future and conducting SWOT analysis will definitely be an advantage for better decision making.

Conceptual Framework



The above diagram of conceptual framework shows the insight understanding of how a good marketing strategy can capture more market shares in a particular market. Besides, it will not be possible to get a successful marketing strategy without applying the appropriate marketing tools. In this regard, market segmentation, targeting & positioning (STP model), Porter's generic strategy and SWOT analysis will support the marketing manager to implement a suitable marketing mix which can generate more sales revenues for Xiaomi to be a winner of India smartphone's market.

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2.2 Literature Review

One study proved that marketing mix influences the process of consumers' purchasing decisions. Among them, an odd pricing strategy, one of the variables in marketing mix, is the best way to increase the sales of a product of their study. This experimental findings is from an academic journal, "Marketing Strategy Based on Marketing Mix Influence on Purchasing Decisions of Malang Apples Consumers at Giant Olympic Garden Mall (MOG), Malang City, East Java Province, Indonesia", written by Astuti, R., Silalahi, R. L. R., & Wijaya, G. D. P. (2015). Wongleedee, K. (2015) also found out that there is a significant correlation between consumer's attitudes and the elements of marketing mix. Additionally, his empirical finding also supported the fact that people who earn higher income are more enjoying frequent shopping.

Moreover, Edmund Jerome McCarthy says “Any sequence of institutions from the producer to the consumer including one or any number of middlemen is called the channel of distribution.”

According to the research by Shop.org which is a part of the National Retail Federation, in-shore customers who bought products through online commerce spent more USD 600 annually than normal customers who enjoyed buying products from traditional channels such as offline stores or in store. Additionally, they also observed that multi-channel consumers purchase 4 times more frequently than the average online consumers.

The research journals of “*Distribution and Market Share*”, published by Kenneth C. Wilbur and Paul W. Farris (2014) uncovered a new empirical generalization of the cross-sectional relationship between distribution and market share. In their research, they proved that there is a positive relationship between these two variables, distribution and market share. In different words, extensive distribution channels will result in an increase in market share, both cross brands in the same category. Furthermore, a published journal of “*Advertising, brand loyalty and pricing*” from science direct in 2008, researched by Ioana Chioveanu, her empirical finding shows that advertising can persuade people to be loyal to the businesses.

A new term, “Stuck in the middle”, is created by Michael Porter in his book: “*Competitive Advantages*” in 1985 which means that a business is more likely to be stuck in the middle when it does not follow one of these strategies among three i.e. cost leadership, differentiation and focus. In other words, the future success of a company is also uncertain in the long term. Erdil, T. S., & Özdemir, O. (2016) evidenced that marketing mix strategy has mediating effects on both internal and external factors while four elements of marketing mix: product, price, place and promotion are built and executed in response to the different local market conditions to achieve competitive advantage.

Quezada, L. E., Reinao, E. A., Palominos, P. I., & Oddershede, A. M. (2019) used SWOT and Balanced Scorecard as their research methodology to examine the performance of a company in their research paper named “Measuring Performance Using SWOT Analysis and Balanced Scorecard” and they discovered that the analytical tool was useful. Furthermore, they concluded that it allows the management level to emphasize those outcomes that are strategically important.

3. India Economy and Smartphone Market

3.1 India Economy

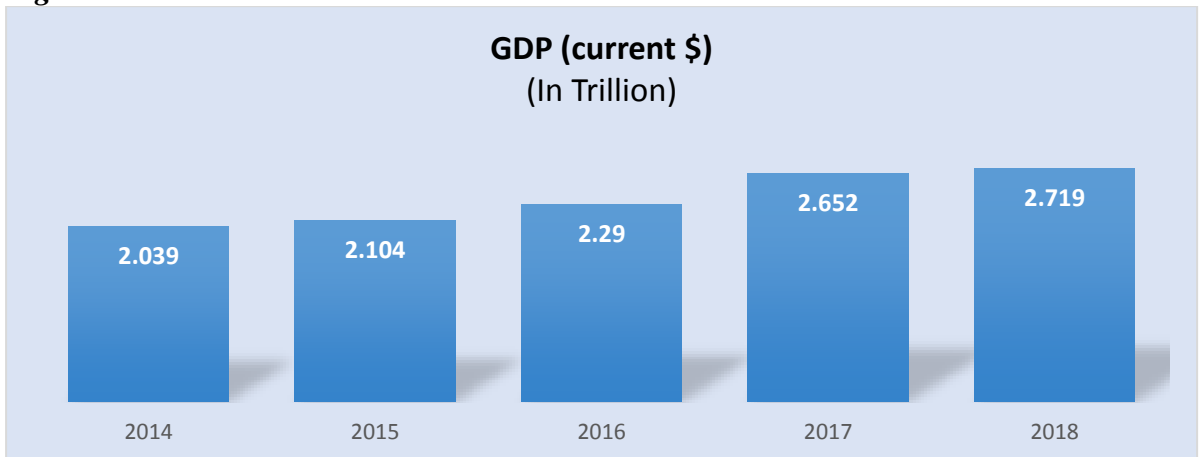
As stated by the world bank, India is a third largest economy in the world in terms of purchasing parity. India is expected to be a world high-middle income country by 2030. Due to recent economic growth, more than 90 millions of Indian people have lifted themselves from extreme poverty. All these macroeconomic conditions will be taken into consideration to support the fact of how these factors impact on Xiaomi India. There are some indicators to describe the health of a country's economy such as gross domestic product (GDP), GDP per capita and unemployment rate, etc.

Two Nobel Laureates, Simon Kuznets (Harvard University) and Richard Stone (Cambridge University) developed the national income and product accounts. Gross Domestic Product or GDP can be called total output or aggregate output in the national income account. In that reason, aggregate income and aggregate production are always equal while aggregate income is the income earned by the individuals or companies in the economy of a country and aggregate output is the total economy's productivity.

The following bar chart represents the historical data of GDP growth of India from 2014 to 2018. These specific time periods were chosen because Xiaomi entered into the India market in July 2014 and they took a smartphone market leader position from Samsung in 2018. By looking at the following data, it can be said that the nominal GDP of India increased from 2.039 trillions US dollar in 2014 to 2.719 trillions US dollar in 2018

year over year. In other words, higher GDP means that India's economy was growing year after year.

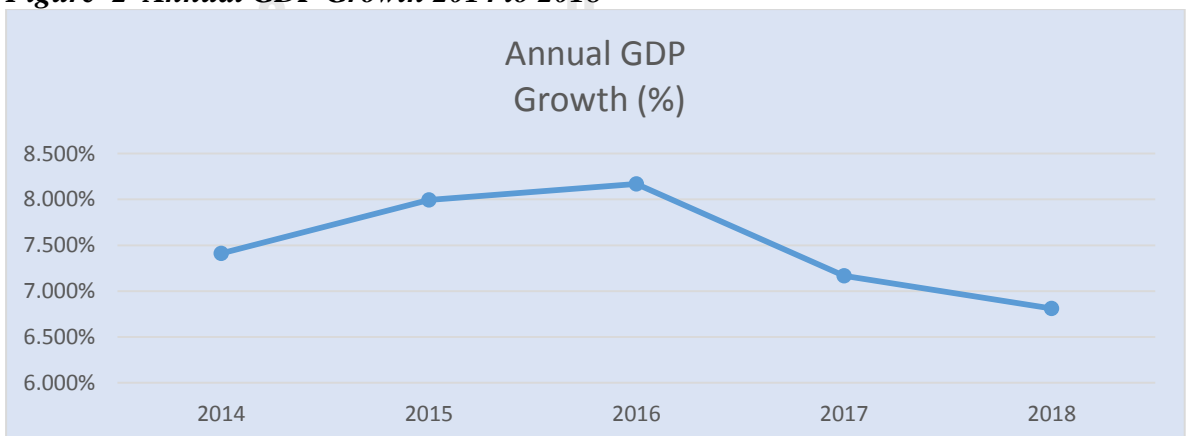
Figure 1 - India GDP 2014 to 2018



Source: GDP (current US\$)-India, World bank national accounts data and OECD National Accounts data files. License: CC BY-4.0 (Online available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN>)

When we looked at the GDP growth rate of India from 2014 to 2016, there was a gradual increase within 3 years: around 7% to 8% of growth rates but their GDP growth was significantly falling after 2016 with an average of 1.057% until 2019. Hence, the world bank forecasts that the economy is expected to recover with annual growth rate around 6% in 2020.

