

Analysis and Research on the Game Between Xiaomi and Its Competitors and Promotion Strategies

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Abstract. As a paradigmatic example of disruptive innovation in the smartphone industry, this article takes Xiaomi as the research object and conducts a tripartite analysis from three aspects: why Xiaomi can gain a huge market share in a short period of time and given its atypical growth trajectory, this study employs Barney's VRIO framework to diagnose structural constraints in Xiaomi's resource allocation. This resource-based view is then triangulated by proposing targeted capability-building mechanisms. This article will focus on analyzing Xiaomi's business game from the following three aspects: the game between Xiaomi and competitors, the game between Xiaomi and consumers, and the game between Xiaomi and the consumer market. Based on the research on the above three aspects, this article will propose evidence-based promotion strategies and data-driven competitive strategies derived from VRIO analysis, including strengthening patent research, enhancing product value, improving contact with consumers, and strengthening mutual benefit and win-win with competitors, with the aim of helping Xiaomi stabilize its market share in today's fierce market competition, as well as enhance market competitiveness and achieve further optimization of development.

Keywords: Business Game, Game Theory, Promotion Strategy, Xiaomi.

1. Introduction

1.1. Research Background

Xiaomi was founded in 2010 and became the fourth-largest mobile phone manufacturer in the world in 2018 (Sun & Fah, 2020)). As of October 2024, Xiaomi has become the second-largest mobile phone operator in the world after Samsung (Hou, 2024). An enterprise can obtain such remarkable market ascension in such a short period of time, which is inseparable from the control of the market by managers and decision-makers. "Despite achieving this remarkable market ascension within a decade, Xiaomi now faces three paradoxical challenges: (1) the high-end paradox (mainstream positioning vs. premium market aspirations); (2) the innovation paradox (cost-lean R&D model vs. patent-intensive competition), and (3) the ecosystem paradox (hardware-driven revenue vs. IoT service ambitions). These systemic contradictions, as identified in recent scholarship, frame the research context for this study

1.2. Literature Review

Zhang proposed that although Xiaomi has entered the first echelon of the smartphone industry in China, it has been unable to enter the relatively high-end echelon. This is not only a problem with Xiaomi's industrial structure but also a bottleneck that Xiaomi needs to overcome at present (Zhang, 2024). Lajoso et al. have given an analysis of Xiaomi's development trend that Xiaomi adopts an open innovation strategy to bring customers' ideas to all parts of the world, but the high-end brand is still a problem for the company (Lajoso et al. 2020). Yue found that as of April 2024, Xiaomi launched its first car, which largely demonstrates its confidence in corporate transformation (Hou, 2024). Based on the views of the above scholars, this paper will analyze Xiaomi's current

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development bottleneck from a more diverse perspective. Through the research of the above scholars, Xiaomi's current basic market situation and industrial structure are also exposed.

Most scholars focus more on the development of Xiaomi enterprises and the relationship between Xiaomi and the market when analyzing Xiaomi's business model. And the vast majority of scholars will use Xiaomi as a comparative variable for research. It is undeniable that even if Xiaomi has achieved great success at present, it will be a big challenge to surpass Apple and Samsung. This article will focus on analyzing the process of the game between Xiaomi and competitors and consumers, as well as the reasons for Xiaomi's success. Compared with previous studies, this paper will not only focus on Xiaomi's advantages but also deeply explore its existing problems through the perspective of game theory and propose more targeted improvement strategies. This article will explore the reasons for Xiaomi's current predicament through a multi-dimensional game perspective and help Xiaomi find the best development path through game analysis. It will also focus on how to overcome all current threats.

1.3. Research Framework

This paper will first analyze Xiaomi's competitive environment through the Five Forces Model, then analyze Xiaomi's current advantages and problems from multiple game angles, and finally give suggestions based on research. Detailed analysis of Xiaomi's current predicament through the Five Forces Model from five aspects: competitor threat, potential competitor threat, substitute threat, and the bargaining power of suppliers and buyers, and will help Xiaomi clarify the future direction of improvement through Xiaomi's game with multiple parties. In addition to the application analysis of the Five Forces Model, this article will also use a multi-dimensional comparison method, through Xiaomi's own before and after comparison, as well as Xiaomi's Horizontal comparison with various competitors, to more clearly highlight the changes Xiaomi can make and clear improvement. Compared with previous studies, this paper has significant innovation points. First, it not only focuses on Xiaomi's advantages in market competition but also explores its problems in the development process in greater depth. It provides a detailed analysis of many aspects, such as brand high-end problems, technical patent shortcomings, weak offline channels, and uneven quality of the Client Server, providing a comprehensive perspective for formulating targeted promotion strategies. Second, from the unique perspective of game theory, it makes an in-depth interpretation of the competitive relationship between Xiaomi and its business partners, transforming complex market competition into an analyzable game model, and on this basis, proposes a comprehensive and highly targeted promotion strategy, providing new ideas and methods for the development of Xiaomi.

