

RESEARCH ARTICLE

The Problem Faced and the Solution of Xiaomi Company in India

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Abstract

This paper mainly talked about the problem faced and the recommend solution of Xiaomi Company in India. The first two parts are introduction and why Xiaomi targeting at the India respectively. The third part is the three problems faced when Xiaomi operate on India, first is low brand awareness can't attract consumes; second, lack of patent reserves and Standard Essential Patent which result in patent dispute; at last, the quality problems after-sales service problems which will influence the purchase intention and word of mouth. The fourth part analysis the cause of the problem by the SWOT analysis of Xiaomi. The fifth part is the decision criteria and alternative solutions for the problems proposed above. The last part has described the recommend solution, in short, firstly, make good use of original advantage and increase the advertising investment in spokesman and TV show; then, in long run, improve the its ability of research and development; next, increase the number of after-sales service staff and service centers, at the same, the quality of service; finally, train the local employee accept company's culture, enhance the cross-culture management capability of managers, incentive different staff with different programs.

Keywords: *Cross-cultural Management, India, Mobile phone, Xiaomi.*

Introduction

Xiaomi was founded in 2010 by serial entrepreneur Lei Jun, who believes that high-quality technology doesn't need to cost a fortune. Create remarkable hardware, software, and internet services for and with the help of our Mi fans. Xiaomi incorporate Mi fans feedback into their product range, which currently includes the Mi Note Pro, Mi Note, Mi 6, Redmi 5, Mix, Mi TV, Mi Band and other accessories. With more than 100 million handsets sold in 2017, and products launched in Taiwan, Hong Kong, Singapore, Malaysia, Philippines, India, Indonesia and Brazil, Xiaomi is expanding its footprint across the world to become a global brand.

In recent years, Xiaomi had made great success in China, at the same time, Xiaomi had developing the India market actively, why the xiaomi company targeting at the India market. and in different country, it

faces different problem inevitably. So, this passage further discuss what cause those problems and how to solve them.

The Reasons for Targeting at the India

In China, except Apple, Samsung, HTC and others international well-known band, there many domestic mobile smartphone band, such as the Huawei, Lenovo, Meizu, OPPO etc. Chinese smart smartphone market had become red sea. According the *Worldwide Quarterly Mobile Smartphone Tracker* which publish by International Data Corporation (IDC) ^①, the demand of Chinese market slowdown significantly, shipments grew up 52.5% in 2013, but 2.5% in 2015, even -12.3% in 2017. So XiaomiCompany's sales volume couldn't keep in high growth as before in China. In order to make more profit, it must for Xiaomi sale its smartphone to other

^①<http://www.idc.com/>

country. There some reasons for target at the India.

Huge Potential Markets

It is widely known that Southeast Asia is the main driver of global smartphone growth and is a large and fast-growing market for mobile technologies, especially in India. Telecom Regulatory Authority of India^② announced on December 30, 2015, cellphone user had breakthrough 1 billion, became the second largest cellphone market in the world.

According the reached data from IDC, the sales volume of cellphone in India reached to 111 million, but the percentage of smartphone just 15%. Means Indian cellphone market likes Chinese market a few years ago, there much feature phones will replace by smartphones. In the second quarter of 2016, the sales volume of smartphone in India is 2.75 million, growth rate up to 17.1% compare to second quarter of 2015, even growth 3.7% compare to last quarter. From the statistics above, the Indian smartphone is a huge potential market.

Similar Demand Preference with Chinese

According to statistics data from market research GfK, among the seven major markets, India, Indonesia, Vietnam, Cambodia, Singapore, Philippines and Thailand, smartphone volume sales reached 415 million units with revenue of \$10.8 billion and a growth of 61 percent during last year.

That means each smartphone sells at a price of about \$250, which just conforms to the market price of Xiaomi smartphone, \$100-\$300. In addition, India consumers have shown their thirst for high cost performance smartphones. Considering the relatively higher price, it should be no surprise that smartphone is not that popular in this region. Therefore, low cost smartphone with good quality and stylish design, are expected to attract a lot of consumers in India. Especially

now, there is an ongoing smartphone upgrading trend in the Indian markets. Thence, whether the price or the style matches Xiaomi phone perfectly, which means Xiaomi phone is very promising in this part of the world.

The Problem faced in India

Xiaomi had facing fierce competition in India. In order to improve its competence, Xiaomi must solve the problem it faced. The major problem of Xiaomi faced as followed.

