

# How Could Xiaomi Success in Online Phone Purchase Persuasion Influence other Phone Manufacturer?

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## Abstract

As the world evolved, people were not only able to grow and produce more crops but they have also found the ability to mass produce. With the ability to mass produce, people start to trade with traders that come from all over the world. All those exchange and trading activities are done through physical appearance of two or more people. In the 21<sup>st</sup> century, most businesses are beginning to be transacted online. Buyers no longer need to go out from the house and go through all the hassle just to buy certain products. Xiaomi took advantage of the changes of world of internet and succeeded. As Xiaomi grew bigger, other phone manufacturers saw the opportunity to be as successful as Xiaomi. This paper looks into the current phone purchase behavior of the consumers and how the behavior is able to create opportunity to the other phone manufacturers to copy Xiaomi's success.

**Keywords:** Online Purchase Behavior, Xiaomi, Internet

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## Introduction

Shopping is a popular behavior of every individual in this world and that they would like to do it every day given the chance. The traditional shopping behavior is where

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consumers need to travel to the shop and buy their items. Traditional shopping allows consumers to touch, feel and experience the product that they wish to buy (Joonkyum&Bumsoo, 2014; Anderson, &Simester, 2014). For online shopping it is very different compared to traditional shopping. Online shopping does not allow consumers to touch, feel and experience the product that they wish to buy. Consumers are only able to decide through the photos or videos that online retailers uploaded and the description written in the website. Consumers no longer need to travel to the shop just to buy an item. Consumers just need to click to confirm the purchase and the online retailers will ship their item to the consumers' door step. Online shopping however can be a disappointment to the consumers because the product they get may not meet their expectation. Initially consumers found the description written or videos or photos that were uploaded by the online retailers very promising. The disappointment consumers experienced reduced urge the online re-buy behavior. Consumers will fall back to traditional shopping to avoid disappointment. Even though consumers are willing to try buying online again, the amount of money and quantity of products that consumer is willing to pay or buy is confined to cheap or small products (Yulin, Israr, Heshan, McCole, Ramsey & Kai H., 2014).

### **Online Purchase Behavior**

Online Purchase Behavior is a behavior where consumers are willing to risk to buy products online without touch, feel and experience the products that they wish to buy (Joonkyum&Bumsoo, 2014; Anderson, &Simester, 2014). Online purchases are still risky compared to the traditional buying behavior. Traditional buying behavior allows consumers to touch, feel and experience the product they wish to buy. Besides that, consumers can check the products that they wish to buy properly on the spot. Consumers can demand the retailers to change the product and making sure the exchanged product is 100% working as the product should. In contrast to online purchase, consumers might not know how the products function except what is stated by the retailers through written description, pictures or videos. Most of the time, consumers are surprised by the functions that were not introduced by the retailers. Besides consumers are also unable to understand the finer points of the products, consumers are also exposed to the risk of being cheated by dishonest retailers. For example, there is this British gentleman bought and paid £300 for a laptop but instead he got a piece of paper with the laptop picture on it (Hartley-Parkinson, 2015).

Online Purchase Behavior is also a behavior where consumers are not willing to go through the hassle just to buy some products at the brick and mortar shop. For example, consumers who still practice traditional purchase behavior will have to go through the hassle of (1) traveling to the shop, (2) find a parking, (3) park the car and walk to the shop, (4) walk through different section of groceries just to find a specific product, (5) line up to pay and (6) carrying the heavy groceries to the car and drive back. Consumers that practice traditional purchase behavior will need to at least go through a minimum of 6 steps just to have their groceries in their kitchen. In contrast with consumers who practice online purchase behavior they only need to click few buttons and their groceries will be sent to their house (Kumar & Mukherjee, 2013). For example, Amazon introduced their Amazon Fresh service to the public with the membership of \$299 per

year and users will just need to choose the items they want and those items will be delivered to their house without going out of the house (Crook, 2013).

However Online Purchase Behavior among consumers is giving popularity due to the trust that consumers have in the online retailers (Malik &Guptha, 2013; Singh & Singh, 2014; Tze-Hsien, &Ching-Jui, 2014). For example, Amazon.com is a trusted online retailer brand. American trusted Amazon so much that they will prefer to search the items that they wish to buy using Amazon website or its application. Whenever there are some problems about the products, Amazon will handle it with satisfaction guaranteed. Due to the good services that Amazon is able to provide, customers are confident enough to spend more money on Amazon or re-buy from Amazon.

### **Word-of-Mouth**

Word-of-Mouth is one of the important effects in marketing. This is the idea or strategy that is able to make people talk and spread news about a company's brand, products or services (Keller, 2007; Okazaki, 2009; Notarantonio& Quigley, 2009). Word-of-Mouth is a strategy where consumers are aware of a specific company's brand, products or services and start talking and spreading the company's brand, product or services to more people around them. When a consumer use a company's product or service, he or she would share his or her experience with the product or service no matter he or she has a good or bad experience with the company's product or service. The experience sharing of the consumers will increase the people awareness of the company's brand and increase the sales revenue of the company. Thus, it is very important for a company to build a strong brand loyalty with the consumers (Shimp, Wood &Smarandescu, 2007; Notarantonio& Quigley, 2009).