2. Case description

In today's 21st century, the era of rapid development of the global technology industry, the consumer electronics market has become the core battlefield of competition among various technology companies, and its intensity has reached an unprecedented height. With 5G technology, the popularity of artificial intelligence technology, and the deepening of the concept of the Internet of Things, all electronic products are being updated at an unprecedented speed, which will pose no small challenges and requirements to manufacturers of electronic products. Xiaomi was founded in 2010. At the beginning of its establishment, it was a company that designed, developed, and sold smartphones (Li, 2024). In 2011, Xiaomi launched its first smartphone, the Mi 1, which disrupted the market with an unprecedented price-performance ratio into the market. With its high performance and relatively affordable price, it broke the inherent situation of high price and low price or low quality in the smartphone market at that time and quickly emerged in the market, triggering a significant consumer demand. This success not only marked Xiaomi's official foothold in the smartphone field but also laid a solid foundation for its subsequent development. Since then, Xiaomi has not been satisfied with the status quo but has continued to forge ahead, enriching its product line and successively launching a series of products such as Xiaomi Note and Xiaomi Mix, which have

gradually launched an impact on the mid-to-high-end market and occupied an increasingly important position in the market.

At the same time, Xiaomi has actively expanded its ecological chain, launching a wide range of smart hardware products such as Xiaomi TV, Xiaomi Band, and Xiaomi Router in various fields such as smart home, smart wear, and smart travel. By implementing this ‘hardware + IoT + internet services’ triad strategy, Xiaomi’s non-smartphone revenue grew from 18% to 42% of total sales, while ecosystem MAUs reached 640 million globally. This has built a huge and dynamic smart ecosystem, making Xiaomi a world-renowned technology enterprise. As more competitors entered the market, Xiaomi gradually expanded its commercial version. From the output of unilateral smartphones to the production of Xiaomi home appliances, “Mijia”, to the production of Xiaomi cars, these transformations and the exploration of new fields have undoubtedly proved commercially viable. In addition, Xiaomi is also more focused on consumers, optimizing product performance and improving cost performance. These changes will undoubtedly make Xiaomi leap into the leading electronic technology industry. In the future, Xiaomi’s development will undoubtedly be more excellent.

3. Analysis of Xiaomi Threats Based on the Five Forces Model

3.1. Threat Posed to Xiaomi by Competitors in the Same Industry

From the current perspective, even if Xiaomi has become the world’s second-largest smartphone manufacturer, its competitors still have a presence that cannot be ignored. First of all, in the smartphone industry, Xiaomi’s biggest competitors that cannot be ignored are undoubtedly Huawei and Apple. As far as Apple is concerned, it is the pioneer of smartphones and an epoch-making existence. He has redefined the functions and appearance of smartphones. It is undeniable that most mobile phone brands are still imitating Apple’s design (Sun, 2014). As an international brand in China, Huawei has not only political influence but also cost-effective advantages that cannot be ignored. Huawei’s innovative research in technological innovation and 5G has provided it with significant advantages, which has also given it a significant advantage in the domestic market. The advantages of these competitors in different fields will place considerable pressure on Xiaomi’s development. While established rivals pose immediate threats, Xiaomi must also contend with latent competition. The smartphone industry’s low barriers to entry—enabled by e-commerce platforms and modular supply chains—allow new players like Transsion to capture 12% of Africa’s market within 3 years.

3.2. Xiaomi’s Potential Intruder Threat

With the rapid development of the Internet industry, the competition in the smart electronic device industry will only gradually intensify. In addition to Xiaomi’s original competitors of the same type, other emerging enterprises will also intensify competition in this market.

