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The Influence of Xiaomi's Marketing Strategy in China under the New Media Environment

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Abstract:

This study looks into how Xiaomi's marketing strategy affects its performance in the Chinese market under the new media environment, with a key focus on analyzing the company's competitive standing through the lens of Porter's Five Forces framework. As a significant player in the global smartphone and Internet of Things (IoT) sectors, Xiaomi has experienced rapid growth since its establishment in 2010. And this expansion is primarily driven by its strategic commitment to providing "high-quality products at affordable prices" and its distinctive ecosystem-oriented business model. The analysis shows that Xiaomi has mitigated supplier bargaining power via bulk procurement and collaboration with multiple suppliers. However, it continues to face vulnerabilities concerning critical components, such as high-end chips, due to its limited in-house development capabilities. In competing with existing market players, Xiaomi stays competitive by offering cost-effective products with a wide range of features. Nevertheless, it runs into challenges from rivals like Huawei, Apple, OPPO, and vivo, particularly in areas including technological innovation, brand premium, and offline distribution channels. Market entry for new firms is difficult due to high barriers in technology, patents, and distribution, thus resulting in a relatively low threat from new entrants. Regarding customer switching, Xiaomi benefits from a loyal user base and the strong ecosystem integration, which help mitigate this risk. While buyers do possess some bargaining power due to market competition and product homogeneity, Xiaomi's strategic pricing and brand loyalty serve to counterbalance this influence.

Keywords: Xiaomi; Marketing Strategy; New Media Environment; Porter's Five Forces; IoT Ecosystem

1. Introduction

Founded in 2010, Xiaomi Corporation is a leading global smartphone and Artificial Intelligence of Things (AIoT) ecosystem company, with businesses covering smartphones, smart homes, and smart cars, thereby forming an ecosystem of “Smartphones × Vehicles × AIoT.” It strengthens its market position through innovation and ecosystem partnerships. As competition intensifies in the smartphone and Internet of Things (IoT) industries, companies’ innovative capabilities in marketing strategies and ecosystem building are becoming increasingly crucial factors in determining market performance. However, existing research largely focuses on single business lines or localized strategy analyses, such as the cost-effectiveness strategy for smartphones, lacking a systematic and structured assessment of the overall competitive environment for companies. Though Porter’s Five Forces model has been used in many studies as a classic tool for analyzing industry competition, its use in Xiaomi’s marketing strategy and its entire ecosystem layout is still relatively limited. Thus, this paper explores Xiaomi’s marketing strategies and market competitiveness in the new media environment, investigating its advantages and challenges in terms of the intensity of competition from existing competitors, the bargaining power of suppliers, the bargaining power of customers, the threat of substitutes, and the threat of potential entrants. Employing Porter’s Five Forces model as the analytical framework, combined with market data, financial statements, and industry reports, it conducts a structured analysis of Xiaomi’s competitive environment, revealing the intrinsic link between the company’s marketing strategies and market performance. This study offers a reference for studying corporate marketing and competition in the new media era, and provides insights for optimizing strategies and ecosystem collaboration.

