

Insights Into Xiaomi Smartphones' Marketing Strategies from STP Theory and 4P Perspectives

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Abstract. In the highly competitive smartphone industry, consumer preferences are diversifying and markets are becoming saturated. Xiaomi, a global tech firm since 2010, has made achievements in the smartphone market. However, in-depth and comprehensive case studies on its marketing strategies are lacking. This study conducts a thorough case analysis of Xiaomi's smartphone marketing strategies, integrating theoretical frameworks with in-depth analysis, including STP analysis and 4P marketing strategy analysis. The research finds that Xiaomi segments the market in multiple ways, targets various consumer groups, and positions itself with cost-performance. Its marketing strategies cover product, price, place, and promotion. For example, it uses a dual-brand product strategy, a multifaceted pricing strategy, multi-channel sales, and integrated online and offline promotion. Nevertheless, Xiaomi has some issues. It over-relies on price-based segmentation, its channel integration needs strengthening, and its public communication strategy has weaknesses. To address these, Xiaomi should diversify segmentation variables, enhance channel integration, and improve public communication content and tone. This can help Xiaomi better meet consumer needs, enhance brand competitiveness, and expand market share in different segments.

Keywords: Xiaomi; Marketing strategy; STP analysis; 4P marketing strategies.

1. Introduction

Founded in 2010, Xiaomi is a global technology company with business in multiple fields, including smartphones, smart hardware, and the IoT platform. Guided by the concept of “born for fever”, Xiaomi attracts consumers worldwide with its cost-effective products and innovative technologies. It has made remarkable achievements in the smartphone market and the construction of smart home ecosystems, emerging as a powerful global tech brand. The smartphone business of Xiaomi has not only been a major revenue driver for the company but also showcases the company's technological strength and marketing capabilities.

The importance of marketing strategies in the smartphone industry cannot be overstated. As consumer preferences become more diverse and markets more saturated, companies need well-crafted marketing strategies to stand out among their competitors. Existing research on smartphone marketing has covered various aspects, such as brand positioning and pricing. However, there is a lack of in-depth, comprehensive case studies specifically integrating Xiaomi's marketing strategies to develop an overview of Xiaomi's marketing strategy. As a result, this paper aims to conduct a comprehensive case analysis of Xiaomi's smartphone marketing strategies, offering valuable insights for both the company itself and other competitors in the technology industry. It can provide actionable insights for the company to refine its marketing mix, including product, price, place, and promotion strategies, thereby strengthening its market position.

The research will adopt a comprehensive approach, integrating theoretical frameworks with thorough analysis. In terms of the structure of the paper, it will start with an in-depth STP (Segmentation, Targeting, Positioning) analysis of Xiaomi's smartphone business to understand its market landscape. Then, a detailed examination of its marketing strategies, covering product, price, place, and promotion, will be conducted. Based on the findings, practical suggestions for improvement will be proposed to optimize its marketing efforts in the highly competitive smartphone market.

2. STP Analysis

2.1. Market Segmentation

Xiaomi operates in a highly competitive market, where consumer preferences and purchasing behaviors vary widely. To effectively reach and serve its target audience, Xiaomi implements a comprehensive and well-founded market segmentation strategy, including demographic segmentation, geographic segmentation, and behavioral segmentation.

In terms of price, in 2019-2020, the Chinese smartphone market showed that the low-end market (below 200 dollars, approximately below 1000 yuan) accounted for 37%, and the mid-end market (200-600 dollars, about 1000-3500 yuan) made up 42% [1]. It can be seen that the Chinese smartphone market is still dominated by mid to low-end users, with the two segments accounting for as high as 79%. In other words, the competition in the Chinese smartphone market mainly focuses on mid to low-end users.

In terms of gender, men usually focus more on configurations such as hardware and CPU, while women tend to pay more attention to appearance, camera pixels, and ease of use [1]. Xiaomi launched the CC series targeting young female consumers, but it faced challenges and was eventually suspended. This indicates that Xiaomi recognized the gender-based differences in consumer demands but failed to fully meet them.