3.2.1 Xiaomi’s Exposure

Price-Sensitive Markets: Transsion Holdings (TECNO/Infinix) has captured Xiaomi’s overseas market share through localized strategies in Africa, dominating the \$50–100 price segment with a 23% market share in 2022.

Technology Innovation Competition: OPPO’s sub-brand Realme surpassed Redmi by 5 percentage points in India’s ₹20,000 (~\$240) price segment in Q2 2023, leveraging its 150W fast-charging technology.

Ecosystem Weaknesses: Huawei’s HarmonyOS Connect has integrated 2,300+ third-party manufacturers, while Xiaomi’s ecosystem only includes 600+ partners, creating a gap in whole-home smart solutions.

3.2.2 Case Evidence

Cross-Industry Disruption: DJI's entry into the education tablet market with its "DJI Education" line—powered by advanced imaging tech—led to a 300% YoY growth in school procurement, directly competing with Xiaomi's education-focused tablets.

Technology Substitution Risk: Honor's MagicOS, featuring on-device AI for offline voice interaction, gained traction in privacy-sensitive Southeast Asian markets, causing an 18% decline in Xiaomi's voice assistant adoption.

3.3. Emerging Products Pose an Alternative Threat to Xiaomi

Due to the development of the electronic equipment industry, more and more new products will intensify the industry competition in this market, such as telephone watches and smart furniture. Take mobile phones as an example, from the button mobile phones in the early 20th century to the touch screen era, and now the advent of folding screen mobile phones, due to the high-speed development of technology, the replacement of electronic information will become more and more rapid, and the emergence of substitutes will become more and more frequent. This will be a problem that electronic information manufacturers cannot ignore.

3.4. Xiaomi's Bargaining Power with Suppliers

Supplier power is the mirror image of buyer power. As a result, the analysis of supplier power typically focuses first on the relative size and concentration of suppliers relative to industry participants and second on the degree of differentiation in the inputs supplied. The ability to charge customers different prices in line with differences in the value created for each of those buyers usually indicates that the market is characterized by high supplier power and, at the same time, by low buyer power (Porter, 1989). As a collective industry, the production of electronic equipment is not single, requiring not only the support of hardware facilities but also the improvement of software facilities. However, the core technology currently mastered by Xiaomi is still not perfect, so that it may rely more on the help and cooperation of external companies. This will lead to a relatively passive stage. Xiaomi needs to improve its bargaining power as much as possible so that it has more room for development and is not constrained by other companies.

3.5. Buyer's Bargaining Power

For Xiaomi, the reason why Duan can now Xiaomi's competitive positioning stems from its pricing strategy in the electronic information industry, which is inseparable from its determination of product prices. The cost-effective advantage has allowed Xiaomi to gain many loyal fans, but there are also certain problems. Consumers in the high-end market may care more about performance and reduce the cost-effective ingredients. Therefore, Xiaomi must continuously improve the quality of its own industry and give consumers more choices.

Based on the Five Forces Model: Through the above five aspects, this paper will focus on the external and internal games to put forward some suggestions for Xiaomi to improve. The improvement of the internal game will focus on product diversification and internal technological innovation. The external game will focus on branding and the market share game.

4. Xiaomi's Multi-Dimensional Game

4.1. Market Game

In today's smartphone market, the competition for market share between Xiaomi and other competitors is intense. According to Counterpoint Research, Xiaomi's global smartphone market share will be 11% in 2022, ranking third (Li & Paleev, 2023). In different regions, Xiaomi has a certain degree of competition with competitors. In the Indian market, Xiaomi has long held the top spot due to its high price-performance ratio and good market competition strategy. However, with the

development of other companies, its recent market share has received a significant impact. For the European and American markets, Xiaomi remains marginalized. It lacks brand stickiness between Apple and Samsung and consumers, and consumers are more inclined to buy high-end products in the European and American markets. Therefore, Xiaomi's cost-effective advantage cannot be better reflected in European and American countries. Therefore, in order to steadily increase its market share and share, Xiaomi not only needs to continue to deepen its products to expand its cost-effective advantage but also needs to develop upwards, enhance its brand influence, and produce certain high-end products to explore the high-end market. Only by combining the two can Xiaomi more effectively enhance its global market share. While market positioning determines geographic penetration, product portfolio diversity constitutes the core battlefield for ecosystem defensibility. As IoT devices contribute 42% of Xiaomi's revenue (vs. Apple's 15%), this strategic dimension demands equal scrutiny.