Low Brand Awareness

The brand awareness is very important for a company opera in a new market. Although Xiaomi is very popular and sell well in china, it's stranger for oversea customer compare to Apple and Samsung, even Huawei. There have several reasons. Firstly, Xiaomi was found in 2010, just 8 years old, it was young compare to other vendors.

Secondly, two years ago, most smart smartphone made by Xiaomi sold in the main china, didn't have brand strategy for the oversea market. Thirdly, the competition of smartphone industry was fierce, there so many smartphone brands and smart smartphone's upgrade quickly year and year, all smartphone trends to homogeneity, if want consumer remember your brand, it need special characteristic or have famous stars as spokesman continuity.

Lack of Patent Reserves and Standard Essential Patent (SEP)

From the statistics which State Intellectual Property Office of the P.R.C^③. The patent apply by the Xiaomi company was 7153, but the number of Huawei's patent is 77042 and ZTE is 63707. Maybe this compartment is not fair for Xiaomi, because Huawei and ZTE both had built up more than 30 years and their main business weren't smart smartphone. But from the number of patent, we can find out that Xiaomi's research and development is not enough.

^②<http://www.trai.gov.in/>

^③ <http://www.sipo.gov.cn>

The most important patent does a smartphone vendors need is the Standard Essential Patent (SEP), Xiaomi had been sued because of this patent. In December 8, 2014, the Delhi High Court of Indian forbidden Xiaomi Company sells xiaomi smartphone in India market, because those product infringe wireless technology patent of Ericsson Company, this patent belong to the SEP.

Ericsson Company doesn't produce smartphone, even Xiaomi Company have much patent, it can't struck patent cross-licensing agreements with Ericsson. All the company which lack of this patent will face the patent conflict. Most of the way to solve the conflict is patent fee. In this event, Xiaomi and Ericsson made a private negotiation to mediate the dispute, in December 16, Delhi High Court of Indian had dissolve the ban, declared the Xiaomi Company's smartphone can sell in India.

Quality Problems and After-Sales Service Problems

In Xiaomi phone forums there are up to 6,000 problems of Xiaomi phone, which mainly include paint loss, short standby time and unable to take pictures. This seriously affects consumers' satisfaction with Xiaomi phone and, to some extent, influences the establishment and maintenance of its credibility

What must be state again is Xiaomi Company just be found 8 years, its foundation about made hardware of smartphones is not solid enough. According to the update of smartphones, the new problem of Mi phones also emerges. Except the MIUI system, Mi phones other hardware was made by other manufacture, such as the CPU, most of the android smartphones use Qualcomm or MTK's CPU. Now, Huawei has its own CPU--Kirin. As we all know, the fluency of Android system is worse than apple's IOS system. In a word, the quality of smartphones of xiaomi had improved gradually, but still

has some quality problems, it can't avoid for any vendors. So, another problems arouse, that is after-sales service problems.

Services refer to labor activities that can directly meet consumers' needs and desires and are available for sale, which concludes not only intangible service with no physical goods but also intangible services with physical ones. No longer just limited to mobile phone's use value, consumers are now more focused on the service that buying products will bring.

There two after-sales service ways in China, consult the customer service of official website and there have service center in major city of China, called Mi Home. In India, there only individual service center, if some hardware needs to be replace, it's not enough. The most of the software problems be solved thought customer service of official website, because of the different language and culture background, it needs hire local employee to solve this problem. In general, pressure of after-sales service will increase, at the same time, the cost as well.

Causes of the Problem

Swot Analysis of Xiaomi Company

Strengths

Effective Team Working among Co-Founders

Lei Jun, founder of Xiaomi, is chairman of Kingsoft. Lei Jun calls on top players of the industry and builds a super-luxury joint founding team with eight elite, includes Lin Bin, Li Wanqiang, Zhou Guangping, Wong Jiangji, Hong Feng, Wang Chuang, Liu De, and Hugo Barra. All co-founders of Xiaomi have over 15-years business experience at both international and domestic first-class companies.; at the same time, by relying on his good personal relationships, he successfully cooperates with Vanel logistics and achieves an exclusive online sale mode; by counting on his powerful celebrity charm, he successfully fires the opening shot for

Xiaomi.

Continuous Upgrading of Core Technologies

Any mobile phone is not perfect, but for the inadequacy the phone need continuous updates. For example, Xiaomi will release a routine update on every Friday, not only fixing the former problem but also adding some useful functions. Continuous iteration of MIUI and software of Xiaomi is the key to arouse public attention, especial MiFans'.

