

Marketing Proposal and Strategy for New Xiaomi Product “MiSpectacles”



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ABSTRACT

This document provides a marketing report on Xiaomi Inc, a multinational corporation based in Beijing, China. Xiaomi is a privately owned Chinese electronics company founded by Lei Jun and several partners in 2010, and which has now grown to be the world's third largest smartphone distributor. The report begins with an introduction to Xiaomi and briefly highlights the company's background and history. Highlights of the firm's external environment are provided using the PEST framework, followed by an analysis of the competitive environment using the Porter's Five Forces framework, leading to a discussion on the organisation's strengths, weaknesses, opportunities and threats in light of its operating environment. The report then proposes 3 viable market segments for the proposed new product (MiSpectacles), and selects a proposed target market segment, highlighting the company's differentiating strategy and value proposition. The report concludes with a proposal on the marketing mix for the new product, as well as the product development strategy.

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1.0 INTRODUCTION

Xiaomi was founded in April 6, 2010 by serial entrepreneur Lei Jun, who is one of China's top 20 richest person with net worth US\$ 9.1 billion according to Forbes (Olson, 2014). It crafted smartphone hardware, software, and internet services as well as accessories with the help of smart and talented people that it hired from Google, Kingsoft, Microsoft, Motorola, Yahoo and other successful technology companies around the globe.

Xiaomi has sold more than 60 million smartphones worldwide in 2014, with more than 18 million handsets in China alone, resulting in US\$ 12 billion revenue. Their presence is mainly in the Asian region such as China, Malaysia, Singapore and Philippines. Xiaomi's focus is to produce reliable, user friendly, mobile applications and affordable phones to customers. Xiaomi is currently the third largest smartphone producer in the world with over 5,000 employees worldwide.

As of December 2014, Xiaomi has achieved the status of the most valuable technology start-up in the world after it successfully secured US\$1.1 billion investment with a company valuation of US\$ 45 billion (Shih, 2015).

Xiaomi's Company Mantra

“Always believe that something wonderful is about to happen”

2.0 MARKETING ENVIRONMENT ANALYSIS (SWOT)

2.1 Analysis of the General Environment

In order to analyse the general environment, the PESTEL analysis is used as a framework tool to study the external marketing environment by examining the macro factors of political, environmental, social, technological, ecological and legal. This report focuses the analysis on two factors which are considered most relevant and crucial for Xiaomi: the social factor, and the technology factor.

2.1.1 Social Factor

The China market is dominated by many foreign phone makers such as Samsung, Lenovo, Apple, HTC and Nokia, who have been controlling 70 percent of the market since the past few years. Thus, the time and sentiment is ripe for the emergence of a national identity brand (i.e. home grown China brand) which will allow user to enjoy the full benefits of advanced latest smart phone, yet with cheaper price. Considering typical per capita income levels, in order to be labelled as middle income, one needs to make \$34,000 per year – not a very large figure for most developed countries. However, for most people in China and across Asia (and indeed in most developing countries in the world), very few people can achieve this level of income. As such, there is a tremendous demand for technologically advanced smartphones and accessories, but yet at a price point which is low enough to be affordable to the working class people in the developing countries.

This represents a tremendous opportunity for Xiaomi. While the average selling price for Apple iPhones is very high, Xiaomi could offer their advanced smartphone below the prices of even other competing Android phones.

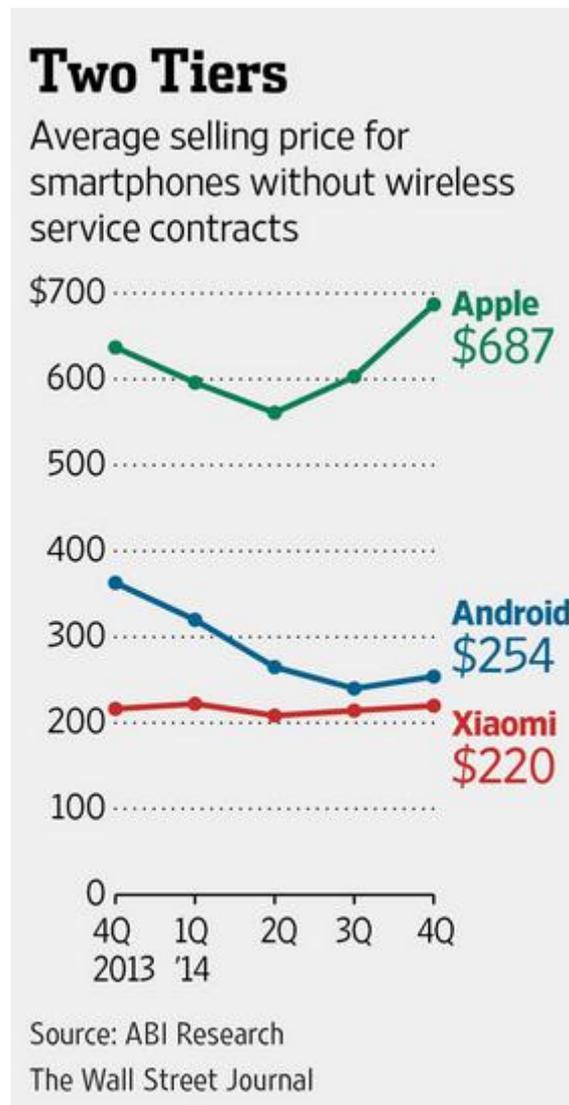


Figure 2-1 : Xiaomi Price Compared with Apple and Android Handsets
(Source: Mims, 2015)