### **Xiaomi**

Xiaomi is a software company that is founded by 8 co-founders in 2010. Xiaomi's first product is MIUI which has over 100 million user-bases to the date of this article written (En.miui.com, 2015). Xiaomi's priority is to distribute MIUI globally and their involvement in hardware business in 2011 mainly is to help boost MIUI user-base. In order to have more consumers to own their hardware, Xiaomi decided to sell their products at near-to-cost (Bhagat, 2014). To Xiaomi, setting up a traditional brick and mortar store might increase the cost of the product and in view of this Xiaomi concentrated their businesses online. Due to Xiaomi's product will not be available on the website at all times; Xiaomi needed a way to communicate with its consumers. So the best way for them to communicate with consumers is through the social media. Xiaomi's strategy of concentrating their business through the social media allows their brand to be known in no time (Shih, Lin, &Luarn, 2014; Stone, 2014).

#### *Marketing Strategy*

Since MIUI was launched in 2010, Xiaomi had successfully built a strong user-base. Xiaomi's hardware business helped consumers of Xiaomi to spread Xiaomi brand easier as it has its own hardware for people to test out (Seifert, 2013). MIUI requires complex procedure just to load it on MIUI supported devices. Normal smartphone users will not

waste their precious time to learn how to load MIUI to their current smartphone. As Xiaomi's first hardware released, MIUI enthusiastic users manage to show MIUI to their friends and family by handing Xiaomi's phone to them. Besides that, Xiaomi can be so successful because they followed guerrilla marketing guidelines. Xiaomi focused their marketing through social media (Facebook and Weibo) and utilize the current hot topic happening. For example, Xiaomi is able to utilize the topic of petrol price increased of RM 0.20 in 2014. Xiaomi made fun of the petrol price increase by promising their customers that they will not increase their products by RM 0.20 and also announcing it on Facebook (Mi Malaysia, 2014). This became the popular discussion topic among Xiaomi's customers. Xiaomi's customers felt that the post were hilarious and shared the post on their profiles. As they were sharing the post, more and more friends or family members who did not know about Xiaomi will notice the price of the products or the brand (Mir, 2014; Naylor, Lamberton & West, 2012).

### *Ideology about their Products*

Xiaomi managed to spread its ideology of "Always believe that something wonderful is about to happen" with their products. When a consumer receives his or her package from Xiaomi, it always has the "Wow" factor to surprise the consumers when they opened their package. The "Wow" factors make Xiaomi's consumers keep purchasing their products and also spread Xiaomi's brand in their social circle. Xiaomi's way of marketing is different as compared to competitors as they will use their sales volume to market their products (Olson, 2014; Bhagat, 2014). For example, on 3rd of July, 2014, Xiaomi has able to sell 7000 sets of Xiaomi Mi 3 in just 35 seconds (Mi Malaysia, 2014) and Xiaomi posted it on Facebook. Some consumers are frustrated and also some consumers are happy with the sales. Consumers who previously did not hear the Xiaomi as a brand before might have the chance to know the brand as consumers who managed to get one of the 7000 sets or consumers who did not manage to get one will post in their profile to complain or to show off. This outstanding way of marketing managed to capture consumers' attention.

### *Communication with the Consumers*

Xiaomi do not blindly advertise their success, they also incorporate consumers' daily life activities. Xiaomi's mascot, MiTu or Mi Bunny became their marketing tools. Xiaomi do not always market their smartphone instead Xiaomi uses MiTu as a medium to communicate with consumers. MiTu plays a role as a friend to its customers. MiTu advertisement 'discuss' about daily life issues. For example, Xiaomi will post a photo in Facebook and in the picture MiTu will ask how your day is. By just doing that, customers will start to comment or discuss in the post which will also appear in consumers' friends' newsfeed. Xiaomi style of marketing is considered effective and relevant as the content is directly related to their products. To that end, Xiaomi have communicated with their marketing team as their doubts have been eliminated and confidence reoffered. Xiaomi's way of marketing is very flexible and unique. Xiaomi concentrated their communication with their consumers solely through social media. It allows them to always send out the latest information to their customers.