Weakness

Inadequate After-sales Services

The main after-sales service of Xiaomi includes direct hotline and online customer service. However, according to Internet users, Xiaomi's hotline is always too busy and always engaged; online and MIUI community customer service does not do well in solving users' problems. Without enough after-sales service center and a lack of employees who are skilled in local language in overseas markets, Xiaomi's after-sales service is the issue that Xiaomi phone users concern most. As the quality issues have led to users' hatred in many markets outside of China, the after-sales service of Xiaomi is becoming more and more serious.

Weakness in R&D Compared with Foreign Competitors

Compared with established international manufacturers and powerful local mobile phone vendors in overseas market, Xiaomi is dwarfed. As mobile phone industry is developing rapidly, the industrial concentration will become higher. In other words, just like the household appliance industry there are only a few first-class enterprises such as Skyworth, TCL, and Hisense left ultimately and participated in market competition.

Opportunities

Strong Augmentation of MIUI Operation System

Currently in China, Android operating

system has exceeded Apple's IOS and obtained a market share proportion of 84.6%. Android-based games and applications are becoming richer. MIUI, as a heavily customized Android operating system, can be built in thirty or forty mainstream flagship phones in addition to Xiaomi smartphone, which means that as long as MIUI is good enough, Xiaomi can have a large number of customers through refurbishment of operating system.

Huge Potentials of Emerging Markets

In emerging markets, smartphone growth shows a remarkable opportunity for Xiaomi, although Xiaomi makes wafer-thin margins on devices. However, the vast ecosystem revenues from software, application downloads and services are even more important. As in many emerging markets, smartphone is the only or primary Internet access apparatus, making it effective to influence them through social media and Internet. Marketing through Internet is the thing Xiaomi is extremely adept at.

Threats

Intensified Market Competition

Existing competition among enterprises is the most intuitive, most direct and most important threat factors. Both in the international market or domestic market, the competition between smartphones manufacturers is fierce. Internationally, Apple, Samsung, HTC and LG, are strong competitor of Xiaomi Company. These companies are strong in capital and technology, brand recognition, loyal customers. Meanwhile, China's domestic mobile phone brand in these years development rapidly, not only a large market share in the domestic market, in the international market also has a place, such as Huawei,OPPO, VIVO, and Lenovo.

In summary, it is the advantage and disadvantage of Xiaomi Company that result in the problem above.

Decision Criteria and Alternative Solutions

To solve the three problems that mention above. Now, put forward some alternative solutions follow.

Increase the Brand Awareness

To Increase the Brand Awareness, there have Several Alternative Solutions as Follow

Localize Xiaomi's core competence in India. First of all; create operating system independently for Indian only. In China, the operating system of Xiaomi is MIUI; it is a Chinese customized version of Android operating system. Although based on Android, MIUI is very different from Android as it has a more beautiful interface, a blazing speed, and numerous extra features. MIUI is completely user driven because it updates on every Friday based mostly on MiFans' suggestions and community input. According customers' needs improve user experience, have attracted customers and develop its own fan base. Xiaomi should create an Indian customized version operating system; this differential strategy must attract Indian customers.

Secondly, sells value-for-money products. From the first-generation Mi in 2011 to Mi6 in 2017, Xiaomi smartphone always maintains a high cost-effective advantage. Xiaomi's flagship smartphone equipped with the world's fastest and most powerful Qualcomm mobile phone chip which ensures the fluency and high definition of phone system. The workmanship of Xiaomi phone has reached the standard of some international brands such as Motorola and Samsung.

The price of \$100-\$300 is an absolute price advantage compared with other peer brands, which is universally called Xiaomi's aggressive price strategy. Separately, each configuration of Xiaomi phone is not necessarily the best but together they show a good performance, especially the processor, screen and camera which are in full compliance with positioning of "Just for Fans"

and meet Mi Fans' demand of high cost performance.

Thirdly, Xiaomi is the first Internet phone brand: in terms of product level, its innovative mode is "Highest Cost Performance + Internet Development + Crafted"; in terms of operation level its innovative mode is "Internet Marketing + Online Sales". For traditional mobile phone manufacturers, it is an untouchable rule to make money through selling hardware.

Even Apple who does Internet experience extremely well also gets considerable profit from selling hardware. So at the very beginning, Xiaomi, as a pure Internet phone brand, did not follow the old path of the domestic mobile phone manufacturers who mainly profit from quantity but specially devote itself to developing a single type of cell phone and making it to be a boutique by making the best of Internet Marketing mode.

Successful experience of Xiaomi in china are undoubtedly a good reference for other companies who are about to enter into Indian mobile phone market. Mobile phone makers should not only simply engage in research and development, sales and selling mobile phones and focus only on product marketing through the Internet but also fully understand users' needs, create innovations in product details, and improve the user experience based on customers' needs.