Considering the number of mobile users in China, there is a market potential of 980.6 million buyers. Thus, the market in China itself is enormous, and when combined with

the other Asian countries' population who also need cheaper smartphones; the social factor driving the growing market for Xiaomi is incredibly positive (Mims, 2015)

2.1.2 Technology Factor

Xiaomi has made use of the Android system to ensure that they meet the expected specifications for user friendliness and great performance. Additionally, their line of smartphones which use Android support the cause for open source systems which are being championed by many technology-savvy people, as compared with Apple which strongly protects its proprietary and closed system. Xiaomi has aggressively offered “MiUI” which lets its users take the lead in customising their own user experience with unparalleled flexibility (Xiaomi, 2015). Thus, its technology captures the heart of its customers by allowing them more freedom than Apple’s iOS or even the standard Android handsets. Thus Xiaomi capitalises on user innovation, which is one of the main factors that drives the Xiaomi fortune today.

Since the mobile phone market is saturated with Apple and Samsung technology, people will always tend to look for something new. Although Xiaomi has been called “Apple of China” sometimes derisively, the technology shift does work well, and many people flock to Xiaomi in order to try something new, especially since it is much cheaper. Another strong point is that Xiaomi promotes online shopping which erases the cost for intermediaries. Asian internet services are better day by day, this online ordering platform is able to reach more and more customers every day.

2.2 Analysis of the Industry Environment

In order to analyse the industry environment, the Porter's Five Forces tool is used to analyse the various competitive forces which are operating in this industry that Xiaomi is in, with a focus on the competition which influences and relates to all five categories.

2.2.1 The Threat of New Entrants: MEDIUM

Xiaomi has been facing the threat of new entrants. The potential market and promising technology landscape has brought many competitors to try and grab market share in China. Other entrants such as Lenovo and HTC have also begun to make cheap and creatively designed models using the same strategy as Xiaomi – hence this has become a threat to Xiaomi. The entry barrier is high as new entrants would need to have deep pockets to build the necessary factory and infrastructure for development, but this is definitely viable for other established companies such as Lenovo and HTC. Xiaomi would need to ensure that it continues to supply more high quality products and services to its customers.

2.2.2 The Threat of Substitutes: HIGH

Xiaomi's rivals, Lenovo and HTC have also begun to offer a series of cheaper products under their brands. These products can easily be substitutes to the products offered by Xiaomi. At similar price points and with technical specifications, it is easy for customers to be swayed and to choose the competitors' products. Xiaomi has to ensure that its selling price offers to the customers remain competitive, and that it can offer superior value, so that it can combat this threat. Not only the price must be improved, but also service and products must be improved to compete with other competitors.

2.2.3 Power of Suppliers: MEDIUM

Xiaomi sources its supply of raw materials such as electrical components and other materials such as plastic, steel and other products primarily from China and other Asian countries.

By using several different suppliers, Xiaomi can ensure that its supply lines are always sufficient regardless of unforeseen shortages, quality issues or even if some of the suppliers attempt to raise their prices. Furthermore, by not relying on only a few main suppliers, Xiaomi can increase its bargaining power in purchasing, and thus it can improve its bottom line and reduce operational costs.

2.2.4 Power of Customers: LOW

Xiaomi has sold more than 60 million smartphones worldwide in 2014, with more than 18 million handsets alone in China, resulting in US\$12 billion revenue. Their meteoric rise is in part due to the fact that besides Xiaomi, customers have currently no other choice in the market for high quality, well designed beautiful smartphones with latest high technical specifications but at such as cheap price. In fact, any other products at that low price is usually a cheap knock-off with very poor specifications or quality. Hence the power of customers can be considered low for the moment.

The challenge is for Xiaomi to capitalise on this as fast as possible by building their customer base beginning with China. After that, Xiaomi needs to quickly spread

internationally by conquering markets in Northeast Asia, Southeast Asia followed by the rest of Asia by offering lowest prices and highest quality goods.

In pursuing this objective, Xiaomi has produced many cheaper products which can substitute for the more expensive international brands in areas such as smartphones, tablet, activity tracker, powerbank and other accessories.

Xiaomi has also successfully mastered Internet marketing and is using it to generate awareness and publicity to customers all over the world. In particular, Xiaomi makes good use of Facebook and Twitter to make announcements to the public on product launches, features and functions. This is a strategy which attracts a lot of customer attention and grabs their interest.

