

Big Bang Disruption–The Realization of the True Potential of E-commerce Websites-A Case on Mobile Phones (Conference theme: online/Digital Marketing)

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Abstract—This paper studies and talks about the popularity of the concept of having an exclusive brand for just for online sales of mobile phones among Indian handset companies. Today you can sell almost everything on internet. In the radical new world of innovation, which is well known as the “Big Bang Disruption,” the speed at which core technologies become exponentially better and cheaper with each product cycle has resulted in the new products increasingly emerging from the recombination of off-the-shelf component parts instead of invention inside one company’s lab.

Today the customers and companies both are ready to explore the online e-shops. This has motivated the organizations to use a new strategy to incite the consumers- To launch their products EXCLUSIVELY on internet. To create the sense of excitement and curiosity, and yes a lot of such organizations have been pretty successful in their endeavour.

Looking at the impressive results for Chinese smartphone manufacturer Xiaomi. The private company, launched in 2010, is now China’s fifth most popular smartphone brand, offering high-end Android devices using many of the same components as industry leaders.

In our paper we have reviewed the marketing strategies of such organizations, we explore the newly developed distribution channel being used by few lesser known brands to promote and sell their product with the help of e-commerce websites. We have done a research on understanding the mind-set of the young generation (Delhi). We have tried to review and research the buying behaviour, how often do they buy online, do they stay in touch with the upcoming offers on the internet, how much they trust the online medium and the upcoming new brands like XIAOMI and its likes.

Keywords: Online Marketing, Digital Marketing, Social Marketing, E-Commerce, E-Business, Mobile Phones, Smart Phones.

1. INTRODUCTION

With our paper we wish to examine and study the business and marketing strategies and techniques of the brands like Xiaomi which have adopted an exclusive online selling platform. With our paper we have tried to study the overall buying perception of the consumers, the awareness level of consumers viza-viz

these brands and also their willingness to purchase smart phones from a lesser known companies like Xiaomi.

It all started in mid-2014 when Xiomi launched its new range of smart phone in India. The world’s 3rd largest smartphone distributor, Xiaomi designs, develops, and sells smartphones, mobile Apps and consumer electronics. Since the launch of mobile phones in India, the conventional distribution and selling channels have been used to market and sell the product across the country. While Finnish Multinational Nokia ruled the Business for years together as the market leader; the market saw a complete turnaround with the introduction of Smart Phones in India in 2010 when suddenly the paradigm shifted to Samsung.

Samsung backed its good quality product and extensive range with lot of sales effort and marketing funds in attaining the position of number one in Mobile phone category both in terms of number and revenue. The main selling pattern remained the same as it was from the start of the mobile phone age in the country; the conventional selling pattern followed across the consumer durable industry. While the Brands focused on opening more and more brand showrooms where they could showcase their complete range of Mobile phones; they also made substantial investment in the developing multi brand retail outlets specialised for selling mobile phones.

With this Research Paper we explore the newly developed distribution channel being used by few lesser known brands to promote and sell their product with the help of e-commerce websites.

2. BUSINESS & MARKETING STRATEGIES OF XIAOMI

The game changer though was seen in the mid of 2014 when India saw a un presidential change in the increase of online business in India. India saw a sudden surge in the e commerce

business with websites like Flipkart, Snapdeal and Amazon fuelled the market with aggressive marketing and really attractive and never ever seen lucrative offers. And we saw exponential increase in the sales of each of these websites business and a huge change in the mindset of the urban youth, which just a few months back was reluctant in buying anything from online.

Riding the success factor of the newly developed trade channel a brave brand Motorola re launched itself in India through Flipkart.com with a lucrative product Moto G. It was a win-win situation for both parties as Motorola didn't had to go through the lengthy, expensive and difficult procedure of setting up a supply chain for its product; while Flipkart could actually establish itself as a exclusive and trustworthy partner which could not just not just help in increasing the brand value of the portal but also will draw additional eyeballs to the website besides increasing the sales for the portal.