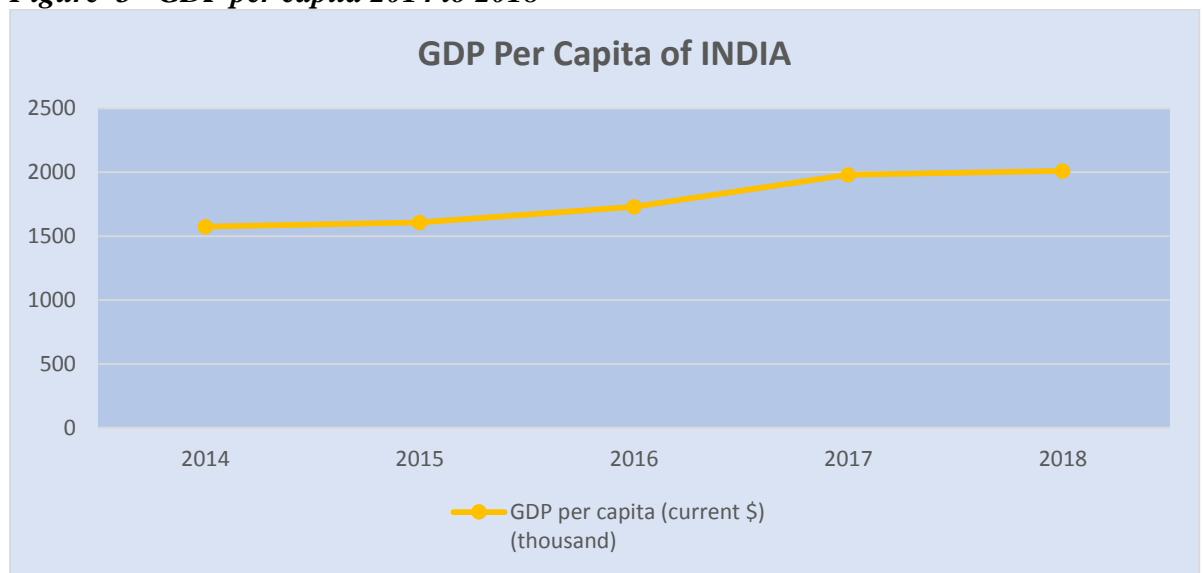
Figure 2 -Annual GDP Growth 2014 to 2018



Source: GDP Growth (annual %) India, World bank national accounts data and OECD National Accounts data files. License: CC BY-4.0 (Online available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=IN&start=2014>)

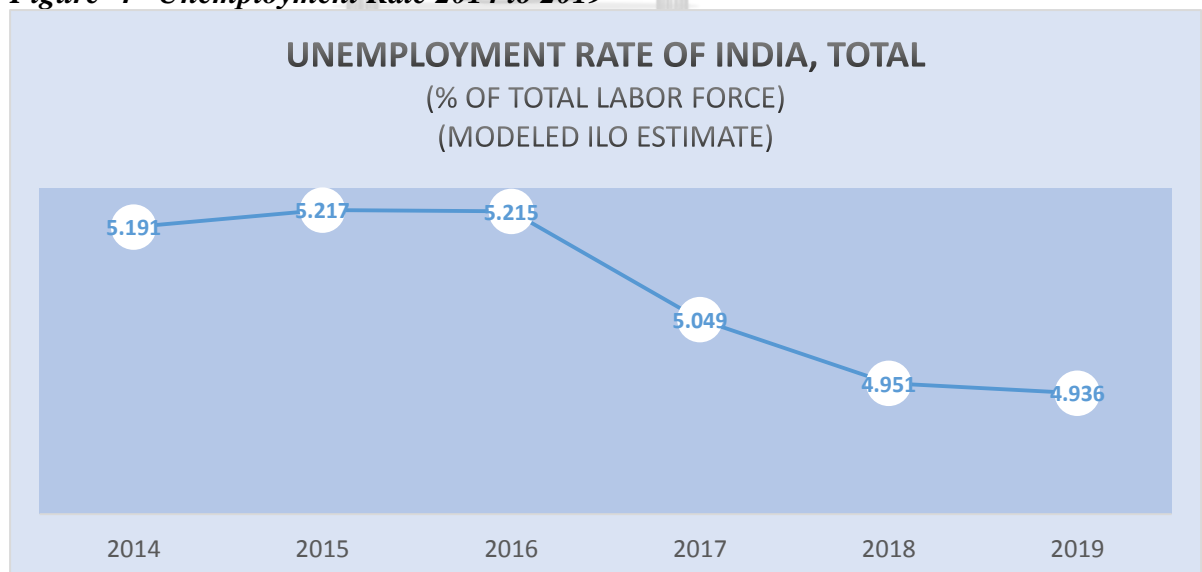
GDP per capita is another way of measuring the standard of living of a country and it also indicates how many citizens are getting benefit from the country's economy. Below mentioned graph illustrates an upward trend of India GDP per capita over the years.

Figure 3 - GDP per capita 2014 to 2018



Source: GDP per capita (current US\$) - India, World bank national accounts data and OECD National Accounts data files. License: CC BY-4.0
(Online available at <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2018&locations=IN&start=2014>)

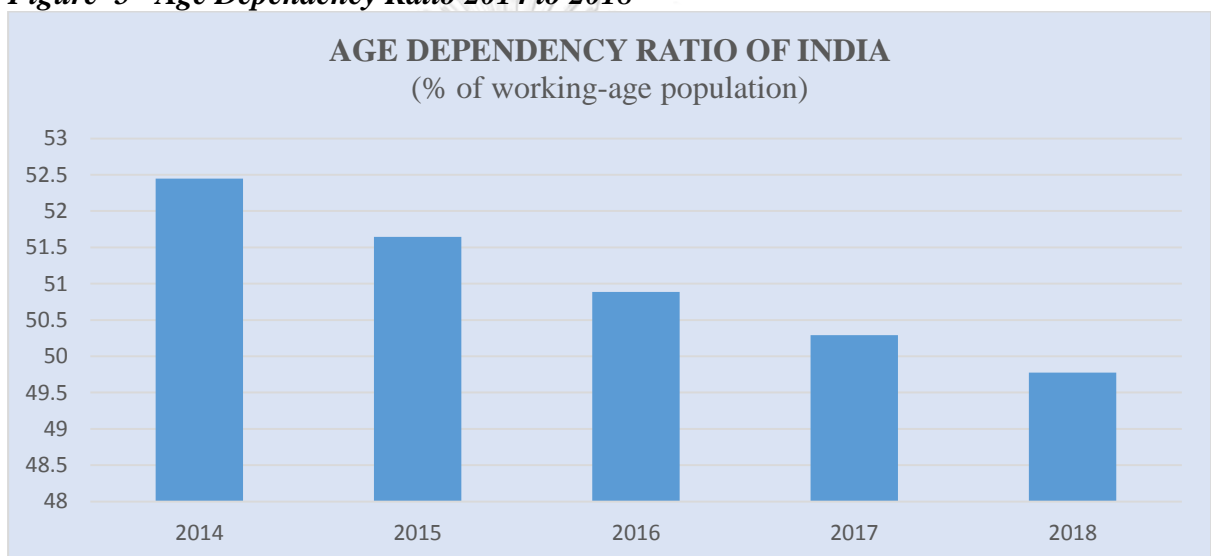
Figure 4 - Unemployment Rate 2014 to 2019



Source: Unemployment, total (% of total labor force) (modeled ILO estimate) - India. International Labour Organization, ILOSTAT database. Data retrieved in March 1, 2020. License: CC BY-4.0
(Online available at <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?end=2019&locations=IN&start=2014>)

Lower the unemployment rate means that a large portion of people in the total labour force are being employed and this is a good sign for the country because most of its citizens have an income from their jobs. According to the above line graph, India's unemployment rate was moderately decreasing since 2014 to until the last year of 2019 from 5.191% to 4.936%. However, they maintained an unemployment rate which is around 5% on average. On the other hand, it can be considered that the Indian labor market is either "too tight" or "too loose" because many governments set the natural unemployment rate to be about 5%.