2.2.5 Intensity of Rivalry: HIGH

The competition in this industry is very intense and almost brutal. Xiaomi not only faces threats from huge competitors such as Apple and Samsung, but also many other companies such as HTC, Lenovo, Huawei and other technology companies who have seen the tremendous market potential. Besides that, there are also many other smaller players such as Oppo and Oneplus who are also trying to get a piece of the pie. Xiaomi understands that it is not in their best interest to compete head-on with its strong competitors, thus it has created a strategy where its products meet the needs of the market in developing countries which may not be able to afford the premium products offered by its competitors.

2.3 Analysis of the Company's Core Competencies

A company's core competency is the most important asset as it is a set of core resources and practices which provide the company with its competitive edge, and which its competitors would have difficulty in imitating or replacing. For Xiaomi, their core competency is in their ability to design and produce high-end technology products, and to market them at such low prices which are unimaginable to their competitors. Every product of Xiaomi is cheaper than any other equivalent competitor product with similar specifications.

Furthermore, Xiaomi always updates and improves their products and services. Therefore, since Xiaomi products are cheap, customers will not mind to try the product. After trying out the product, customers will realise that the product works well and is good value for the money. Xiaomi will continue to acquire new customers since the product is good value, and this will increase Xiaomi's brand image and further improve product sales. The key will be to serve all the customers well and continue to provide superior value for them.

2.4 SWOT Analysis

The SWOT analysis provides a way to examine the strengths, weaknesses, opportunities and threats which the company is facing. The summary of SWOT for Xiaomi is as follows:

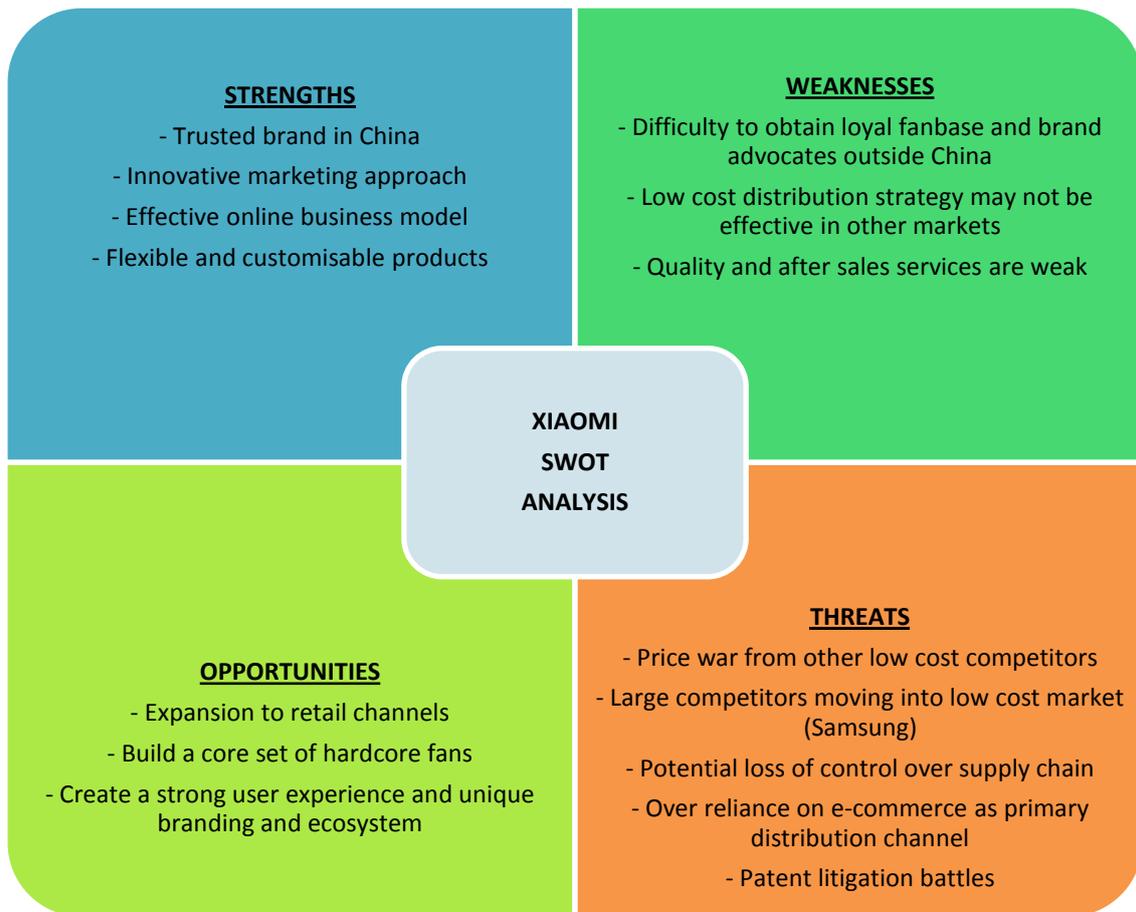


Figure 2-2 : Xiaomi SWOT Analysis

(Source: Author, 2015)

Xiaomi has a number of very good strengths. It is the market leader and a trusted brand in China which has made the country proud. It has been extremely successful using its innovative marketing approach to sell its products online. Therefore, with its flexible and customisable products, it has the opportunity to create a unique brand with a superior user experience by building and capitalising on its own MiUI ecosystem. However, Xiaomi needs to overcome its weaknesses in terms of quality and after sales services. Also, it may need to learn how to adapt its strategies to other markets, as they may not work so effectively outside of China. At the same time, it needs to deal with threats such as increasing competition both from low cost players, as well as major

competitors such as Samsung who are moving into the market. Also, the increasing patent litigation issues may slow down its growth and hamper its ability to move into certain markets.