2.1) XIAOMI A DISRUPTIVE SMART PHONE COMPANY

Xiaomi which is always compared to Apple. So much so that it is also called as the "Apple of China". A very simple phone with good specifications, Android OS. It has a springboard of pages filled with apps and widgets, limitless customisations in the form themes presenting a litany of colourful icons and wallpapers. It was nothing like an Android smartphone, yet with all the benefits of the OS, with things like widgets, advanced notifications and an open app ecosystem where apps talked to apps. With a unmatched user experience, with a solid hardware and at a very competitive price..say a phone worth 40,000 INR at just say about 18,000.

2.3) BUSINESS MODEL OF XIAOMI

It follows a "Xiaomi Business Model":

- 1) It sells phones in predefined lots- ONLY ONLINE, thus avoiding around 20-30% on distribution and logistics.
- 2) It sells the phone at its cost and earns profits with sheer economies of scale and through its services.
- 3) Xiaomi is able to make price concessions thanks to the combination of a small portfolio and longer average selling time per device. That's important because the longer runway for devices gives Xiaomi leverage to secure better component deals with its suppliers. They continue to ride the cost curve, so the importance of having a very small portfolio is significant — the fact that they only launch a few products each year, and (the fact that) they only have two product families.
- 4) There are other factors that contribute to the cost structure, including Xiaomi's, online-only marketing focus and its location close to manufacturing plants in China.

- 5) Xiaomi is like bits and pieces of Google, and Apple, and Amazon. They have the software engineering horsepower of Google, the design ambitions of an Apple and the e-commerce platform and customer service focus of an Amazon.

2.4) Xiaomi's recipe: a tailored value chain

According to Harvard professor Michael Porter, for achieving a sustainable competitive advantage all the secondary as well as the primary activities of the company should be tailored to add value to the end customer.

In the case of Xiaomi:

- The target audience is young, internet-savvy who is extremely desperate to profile themselves socially.
- Given this we have tried to co-relate Porter's Value chain with that of Xiaomi's case.
- Xiaomi produces relatively cheap yet good devices. With very simple model which gives value for money to the end consumer.
- Now this is achieved by Xiaomi by simply eliminating some activities from its supply chain which don't add any value to the consumer.
- Xiaomi then focuses on the most important features/requirements of its young target audience- who wants a very good social presence, attractive accessories, cheap covers, good hardware and decent software smart phones.
- The marketing is mostly word-of-mouth and as they call it as word-of-mouth, adding to a sense of community and belonging.
- The biggest selling point is its messaging app, which further covers the consumer's social needs. For Xiaomi's customers messaging app adds to the group feeling. The app is one element in a consistent story

2.5) SOFTWARE & HARDWARE

As they call it as a "living OS" which gets updated weekly, thus improving the hardware experience through the product life cycle. The synergy between the hardware and software is one of the biggest strength of xiaomi. It has top-of-the-line hardware that makes these phones extremely appealing. It uses high quality components, even is it new in the morning but its hardware can give big brands such as Samsung a run for their money.

They have partnered with Flipkart to initially sell the Mi3 exclusively. Xiaomi has set up 36 service stations in India including two exclusive Mic enters at Mumbai and Delhi.

3. HOW IS IT BENEFICIAL FOR THE ONLINE PORTALS - A WIN WIN SITUATION

3.1) HOW DOES THIS MODEL WORKS

- a) Portals like Flipkart have hyped the sale of these products by rationing the sale of these products by creating special bidding process; wherein prospective customer has to first register himself/herself on the website and then align for the bidding on a pre decided date. By rationing these portals not just created Hype; with customer thinking that the product is exclusive and not for everyone. This procedure also helped Brands like Xiaomi to maintain stock of their products across different regions.
- b) Massive effort and cost of setting up of an infrastructure is saved by directly promoting the product through online sales vis a vis the conventional channel. This not just avoids the involvement of the cost of hiring, maintenance, infrastructure and overheads of manpower but also saves the organisation from the legal hassle which is associated to the hiring of manpower beyond a particular level.
- c) Logistics is one more nightmare which is comfortably avoided by organisations like Xiaomi, since this particular pain is undertaken by the E-commerce partner. The resource and cost of setting up warehouses and stores across all states and the legal formalities and taxes involved in movement of stock from one state to another is also saved in this process.