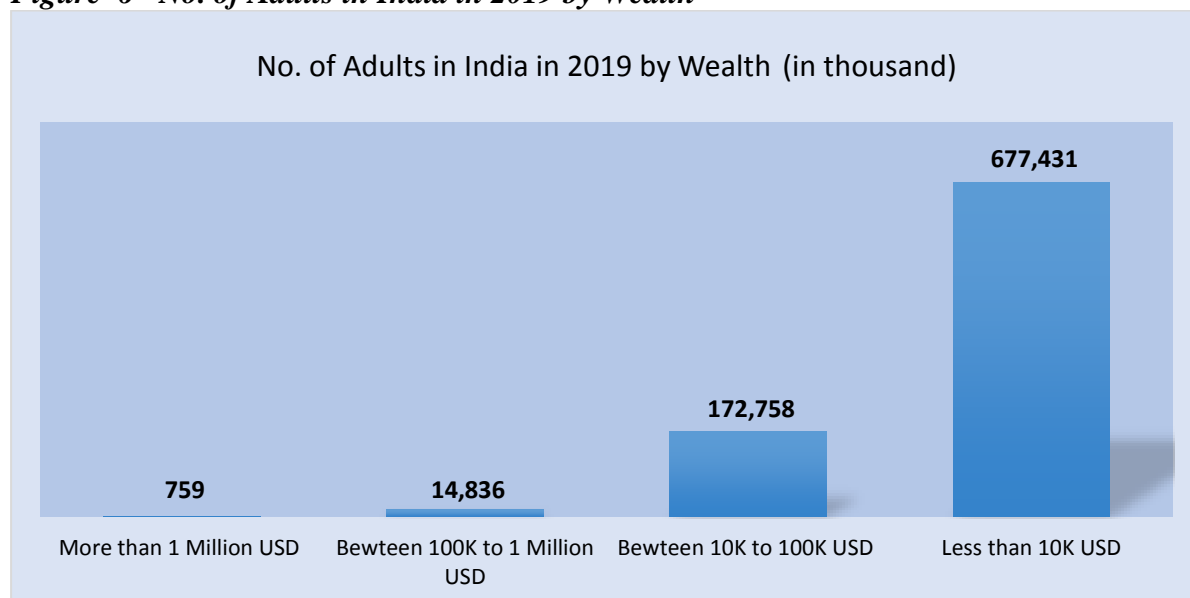
Figure 5 - Age Dependency Ratio 2014 to 2018



Source: Age dependency ratio (% of working-age population) – India. World Bank Staff estimates based on age distributions of United Nations Population Division's World Population Prospects: 2019 Revision. License: CC BY-4.0 (Online available at <https://data.worldbank.org/indicator/SP.POP.DPND?end=2018&locations=IN&start=2014>)

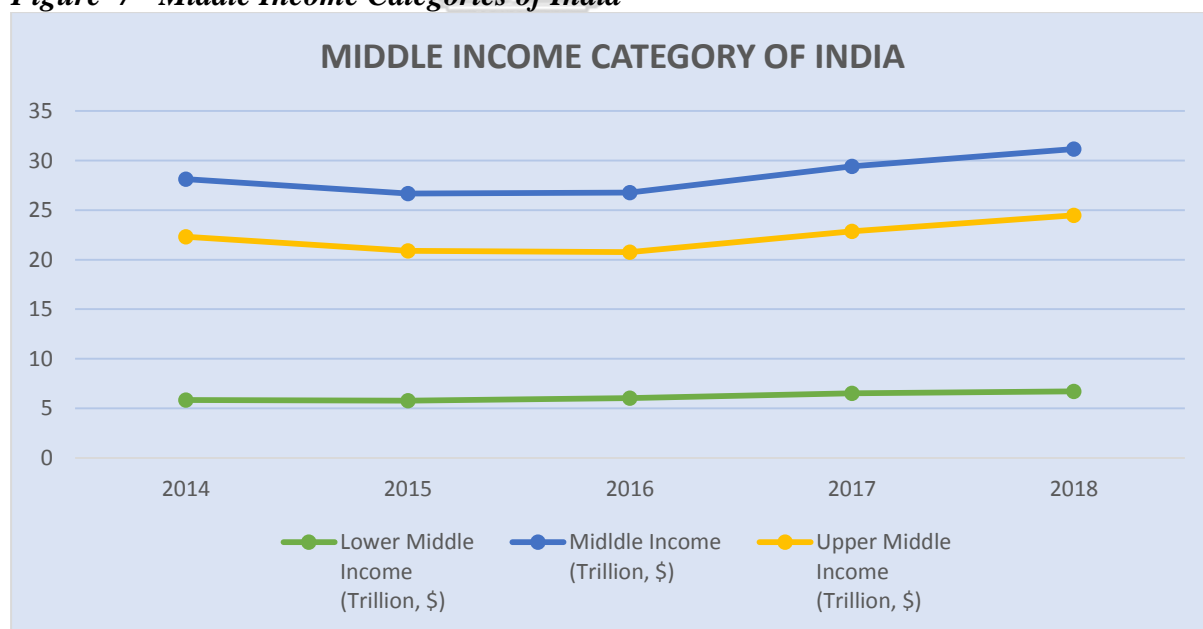
Furthermore, the age dependency ratio of India has also kept declining since 2014 and this reflects to see a clear picture of a country's workforce which is full with those working ages generally. Hence, over 600 millions of Indian people were earning under 10,000 USD a year on average which is half of its total population: 1.3 billions approx. in 2019. As Xiaomi is a budget-priced smartphone company and its target customers are middle income class, graph no. 7 shows that upper middle income and middle income had the same trend from 2014 to 2018. Initially, they both started steadily decreasing between 2014 and 2016 then they began to grow year after year. Besides, too many changes had not been found in lower middle income class within the same periods and the trend was leveling off.

Figure 6 - No. of Adults in India in 2019 by Wealth



Source: Number of adults in India in 2019, by wealth range (in 1,000s), India: population by wealth bracket 2019 published by Erin Duffin, Jan 7, 2020
(Online available at <https://www.statista.com/statistics/482579/india-population-by-average-wealth/>)

Figure 7 - Middle Income Categories of India



Source: GDP (current US\$) – India, Lower middle income, Middle income, Upper middle income. World Bank national accounts data, and OECD National Accounts data files. License: CC BY – 4.0.
(Online available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2018&locations=IN-XN-XP-XT&start=2014>)

Overall, every firm or business should carefully pay close attention to macroeconomics conditions such as GDP, inflation, unemployment rate and interest rate. etc. before they set out their business strategies. Francis Aguilar, a professor from Harvard University who wrote “Scanning the Business Environment” in 2019 said that understanding macro-environmental factors that can influence a business is a component of strategic management.

Therefore, by taking all these above mentioned macroeconomic factors of India into account, Xiaomi India can make a better business strategy based on these macroeconomic factors to gain market share. For example, over 1.3 billions population of market size is more than large enough for Xiaomi to sell their products and next step to expand its business. In addition, income class, age dependency ratio and number of adults by wealth generally provide a clue for Xiaomi to implement an effective marketing plan such as how to modify and practice the marketing mix to penetrate a new market. Also, they can have another business model that is how they go with product differentiation strategy to maximize their sales volumes as well as specifying a target customer group.

