

Dynamic Perspective of Enterprise Marketing Positioning - Taking Xiaomi Cell Phone as an Example

Jiachen Fan^{1, †}, Jiangtao Fu^{2, *, †}, Haoyue Jia^{3, †}

¹Miami Herbert Business School, University of Miami, Miami 33146, USA

²Department of Business, Jilin University, ChangChun 130015, China

³Department of Accounting, Southwestern University of Finance and Economics, Sichuan 611130, China;

*Corresponding author: fujt3418@mails.jlu.edu.cn

[†]These authors contributed equally.

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Abstract: Market positioning plays a crucial role in a company's development, and products with unique brand positioning tend to capture the minds of customers and gain their favor. Since it is generally difficult to change the minds of customers, enterprise management tends to make market positioning a long-term strategy that remains unchanged. In order to better meet the market demand, some companies nowadays are constantly adjusting their positioning. This paper takes "Xiaomi Mobile" as the research object and study the rationality of its transformation through SWOT analysis. It is concluded that in the changing market environment, companies need to adopt a changing attitude to face the positioning decision. This paper makes some contributions to the development of marketing positioning theory.

1. Introduction

Benefiting from the rapid development of the mobile Internet, the frequency of people replacing their cell phones has increased significantly. Under this condition, Chinese cell phone companies have experienced a period of rapid development, with many new brands emerging and growing. On the whole, the Chinese smartphone market still has a lot of room for development and still attracts a mass of potential entrants. With many manufacturers of different sizes rushing to the market, the level of competition is extraordinarily fierce in the mobile phone market. As a result, major manufacturers are doing everything they can in terms of products, prices, services, advertising, etc. As a new entrant with almost no hardware foundation, Xiaomi successfully became one of the mainstream smart hardware manufacturers in the world in just a few years from 2011-2014 through its business model and product innovation, its focus on low-end and mid-range product lines, its perseverance in "high quality and ultimate cost performance", and making smartphones that young people like. Xiaomi was almost unique in the world at that time. But with the continuous technological progress in smartphones especially after 2015, the development of technologies has reached a very high level. From the perspective of consumers, the actual utility of many subsequent technological advances seems more or less invisible, so some new brands managed to impress customers with less-advanced technology and dazzling marketing methods. In this situation, to most consumers, many products with price similar to Xiaomi can provide the same functions and experience as Xiaomi's phones. The rapid development of mobile technology has devalued the existing technology of Xiaomi, and further diluted Xiaomi's image of ultimate cost-effective in the minds of consumers. In the year of 2016, Xiaomi's shipments plummeted by more than twenty percent, and its market share fell by nearly half. In order to break the deadlock, Xiaomi chose to change its positioning policy. In order to solve the problems of Xiaomi's price-performance strategy and enhance the brand tone to open up the high-end market, Xiaomi decided to separate Redmi from Xiaomi. In the new market strategy, Redmi focuses on the ultimate price-performance ratio, while Xiaomi maintains the price-performance characteristics while

attacking the high-end market. In the past two years, Xiaomi has been advancing towards high-end brand, and in this process, it has resolutely cut ties with the "loser" group, which was once its main target consumer group. Although brand positioning is difficult to change in the minds of consumers, especially for a brand that has long been known for its price-performance ratio, it is even more difficult to break through in the high-end market, but Xiaomi is breaking this convention in the business world.