3.0 MARKETING STRATEGY

3.1 Potential Target Segments

In our segmentation strategy, we are using geographic, demographic and psychographic segmentation to classify and build our target segments to consider for selection.

Geographic segmentation – our primary segmentation which is in Singapore, Asia. Singapore is one of the countries with the highest GDP in the world and consumers have huge spending power to purchase the newly released miSpecs. They offer a cheaper range of price compared to their competitors.

Demographic segmentation – Our target is towards the 20-34 and 35-49 years old range for both gender as they are capable of buying as they are professionals working in steady job and stable income without much commitments.

Psychographic segmentation – We target customers that are middle & working class as they are working and have a good lifestyle. Examples like achievers, strivers and survivors. Our miSpecs suits customer with an outgoing personality like jogging, running and excising in the gym.

The following sections provide an analysis of three potential target segments.

3.1.1 Segment 1

The first potential target segment is the Pre Teens (ages 6-12) and Teenagers (ages 13-19). This is a good potential market as even though they have no income yet, most of

them are coming from middle class families whose parents are willing and able to provide them with the best toys and devices that money can buy. As such, they have no issues with affordability to buy the MiSpectacles device. Furthermore, this market is growing in size rapidly as there is a rapidly growing middle class in Asia and they are having more and more children due to their rising wealth.

However, given that the main features and key benefits of the MiSpectacles product is the fact that it can monitor and alarm the user in case of health issues, this is not an attractive factor for this target segment of young children and teenagers. This is because they are generally very healthy and will not develop health problems till later in life. Furthermore, they are not yet working and do not have any stress or anxiety problems that they need a device to help them monitor.

Besides that, these are also very fickle minded consumers and will not have the attention span to use a device unless it provides instant entertainment and gratification for them. Thus, the concept of wearing a device just for monitoring will not be interesting to them. Even if their parents bought the device for them, they would only try it once or twice, and probably forget about it the next day.

As such, despite many benefits, this target segment is NOT SELECTED due to it not being in alignment with the MiSpectacles product core positioning and value proposition.

3.1.2 Segment 2

Given that the MiSpectacles product main features is regarding the way it can assist the user to monitor their stress and health to alert them in case of impending health problems or onset of heart attack, this makes it very suitable for people for whom health is rapidly becoming an issue.

Thus we examine the possible target segment of Mature (46-50 years old) and Elderly (more than 60 years old) users to evaluate if the product is a good fit for them. There are obvious advantages in that this target segment is very much concerned about health. Therefore, they would be glad to have a device which can help them to monitor if they are going to have a heart attack, and to help alert them or their family in case of any problems.

However, one of the problems is that this target market comprises of many people who are not technology savvy. As such, they may not want to have a device like MiSpectacles even if it can help monitor their health. Another problem is that they would have a lot of trouble even trying to learn how to use it. As a parallel, it is no surprise to learn that there is very little smartphone penetration among this target segment. They have difficulty to learn how to use the smartphone and they cannot even see the screen well due to eyesight problems. Thus, the main advantages of the product are immediately negated by these problems.

Furthermore, the people in this target segment have retired or stopped working, therefore they would not have any more source of income. Thus, they would be very careful and thrifty with their money. As such, they would not likely spend much on

discretionary spending for items such as technology products and devices unless it is critical to them. They would prefer rather to spend on essential items such as food and healthcare.

As such, despite a good fit in terms of fitness of function, this target segment is NOT SELECTED due to the target segment not having the right kind of user for the product.

3.1.3 Segment 3

Thus, we consider the target segment comprising of Young Adults (20-29 years of age) and Working Adults (30-45 years of age). This is the target segment which comprises of all the middle class in the country, and which is continuously growing at a rapid pace. This is the most important group of people in any country as they are the backbone of the workforce in the country, and their jobs and purchases and taxes that they pay are instrumental in driving the country's economy.

At this point in their lives, they are working in steady jobs with stable incomes and they would have relatively high disposable income as well as savings in both assets as well as cash and other financial instruments. Therefore, they would be financially able to afford to buy new products to try out even if they do not actually need the product. Most of them would be driven by peer pressure and would like to buy the same products that their friends and families are also buying. In fact, besides just function and utility, they would also buy products for prestige and social status. Furthermore, they are highly educated and are technology savvy, thus will have no problems understanding and use an advanced technology product.

At the same time, since there is growing awareness about the importance of health, this segment of people would also be very concerned with maintaining their health and monitoring it so that they would have early warning of disease and be able to take some proactive medical treatment to deal with it.

This is a scenario which ties in exactly with the product vision of the MiSpectacles. This product will enable them to stay on the cutting edge of product technology by having an advanced technology product which they can show off to their friends and family. At the same time, the product will also help them to monitor their stress, anxiety and health status. With the proactive monitoring provided by the product, they would be able to be reassured that they would get early warning in case of any heart attack or other health issue so that they could get immediate medical assistance.