2. The Porter’s Five Forces Analysis of Xiaomi’s Marketing and Competition

2.1 The Bargaining Power of Suppliers

Xiaomi’s key suppliers implement a “domestic-first, globally coordinated” strategy. Through long-term, stable collaboration and joint R&D, they strike a balance in technology, quality, cost, and delivery, supporting Xiaomi’s development of cost-effective yet high-end product lines.
Through the establishment of a diversified supplier system and strategic partnerships, Xiaomi has mitigated the bargaining power of non-critical component suppliers, while exhibiting significant reliance on suppliers of key components. Its main suppliers cover chips, screens, memory, cameras, and batteries. In particular, chip suppliers include Qualcomm, MediaTek, and Samsung; display suppliers are BOE, Samsung Display, and AU Optronics; memory suppliers comprise Samsung, SK Hynix, and Micron; and camera suppliers include Sony, Samsung, and OmniVision; and battery suppliers consist of CATL, BYD, and Tianjin Lishen [1].
Leveraging its systemic advantages, like large-scale procurement, multi-supplier and ecosystem collaboration, short-term credit and funding ties, product category reuse, and high turnover, Xiaomi has significantly weakened the bargaining power of non-core component suppliers. However, the cost structure for smartphone chips, especially premium SoCs, continues to be primarily influenced by major suppliers such as Qualcomm. For example, the procurement price of a single Qualcomm Snapdragon 8 Gen 3 flagship chip is around 160 to 200 yuan, accounting for 15% to 20% of the bill of materials cost for Xiaomi’s high-end models. In comparison, Qualcomm has invested over 1.5 billion yuan to develop its 3nm chips, which is much higher than MediaTek’s annual expenditure of about 5 billion yuan for its Dimensity series. This scale of investment necessitates that smartphone manufacturers achieve annual sales volumes in the hundreds of millions to distribute costs through economies of scale [2]. This cost structure is relatively rigid, and even with large-scale procurement from flagship models exceeding ten million units, the Company generally attains only modest discounts, seldom surpassing five percent, thus limiting its capacity to meaningfully lower the costs of core components. However, Xiaomi’s self-developed chips are still in their early stages and cannot yet replace external core suppliers. Since the start of R&D in 2019, its achievements have mainly focused on imaging chips and charging chips, with no breakthrough yet achieved in core SoC technology. System-on-a-chip integrates CPU, GPU, 5G baseband, and AI NPU, making its R&D significantly more difficult than dedicated chips. Based on the current level of technology, it will take Xiaomi five to eight years of technological accumulation and billions of dollars in investment to achieve self-sufficiency in core chips [3].

2.2 Rivalry among Existing Competitors

Xiaomi holds a significant market share and user base in both the smartphone and smart home markets, demon-

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strating strong overall competitiveness. The company maintains its market position by continuously launching products with differentiated features and distinctive designs, while also highlighting its value-for-money features [4]. For example, there are significant differences between the Xiaomi 15 and iPhone 16 in terms of core hardware and performance specifications, as shown in Table 1 [5,6].

Table 1. Comparison of Key Specifications

Parameter Category	Xiaomi 15	iPhone 16
SoC/OS	Snapdragon 8 Elite, HyperOS 2	A18, iOS 18
Display	6.36-inch OLED, 1.5K, 1–120 Hz	6.1-inch OLED, 2556×1179
Rear Camera	50+50+50 MP, 3× optical zoom	48+12 MP
Front Camera	32 MP	12 MP
Battery & Charging	5400 mAh, 90 W wired / 50 W wireless	3561 mAh, ~27 W
Dimensions & Weight	152.3×71.2×8.08 mm, 191 g	146.6×71.6×7.8 mm, 170 g
Connectivity	5G, WiFi 7, Bluetooth 5.4	5G, WiFi 6E, Bluetooth 5.3
Durability	IP68	IP68
Suggested Retail Price	¥3,999 (12+256GB)	¥7,799 (512GB)

The comparison indicates that the Xiaomi 15 shows clear advantages in processor performance, battery capacity, and camera specifications, whereas the iPhone 16 excels in terms of slimmer body design and ecosystem integration. Both devices support 5G and WiFi 6 and possess an IP68 dust and water resistance rating.

However, Xiaomi still relies heavily on external suppliers for core technologies. Its chips and operating system are primarily dependent on Qualcomm and the Android platform. Although progress has been made with its self-developed Paddle chips, market penetration remains limited. Compared with the technological barriers established by Huawei's Kirin chips and Apple's iOS ecosystem, Xiaomi lacks fully independent and controllable core technologies, which constrains its competitiveness in the high-end market to some extent. In addition, Xiaomi's R&D investment is relatively low, significantly below Huawei during the same period, which may influence its technological innovation capacity and competitive advantage [7].