Except the core competence, it's necessary learning from other vendors to enhance brand awareness. In China, the shipments of OPPO and VIVO had exceeded Xiaomi this year, advancing to top five around the world.

According to the analysis report, the main customers of xiaomi focus on who understand the smartphones and the mobile internet user, those people know phone's chip, screen and camera, such as the male students, office workers at the age from 20 to 40. Unlike three years ago, there have more and more high

cost-effective smartphones can be chosen nowadays, the group of people described above had trended to saturation and may try other phones too. Result the decrease of the growth. OPPO and VIVO didn't stress on their phone's performance data, but invited fashion celebrities endorse their products and advertised on most popular TV show. OPPO's spokesman includes Super Junior-M, Leonardo, Yang Mi, Li Yi Feng, Lu Han, TF Boys, and Yang Yang and so on. The spokesman of VIVO is the protagonist of Descendants of the Sun, Joong-ki Song. They have the same feature that is they were most popular star at that time and young fashion, in line with the temperament of phone.

The TV shows of their advertised on are most popular in China, with a high audience rating, such as the Hunan TVs' Happy Camp, Zhejiang Satellite TVs' Sing! China. These marketing had extremely increased the brand awareness of OPPO and VIVO. Except celebrity's endorsement and advertised on TV, their direct sales store and advertising could be seen everywhere in rural areas of China, increased the brand awareness further and buy conveniently. Unlike xiaomi, you may be not being able to buy Xiaomi's phone when you want it.

We know that there about 1 billion people isn't internet user, and in the rural areas are the fastest growing of internet user. Xiaomi must pay more attention to this situation. In order to the brand awareness, put more investment in advertising, form the experience of OPPO and VIVO, it is worth to do it. Firstly, invite popular stars in India as spokesman, Xiaomi had invited Liu Shi Shi, Liu Hao Ran and Wu XiuBo as the spokesman of Red Mi, it illustrate that Xiaomi had changed its online marketing strategy which always be before. So xiaomi be able to invite the local or international celebrities whom accepted by many Indian, the cost will be large, but for Xiaomi Company, it can be accepted nowadays. Secondly, in India, because most of Indian

didn't an internet user and lived in rural, internet social network software can't cover enough population anymore, it need another media to propaganda products, the TV or radio broadcast, if necessary, put some huge advertising in the main road of towns.

Thirdly, increases produce capacity in order to sufficient in inventory. Open direct sale store or agent store in the main town of India, one hand, the rural people can buy smartphones conveniently and quickly, not panic buying thought internet; on other hand, it good for improving the after-sales service if the smartphone broke.

Solve the Patent Issues

To increasing the patent reserves, solve the patent dispute about SEP of smartphones. The easiest way is pay the license fee, all company which has patents wants to make more money from their patent but not use by other freely. Such as the Ericsson mentioned before, Ericsson requested Xiaomi pay for the patent in July, 2014, but xiaomi didn't answered, as a result Xiaomi sued by Ericsson. Although pay the license fee can get the patent, the cost you can't control by yourself, pay constant percentage of turnover or profit which negotiate with the authorizer, can't get the economics of scale. In the negotiations, the licensee always is in the passive side. In long run, especially in this "red sea" market, is bad for Xiaomi Company, for its healthy development.

The second way is develop the patents by themselves. It's no doubt that increase investment to develop patents is time-consuming, laborious, and costly. Difference with Ericsson and Huawei, they good at communications technology, Xiaomi Company not good at this filed, the marketing and software is his specialty. Need huge capital to recruit new talented persons; do research again and again, it's a long time investment. There has another question, the result of investments is uncertain, it may fail, and it is great loss.

The third way is corporate with other smartphones vendors which have same goals that sell phones to around the world but restraint by the patents, combine advantage of difference firms to develop the patents. Developing together, on one hand, can combine different advantage of difference firms, improve the quality of innovation; on other hand, can reduce the investment and risk of each company. It seems win-win cooperation, corporate with other company is a hard things, they are competitors, always hate each other ordinarily. Except related to converge of difference company culture; how to develop, how much pay for the investment and how to share the achievement and so on, it's hard to negotiation.

Improve the Quality of Smartphone and After-Sales Service

The quality of smartphones includes hardware and software becauseXiaomi's smartphone assembles by other OEM manufacturers, the quality of hardware can't not control by Xiaomi Company itself, as the development of the assembling, the issue of hardware creates less and less, unless the man-made issue. Another problem of quality is the software, such as system update, software incompatibility and so on. As sell many phones, the problem can't avoid.As a result, the after-sales service business is very crucial for Xiaomi.