Considering these factors, this target segment is **SELECTED** as it has a perfect fit of fitness to function and is in perfect alignment with the MiSpectacles product core positioning and value proposition.

3.2 Selected Target Segment

The framework used to select the target segment is the STP framework. The segmentation, targeting and positioning for the Xiaomi MiSpectacles is as summarised in the following diagram.

Age Level	Child (0-5yo)	Pre-Teen (6-12yo)	Teen (13-19yo)	Young Adult (20-29yo)	Adult (30-45yo)	Mature (46-60yo)	Elderly (>60yo)		
Income Level	Hardcore Poor (\$0-500)	In Poverty (\$501-1500)	Lower (\$1501-3000)	Lower Middle (\$3001-8000)	Middle (\$8001-12000)	Upper Middle (\$12001-25000)	Upper (\$25001-100000)	Super Upper (>\$100000)	
Education Level	Illiterate	Pre-School	Primary School	Secondary School	High School	Diploma / Degree	Post Graduate		
Occupation Type	Menial	Clerical	Non-Executive	Executive	Management	Director			
Psychometric	Survivor	Maker	Experiencer	Striver	Achiever	Believer	Thinker	Innovator	

Figure 3-1 : Segmentation, Targeting and Positioning (STP) for Xiaomi MiSpectacles

(Source: Author, 2015)

Based on the MiSpectacles features, it would make the most impact on young adults & working adults between (20-29 years old and 30-45 years old). This is a technology-savvy target segment who are middle class and have a good income to spend on these sorts of products. This target segment is a key audience for retail, consumer goods, and technology products, as such, they can be sometimes sceptical of advertising due to the fact that they have been overexposed and bombarded with all kinds of marketing messages. Therefore, it is vital that Xiaomi must deliver the right message at the right time to this targeted segment.

The following shows some additional information about the viability of this target segment (Hakuhodo, 2015):

- Ownership of either a mobile phone or smart phones is at least 90% in all 14 Asian Cities, thus making them a prime target for MiSpectacles as a complementary product.
- Both genders in their 20s drive smartphone ownership in Asia, mainly use them for social media tools. Apps and friendliness for media tools is the important factor for marketing for which Xiaomi has strong competencies in.

- Television, computer, and smartphone has become the Big Three Media in cities with high smartphone ownership. Thus, marketing channels should emphasize on these media platforms – which is good for Xiaomi which specialises on non-retail sales and e-commerce.

Furthermore, for cities with at least 60% of smartphone ownership such as Seoul, Hong Kong, Singapore, and Taipei, the smartphones user age group extends to 50s, thus falling neatly into the proposed target market segment. It is also interesting to note that female smartphone users are in higher volume in Bangkok and Jakarta, thus there will definitely be a demand from them for health applications. This additional information can serve as a guide for Xiaomi's marketing mix strategy.

3.3 Differentiation

Although Xiaomi MiSpectacles may not have all the features of the major competitors such as Google Glass, it differentiates itself as a part of Xiaomi's new integrated health care platform. Thus, for the target market of technology-savvy and also people with medical needs, it is able to provide a unique solution to meet their needs. Since the technology in MiSpectacles is focused only on the eyes, thus, it is a very suitable and intuitive solution for people who need to have an easy and effective health solution. By focusing on health as a key differentiating factor, the benefits of the MiSpectacles to the target segment is much simpler and very clear to them.

Besides that, Xiaomi MiSpectacles continues the Xiaomi tradition of very reasonable pricing and easy online ordering and delivery. As such, it is immediately much more price competitive compared to its competitors such as Google Glass.

Therefore, Xiaomi MiSpectacles is able to achieve a very clear and straightforward differentiation from its competitors.

3.4 Value Proposition

Basically, it is the promise of MiSpectacles that it will bring value to its user in terms of health benefits. Heart & fatigue issues are rising among the busy working class especially young adults & working adults who form the primary targeted segment for MiSpectacles. For safe driving, it delivers instant notifications to the users and monitors constantly for potential heart risks. This is the key feature which sets it apart from other competitor products which may have many unnecessary products benefits which are of lesser importance to the user. Xiaomi MiSpectacles offers most important value to its customers – health solutions – with a simple application, user friendliness, and reasonable price that will definitely meet their needs.

In crafting the value proposition, the framework proposed by Rintamaki et al (2007) is used to identify the key dimensions of customer value and to evaluate the value proposition in terms of it being able to create a competitive advantage for Xiaomi.