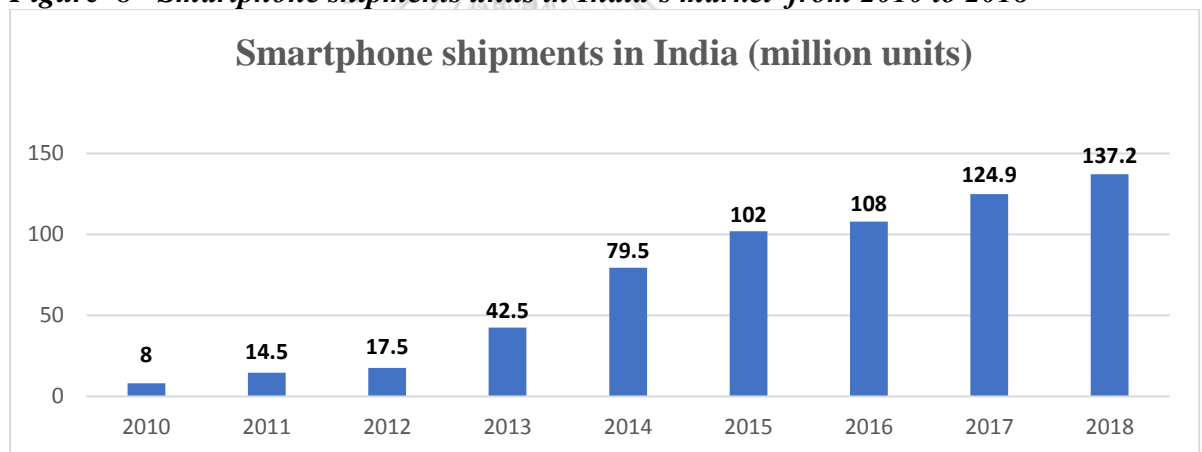
On the same note, any changes in macroeconomics factors have surely impact on a firm or business. Every business has only one goal that is to maximize their profits and minimize the risks. In order to do that, they should have a responsive business strategy to cope with any changes or risks which comes from macroeconomics factors. For example, if a country’s economy is expected to slow down and unemployment rate tends to increase for the next couple of years along with higher inflation rate which is above the target rate then a company like Xiaomi has to bear all these consequences because this is beyond their control. Therefore, rethinking their current strategy is the best way to overcome these constraints and minimize their potential risks.

3.2 India smartphone market

Market Growth Rate

As India is a world second largest country in terms of population which has over 1.3 billions people sourced by world bank data, it undoubtedly became a new market opportunity for a young Chinese electronics company like Xiaomi. Therefore, in July 2014, Xiaomi entered to Indian market by launching its smartphone named the Mi3 as a first step. Nowadays, India's smartphone market has become the world second-largest smartphone market after surpassing the United States of America (USA) with 7% growth of year over year. By taking this opportunity, phone manufacturers such as Xiaomi, Realme, Oppo and Vivo have shipped approximately 70 percent of their budget-price products to India in 2019.

Figure 8 - Smartphone shipments units in India's market from 2010 to 2018



Source: Volume of smartphone shipments across India from 2010 to 2018 by Statista.com (online available at <https://www.statista.com/statistics/792767/india-smartphone-shipments-volume/>)

A bar chart from figure 8 shows that the numbers of smartphone shipments to India had been increasing significantly from 8 millions of units to 137 millions of units between 2010 to 2018. Hence, the market growth rate of smartphones in India were calculated based on these data. The detailed calculation of market growth rate can be seen in the following table.

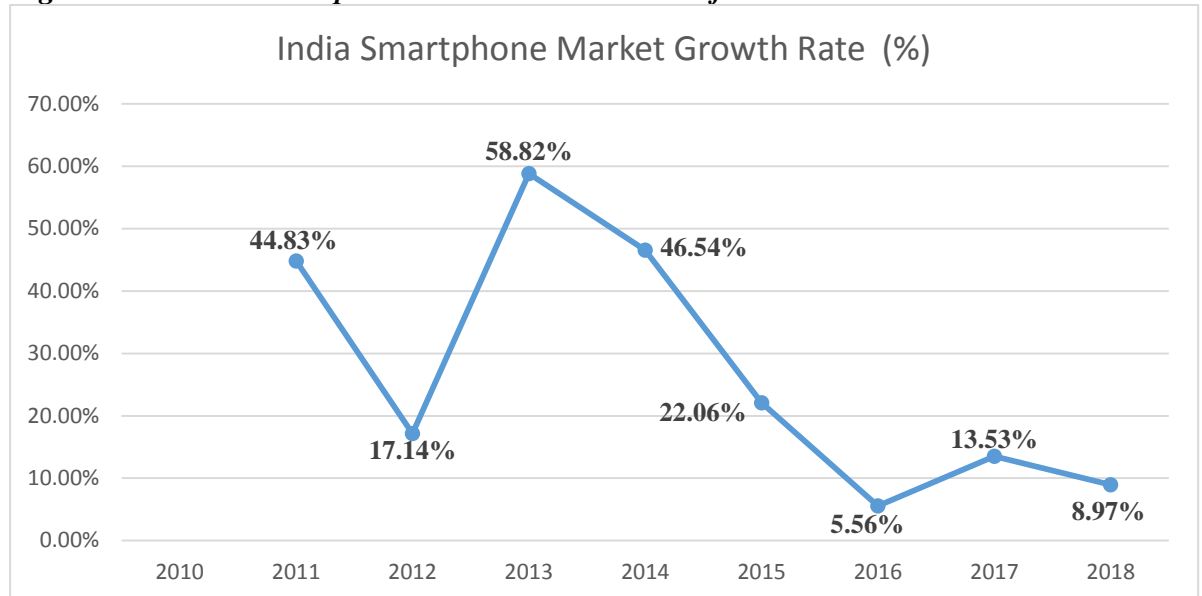
Table 1 - Smartphone Market Growth of India from 2010 to 2018 by shipments units

Year	Shipments in million units	Change in million units	Growth Rate (%)
2010	8	-	
2011	14.5	6.5	44.83%
2012	17.5	3	17.14%
2013	42.5	25	58.82%
2014	79.5	37	46.54%
2015	102	22.5	22.06%
2016	108	6	5.56%
2017	124.9	16.9	13.53%
2018	137.2	12.3	8.97%

Source: Market Growth Rates were calculated using the data from Volume of smartphone shipments across India from 2010 to 2018 by Statista.com (online available at <https://www.statista.com/statistics/792767/india-smartphone-shipments-volume/>)

Table 1 and Figure 9 illustrate the smartphone growth rate in India within the period of 2010 to 2018. In the year of 2012 to 2013, the growth rate rose remarkably from 17.14% to 58.82%, which was about 3 times larger than the growth rate of 2012. Regardless of increasing shipment units year over year, the market growth rate was drastically declining from 58.82% in 2013 which was the highest growth rate to 5.56% in 2016 which was the lowest growth rate within 8 years and then recovered in 2017 with 13.53%. Thereafter, there was a moderate fall in 2018 with around 9% of market growth rate.

Figure 9 - Indian Smartphone Market Growth Tend from 2010 to 2018



Source: Market Growth Rates were calculated using the data from Volume of smartphone shipments across India from 2010 to 2018 by Statista.com (online available at <https://www.statista.com/statistics/792767/india-smartphone-shipments-volume/>)

Market Share

At the time Xiaomi entered into the India market, they did not have a strong global brand image compared to a world class brand, Samsung. However, regardless of brand image, Xiaomi has achieved its goals by taking a market leader position from Samsung within 3 years since they have started operating their business in India in 2014. As per data from counterpoint research, Xiaomi crowned as a market leader position by dominating over 27% of smartphones market share followed by Samsung 21.75% and Vivo 15.25% in 2019 in average without spending too much money on advertising to draw customer's attention. As a result, Xiaomi was recorded the largest smartphone maker by sales volume and hitting the USD 5 billion revenue in the year 2018-19 published by Indiatimes.

Table 2 - Smartphone Market Shares in India by Brands from 2016 to 2019

Year	Xiaomi	Samsung	Vivo	Oppo	Others	Total
2016	5.75%	25.25%	5.00%	4.25%	59.75%	100.00%
2017	19.00%	24.00%	10.00%	8.50%	38.50%	100.00%
2018	28.25%	24.25%	9.50%	7.50%	30.50%	100.00%
2019	27.50%	21.75%	15.25%	8.75%	26.75%	100.00%

Source of figure 11 and 12: Smartphone market shares percentage is calculated based on the data from counterpointresearch.com, Indian smartphone market share by quarter and India smartphone share 2016Q1-2017Q3, published on 17th February 2020 and 8th December 2017 by team counterpoint. (online available at <https://www.counterpointresearch.com/india-smartphone-share/> and <https://www.counterpointresearch.com/india-smartphone-share-2016-q1-2017-q3/>)

You might have a question about how it could be possible to claim that Samsung was a leader in Indian smartphone market with an average of 25.25% market shares although others had an average of around 69% market shares in total in 2016. Because, the market shares of some smartphone makers such as Motorola(Lenovo), Sony, LG, Apple, Oneplus, HTC, Google pixel, Micromax, Intex, Huawei and Lava were put together into “Others” category and each of their market share was comparatively low.