About enterprise positioning, domestic and foreign scholars have done a long time of research. Positioning is a theory proposed by Jack Trout. The revolution in productivity impels consumers to face the "violence of choice", which is not only reflected in the brutality of market competition, but also in the fact that consumers are faced with increasingly complicated information, which makes the limited mind of the extremely limited consumers become more crowded. Under this situation, Jack Trout decided to focus on positioning and studying how positioning helps consumers make decisions. He proposes that positioning starts with a product, which has a generalized concept and can be a commodity, a service, a company, an organization or even a person. However, positioning is not around the product, but around the mind of potential customers, that is to say, the product is positioned in the mind (brain) of potential customers. To increase the probability of outperforming other brands, a company should find the most advantageous position against competitors in the mind of customers, which is the goal that companies need to make every effort to achieve and an important way for them to maintain healthy and sustainable development. Kotler believes that market positioning begins by making the marketing supply of enterprises truly different from competitors, so as to give consumers more benefits.^{[1][2]} "Repositioning is how you adjust your perceptions, and those perceptions can be about you or about your competitors." In the same vein, Rise and Trout's definition of repositioning continues to emphasize the influence of consumers' perceptions, while keeping in mind the consumer psychology and the "communication positioning".^{[3][4]} In the Internet era, the core content of positioning remains the same, as Rise responded in a 2014 interview: "In the Internet era, the battlefield has changed, but the laws of people's minds have not changed." Wong and Merrilees see repositioning as a conscious act of adaptation to a changed market environment to present a new value proposition of the company.^{[5][6]} Chackoa and Marcella portray repositioning as the implementation of a strategy to change or maintain the brand image for consumers^[7]. Crompton sees repositioning as a set of systematic actions used to change a company's current positioning.^[8] Chernev, Hamilton and Gal argue that repositioning is a transformative gesture that breaks the mold and presents a fresh perspective.^[9] Lawton, Rajwani and O'Kane state that repositioning is a change that companies make to adapt to the realities of the market and to satisfy consumers.^[10] Chinese scholars also present various ideas in abundant research concerning positioning. Deng Delong points out that positioning is an essentially competitive concept, and Chinese enterprises have misconceptions about branding in their thinking, emphasizing that only by forming differentiation in various internal and external aspects, putting forward a unique value proposition, and expanding the market with this as the center of their operation can they create a strong brand.^[11] Lan Jin explains the three concepts of market positioning, product positioning and competitive positioning, and points out the difference and relationship between the three: market positioning is more based on marketing strategy, which indicates the direction of marketing, and market positioning is in the center; in order to achieve market positioning, there are derived product positioning and competitive positioning, which are specific methods and strategies to achieve market positioning in product and competition respectively.^[12] Lu Peikang points out that positioning theory studies how to compete for customers' minds and how to strengthen brand cognition, and the essence of its idea is also its operation method, namely: brand as the core, competition as the guide, and cognition as the purpose.^{[13][14]}

Hence, with the continuous changes and iterations of market competition, consumer preferences, regional policies and systems, as well as science and technology, the positioning of an enterprise may not necessarily be effective in the long run. In a worse case, the positioning of an enterprise in the early stage may have a negative impact on the subsequent development of the enterprise. Take Xiaomi as an example. In the case of continuous technological progress, where consumers' needs are easily met by the basic plate, the "spend less money but enjoy the same standard of cell phone performance" positioning selling point advocated by Xiaomi no longer has competitive advantages. What's more,

although Xiaomi's original intention of creating a cost-effective brand is to assure that the general public can afford to use high-performance cell phones, it gradually became a synonym for lack of core technology and assembly plant, which is rejected by consumers. In the era of globalization of the commodity economy, many uncertainties have led to the need for enterprises to show more vigor in market positioning and to meet the changing needs with a welcoming attitude. However, from another perspective, positioning is one of the fundamental strategic decisions of the enterprise. If the strategic level of an enterprise keeps changing, it would not be conducive to the consistency of the actions and decisions of the tactical and operational levels of the enterprise, which may cause inconsistencies and significant cost losses in the enterprise's decisions. Hence, it is very important to study a series of behaviors of a company at the level of corporate positioning, to consider why it succeeds and why it fails, and to reflect on some general mechanisms for the management operation and policy making of the company. Based on the literature review method and qualitative research method, this paper aims to explore the logic and rationality behind Xiaomi's transformation behavior, to provide some reasonable suggestions for enterprises in the same stage of positioning transformation, and to enrich the theoretical knowledge of the industry.

2. Data and Method

2.1 Data

As a rising star in the smartphone industry, Xiaomi officially released its first product - Xiaomi 1 in August 2011. As a collection of major core technologies at the time, the initial release price of Xiaomi 1 was only 1999 yuan, which was under the industry level of four to five thousand dollars for high-end smartphones with the same performance. Since the release of the first generation, the price of high-end Xiaomi's smartphones directly cut, followed by Xiaomi 2, Xiaomi 3, Redmi series, but also continue to show consumers the charm of technology while providing absolute price concessions. After being on line for two years, Xiaomi achieved an accumulation of 10 million users. In 2014, Xiaomi enjoyed a surge in sales to 60 million units. In the Internet era of the wind, Xiaomi shouted "Extreme cost performance", "for the fever" and other positioning slogans. Around 2015 to 2016, due to the shortcomings of the hardware supply chain and offline channels, Xiaomi had once suffered a decline in sales. In the previous history of the cell phone industry, no company has ever been able to turn the situation around and return to growth after a downward trend, but Xiaomi has done it. After systematic efforts in multiple areas such as technology, products, supply chain and channels, Xiaomi bottomed out in 2017 and successfully listed in 2018, returning to a track of solid growth. And in the third quarter of 2020, Xiaomi returned to the third place in the global market share of smartphones after six years, following its entry into the global top three in the third quarter of 2014.

2.2 method

Heinz Wehrich put forward SWOT analysis in the early 1980s. This analysis method makes a systematic analysis of the main internal strengths, internal weaknesses, external opportunities and external threats closely related to the research object, and then obtains a series of methods with corresponding decision-making conclusions. Comparative analysis of these four aspects can make a comprehensive evaluation of the advantages and disadvantages of enterprises or organizations as well as external risks and opportunities, which is conducive to developing ideas, formulating business strategies and strategies suitable for enterprises or organizations, and formulating development strategies of enterprises or organizations more scientifically.