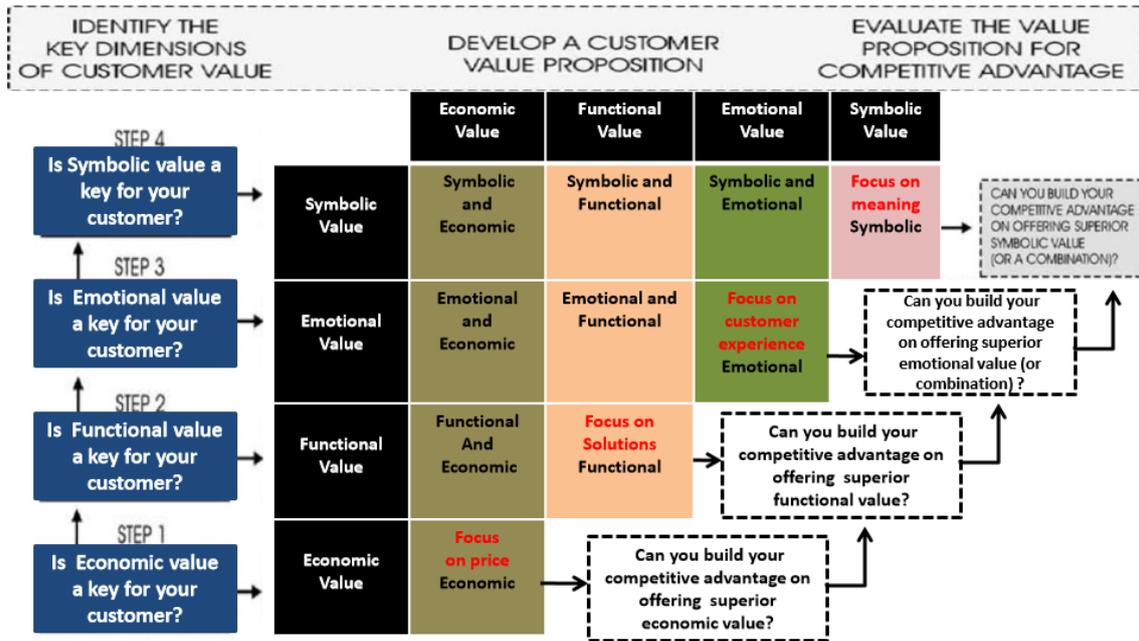


Figure 3-2 : A Framework to Identify Customer Value Propositions

(Source: Rintamaki, 2007)

As described above, the Xiaomi MiSpectacles will primarily offer functional value to the customer (in terms of health benefits), and besides that, it will also be priced affordably (offers economic value).

As such, the proposed value proposition for the product would be:

“A stylish and practical health wearable to complement smartphones and activity trackers forming an integrated platform for health monitoring and lifestyle tracking. Provides instant real-time feedback on vital signs for proactive health alerts. Targeted to middle-class consumers who are technology savvy and health conscious.”

4.0 MARKETING MIX FOR NEW PRODUCT

4.1 *New Product Development Strategy*

The new product development process is a key process in technology companies where innovation and new ideas are produced, monitored and pushed through a series of steps in order to test their validity and viability prior to development and commercialisation (Kapp, 2009). This formal process then helps the company to achieve the following innovation goals:

- To encourage the generation of the widest and largest possible number of ideas for testing
- To have a structured process to review and select the most commercially viable ideas for further review so that the limited R&D funds can be channelled to the best ideas

This process helps the company to save money because if ideas with weak or poor commercialisation potential are developed only to fail later on, this becomes very costly and wasteful for the company. At the same time, by focusing resources and effort on the best ideas, the company is able to fast track the time to market for new products, thus helping them to gain an edge over their competitors. The process also contains a feedback loop so that the company can continuously learn and improve the new product development strategy.

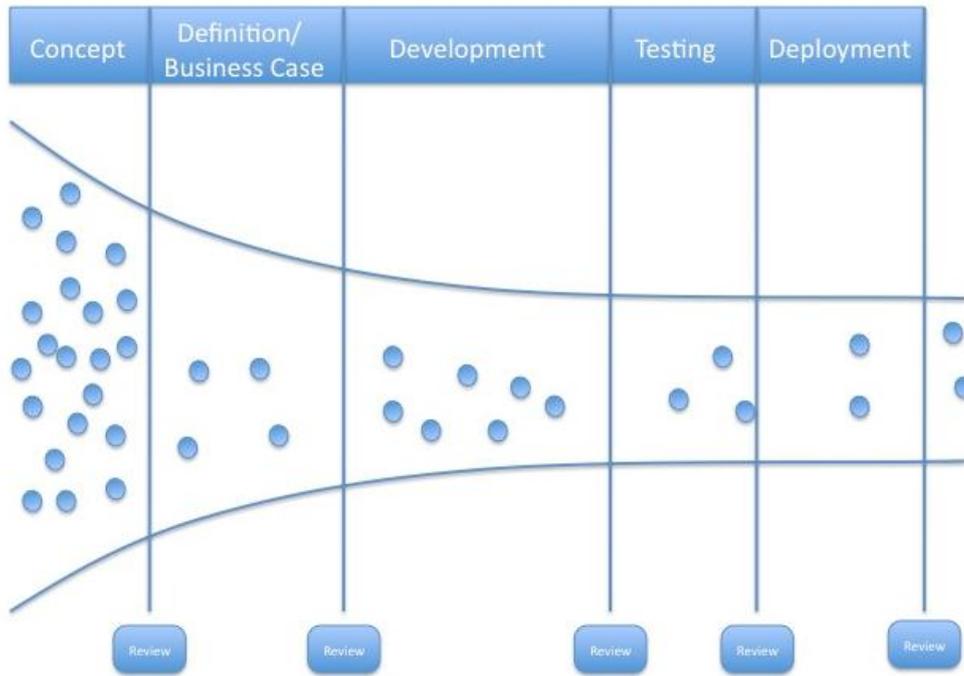


Figure 4-1 : New Product Development Process

(Source: Kapp, 2009)

The process resembles a funnel where the largest possible number of ideas is encouraged to enter the conceptualisation stage. At every stage, there is a review gate (stage gate process) where the idea is reviewed according to specified criterion in order to make a decision to proceed or to drop the idea.