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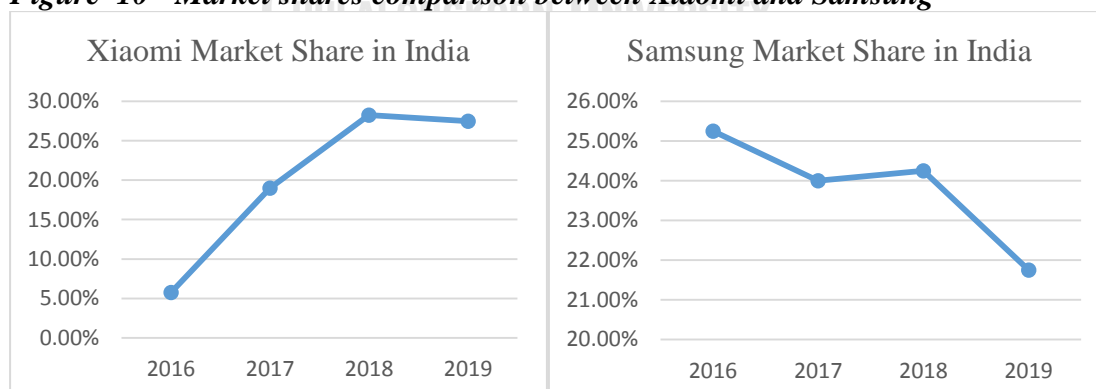
Figure 10 - Market shares comparison between Xiaomi and Samsung

Figure 10 describes the comparison of the market shares between Xiaomi and Samsung in 2016 to 2019. When we observed that trend, the market share of Xiaomi showed a considerable increase from 2016 to 2018 with more than 10% of market shares in the

year of 2016 to 2017 and around 10% in the next following year. Afterward, Xiaomi's market share slightly dropped from 28.25% to 27.5% in 2019.

In contrast, it can firmly be said that Samsung market share trend was a downward sloping line in general between 2016 to 2019 with the market share of 25.25% in 2016 and 21.75% in 2019.

4. Marketing Strategies of Xiaomi India

A good marketing strategy not only can secure more customers but also can increase sales revenue and market shares of a business. In order to achieve all these goals, then a company has to practice the marketing tools and techniques simultaneously because a marketing strategy comprises several marketing tools and components.

4.1 Market Segmentation, Targeting and Positioning (STP Model)

India is the largest democracy country in the world and it consists of 29 states and 7 union territories. Each state is governed by the State Government which is directly elected by its people. Unlike the United States of America, Indian people are using over 700 dialects to communicate with each other in their daily lives even though the majority people are using Hindi and English languages which are recognized as the official languages by the Federal Government.

In this case, Xiaomi has used demographic segmentation based on income, age, lifecycle by making sure that who will be their target customers. Thus, the earlier macroeconomics data became very useful for Xiaomi and these data were used to segment the market because understanding their target customers helped them to easily move on to the next stage of marketing plan. Generally, there are two smartphone markets in India – urban and rural markets. These two markets have different income distributions, consumption patterns and social classes.

According to the data from the world bank, we can clearly see that the working age population which is between 15 to 64 year old is more than the young and elderly

population. Among them, the age between 18-35 group of people are targeted by Xiaomi as these people can be classified into students and/or working class people because Xiaomi believes that most of them are familiar with modern technology. Besides, they are able to search product information from the internet by themselves to determine whether it is really worth to buy well-known smartphone brands which set high prices for their products or the alternative one which uses the same specifications and offer lower prices compared to these world class brands.

In July 2013, Xiaomi introduced its sub-brand called Redmi which is also known as a Xiaomi's budget smartphone series. Under Redmi brand name, entry level and mid-range phones are produced for low and lower middle income classes while flagship smartphones are manufactured under Mi brand which can be considered as an upper class smartphone of Xiaomi.

Every year, Xiaomi introduces new smartphone models under each brand's name and sells in 90 countries. In reality, Xiaomi is not shipping all new smartphone models to the India market. Only selected models are imported to the India market based on their market segmentation. As reported by Business Insider India, there are the most top five mobile games among Indian people such as PUBG: call of duty mobile, clash of clans, clash royale, 8 ball pool , etc. and most of the 17 to 35 age group of males are really addicted to play PUBG games.

Therefore, Xiaomi targeted these age groups and they tried to fulfill the customers' needs by selling a smartphone which is especially designed for a gamer. As an example, such a smartphone comes with a bigger screen, powerful CPU chip, large amount of RAM and last but not least better battery life.

Kotler said that positioning is the act of designing an offer so that it occupies a distinct and valued place in the minds of the target customers. Consumers do not want to buy a product that does not match with their needs. What they really care about is how a business is trying to satisfy their needs and wants. In this case, customers need a good phone to play a game such as PUBG but they cannot afford to buy it because normally

this kind of smartphone from other brands like Samsung comes with high prices. Now, Xiaomi offers these smartphones to a customer with a very reasonable price and this is how Xiaomi is moving its position in the people's mind.

On the other hand, Samsung was losing some of its market shares to Xiaomi especially in the budget line smartphone sector during the past years. However, they still have made some profit from its premium smartphone models. Even though Samsung implemented the same strategy like Xiaomi but the STP model alone was not enough to maintain the existing market shares when its rival started a pricing war.

4.2 Marketing Mix

Seven controllable variables are included in the term of "marketing mix" and each of them are as follows,

- i. Product
- ii. Price
- iii. Place
- iv. Promotion
- v. People
- vi. Processes
- vii. Physical evidence

In this paper, only 4 variables are going to be studied which are product, price, place and promotion.

Product

Xiaomi claims that everyone can buy a quality product at the cheapest price because they guarantee that the price of their products must be cheaper than the competitors' price. Many people have a negative perception about made in china products because china products are cheap and they do not last long. However, Xiaomi proved that this concept was not always correct because many people who have become Xiaomi users gave positive feedback on their products. Most of its users feel that the product quality of Xiaomi's smartphones are good and the prices are reasonable. Plus, Xiaomi also provides a limited warranty for their products in India.

For simplicity, two smartphone modes from each brand will be chosen to compare their functions, performances and design.



Left - Redmi K20 pro, Xiaomi Mid-range Smartphone.

Right - S10 lite, Samsung value-flagship series (Value flagship of S series)

(Sources: Xdadevelopers and smartprix online available at <https://www.xda-developers.com/redmi-k20-pro-xiaomi-mi-9t-pro-review-flagship/> & <https://www.smartprix.com/bytes/samsung-galaxy-s10-lite-review-pros-cons-faq/>)

The data from 91mobiles.com (India), Xiaomi Redmi K20 Pro and Samsung S10 lite phones are the best-selling mobile phones in India in 2020 by brand. If we compare the above two designs, K20 pro is known for its glossy back cover and it is easily noticed among other phones while Samsung uses common design for S10 lite.

The following table shows the product specifications of Redmi K20 pro of Xiaomi which was entitled one of the best mid-range smartphones in the year of 2019 and a value flagship smartphone of Samsung, S10 lite, which is a sub-brand of S series, a premium line of Samsung Smartphone.

Table 3 - Comparison of main specifications between Xiaomi and Samsung

No.	Specifications	Redmi K20 Pro (Xiaomi)	S10 lite (Samsung)
1	Chipset	Snapdragon 855	Snapdragon 855
2	CPU	Octa-core (2.84GHz)	Octa-core (2.84GHz)
3	GPUz	Adreno 640	Adreno 640
4	Display Type, and size	Super AMOLED capacitive 6.39 inches	Super AMOLED Plus 6.7 inches
5	Resolution & Protection	1080 x 2340 pixels, Corning Gorilla Glass 5	1080 x 2400 pixels,
6	Memory	64GB 6GB RAM 128GB 6GB/ 8GB RAM 256GB 8GB RAM	128GB 6GB/ 8GB RAM 512GB 8GB RAM
7	Main Cameras	48 MP (Wide) 8 MP (Telephoto) 13 MP (Ultra-wide)	48 MP (Wide) 5 MP (Macro) 13 MP (Ultra-wide)
8	Selfie Camera	20 MP	32 MP
9	Battery	Non-removable Li-Po 4000 mAh battery	Non-removable Li-Po 4500 mAh battery
10	Loudspeaker	Yes, 3.5 mm jack	Yes No jack

Source: [gsmarena.com](https://www.gsmarena.com/compare.php3?idPhone1=9708&idPhone2=9917) - The ultimate resource for GSM handset information. (Online available at <https://www.gsmarena.com/compare.php3?idPhone1=9708&idPhone2=9917>)

I listed the common facts that people normally use to compare the specifications of smartphones among different models before they purchase. Number (1) to (3) can tell us the overall performance of a smartphone, for example, is it good/fast enough to play heavy games?