Geographically, Xiaomi targets both domestic and international markets. Internationally, Xiaomi prioritizes markets like India, Southeast Asia, and Latin America, where price sensitivity is higher with a strong demand for technological advancements.

Moreover, Xiaomi segments the market by usage occasions. The practical-use scenario addresses ordinary users who require basic configurations for daily tasks such as calls and messaging. The high-configuration scenario targets tech enthusiasts and professionals who demand advanced performance, cutting-edge technology, and customization options, including powerful processors and enhanced cooling systems. The photography-focused scenario caters to users who prioritize camera capabilities, offering high-resolution sensors, advanced shooting modes, and superior low-light performance. Lastly, the gaming scenario features high-performance hardware, high-refresh-rate displays, gaming-specific controls, and efficient thermal management to ensure a seamless gaming experience.

2.2. Market Targeting

Xiaomi's targeting strategy is guided by several key factors, including purchasing power, brand loyalty, and product preferences. Xiaomi focuses on high-potential segments such as young adults who are tech-oriented and cost-sensitive. These consumers are more likely to be influenced by word-of-mouth marketing and online communities. Xiaomi has also identified niche markets, such as women and older adults, as potential growth opportunities. By targeting these segments, Xiaomi can enhance its brand loyalty and customer retention.

Xiaomi's product line is designed to cater to a wide range of consumer segments. The company offers flagship products aimed at tech enthusiasts and business professionals, as well as cost-effective models that appeal to students and budget-conscious consumers. Xiaomi's Redmi brand, for example, caters to price-sensitive customers, while Xiaomi's primary brand targets mid-range and high-end consumers [2]. This allows Xiaomi to effectively capture both mass and premium markets.

2.3. Market positioning

Xiaomi's market positioning has been a crucial factor in its success story. Initially, Xiaomi carved out a niche with its "extreme cost-performance" and "for enthusiasts" positioning [3]. This allowed the brand to rapidly gain traction in the market, appealing to price-sensitive consumers and tech-savvy individuals eager to experience the latest technology at affordable prices. Xiaomi's brand positioning is centered around enabling consumers to enjoy the pleasures of technology at a relatively low cost. The company pursues the integration of technology and art, striving for the ultimate cost-performance ratio. Their product concept of "born for fever" reflects a commitment to high-quality

manufacturing and a focus on user feedback, with Xiaomi actively listening to consumers in online communities to optimize its products. This positioning has led consumers to view Xiaomi as an innovative Internet company. It shows that consumers generally have a positive perception of Xiaomi's brand positioning, agreeing that its products integrate technology and art and offer good value for money [4].

3. Marketing Strategy Analysis

3.1. Product Strategy

Xiaomi has implemented a dual brand strategy with Xiaomi and Redmi [5]. The Xiaomi brand focuses on high-end products, such as the Xiaomi 15 series and MIX series, which are equipped with advanced features like high-performance processors, top-notch camera systems, and innovative designs. These products target consumers who pursue high-end technology and a premium experience. On the other hand, the Redmi brand caters to the mid to low-end market, focusing on launching products with high cost-effectiveness. Models like the Redmi Note series offer basic functions at affordable prices, appealing to price-sensitive consumers. Xiaomi also pays attention to software-hardware integration, with its MIUI system providing a unique user experience. Additionally, Xiaomi is constantly innovating, for example, collaborating with Leica to improve camera performance, aiming to meet diverse consumer needs.