One of the most important stages is the testing stage as it would determine if the proposed product would work as expected and advertised. Usually the first level testing is conducted by the product development team which performs unit testing on their product to check the features and functionality. After the product prototype has been created, the product is tested by the testing group. The specialised testing group would create test cases whose objective is to test the product in all possible situations (even

situations which the product development team might not have thought of). This enable gaps in requirements to be identified and addressed accordingly.

In scheduling for the testing, there are two methodologies which may be followed, waterfall methodology, and agile methodology (MaRS, 2009). In the traditional waterfall methodology, the testing stage only begins after the product development is completed. Therefore, the testing happens prior to product release. However, this approach is rigid and if problems are found during testing, the product needs to be reworked before it is tested again, thus incurring substantial cost and loss of time.

In the agile methodology, testing is conducted as soon as any functioning part is built. Therefore, the product may be tested in several portions before the whole product is assembled and tested as a whole. This has the advantage of quickly identifying problems and areas to improve so that the issues can be addressed very quickly. As such, the product can go through many iterations in a short time, thus ensuring that a good quality product can be designed and developed much more quickly.

In Xiaomi, the product development is basically using the agile methodology but with some interesting process innovations. For example, Xiaomi only makes a batch of 100,000 products a week which are released for sale at noon every Thursday. However, throughout the week, the product managers closely monitor the user forums for user feedback, and incorporate the good suggestions to tweak the product (both hardware and software) for the next week's release (Olson, 2013). As such, Xiaomi is able to improve the product incrementally in each batch of product that they release, using this crowd-sourced approach to idea generation. Many of the unique features in Xiaomi

products are based on user suggestions, and this innovative product development strategy enables Xiaomi to create better products at sell them at close to cost price.

4.2 Marketing Mix Strategy for Product Commercialisation

4.2.1 Product

The product is the Xiaomi MiSpectacles which is a smart spectacles providing a number of special features and functionality for the user, including the patent-pending revolutionary new Xiaomi technology called Real Time Eye Blinking Detection. The product comes with the following standard features:

- Eyes Tracking System with Infrared (IR) light
- Detects eyes pupil size real time and sync the information with Smart Phone via Bluetooth
- Alarm & notify users when eyes nerves are strained
- Ability to detect early symptoms of heart Attack or fatigue while driving
- Complementary Product for Integrated Health Care Platform

New features can be added as after market software upgrades to the product some of which can be offered free of charge by Xiaomi. However, the development and sale of new software modules and features will be an integral part of the product lifecycle and benefits to the user.

The core of the product technology is the Real Time Eye Blinking Detection which functions in the following manner. If the eye is illuminated by a near-infrared light source in coaxial with the camera, the light enters the pupil and is reflected off the retina and comes out through the pupil. The pupil image appears as a half-lighted disc against

a darker background, called the bright eye. On the other hand, if the eye is illuminated by a light source uncoaxial with the camera, the pupil image appears as a darker area against the background, called the dark eye. The brightness distribution is shown on the horizontal lines respectively. Thus, there is a preloaded algorithm to determine if the person is healthy or fatigued. The information will be translated by a paired smartphone application and will notify the user of his/her health status.

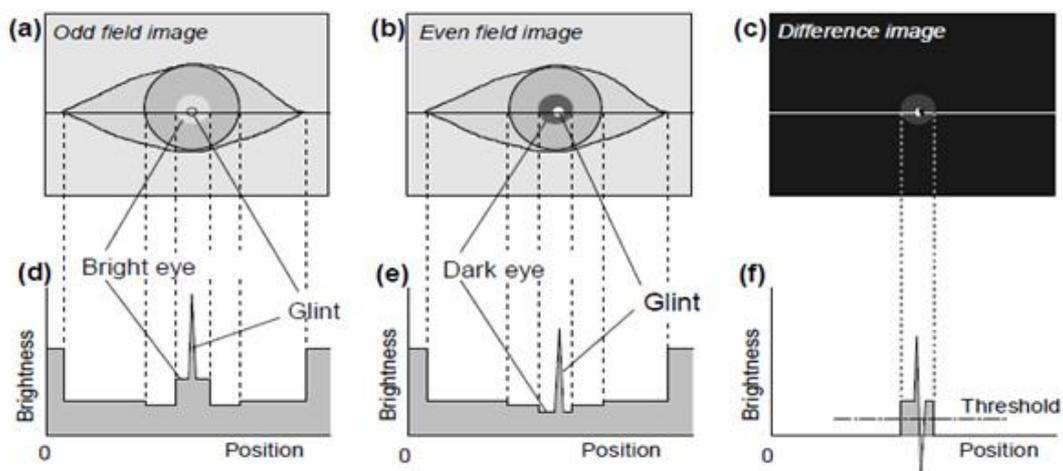


Figure 4-2 : Real Time Eye Blinking Detection Technology

(Source: Author, 2015)

The MiSpectacles would be packaged in a nice box with glossy black finish and velvet cushioning to give the user a premium look and feel. All the necessary accessories such as charger and sync cable will be provided in the box. In keeping with cost savings and to save paper, the product manual will not be provided, but will be available to registered users for download online.