As Snapdragon 855 chipset (CPU) and Adreno 640 (GPU) are used in most flagship phones including Samsung S10 Plus and Note 1 Plus which are premium class phones of Samsung, Xiaomi used the same CPU and GPU in its mid-range phone, K20pro and this undoubtedly made customers crazy to buy it.

Furthermore, bigger screen size with high resolution and type of display can also play a crucial role for heavy smartphone users because these two factors can result in better

contrast while they are playing games or taking photos. Moreover, smartphone's cameras can also be considered another key specification of a phone since today's people really enjoy taking photos and it is truly convenient for them to share their experience on the social media platforms instantly or keeping as their memories without buying an ordinary camera one.

Similarly with cameras and chipset, smartphone users take into consideration a better life before they make a buying decision as high capacity of battery will be resulting in longer battery life which means that we do not need to recharge our smartphones frequently.

As a result of comparing K20 pro and S10 lite, it can firmly be said that K20 pro is a good performance phone in terms of its specification. Many smartphone bloggers commented that the Xiaomi K20 pro was a best value smartphone.

Price

Pricing is the most critical component in marketing mix. Smartphones are a substitute good which has a positive cross-elasticity of demand. In other words, consumers are price sensitive and if they feel that Xiaomi's products are overcharged compared to other budget mobile brands, then they are more likely to purchase the competitors' products. Another fact is that Xiaomi is not a sole supplier in the market which means that other budget-phone mobile manufacturers are selling their products too.

Regardless of Xiaomi's product quality, it is also popular among young people because of its pricing strategy. In an interview with Mr. Manu Kumar Jain, President of Xiaomi India, he said that they have been adopting "the honest pricing" strategy in India which signifies that customers will not be overcharged when they purchase their products because they try to maintain not more than five percent profit margin. By way of explanation, Xiaomi generates less than 0.05 cent of profit when they receive every 1 dollar from their sales. Mr. Manu also added that it is not possible to win in the Indian market if they do not have excellent products with premium quality and best pricing.

For that reason, Xiaomi has been messaging the customers to believe the fact that they are keeping their promise of delivering an innovative product with good quality to customers by using almost the same specifications of what the competitors use in their best flagship phones and setting an honest price.

Table 4 - Price Comparison between Xiaomi and Samsung

No.	Brand Name	Models	Category	Price
1	Xiaomi	K20 Pro	Mid-range Phone	USD 350
2	Samsung	S10 Lite	Upper Mid-range Phone	USD 570

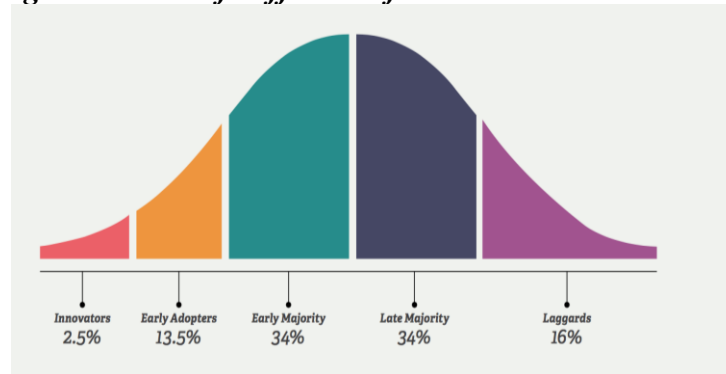
Source: [gsmarena.com](https://www.gsmarena.com) - The ultimate resource for GSM handset information. Prices are shown in Indian Rupee in original website. Google exchange rate convertor was used to convert Indian Rupee to USD (approx. value).

(Online available at <https://www.gsmarena.com/compare.php3?idPhone1=9917&idPhone2=9708>)

It seems that the prices of two middle range phones are remarkable but K20 pro was assembled with the same components that used in Samsung S10 lite. As customers are price sensitive especially in lower middle and middle income classes who do not have strong brand loyalty, Xiaomi K20 pro is the best option for them compared to Samsung S10 lite.

At present, some telecommunication service providers are introducing 5G mobile network in some countries because it is faster and more stable than current mobile network, 4G. If you want to experience a 5G network, you must use a 5G supported smartphone. According to the theory of “*Diffusion of Innovation*” created by Professor Everett Mitchell Rogers (1962), one of the oldest social science theories, he identified five groups of people: innovators, early adopters, early majority, Late majority and laggards.

Figure 11 - Rogers's Model of Diffusion of Innovation



Source: the internet

As per Rogers's model, innovators are the really important group of people who are going to buy a new product once it is released to the market and they are the one who is called an opinion leader for other groups: early adopters and early majority which have 47.5% of the population. Due to the concept of this theory, some major smartphone manufacturers are competing with each other to take first mover advantage. Since 5G is a very new technology, many people are excited to taste this new technology. One of the pioneer smartphone makers, Samsung tried to set higher prices on their 5G phones in accordance with the theory of Diffusion of innovation. For example, they charge a higher price for their new product in the very beginning for initial buyers, innovators, who are willing to pay a premium price of a new product especially in electronics and fashion industries which have a short product life cycle followed by early adopters who are likely to pay fairly high prices.

However, not every company is implementing this concept, including Xiaomi. In contrast, Xiaomi rather chose to stick with "aggressive pricing strategy" to boost the popularity of their 5G smartphones. In the headline news of "Xiaomi unveils world's cheapest 5G smartphones" reported by Ma Su from China Daily, Vice President of Xiaomi announced that their upcoming smartphone, Redmi K30, will be the cheapest 5G smartphone in the world and its retail price is starting from \$284. At the same time, he also mentioned that K30 will be performed by a Snapdragon 765G gaming-centric 5G chipset which is a new product of Qualcomm, a giant well-known US semiconductor company. Almost every blogger from the smartphone industry who attended the Xiaomi's product launching event which was held in Beijing were surprised and shocked when they heard the announcement made by Xiaomi's official.

On the other hand, it was not a good news for Samsung who earlier introduced a galaxy S10 5G model with a starting price of \$899.

Although telecom companies in India have not upgraded to the 5G network yet, smartphone manufacturers have already brought their 5G phones into the India market including Xiaomi. A press release made by National Investment Promotion and Facilitating Agency of India, 5G project is now underway and expected to be auctioned in early quarter of April or June in 2020. Now, it seems to be delayed until 2022 due to an unprecedented situation and some telecom companies are facing a problem of insufficient funding to invest in spectrum for roll-out 5G. If Xiaomi could still offer a new product with the latest technology at the lowest price among other brands in the future, they are more likely to win the competition and beat Samsung anyway.

Place

Another essential element of marketing mix is place. What does place mean? In this matter, place means how a company will deliver their products to the consumers, in other words, it means distribution. When Xiaomi entered India, distribution would be another challenge for them because of weak consumer's brand awareness. Traditionally, most mobile companies used to sell their products in offline stores. As a company like Xiaomi is trying to offer their smartphones at cheaper prices (they called it an honest price), they have to minimize the overall cost as much as possible.

At the time when Xiaomi came to the India market, 94% of the market was using offline stores. However, they decided to go with an online distribution channel which is very risky for them while most of their competitors were using offline stores. Fortunately and undeniably, they succeeded and proved that they made a good decision which saved them from the additional cost of distribution.

Xiaomi did not use a traditional distribution channel, offline store like the way other existing competitors had done in the market rather than they chose a "direct to retail" approach to sell their products in order to cut third party costs. The Incumbent, Samsung which has been opening over 10,000 stores across the country, Xiaomi which had only

a few offline stores at the time saved some amount of operational cost including cost of distribution. Therefore, they use extensive distribution strategy by collaborating with Amazon India, Snapdeal, Tata Cliq, Paytm, flipkart and its own online store Mi.com/in as well.



Two major e-commerce platforms in India, photos sourced by the internet

On October 12th 2018, the financialexpress.com reported that Xiaomi sold over 2.5 million units of smartphones via Amazon, Flipkart and Mi.com within 2.5 days. In contrast, Samsung went through with traditional offline stores while only 34% of the population had internet access and the offline market covered a large portion of the market at that time in India by Smartprix.com.