2.3 Threat of Substitute Products or Services

The main substitutes in the smartphone industry come from cross-category devices and services that fulfill core functions such as communication, entertainment, and mobile work. For Xiaomi, key substitutes include tablet and smartwatch combinations, second-hand or refurbished flagship phones, foldable devices, emerging AR/VR/XR terminals, and carrier contract schemes. These alternatives can reduce consumers' need to replace smartphones in certain scenarios, thereby posing potential competitive threats to Xiaomi.

Tablets and smartwatches are gradually replacing traditional smartphone functions. Tablets meet needs for media consumption, reading, and light office work, while smartwatches provide health monitoring, notifications, and basic communication, reducing some users' reliance on smartphone performance upgrades. Meanwhile, second-hand flagship phones offer high performance at lower prices, making new devices no longer the only option and further limiting Xiaomi's growth in the mid-to-high-end market. Foldable devices are also entering the traditional straight-screen flagship price segment. For instance, Honor Magic Vs2, priced at ¥6,999, competes directly with high-end straight-screen models, drawing demand from the mid-to-high-end segment [8]. Besides, emerging AR, VR, and XR devices are rapidly expanding in gaming, media consumption, and immersive interactions, increasing user engagement and indirectly reducing dependence on smartphones as the primary smart device. Carrier contract schemes also serve as substitutes by locking certain user groups long-term, limiting their flexibility to switch to competing brands, including Xiaomi, and further shrinking the potential user base.

Despite the continuous evolution of substitutes, Xiaomi mitigates their impact to some extent by strengthening brand stickiness. Approximately half of Xiaomi users exhibit strong loyalty and emotional attachment to the brand, making them more inclined to adopt new Xiaomi models and continue purchasing ecosystem products and accessories. This sustained engagement reinforces consumption within the Xiaomi system and demonstrates the diffusion of substitutes [9]. Moreover, competitive advantages gained by other industry players, such as oppo's extensive expansion into lower-tier offline markets by focusing on gaming experience and performance, it has successfully targeted the market of young players in one fell swoop [8,10].

2.4 Threat of Potential New Entrants

The smartphone industry has high entry barriers, with new entrants limited by technology, capital, supply chains, ecosystems, and distribution. In the past decade, few new brands have entered the mainstream market, and former leaders like LG and HTC have exited, showing the industry is highly mature and hard for newcomers to break through.

Technological barriers remain the most fundamental obstacle. Flagship models require advanced capabilities in areas such as chips, imaging systems, and operating systems, which have long been dominated by a few incumbents. At the operating system level, the market is essentially a duopoly of Android and iOS, making it difficult for new entrants to attract users already deeply embedded in these ecosystems. Supply chain requirements further increase the industry barrier, since component customization, inventory planning, and quality control all demand substantial capital and large-scale operations, and limited scale directly drives up production costs.

The construction of distribution and after-sales networks also increases market entry difficulty. Leading brands have already established extensive online and offline channels, and new entrants would need substantial time and investment to achieve comparable coverage. As shown in Table 2, from Q2 2023 to Q3 2024, market share has been highly concentrated among Huawei, Apple, oppo, vivo, Xiaomi, and Honor, while "Others" remained at a consistently low level of 5%-7% [11]. This indicates that although smaller or marginal brands can enter the market, their scale remains limited and insufficient to reshape the competitive landscape.

Table 2: Counterpoint Research Market Monitor Service

Brands	Q22023	Q32023	Q42023	Q12024	Q22024	Q3 2024
Huawei	11%	14%	17%	17%	15%	18%
Honor	15%	19%	15%	17%	15%	15%
Apple	16%	15%	21%	16%	14%	14%
Xiaomi	14%	14%	13%	14%	15%	15%
oppo	18%	16%	13%	16%	16%	15%
vivo	18%	16%	16%	15%	19%	19%
Others	7%	7%	5%	6%	5%	5%

2.5 The Bargaining Power of Buyers

In China's smartphone market, buyer bargaining power is relatively high. This is mainly due to factors such as user demographics, price sensitivity, product homogeneity, abundant brand choices, and lower information costs, all of which limit Xiaomi's control over end-user demand and greatly enhance consumers' negotiating position in transactions.