4.2.2 Price

Xiaomi's price strategy is to sell the product with latest technology specifications (equivalent to the competitor's premium product) but at close to the cost of manufacturing. This strategy has served it well with its flagship smartphones where Xiaomi sells its phones at US \$300 compared to the market price of US \$900 for an equivalent Apple iPhone (one third of the price), thereby enabling Xiaomi to surpass Apple in terms of market share (Olson, 2013).

The similar strategy will be employed for selling the MiSpectacles, where the product will only be available in limited batches for sale on a weekly basis. The flash sale will be conducted online through the Xiaomi website, and customers will have to pre-order the product by paying the full price as a booking fee. Thereafter, Xiaomi will manufacture the batch of MiSpectacles and deliver them to the customers in 3 months time. During this time, the cost of components would fall (Moore's law) and Xiaomi would be able to profit from the difference.

At the same time, having fixed batch quantities and making customers pre-order and pre-pay for the products enables Xiaomi to have its pick and choice of outsourced manufacturing partners to produce the product for them at the lowest possible cost – which then further enables Xiaomi to offer an even lower price. With the product manufacturing being paid for by pre-orders, this enables Xiaomi to enjoy a negative cash-to-cash cycle time, besides saving on inventory and components stocking (Tirupati, 2014).

4.2.3 Place

Xiaomi traditionally does not have physical stores or retail space to sell their products. Their products are sold through online e-commerce via their Xiaomi website. For the MiSpectacles, the primary method of distributing the product would be via online.

Xiaomi would guide the customers to go through the following stages to interest them in the new product MiSpectacles and to encourage them to purchase it. Firstly, the key is to ensure that the customer knows the product and is aware of its features and benefits. Xiaomi will do this by having the information of the MiSpectacles available on their website so that customers can compare the product against the competitor products. This enables Xiaomi to build up their customers in the product knowledge.

Secondly, Xiaomi will enable its customers to buy the product only through the official Xiaomi website. This cuts out the middle men and distribution costs, thus enabling Xiaomi to sell the product at the lowest possible price. With this easy online sales channel and the lower price, thus customers will be able to get superior value for their money.

Thirdly, as the customers use the MiSpectacles, they will enjoy the benefits of the product. In case they have any questions or issues, Xiaomi support is there to provide them with the service and support that they need. The key is to ensure that each customer has a positive and inspiring user experience so that they will not only remain as a customer, but will also recommend the product to others.

Finally, with the good experience, the customer inevitably becomes a brand advocate, thus helping to influence others to buy the MiSpectacles. This is an important advertising medium which is through the customers' word of mouth. By delivering real life testimonials, this provides a far more credible and persuasive message to other potential customers and will help them to make the purchase decision.

4.2.4 Promotion

The primary method in which Xiaomi will promote their products is via customer word of mouth marketing. Xiaomi will ensure that its customers of MiSpectacles will have a positive user experience, and then they will become important brand advocates to the Xiaomi product.

One of the important ways this is achieved is to capitalise on the active Xiaomi user community. By having each user register, then they will have a sense of community and belonging. Furthermore, by participating in the community, they begin to gain points and also earn special privileges and management power. This encourages each and every user to be an active participant in the forums and community by contributing their experiences, and helping other users to solve issues and problems. Furthermore, they are encouraged to submit their feedback and offer suggestions on how to improve the product and its software.

For the active users, they will gain points which they can use to redeem gifts and other items. At the same time, they will be put into a higher priority queue for ordering the next product update of the MiSpectacles.

5.0 CONCLUSION

In conclusion, Xiaomi has a unique business model and a very interesting method which is disrupting the smartphone and technology world. It has been successful at incorporating a crowd sourcing strategy into its product development process. At the same time, it has dispensed with all traditional marketing methods and is fully engaged in utilising online communities and social marketing for its marketing. With this innovative model, it has taken the world by storm and has created a huge cult following in its native country of China.

In just 4 years after its founding, it has already become the world's third largest smartphone maker, and is the world's most valuable technology start-up company which has just been valued at US \$46 billion.

With the launch of the revolutionary and innovative new health platform and product MiSpectacles, Xiaomi will be able to assert its dominance in a new market area of health wearables and medical aid devices. Using its customary brilliance and innovative marketing tactics, we strongly believe that the Xiaomi MiSpectacles will be another undisputed success, and will eventually form the pillar for a whole new flagship product line for Xiaomi.

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