3. Xiaomi Mobile Phone SWOT Analysis

3.1 Strengths

Technology and Supply Chain Advantages. In terms of technology, Xiaomi has developed it as the core of the development of the company. Using technological innovation as the driving force for the

overall business development of the enterprise, from 2015 to 2020, Xiaomi's annual investment expenditure and R&D fees increased at a year-on-year trend. The R & D expenditure of Xiaomi Group reached 9.25 billion yuan in 2020, which is expected to reach even 13 billion yuan in 2021. According to the "Listing Prospectus" released in 2018, Xiaomi has 73 core technologies such as high-voltage fast charge, intelligent scenario identification, face recognition, ultra-high performance load balance, and most of them are self-dependent innovations technologies. On the product supply, Xiaomi also vigorously promotes the Intelligent Factory. According to Xiaomi's latest information published by Xiaomi at the MIDC2020 Developer Conference, Xiaomi Group's smart factory is a 24-hour "Black Light Production" zero-labor factory from product production management to packaging process, without any persons' participation. In addition, all production sections will be carried out in an entirely dark environment without light illumination. Smart factories with high manufacturing levels not only help Xiaomi Group greatly improve product production efficiency, but also reduce the unnecessary costs and energy consumption.

High Consumer Loyalty. According to the "Chinese Mobile Phone Industry Insights Report in 2021", which is released by Ocean Engine, the core consumers retention rate of Xiaomi is in the industry's top position, which is even more than that of Apple in high-end smartphone brands, ranking No.1 in high-end smartphones. In addition, from the first half of 2020 to the first half of 2021, Xiaomi's retention rates achieved continuous growth in three and a half years and transcended Huawei in the first half of 2021, which makes it became the brand with the second-highest retention rate in the whole industry. Also, with the best-sellers such as Xiaomi 11 and REDMI, Xiaomi successfully reversed the situation of user losses in 2020, becoming a fast-developing smartphone brand with the most net user's growth and the number one smartphone brand in the world in the first half of 2021.

3.2 Weaknesses

The market positioning is too refined and restrains the expansion of the market share. Xiaomi mobile phone's main target customer group is "Mobile Phone Audiophile" and the previous product positioning has been "MIUI Audiophile". "MIUI Audiophile", as an opinion leader, has driven product recognition and attention for the entire market. So, Xiaomi Company integrated these into its strategies. The design and development of its mobile phone capabilities also followed this strategy including MIUI systems and closely surrounded the MIUI Audiophiles' standards, at the very beginning of the foundation. This strategy was very successful in a short period of time, Xiaomi mobile phone relies on the Audiophiles level performance configuration, quickly attracting a large group of Mobile Phone Audiophiles, and also became a hot topic online and across social media, attracting the attention of the market and consumers. However, the problem also followed that due to the small population base of the mobile phone audiophile, the sale volume of Xiaomi mobile phones has always stayed at around hundred thousand levels, which limited the growth of Xiaomi mobile phone users and the expansion of its market

3.3 Opportunities

With the increasing growth of the national economy, China's smartphone market has remained the world's largest smartphone market since 2012, reaching over 325 million units. In addition, the increase in disposable incomes increases the acceptance of residents to high-priced commodities such as smartphones. Meanwhile, due to the transfer of the consumption attitudes of the young consumer group, consumers tend to try and transfer from mass consumption demand to personalized consumption demand. Consumers have gradually weakened the pursuit of "cost performance" and "low price" products. In addition, China's middle-class population continues to increase, and the new generation of medium and small cities has become the main force of China's consumption growth. For example, the second-tier and the following-tier cities have contributed nearly 60% to China's smartphone consumption growth in 2018. Such people not only have low living costs but also a long time and low savings. Most importantly, they are willing to try trendy goods and improve their quality and social status by purchasing high-end products.

3.4 Threats

The cost of the physical store is too high. Xiaomi's offline channels (such as Mi Home, Mi specialty stores, and experience centers, etc.) have relatively high construction and operating costs, especially the rent of physical stores and the investment of franchisees. The high cost of channel construction has reduced the profit margins of agents. Compared with Xiaomi's competitors, Xiaomi is less attractive to franchisees and retailers because of its extremely low profit margin, which hurts the relationship maintenance of Xiaomi's customers and the transmission of brand concepts due to the paucity of the physical channels.