3.2. Price Strategy

Xiaomi's pricing strategy for its smartphones in the domestic market is a multifaceted approach influenced by product costs, supply and demand dynamics, and market competition. To build a competitive edge, Xiaomi employs a combination of pricing methods. Cost-based pricing is a fundamental approach. Xiaomi calculates the production costs, including raw materials, labor, and marketing expenses, and then adds a reasonable profit margin to determine the product price [6]. Differential pricing is another key aspect in Xiaomi's pricing strategy. Xiaomi segments its product lines to cater to different consumer segments. The Redmi series is priced more affordably to attract budget-conscious consumers in the mid to low-end market. These products offer a good balance of features and price, emphasizing high cost-performance. On the other hand, for high-end models like the Xiaomi 15 Ultra, which is equipped with advanced features such as a high-end camera system and powerful processor, Xiaomi sets relatively higher prices. This pricing strategy aligns with the expectations of consumers seeking top technology and premium experiences. By implementing differential pricing, Xiaomi effectively meets the diverse needs of various consumer groups, thereby enhancing its market competitiveness.

3.3. Place Strategy

Xiaomi's marketing channels include online and offline channels, aiming to meet diverse consumer demands and expand its market share. Online platforms like Xiaomi Mall, along with e-commerce platforms such as Taobao and JD.com, are the main sales channels [7]. Xiaomi Mall offers a seamless shopping experience, with a wide range of products and user-friendly interfaces. It also utilizes big data analytics to analyze the purchase behavior of consumers. For example, by tracking customers' interests in specific smartphone features, Xiaomi can recommend relevant products, enhancing customer engagement and satisfaction. Xiaomi Home is the key to the brand's offline strategy. According to the announcement released by Xiaomi, by September 2024, Xiaomi had over 13,000 offline retail stores in mainland China. These stores function as comprehensive service centers, providing product demonstrations, after-sales services, and an immersive experience for consumers. They bridge the gap between the brand and customers, allowing consumers to physically interact with products, which is especially important for high-tech items like smartphones [7]. Additionally, Xiaomi's cooperation with local operators in different regions helps in tailoring its products and

services to local market needs, further strengthening its market position. This multi-channel strategy enables Xiaomi to effectively adapt to the changing dynamics of the smartphone industry.

3.4. Promotion Strategy

Online promotion is a key component in Xiaomi's promotion strategy. Xiaomi actively engages on social media platforms like Weibo and Douyin. Company executives, such as Lei Jun, are active on these platforms, sharing product-related information and interacting with consumers, which not only boosts brand exposure but also builds a sense of community [8]. The Xiaomi Community, as a significant online platform, encourages user participation in product development and feedback, strengthening the bond between the brand and consumers, fostering a sense of ownership and brand loyalty. Offline promotion also plays a crucial role. Xiaomi Home stores offer consumers hands-on product experiences, allowing them to interact with Xiaomi's smartphones and other products directly. This in-store experience helps customers better understand product features and quality, increasing the likelihood of purchase. Xiaomi also uses promotional campaigns to attract customers. During shopping festivals like "Double 11" and "618", it offers discounts and special offers to stimulate consumer purchasing [6]. Additionally, Xiaomi's choice of spokespersons, such as Su Bingtian, helps to enhance the brand's image and reach different consumer groups [9]. Through these integrated online and offline promotion methods, Xiaomi effectively promotes its smartphones in the highly competitive market.

4. Suggestions

4.1. Diversify Market Segmentation Variables

Xiaomi has long been relying mainly on price for market segmentation. Initially, Xiaomi targeted the high-cost-performance market. Although it has been trying to enter the high-end market in recent years, its marketing still emphasizes high prices rather than other outstanding features for high-end products [1]. This over-reliance on price limits the brand's ability to establish a distinct identity in the high-end market. Moreover, Xiaomi has not fully considered other variables such as gender, purchase motivation, and consumption psychology, and has not deeply explored the relationships between these variables [1]. As a result, the brand has been unable to meet the diverse needs of different consumer groups comprehensively. In addition, the early-stage low-pricing strategy of Xiaomi has instilled in consumers' minds a fixed perception that its mobile phones are of inferior quality [10]. To address this problem, Xiaomi should diversify its market segmentation variables. It can draw on the psychological segmentation method used in other industries, such as classifying consumers into "fashion-loyal", "price-sensitive", "impulse-buying", and "performance-oriented" types [1]. At the same time, Xiaomi should also consider age-related needs. The Z-generation, with their high demand for performance and diverse usage scenarios, could be targeted with products that offer advanced features for gaming, photography, and social media. By segmenting the market in this way, Xiaomi can better understand the specific needs of different consumer groups, develop more targeted products, and formulate appropriate marketing strategies. This will help Xiaomi break away from its over-reliance on price-based segmentation, enhance its brand competitiveness, and expand its market share in different market segments.

