

Xiaomi's marketing success

Founded in 2010 by Lei Jun as a software company, Xiaomi started selling smartphones in 2011. Despite its short history, the company's low-priced and high-end models have become popular among customers in the Mainland, Hong Kong and Taiwan.

Xiaomi is renowned for its smart use of marketing strategies to penetrate the highly competitive smartphone market. It always prices its products close to its costs. For example, Xiaomi sells its Mi3 handset for about half the price of a comparable smartphone model. Moreover, Xiaomi's products are only sold on the Internet.

Xiaomi's limited sales of products during a specific time of the day has generated the best publicity buzz for its brand name. It has soon built up brand awareness. Apart from smartphones, Xiaomi has now expanded its product line to tablet computers and TV boxes.

In April 2014, Xiaomi sold a record of 10,000 *Hongmi* smartphones in 26 seconds on the Internet. However, it chooses to appoint PCCW-HKT as its dealer for Xiaomi and Hongmi smartphones in Hong Kong.

1) Identify the marketing objective which Xiaomi is likely to adopt. Give your reasons.

2) Xiaomi chooses to appoint PCCW-HKT to distribute its smartphones in Hong Kong.

a) Between direct distribution and indirect distribution, which distribution strategy does Xiaomi adopt?

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a The three approaches are:

- (i) **Intensive distribution:** This refers to stocking products in as many channel members as possible. (2 marks)
- (ii) **Exclusive distribution:** This refers to giving only a limited number of channel members the exclusive right to sell the products in their territories. (2 marks)
- (iii) **Selective distribution:** This refers to the use of a certain number of channel members (more than one and less than all) to distribute the products. (2 marks)

b The dairy product manufacturer should use **intensive distribution.** (1 mark)

This is because the products that the company sells are **daily necessities and fast moving consumer goods.** The target market in this case probably refers to the general public. (2 marks)

As the target customers are **widely dispersed** and need to **frequently buy** the company's products, the dairy product manufacturer should make the **products conveniently available** for them. (2 marks)

the **nature of the products** should be considered (e.g., the **perishability** of dairy products) when answering this question.

Case

1 Xiaomi is likely to adopt the marketing objective of **market share leadership.**

Xiaomi tends to set **a low price for its high-end smartphones.** This can attract a lot of customers into trying its smartphones. Xiaomi will then be able to enjoy **economies of scale** when producing smartphones. Xiaomi may thus **maximise its market share** and **earn profits in the long run.**

- 2 a Xiaomi adopts indirect distribution.
- b The reasons are as follows:
- Xiaomi finds it too costly to sell its smartphones with its own sales force in Hong Kong.
 - Xiaomi lacks the expertise and resources to sell its smartphones itself in Hong Kong.
 - Consumers are geographically dispersed in Hong Kong. It is more cost effective for the company to use channel members (i.e., PCCW-HKT) to reach them.
 - As a local company, PCCW-HKT understands the market situation in Hong Kong. Xiaomi might not be familiar with the smartphone market situation in Hong Kong.
- (Any other reasonable answers)

- 3 Xiaomi has expanded its product line by line filling. It has added more items (i.e., tablet computers and TV boxes) to serve its existing customers.

This has provided more choices for existing customers and helps keep competitors away.

4 PCCW-HKT can **promote** Xiaomi's smartphones as follows:

- PCCW-HKT can use **mass advertising means** such as TV and print advertisements (e.g., computer magazines, newspapers) to **create product awareness** among consumers.
- PCCW-HKT can use **sales promotions**, such as **offering discounts or organising a lucky draw** to persuade consumers to buy Xiaomi's smartphones.
- PCCW-HKT can use **public relations** to further **create product awareness**. For example, it can organise press conferences to introduce the features of Xiaomi's smartphones.