## Discussion

By 2014, Xiaomi is able to ship 61.1 million handsets which exclude the sales of power banks and accessories which they are also selling (Agomuoh, 2015). By just selling their products online at the East shores, Xiaomi is able to create success and in 2015 Xiaomi is planning to expand to West shores starting with Brazil and Russia (Agomuoh, 2015). On Thursday 12 February 2015, Xiaomi held a press event in San Francisco to announce their expansion to United State of America but with a catch (Ingraham, 2015). Xiaomi's US website will only sell Power Banks and accessories; this is due to the regulatory of the hardware and software integration specifically for the US cause some difficulties for Xiaomi to launch their phones in this year. Xiaomi's success also moved Xiaomi's global position to the latest 3rd place and that success attracted other phone manufactures to adapt Xiaomi's way of selling their products. Xiaomi only sell their products through their official website.

Xiaomi's success does not happen overnight, Xiaomi's success is mainly due to Word-of-Mouth. Xiaomi's product will not be available on brick and mortar like other phone manufacturers, Apple and Samsung. So the only way for customers that wish to buy Xiaomi's product is to try Xiaomi's product from their friends. When they confront their friends, their friends will praise Xiaomi's product if they are satisfied with the quality that Xiaomi is able to provide. This boosts the confidence of the consumers because their friends are satisfied with Xiaomi's product and if they are also satisfied with the product they will recommend to their friends that have not own Xiaomi's product. Xiaomi's success attracted other phone manufacturers to adapt Xiaomi's business model. Xiaomi's biggest competitor in China which also sells Android handsets, Lenovo and Huawei also adapted the same business model which is selling their phones through their websites. Lenovo and Huawei see significant increase in their sales.

Consumers are gradually adapting online purchase behavior due to the familiarity with the usage of internet. Consumers are slowly depending on the digital devices like smartphone, tablet and laptop. They no longer wish to travel to certain place just to buy certain products. Consumers prefer just to click a few buttons and the product that they purchased will arrive at their door steps (Kumar & Mukherjee, 2013; Singh & Singh, 2014; Beldona, Nusair, & Demicco, 2009). Xiaomi took advantage on that perspective, where consumers are gradually depending on the internet to get information or even products. Consumers who bought Xiaomi's product before might no longer wish to travel to brick and mortar just to try or just to buy phones. Xiaomi provided the convenience to their consumers not to go out of the house and this attracted certain group of consumers. Xiaomi also provided accessible service centers that will fix Xiaomi device even though it is shipped from China. This attracted more consumers to buy Xiaomi's product. Xiaomi's product will not be available at the same time in China. Their product will only available to the international market after few months Xiaomi sold in China. Normally Xiaomi's product enthusiasts will ship Xiaomi's product directly from China and the products will not have warranty. With the new business decision, consumers are happy that they do not need to throw the product away if it having problems. This boosted consumers' confidence to buy Xiaomi's product because they know the product they bought will be handled by Xiaomi even if the product is

from China. Consumers trust in Xiaomi's product quality and services reinforced more re-buys from Xiaomi's website.

Since last year, 2014, more and more phone manufacturers adapted Xiaomi's business model to sell phone online. For example, HTC, Meizu and Asus decided to sell their products online in order to reduce costs and boost sales. Meizu introduced their new sub-brand, Blue Charm (魅蓝) in January 2015, a mid-range smartphone. This sub-brand will sell on their website with a very affordable price which is near to cost like Xiaomi. Blue Charm will also be available at the brick and mortar but with a higher price. Meizu gave out an official statement to clarify why there are price differences between online store and brick and mortar store (Sykes, 2015). Due to the price difference, consumers' only available option to enjoy lower price handsets is to buy through Meizu's website. Besides that, Asus also another phone manufacture that also adapted Xiaomi's business model. Asus started selling their phone through website in their hometown, Taiwan by offering attractive promotion to their customers. Asus registered a significant increase in their revenue online and decided to use the same business model in Malaysia. Asus started to sell their smartphones online and gradually expanded to tablet and accessories. HTC also adapted the same business model like Xiaomi. HTC decided to open eStore in their hometown, Taiwan and started to operate on the 4<sup>th</sup> February 2015 (Wu, 2015).

## Conclusion

The ever growing hectic lifestyle has forced consumers change their purchase behavior. Consumers are gradually changing their purchase behavior; consumers no longer wish to travel and go through hassles just to buy groceries. The best thing that can happen to consumers is that those groceries can be shipped to their home with just a few clicks. This phenomenon is getting popular among consumers and is called online purchase behavior. Online purchase behavior is a behavior where consumers buy their item through online retailers. As online purchase behavior increases, companies like Xiaomi built their success through online sales. Xiaomi is able to ship 61.1 million handsets by the year 2014 and Xiaomi success attracted their competitors to adapt this online retail business model. Phone manufactures like HTC, Asus and Meizu adapted online retail business model in order to increase their revenue. Asus's revenue did see some significant increase and they expanded their range of products in their online store. Asus started selling smartphones on their website and now they expanded to laptops and accessories. As consumes are getting used to online purchases, there will be more and more phone manufactures practicing online retail business model to increase revenue and to accommodate consumers need to stay competitive.

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