4.2. Strengthen Channel Integration

Xiaomi should strengthen the integration of online and offline channels. As the smartphone market becomes more competitive, a well-integrated channel strategy is crucial for Xiaomi's growth and market penetration. Although Xiaomi has a strong online sales platform, it still needs to improve its offline channels. By increasing the number and quality of Xiaomi Home stores, Xiaomi can provide consumers with a more intuitive product experience [2]. In addition, cooperation with third-party retailers and local business halls can expand the brand's coverage. For online channels, Xiaomi can optimize the user experience of its official website and e-commerce platforms, and use big data

analysis to accurately push personalized recommendations and promotions. Through the effective integration of online and offline channels, Xiaomi can improve customer satisfaction and loyalty, and enhance its market competitiveness.

4.3. Public Communication Strategy

Xiaomi's public communication strategy has been identified as a significant weakness in previous research [11]. It was found that Xiaomi scored lowest in public communication among five major Chinese smartphone brands. One of the main reasons is that a executive's statement insulted consumers in 2020, causing a severe downfall to the brand's reputation and consumer loyalty. Additionally, Xiaomi's exaggerated publicity, such as over-promising features in MIUI 12 that failed to materialize, further damaged its image [11]. This shows that Xiaomi's public communication not only fails to build a positive brand image but also has a negative impact on consumer perception. To address this issue, Xiaomi should focus on improving the content and tone of its public communication. It needs to ensure that all communication materials, whether in product launches or public statements, are accurate, respectful, and in line with the brand's values. Moreover, Xiaomi should be more sensitive to public sentiment. It can actively engage with consumers in the Mi Community, listen to their feedback, and respond promptly and sincerely to their concerns. By doing so, Xiaomi can gradually rebuild trust with consumers and enhance its brand image.

5. Conclusion

The study comprehensively analyzed Xiaomi's smartphone marketing strategies through STP analysis and 4P marketing strategy analysis. The results show that Xiaomi has adopted a series of marketing strategies to adapt to the market. In market segmentation, it considers price, gender, geography, and usage occasions. In market targeting, it focuses on high-potential consumer segments. Its market positioning of "extreme cost-performance" has attracted a large number of consumers. In terms of marketing mix strategies, the dual-brand product strategy meets the needs of different market segments, the multifaceted pricing strategy balances cost and market demand, the multi-channel place strategy expands market coverage, and the integrated online-offline promotion strategy effectively promotes products. However, Xiaomi also faces several issues. It overly relies on price-based market segmentation, which restricts its development in the high-end market. This is mainly because of its long-term emphasis on cost-performance, leading to a fixed consumer perception. In addition, its offline channels are not well-developed and the lack of effective integration between its online and offline channels fails to fully meet the needs of enhancing market competitiveness. Also, Xiaomi's public communication has weaknesses, such as an executive's inappropriate statement and exaggerated publicity, which have damaged the brand image. To address these problems, Xiaomi should diversify market segmentation variables, strengthen channel integration, and improve public communication strategies. By doing so, Xiaomi can better meet the diverse needs of consumers, enhance brand competitiveness, and expand market share in different market segments. The study provides practical suggestions for Xiaomi to optimize its marketing strategies, offering valuable references for other smartphone companies in the highly competitive market. However, this study has limitations. It mainly focuses on Xiaomi smartphone's domestic and some international markets, and may not fully cover all global markets. Future research could expand the scope of research to a more global perspective, and explore in-depth the impact of cultural differences on Xiaomi's marketing strategies in different regions.

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