In terms of buyer composition, Xiaomi's core consumers are young men aged 18-34, with the 25-34 group being the largest. They mostly live in major cities and work or study in professional fields. Making up around 62%-69% of Xiaomi users, they care about performance, value for money, and seamless integration across devices. Users are largely performance-focused, price-conscious, dependent on the ecosystem, or primarily using auxiliary devices. While a portion shows brand loyalty, most tend to make rational choices and switch between brands easily [12]. Besides, high price sensitivity boosts buyer leverage, as consumers have learned to postpone purchases for deals due to frequent promotions and rapid product turnover. During major e-commerce events like 618 and Double 11 Day, Xiaomi typically offers 10%-15% price reductions, reinforcing the influence of price on purchase decisions and increasing consumers' negotiation leverage.

Moreover, Consumers can choose similar products from numerous domestic mobile phone brands. For them, there will be more choices, which also makes them decide which mobile phone manufacturer's products to buy in the future. Now, with the development of information and smooth internet, consumers can more easily obtain more comprehensive information through the internet. By comparing prices, manufacturers, and types, they have become the masters of the market [13].

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3. Marketing Strategy Optimization and Ecosystem Development

3.1 Channel Integration and User Experience Enhancement

In order to address the limitations of offline channels and enhance overall user experience, Xiaomi is developing an integrated online and offline channel system while also strengthening full-scenario after-sales services, aiming to narrow the gap with oppo and vivo in terms of channel coverage and service capabilities [14].

Regarding offline channels, it focuses on county and township markets, expanding coverage via direct stores and authorized service points. The Company adopts a "light-asset + local partnership" model, co-establishing experience stores with regional distributors to reduce expansion costs. In the commercial districts of core cities, flagship experience stores have been upgraded with display areas for smart cars and AIoT products, creating an integrated "mobile phone + car + smart hardware" experience scenario. In terms of online and offline data integration, Xiaomi has built a unified user data platform to achieve real-time synchronization of membership information, purchase records, and service needs. Users can seamlessly switch between channels while enjoying consistent pricing and service experiences, enhancing purchase convenience and ecosystem stickiness. For after-sales services, the company has implemented a "rapid repair network" and unified the online and offline service processes. County-level service points are equipped with standardized maintenance tools and spare parts, and users in remote areas are offered door-to-door pickup and delivery services. The system enables centralized management of repair requests, progress tracking, and satisfaction feedback, thereby improving overall service efficiency and quality.

3.2 Brand Rebranding and New Media Strategy Innovation

By emphasizing its technology and ecosystem, Xiaomi's branding and new media efforts move beyond the "cost-performance" image and build stronger connections with users [15]. In terms of high-end brand narrative, it has launched the "Xiaomi Technology Lab" series on platforms such as Douyin, Bilibili, and Xiaohongshu, highlighting core technologies like in-house chips, HyperOS, and imaging algorithms. Through experimental comparisons, engineer interviews, and other formats, it conveys a "technology-driven" brand image. For high-end models, Xiaomi invites tech KOLs and industry experts to conduct in-depth reviews, emphasizing differentiated advantages compared with Apple and Huawei, de-emphasizing price orientation, and reinforcing the perception of a premium experience. For its new media strategy, Xiaomi targets core users aged 18-34 with tailored content across platforms. On Douyin, it runs the "Xiaomi Ecological Life" shorts showing smartphone, smart home, and car integration; on Bilibili, it posts long "Hardcore Technology Analysis" videos highlighting tech features; and on Xiaohongshu, it hosts the "My Xiaomi Ecological Daily Life" challenge to encourage user-generated content. Big data analytics are used to track user interests, enabling precise content delivery and higher conversion rates. Furthermore, Xiaomi manages its fan community via the upgraded HyperOS platform and a Core User Co-Creation Program, where tech enthusiasts and KOLs test new products, vote on features, and give input on marketing. It hosts events like the Mi Fan Technology Festival and Ecological Experience Salon, offering early product access and exclusive perks. For its most loyal users, Xiaomi offers an Ecological Membership, linking after-sales support and extra services across smartphones, cars, and AIoT devices to keep users engaged.