So it is an important thing for Xiaomi to ensure that the user experience is as fantastic all along even when Xiaomi phone user have a problem with their handsets in India markets. Therefore, it is urgent for Xiaomi to set up sufficient online communities and forums, direct phone hotlines and even service centers throughout the market. Furthermore, Xiaomi has to build local teams consisted of Xiaomi advisor who is good at local language and even local people. In addition, in order to provide excellent service, Xiaomi has to keep these service centers competitive with each other and set up a range of key performance indicators to ensure

the quality of service. More detail, this also requires the company to focus on improving employees' service awareness and carry out a full range of training for repair shop staff to improve their service quality. Furthermore, the building of the sale outlets is very crucial. Setting up more direct sales service points and Xiaomi Home in big and medium sized cities can help to ensure the timely maintenance of Xiaomi phone; Corporate with local retail outlets in small cities in order to service rural customers.

Recommended Solution

To increase the brand awareness, there alternative solutions above all are important. First of all, localize Xiaomi's core competence in India. That is creating an Indian customized version operating system if possible; sells value-for-money products.

Then, continual reliance on mobile internet and social media, in Indian market, Xiaomi has to set up a robust social ecosystem and make full use of local social media such as Facebook, Google Plus and Twitter, because there no Weibo and WeChat is not popular. Except the online strategy, according to the actual situation of India and successful experience of other company, it is very important to invite most popular stars as the spokesman of Xiaomi phone, and advertising on TV shows which had high audience rate. It may increase the cost of product, as Xiaomi had done this in China and received appreciate, I think xiaomi has the ability execute this strategy in India, increase the total shipment, the average fix cost will decrease.

As far as I am concern, in order to solve the patent issues. In short run, it can't avoid paying the license fee. What Xiaomi must to do is improve other core competence for increase the shipments, thus strengthen the bargaining chips with the authorizer. In long run, Xiaomi Company must emphasis on independent innovation, although this move will cost a lot of time and money in the initial

period, Xiaomi has to do so. Because there is no well-known companies who do not have their own core technology in the world. Core technology is the only way that one company must take to develop into a well-known one: To be specific, firstly, the company must put emphasis on technological innovation and increase investment in research. No investments, no outputs. No innovations, no improvements. Just as the old saying goes, "no pains, no gains". Secondly, the company must pay attention to personnel training: enlist the talents all over the world and establish effective personnel training mechanism, ensuring that every staff has given full scope to his/her talents. And the way corporate with other smartphones vendors is hard to carry out. The keep point is improved independent research and development.

To improve the after-sales service, firstly, set up enough online communities and forums, direct phone hotlines, ensure consumer advisory and solve the common problem of Xiaomi phone. Second, set up more direct sales service points and Xiaomi Home in big and medium sized cities can help to ensure the timely maintenance of Xiaomi phone; Corporate with local retail outlets in small cities in order to service rural customers and repair the phone.

Then, in order to provide excellent service, Xiaomi has to keep improving employees' service awareness and carry out a full range of training for repair shop staff to improve their service quality; service centers should competitive with each other and set up a range of key performance indicators to ensure the quality of service.

Xiaomi Company will set up online communities, direct sales service points, Xiaomi Home and other localized activity; it can't avoid recruiting local people, which will relate to cross-culture management of

employee. Xiaomi must train for Indian employee; explain characteristics and specifications of company's culture, but do not force it to accept all. Also requires the management of Xiaomi Company to actively organize employees from different cultural backgrounds to communicate effectively within the company.

For example, Xiaomi can often arrange tea party, dinners and other activities to deepen mutual understanding, and to clear understanding of each other cultural differences. The company's incentives are also can be different, develop different incentive programs to meet the different needs of employees. Only in this way can guarantee the effectiveness of incentives, can fully mobilize the staff's enthusiasm and initiative.

Conclusion

This passage systematically discusses what the problems of Xiaomi company operate in India, what cause those problem, presented alternative solutions and recommended solution at last.

In a word, to increase the brand awareness, localize Xiaomi's core competence in India and reliance on mobile internet and social media, in Indian market. In order to solve the patent issues. In short run, it can't avoid paying the license fee. Long-run Xiaomi Company must emphasis on independent innovation, to improve the after-sales service, firstly, set up enough online communities and forums, second, set up more direct sales service points and Xiaomi Home in big and medium sized cities.

Above solutions suitable for Xiaomi Company, it also may suitable for other China company which wants to expand the India market. There no standard method to solve every problem, administrators should take a way to suit you.

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