*Left – Exterior photo of Samsung Showroom/ Right – Interior design of Samsung Showroom
Sources: the internet.*

The above two photos are the exterior and interior designs of Samsung's world biggest showroom with a space of 33,000 square foot, named Samsung Opera House, located in Bangalore, India. Unlike Xiaomi, Samsung has nationwide offline store channels since they have been adopting intensive distribution strategy to provide better after-sales services to customers.

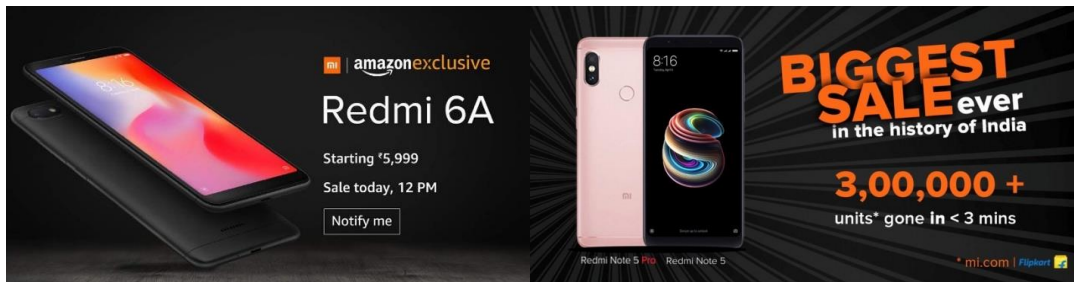
So, what will be the reason that a new Chinese smartphone brand like Xiaomi that had a low level of brand awareness among Indian people when they kicked off their first project in 2014 was so successful in online distribution without advertising. The answer is they use a unique marketing strategy called “word of mouth” which pushes customers to do some research about Xiaomi products on the internet before buying them. According to the data from the economics times, Xiaomi was the biggest online selling brand in India with 57% shares followed by Samsung 9%, Motorola 8.9% and Apple 3.4% respectively in 2017.

Despite winning in the online distribution channel, Xiaomi has been following the footsteps of Samsung who is leading in the offline stores market. Therefore, Xiaomi opened more than 500 offline stores in small towns and rural areas in 2018. Continuously, they are planning to open over 5000 offline stores across the country because they want customers to experience and purchase their products not only smartphones but also other smart devices in one place.

Promotion

Promotion is another important variable of marketing mix. Some people might think that promotion is just the other way around of giving a discount price on a particular product or service. Actually, promotion comprises sale promotion, branding, advertising and public relations, etc. Among them, sales promotion is a good technique to draw consumers’ attention and it is commonly used by marketing managers to increase the sales volume of a company. In this case, there is a one promotional strategy called “hunger marketing strategy” which is adopted by Xiaomi.

So, what is Xiaomi's hunger marketing strategy? It is one of the unique marketing strategies of Xiaomi to stimulate a desire of targeted consumers and make them hunger for their products. Additionally, Xiaomi has promoted their products through a blogging channel. For example, Xiaomi tries to provide its new smartphone to local famous bloggers before launching officially. Normally, people are reaching out reputable blogging sites or YouTube channels to know about the product reviews made by the bloggers before buying a phone.



Xiaomi's Flash Sales advertisements on Amazon India and Flipkart. Source: the internet.

As we have already learnt before, Xiaomi's products are known for better quality and cheap price. Once Xiaomi makes an announcement of their upcoming phone, people are excited and ready to buy their new product as fast as possible when it is released into the market because they know that a new product will be sold out with a short period of time as Xiaomi is, intentionally, limiting the supply of a new phone not to exceed the market demand. Besides, Xiaomi flash sales promotion strategy is quite popular in India.

Conversely, stated by creativethinksm.com, Samsung spent about 90 million dollar on advertisements, for example, out of home media advertising and CSR activities for building their brand image and aims to increase brand awareness among Indian people. Samsung is manufacturing most of their products in India since the current prime minister is encouraging local businesses to produce "Made in India" products. Therefore, Samsung has adopted a new promotional strategy by creating emotional advertisements including TVC because they want Indian people to feel and see them as a local friendly brand in their minds.

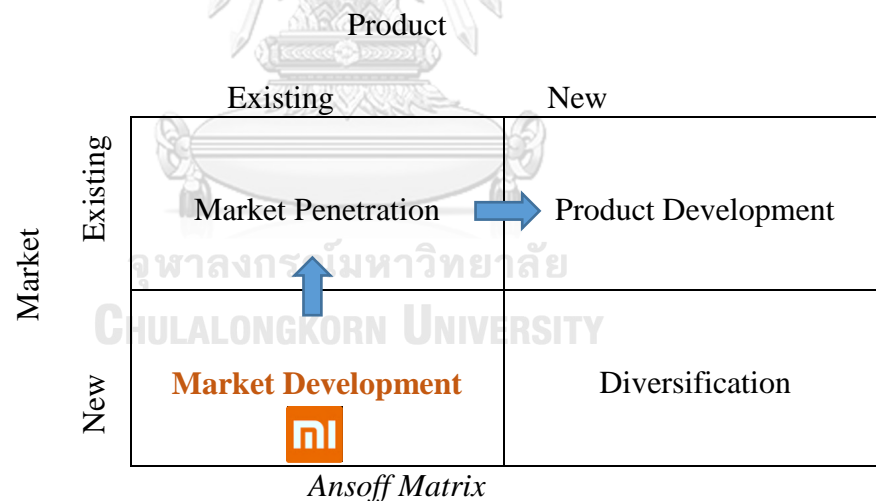


Samsung local campaigns. Source: the internet

4.3 Ansoff Matrix

For Xiaomi, they practiced market development strategy when they entered into India because market development is selling existing products to a new market. Meanwhile Xiaomi is a china based company and they wanted to expand their market share, so they emphasized the India market that is large enough to sell their products in terms of population, market size and so on.

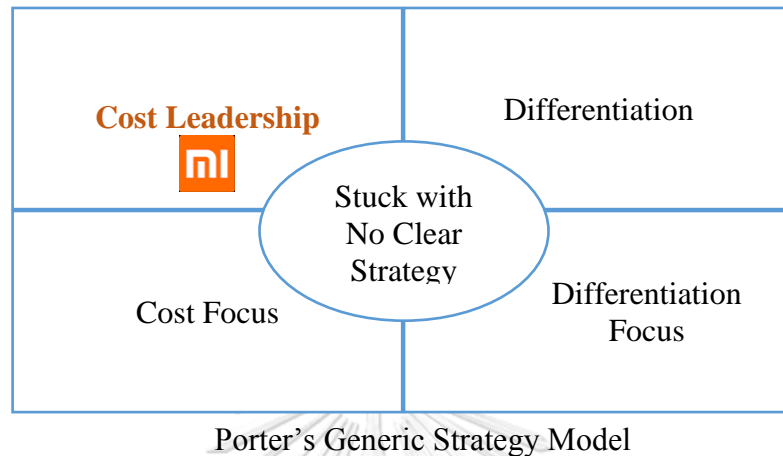
At the time they jumped into the India market in 2014, many mobile phone makers were already selling the same products like Xiaomi produced. As part of market development, first, they set their target customers geographically or regionally and it helped them to develop further marketing plans or strategies in order to secure a large amount of customer base from the competitors within their proposed timeline. Moreover, Xiaomi will move to market penetration and production development as the next steps of their business which is dependent on the market conditions.



4.4 Porter's Generic Strategy Model

Xiaomi clearly practices a "cost leadership" strategy to compete with others since their goal is to deliver amazing quality products with cheaper prices to consumers. This is how Xiaomi attracts customers' attention and increases its sales volumes and market shares within a short period of time in India's smartphone market because people are price sensitives and they do not hesitate to substitute with other brands when they feel

either price is getting higher or product quality is not worth it to buy compare to its price. Furthermore, cost leadership strategy is a perfect strategy to attract price sensitive buyers away from the competition.



4.5 SWOT Analysis

Strengths

Wide range of smartphone models and other smart devices: There are several smartphone models that Xiaomi introduces every year. So that customers are able to choose the suitable one for them based on their preferences.