3.3 Construction of an Innovation Ecosystem and Sustained Growth

Xiaomi supports long-term growth by advancing key technologies and connecting smartphones, cars, and AIoT devices, building a distinctive ecosystem of products and services [16].

In terms of core technology R&D, Xiaomi plans to increase its R&D investment ratio to over 10% between 2026 and 2030, focusing on key areas such as high-end SoC chips, AI large models, and intelligent driving algorithms. The Company set up a Chip R&D Special Fund to speed up core SoC development via independent research and global tech partnerships, targeting self-developed chips for mid-range models within five years. Besides, Xiaomi is strengthening joint R&D with domestic supply chain enterprises, such as SMIC and BOE, to reduce dependence on overseas core component suppliers like Qualcomm and Samsung. Regarding ecological collaborative experience, it uses HyperOS to link the data interfaces of smartphones, cars, and smart home devices, enabling seamless human-device-scenario interaction. For example, mobile navigation automatically syncs to the car's central control screen while driving, and smart home devices pre-start air conditioning and lighting based on the user's home schedule; photos captured on the phone can automatically sync to smart TVs and tablets, supporting cross-device editing and sharing. Xiaomi has also launched an Ecological Rights and Benefits Package, providing users who purchase Xiaomi smartphones and smart cars with exclusive services such as shared data, priority access to device interconnection, and joint after-sales support, thereby strengthening ecosystem binding.

In expanding emerging business areas, Xiaomi targets full-scenario smart living, including smart office and smart health applications. For office users, the Multi-Screen Collaboration Pro feature allows seamless file transfer and video conference switching across smartphones, laptops, and tablets. In health applications, smart home device data is linked with wearable health management functions. When poor sleep is detected, the smart mattress adjusts firmness automatically, and the air purifier optimizes bedroom air quality. Using data from nearly one billion AIoT devices, Xiaomi delivers personalized, context-based recommendations to boost repurchase rates and long-term engagement with its ecosystem products.

4. Conclusion

In the context of the new media environment, this study adopts Porter's Five Forces to analyze Xiaomi's marketing strategy and competitive position in the Chinese market, showing that Xiaomi has consolidated its market position via two core advantages. Its high cost-performance products across smartphones, AIoT devices, and smart cars has built a loyal user base, while its integrated ecosystem boosts engagement and creates a clear competitive advantage. Moreover, Xiaomi has reduced supply chain and market competition risks through operational optimization. Large-scale procurement and collaboration with multiple suppliers have weakened the bargaining power of non-core component providers, while high industry barriers in technology, patents, and channels keep the threat from new entrants low, ensuring a stable competitive environment for Xiaomi.

Nevertheless, Xiaomi faces prominent challenges that restrict its further development. In terms of core competitiveness, its reliance on external suppliers for high-end core components and key technologies remains a critical bottleneck, and self-developed technologies have not yet broken through key barriers, limiting its ability to compete in the high-end market. Despite the continued appeal of its cost-effective products, Xiaomi trails competitors in brand prestige, offline channel presence, and after-sales service. Market-wide smartphone similarity also boosts buyers' bargaining power, hence pushing Xiaomi to compete more on price and putting additional pressure on its profit margins. Future growth for Xiaomi in the new media era depends on addressing key challenges by boosting R&D to overcome technology bottlenecks, enhancing offline channels to complement online strengths, and deepening ecosystem integration beyond cost-effectiveness. Strengthening these areas will help Xiaomi secure its position in smartphones and smart hardware and drive long-term growth.

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