The phenomenon of homogeneity is serious. In recent years, full screens, multi-cameras, screen fingerprints, etc. have gradually become the standard configuration of smartphones, resulting in similarities in terms of configuration. The core parts are all from those limited mobile phone accessories suppliers. Therefore, it is hard to build any differentiated competitive advantage for existing smartphone brands. The competition of smartphones has become increasingly fierce, and the competitive pressure faced by Xiaomi phones in the market has also increased. Under the impact of promotion by various brands, the price advantage of Xiaomi phones has been further reduced.

4. Case Analysis

Through the analysis of the marketing positioning of Xiaomi mobile phones, the market positioning of the "MIUI AudioPhile" of Xiaomi mobile phones is too limited defined. Although this strategy helped it quickly expand the market in the early stage of its brand development, the small population base of the opinion leader group is not conducive to the subsequent expansion of the market share of the Xiaomi mobile phone brand. Moreover, due to its cost-effective brand strategy, product profits are low, and then the resulting gross profit cannot support the operation of offline stores. The offline market is precisely the market that Xiaomi phones cannot ignore. In addition, its relatively low pricing strategy has also led to fierce competition in its mobile phone market at the same price level, including Chinese mobile phone brands such as Huawei, Honor, OPPO, and VIVO. Finally, with the continuous advancement of technology and the gradual reduction of related smartphone accessories costs, cost performance is no longer the only key factor that affects consumption decision-making. The combination of these factors has led to the problem of the sluggish development of the Xiaomi mobile phone brand subsequently.

This series of factors pushed Xiaomi to make changes. In response, Xiaomi announced to split its sub-brand, Redmi, as a separate brand, which means that Xiaomi implemented the so-called dual-brand strategy, similar to the relationship between Huawei and Honor. After the split, Redmi phones continue to focus on the cost-effective market, while Xiaomi phones focus on the mid-to-high-end mobile phone market.

The rationality of the transformation lies in: First, Xiaomi keeps continuously innovation in scientific research in recent years, and invests in huge amounts of funds, gaining a lot of achievements in related fields. These research and technology achievements significantly improved Xiaomi product performance, providing an important guarantee for its entry into the high-end market. Second, Xiaomi and Redmi have a large customer base and high customer loyalty in their original market. In the process of transformation, it is necessary to fully maintain the original customers and avoid entirely forging the original customers. Therefore, keeping the Redmi brand to continue to provide services to the original customers is necessary for Xiaomi's strategy. Third, during the transformation process of Xiaomi, the process of R&D, promotion, recruitment of high-end talents is expansive. Making the mature brand- Redmi distinct from Xiaomi will not only help maintain the stable cash flow of the company, timely funding to high-end manufacturing to avoid the money shortage during the transformation process. Fourth, the competition of the original Redmi and Xiaomi's track is too fierce, and domestic mobile phones competitors are all well-deployed on this track. Under the background of the continuous improvement of the national economy and the increasing acceptance of mobile phone

prices, the high-end mobile phone market is expanding fast. Timely getting rid of the "low-end" tag is vital to the sustainable and healthy future development of Xiaomi.

5. Conclusion and Advice

5.1 Pay attention to the long-term layout of corporate positioning

Positioning refers to the arrangement to make the product of a brand occupy a clear, special, and ideal position in the minds of target consumers compared with the competing products. Generally speaking, it is difficult to change the impression of a product in the minds of consumers. Therefore, the company's initial positioning must have long-term considerations. For example, Xiaomi's initial "extreme price-performance ratio" has helped Xiaomi win a large number of markets at the beginning, but its shortcomings are also obvious, which impaired its subsequent development. At the same time, the low-price strategy has made Xiaomi more and more synonymous and tagged with low-end machines, and the brand image of Xiaomi has gone from bad to worse. In contrast, the initial prices of VIVO and OPPO's flagship models are similar to that of Xiaomi, but in the later stage of product transformation, consumers' sensitivity to VIVO and OPPO's price increases is much lower than that of Xiaomi's mobile phones, so for the corporate positioning level strategies, the brand should not only focus on immediate profits but also have long-term considerations.

5.2 Make a plan for dynamic adjustment of the positioning

The environment in which the enterprise is surrounded is dynamically changing. The major contradictions of market competition may change at any time, and the consumption concept of the target group may also change at any time. In other words, the enterprise may think about it after realizing its previous insufficiency of positioning and then try to solve the existing problems in the original positioning. These series of factors force companies to think about whether they need to adjust their market positioning. Therefore, in such a fierce market competition, companies must be able to flexibly analyze market trends, study the causes of market changes, and adjust their strategies according to their conditions. In the process of adjustment, Xiaomi made full use of the loyalty of its original customers and the technological strength of the company to explore the low-end to high-end market transformation based on its strength advantages. Therefore, the transformation process is a process that needs to be "adapted to local conditions" and full of "customization". Different companies have different transformation angles and transformation methods, but the core of the brand transformation is "strengthening their strengths and avoiding weaknesses" and "following the trend."

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