Price leadership: Currently, Xiaomi can still maintain the position of cost leadership in the smartphone industry by offering lower priced phones to consumers compared to Samsung and others smartphone brands.

Better quality products: Along with the lower price, the product quality of Xiaomi phones are pretty much good relative to the products of world's famous and biggest smartphone maker, Samsung.

Strong dealership network: As India is one of the largest countries in Asia in terms of land areas, Xiaomi built a strong dealership network in India to deliver their products to end users which allows them not to open their own offline stores.

Highly skilled workforce: Xiaomi hired talented people from leading tech-companies such as Google, Facebook and eBay, etc. who have internet background to be a part of their workforce.

Product innovation: Xiaomi is always trying to produce innovative products by closely monitoring their competitors' movements in the market since the nature of the smartphone industry is all about advanced technology. For example, When Samsung started developing 5G smartphones, Xiaomi also announced that they were in the process of making 5G phones.

Move on market penetration and product development strategies: At present, mid-range smartphone market in India is led by Xiaomi as their market development strategy. Since they have already dominated the market, they should move on other steps of marketing strategies: market penetration and product development in order to maintain their current position and get some market share from Samsung.

Weaknesses

Cover few market shares in the global stage: While Xiaomi is leading the smartphone market in India, they cover around 7% of the world market shares when Samsung is the largest smartphone maker in the world by shipments units with the market shares of 30% approx.

Have no in-house technology: Unlike Samsung, Xiaomi barely has in-house technology. As a consequence, Xiaomi can no longer fulfill their commitment of delivering a quality product with the cheapest price to consumers if their suppliers increase the prices. For example, Samsung increases the price of its smartphone's camera as Samsung is supplying parts of smartphones such as camera, phone screen, etc. to other phone makers.

Very low profit margin: This will be another weakness of Xiaomi because they do not have other choice apart from setting very low profit margin on their products in order to execute cost leadership strategy while Samsung is still getting some profits from

selling their products even though they are losing some market shares to competitors as they set higher profit margin.

Low brand loyalty: The consumer groups of using Xiaomi's products and Samsung's products are slightly different in terms of how much they stick to the brands. Basically, current customers of Xiaomi are less loyal than Samsung's users due to weak brand image.

Weak brand perception and difficulty to set a premium price: Many people see Xiaomi as a budget phone maker rather than a premium product's maker. This poor brand perception pulls away the customers from Xiaomi when they charge high prices on the products.

Opportunities

Advantages of 5G: Nowadays, we are living in the era of 5G technology and the Government of India urged its telecom providers to upgrade their current telecom network, 4G to 5G because 5G network is 100 times faster than 4G. At present, on the global stage, China and South Korean are leading in 5G technology. Despite weak infrastructures in India, Xiaomi should be ready for the India market.

Seek potential market growth in Africa and South America: Since Xiaomi has already got a good reputation among budget-line smartphone brands, they should start expanding their market in some countries from Africa and South America.

Android still supports their OS: Android developed by Google is still supporting their operating system to Xiaomi's products while Huawei has been banned from using US technology including Android by the Trump Administration due to the US-China trade war. This is a very good opportunity for Xiaomi to take Huawei market share in India.

Threats

A strong nationalist mindset: When the far right group of political parties won the election in India recently, they have constantly claimed about nationalism and gave the

promise to support India businesses first. India still has a conflict with China about the border issue and they are still competing with each other. If some bad thing happens between India and China, strong nationalism in India could lead to protesting against China's businesses which could also harm Xiaomi's business.

Traffics policies: Xiaomi does not have a factory in India which means that all Xiaomi's products are imported from China. Traffic policy depends on the government of each country and almost every government in the world uses traffic to protect their national interests. Any changes in the Traffic policy of the Indian government can directly affect Xiaomi.

Many competitors in budget line smartphone segments: In the smartphone industry, Xiaomi is not the only one who is making budget line smartphones but there are many manufactures in the market and Xiaomi will be hard to maintain their current market shares in India when one of their competitors starts the price war. Not similar to Samsung, Xiaomi will suffer a lot when one competitor sets the price lower than Xiaomi.

Poor infrastructure: This will be another threat for Xiaomi as India is a developing country until now. So, India still needs to develop infrastructure to attract foreign investors. As Xiaomi is preparing to open offline stores in remote areas in India, additional cost for logistics and distribution can be incurred for Xiaomi.

Data privacy problems: These days, people are really concerned about data privacy problems and they do not want to expose their personal information to third parties or someone. Technically, Xiaomi is collecting user's data not directly from their smartphones but from applications. A well-known independent publication named Android Authority that especially presents the smartphones wrote an article "*Is selling your privacy for a cheaper phone really a good idea?*" authored by Suzana Dalul published on May 17, 2020 on their website which is all about Xiaomi's data privacy matter. If Xiaomi neglects this serious issue, consumers who care about data privacy will have no choice to use other smartphone brands.

5. Conclusions and Recommendation

5.1 Conclusions

After studying the marketing strategies of Xiaomi India, the finding proved that the STP marketing model alone cannot fulfill a firm's growth but it helps the business to understand more about the customers' insight. Apart from the STP model, conducting SWOT analysis is the powerful way of knowing internal and external factors of a business that have an impact on a firm's future business. A marketing manager can use the outcomes of both STP and SWOT analysis models in order to craft an appropriate marketing mix to roll out a new product into the market since a marketing mix can drive a company's sales and secure more customers which could lead to increase a firm's market share ultimately.

Hence, as per Porter's generic competitive strategies, it would be a very supportive fact for developing a suitable marketing mix when the firm knows its own competitive advantages that will help out the customers to perceive the differences from other businesses. In this regard, in general, it can be concluded that there is a relationship between marketing strategy and firm's market share.

However, further investigations need to be carried out because only four elements of marketing mix were used to analyze this study while the variables of marketing mix can vary on types of business and/or product. Hence, there are several marketing implications, tools and models in marketing strategies which will similarly accelerate a firm's growth.

5.2 Recommendation

In this individual study, I studied the successful story of Xiaomi India since it has become a leader of the smartphone market in India over Samsung lately. Based on my analysis, I would like to conclude that Xiaomi did not occupy the market shares from Samsung but Samsung just failed to take an opportunity to focus on its middle range phone for low and middle income classes. In this case, Xiaomi should try to capture the market share from Samsung by targeting existing Samsung customers who normally stick to Samsung due to brand image.

Xiaomi is the most popular smartphone brand in India among people who are from low and middle income classes because these people are price sensitives and barely have the loyalty on a specific brand for lifetime. As I explained earlier in this paper, Xiaomi's smartphones are manufactured under two brand names Redmi and Mi logos while Redmi represents budget line phones and Mi stands for flagship phones. As Xiaomi wanted to recover from loss of profit in the past few years due to lower profit margin, it increased the price of Redmi series such as the Redmi K20 series and these newly setup prices were almost as equal as some Mi series phones. The consequences of introducing a new pricing strategy could result in customer confusion on its brand. Therefore, if Xiaomi wants to charge higher prices to generate more profit then they should set a premium price on Mi smartphone series not Redmi, budget line series.

Furthermore, Xiaomi should do more advertising on Mi brands series (they can learn how Samsung promotes their flagship series: Note and S series) to change people's perception from budget smartphone brand to first class or premium smartphone brand. By doing so, people are more likely to buy their Mi series smartphones even though Xiaomi charges high prices on those products because customers feel that they are different from other Redmi phone users.

Moreover, the decision of opening offline stores in rural and remote areas in India can increase their operational costs (note that offline shore is meant to display and sell all Xiaomi products at one place) and they will need a better demand forecasting model to reduce the cost associated with high inventory levels. In the long run, Xiaomi should have their proprietorial technologies which will definitely advantage them to lie ahead of other competitors in the future competitions. Besides, Xiaomi should follow the footsteps of Samsung and initiate CSR activities in India because it was one of good examples of Samsung strategies in India to be seen as a local friendly brand among Indian people. Even doing CSR activities can be costly for Xiaomi but it could be beneficial to Xiaomi in the long run especially during the time of campaigning "Boycott China products" which is currently led by The Confederation of All India Traders (CAIT) due to the India-China border clash.

Last but not least, Xiaomi could have another successful milestone if they can expand their market to the developing countries in Africa and North America by using the same business model that they applied for India market or modified one to secure more customer base.



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