



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact Factor: 6.078

(Volume 9, Issue 2 - V9I2-1421)

Available online at: <https://www.ijariit.com>

Revival strategies for Xiaomi India towards a corrected consumer perception in today's affordable and emerging markets

Dr. Raghu. G. Anand

ga.raghu@gmail.com

Jain Deemed-to-be University, Bengaluru, Karnataka

Abstract

Xiaomi Corporation is a Chinese manufacturer and designs consumer electronics relating to software, home appliances, household items. It is the second largest manufacturer of smartphones in the world. With their price penetration strategy, they were able to become the bestselling smartphone sold in India, under the brand name Poco F1. Xiaomi held over 28% of the market share in India's smartphone market in 2018, which gradually came down to 15% in 2023. However, the share of other Chinese brands in India's smartphone market has only increased. This paper intends to understand the reasons for the downfall of the smartphone giant and some revival strategies to make a comeback again in the subcontinent.

Keywords: Xiaomi, Smartphone, Downfall, Make in India, Revival, Premium market, penetration strategy

INTRODUCTION

Xiaomi Corporation is a Chinese manufacturer and designs consumer electronics relating to software, home appliances, household items. It is the second largest manufacturer of smartphones in the world. It uses the MIUI User Interface, which is based on the android operating system and is the youngest company on the Fortune Global 500.

Founded in Beijing by Lei Jun and six of his associates in 2010, Xiaomi released its first smartphone in 2011 and was the largest seller of smartphones in China by 2014. Initially the company sold its products only on online platforms, but later opened up physical stores.

The company concentrates on its manufacturing costs and bill of materials costs and keeps most of its smartphones for about 18 months in the market, which is much higher than its peers. Inventory optimization and flash sales techniques are used by the company to keep low inventory thus reducing its carrying costs.

In February 2014, the company announced its expansion outside its domestic borders of China, with an international headquarters in Singapore. They purchased the domain name mi.com in 2014 April. This was the highest purchase of a domain name ever in China.

In 2015 April, Ratan Tata from the Tata Group acquired a stake in Xiaomi.

On 2018 May 2, the company announced the launch of mi value added services in India. They started investments to set up manufacturing plants in India and by August 2018 announced that the company's top supplier, Holitech Technology Co.Ltd., would invest about \$200 million over three years in India.

With their price penetration strategy, they were able to become the bestselling smartphone sold in India, under the brandname Poco F1. Xiaomi introduced their first foldable phone, the MI Mix Fold. This came with a Qualcomm snapdragon 888 and a 8.01 inch amoled display when open. They also introduced various improvements like wireless charging solution, investments in electric vehicles etc.

The company officially joined the CCC(Car Connectivity Consortium) board in April 2022. Also, the various freeze on Xiaomi amounting to \$725 million was lifted by Indian Courts, thus leading to better operational capabilities and expansion in India. The company elevated COO Murali Krishnan B as the president, responsible for daily operations, public affairs, strategic projects and to continue towards the Make in India commitment and Digital India Initiatives.

Amidst all this, it was found by the Taiwanese Fair Trade commission that the flash sales made by Xiaomi had fewer smartphones than advertised. The high court of Delhi issued an ex parte injunction that banned the import and sale of Xiaomi products in India. This was in response to the infringement of patent licensed under fair, reasonable and non discriminatory licensing. This was continued from December 2014 to February 2015 after which the court granted permission to Xiaomi to sell devices running on Qualcomm based processor until January 2015.

In April 2022, the enforcement Directorate seized assets from Xiaomi in India as a part of the forex laws violation. Though put on hold later, subsequently the seizure was upheld.

DOWNFALL OF THE COMPANY

Xiaomi held over 28% of the market share in India's smartphone market in 2018, which gradually came down to 15% in 2023. However, the share of other Chinese brands in India's smartphone market has only increased.

The company has been forced to make some strategic adjustments in the country because of the changing preferences of customers and increased regulatory compliances and scrutiny, thereby bringing down its market share and market leader position in India.

Counterpoint Research company's director, Tarun Pathak mentioned that an increase in consumer wealth has driven the shift in India's smartphone landscape. A trend of buying premium products

has driven Indian customers to other brands like Apple or Samsung, thus Samsung holding about 19% of the market share.

Xiaomi yet focuses on the penetration strategy which does not appeal to a large population of the masses in the country today, thus leading to the downfall of the mass market that Xiaomi is a part of, as against the premium market.

Also, political factors like the border issue with China in 2020 an anti-China sentiment that crept in led to a public demand for boycott of the goods and apps of China. This was a major set back to the company's market share decline, also the bold decision of make in India led to the company increasing its advertising regarding its manufacturing plant in India, though it was not a huge success. The philanthropy efforts they put in were also in sufficient to draw the attention of the masses.

The Indian tax authorities clamped down and sent IT notices to the company regarding FERA violations. The directorate said that foreign payments were made under the guise of royalty this led to internal turmoil.

One of the main leaders in India, Manu Jain quietly left India to take up the company's role in Dubai and subsequently exited in 2023. Also most top executives resigned, thus leading to the entire team that built Xiaomi India leaving it in droves.

Another major problem was that the company actually achieved an initial burst of success by focusing on the "less than 15,000 rupee market". It went on and launched its budget phones to target the large Indian audience through its sub-brand RedMe that was sold at a much lesser price. However, the state of market as of now in India according to a recent Forbes report clearly says that the less than 15,000 market has seen a sharp decline among first time users over the last nine months since March 2023. The consumers have become reluctant to upgrade, the existing users have become conservative in spending and the mid premium and the premium end of users continue to buy phones above 25000 rupees.

This is the case with not just Xiaomi but also with another budget maker RealMe. Players like Vivo and Oppo which primarily focused on pricey segment are now seeing an increase in their market share with the premium market hotting up.

REVIVAL STRATEGIES:

- The company is slipping but not out yet. It has about 18% market share in the smart phone space.
- Though a Chinese brand, it has built a brand name in India over a decade. With better leadership and innovative marketing strategies, the company should be able to cope with the market conditions and increase its market share like before and better than before.
- The company needs to streamline its phone offerings with increased priority on 5G products, improved customer experience and concentrate on the sales at physical stores in India.
- Though mistakes have been made by implementing a single portfolio and devising one market strategy, efforts must be put in to prepare for the ongoing 5G revolution in India.
- It should diversify its products and target the current niche and also the premium segment.

BIBLIOGRAPHY

- [1] <https://www.firstpost.com/world/xiaomi-on-slippery-slope-mounting-legal-troubles-changing-market-force-rethink-of-india-strategy-12939772.html>
- [2] <https://en.wikipedia.org/wiki/Xiaomi>
- [3] <https://gadgets.ndtv.com/mobiles/news/xiaomi-redmi-note-3-india-launch-set-for-march-3-805285>
- [4] <https://www.businesstoday.in/latest/corporate/story/ratan-tata-acquires-stake-in-chinese-handset-maker-xiaomi-50191-2015-04-27>
- [5] <https://www.counterpointresearch.com/global-smartphone-share/>