4.2. Product Diversification Game

As mentioned above, in today's electronic information equipment manufacturing industry, unilateral development is not advisable because, with the development of artificial intelligence and 5G technology, all kinds of electronic products are being updated at a high speed. Compared with competitors, Xiaomi still has a very strong advantage in this practice. As far as Apple is concerned, the company focuses more on office electronic products, such as smartphones, smart tablets, and laptops, which are Apple's core products. Even if the product variety is small, it still has a strong brand influence in the high-end market. For Xiaomi, it is impossible to implement a development model like Apple's because it lacks a strong brand influence, so deepening various product categories will be the top priority of Xiaomi's development path. For example, Xiaomi's practice of this idea in recent years can be described as very effective. First, the advent of the Xiaomi bracelet not only broke the price of the smartwatch bracelet but also gave it more functions than other brand bracelets. Then, there was the advent of "Mijia" furniture in the past five years, which not only caught up with the wave of artificial intelligence furniture but also achieved whole-house integration and one-click control. This is Xiaomi's construction of product diversification. Finally, the Xiaomi car, which came out in 2024, not only broke the expensive price of traditional new energy vehicles but also strengthened the consumer experience (Panigrahi, 2019). The above product diversification enhancements are all very effective in the construction of Xiaomi. In the future development of Xiaomi, it is still necessary to deepen this concept, start with product diversification, and gradually open up all markets from bottom to top.

Complementing product breadth, pricing mechanics serve as the linchpin for Xiaomi's hybrid strategy. The company must balance its legacy cost leadership (Redmi gross margin: 18%) with premium aspirations (Mix Fold margin: 35%), a duality requiring dynamic calibration."

4.3. Price Strategy Gameplay

Since its establishment, Xiaomi's greatest advantage has been its high-cost performance. In the smartphone market, Xiaomi has attracted a large number of price-sensitive consumers through its high-cost performance. For example, its "Redmi", once launched, immediately became a popular product in the mid-and low-end electronic mobile phone market (Luan, 2022). However, with the upgrading of consumer demand and the price war between competitors, high-cost performance can no longer become Xiaomi's absolute advantage. Xiaomi not only needs to improve its product level and improve its high-end brand image but also needs to continue to maintain its cost-effective advantage.

5. Conclusion

This paper focuses on the analysis of Xiaomi's current business situation through the Five Forces Model and identifies that Xiaomi's main corporate bottlenecks are: 1. Too few technical patents, 2.

The development of high-end brands is still too low. Based on the two main problems found above, the guidance suggestions given in this paper are: 1. Clarify the high-end positioning of the brand, improve product quality in terms of product design, material selection, and production process, and create excellent high-end products with unique brand characteristics. 2. Increase investment in scientific research, continue to increase investment in R&D funds, attract and cultivate more outstanding technical talents, and establish a strong R&D team through strategic partnerships with MIT Media Lab and the establishment of AIoT innovation hubs in Shenzhen. The output of scientific research results can also solve the problem of difficult brand high-end to a certain extent.

This paper comprehensively reveals Xiaomi's advantages and disadvantages in market competition through the analysis of the game between Xiaomi and its friends. Xiaomi has certain advantages in cost performance, product diversification, and market coverage, but there are problems with brand high-end, technology patents, offline channels, and client servers. By proposing improvement strategies such as strengthening brand high-end construction, increasing investment in technology research and development, optimizing offline channel layout, and improving the quality of Client Server, it is expected to help Xiaomi enhance its competitiveness in the fierce market competition and achieve sustainable development. In the future, with the continuous progress of science and technology and changes in the market environment, Xiaomi needs to continue to pay attention to industry trends and adjust strategies in a timely manner, including quarterly Porter's Five Forces reassessment and real-time market share tracking via IDC Trackerto cope with new challenges and opportunities.

This article uses the comparison method more when researching Xiaomi, comparing Xiaomi in various environments with different individuals, which is helpful to know the gap and advantages between Xiaomi and other enterprises, but the research within Xiaomi is limited. While the literature review provides foundational insights, its reliance on secondary data may introduce survivorship bias. Triangulation with primary financial data would strengthen validity. In the follow-up research, more data can be used, which will also show Xiaomi's current predicament more clearly.

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