3.2) A WIN WIN SITUATION

- A) Getting into the ever so competitive retail space require not just an efficient and elaborate sales force but also it involves huge investments to create identity for the brand; This includes costs of Product display fixtures, In-shop Demonstrators, retail In-shop and out-shop branding, Free Demo sets besides regular sales promotion schemes for both end customers and Retailers.
- B) One of the biggest cost components for any organisation is the Cost of launching a new Brand in the market with a complete Media mix. Over the last 6-7 years India has seen huge investments by Brands like LAVA, Gionee, Micromax etc. These brands have not just promoted themselves across Television, Radio, Outdoor, Print Advertisement (Newspapers & Magazines), online but also these Brands have invested huge amounts in taking sponsorships of huge events like sports tournaments and Bollywood Award Functions and many more.
- C) After the ban on unbranded Chinese Mobile phone and with the increase in the market of Smart Phones in India, a lot of brands cropped up in the market which aggressively priced their products to compete in an already competitive established market. Brands like Micromax outsourced their complete product range to

China and established themselves as a value for money brand against market leaders like Samsung, Blackberry and HTC. While brands like Lava, Intex, gionee&Micromax had to spend huge Resources to create their brand identity and compete with others; Brands like Motorola and Xiaomi have been able to save all that time and resources.

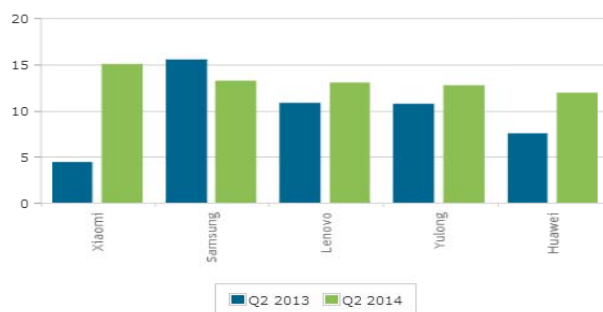
- D) These brands thus have avoided 80% of their overheads by avoiding the conventional methods and have in the process have positioned their product on a very competitive price and have at the same time generated exponential margins for themselves.

While on the other side Online Portals like Flipkart, Snapdeal and Amazon have kept good margins for themselves on each unit sold, besides creating a positioning of special shopping e-commerce site which provides exclusive products to their customers on reasonable price range. And with Exclusive preview sale they get more and regular visitors onto their website. Since the whole deal avoids a lot of overhead expense the consumer is also passed the price benefit; thus creating a win win situation for all

4. SECONDARY RESEARCH—THE PRESENT PICTURE



Smart phones, China, units (millions) by vendor, Q2 2013 and Q2 2014



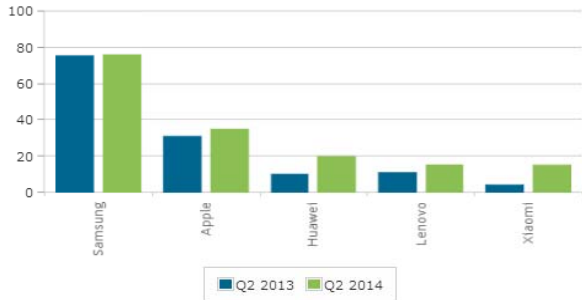
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INTERPRETATION

- A) Shanghai-based Canalys research analyst Jingwen Wang called this a “phenomenal achievement” for Xiaomi. Though hedging that it was helped by a “temporarily under-strength Samsung performance” during the quarter due to a realignment of inventory to meet 4G demand, Wang said that Xiaomi managed to deliver “compelling products at aggressive price points, focused chiefly on its locally relevant MIUI software features and services, backed by effectively targeted marketing.”



Smart phones, Worldwide, units (millions) by vendor, Q2 2013 and Q2 2014



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INTERPRETATION

SSamsung still retained its top position globally with a 26 percent share, though Canalys noted that it was the “lowest global share in two and a half years,” down from 31 percent in the previous quarter. Apple came in second with 12 percent market share. Because of Xiaomi’s strong growth in China, Canalys found that it also made it into the global top five smartphone vendors in Q2 2014, accounting for a 5 percent share. This is in line with Strategy Analytics, which found that Xiaomi made it into the world’s top five vendors for the first time ever.

5. DATA ANALYSIS AND INTERPRETATION

5.1) OBJECTIVE

Main objective of our research paper is to understand the perception of today’s customer. Their readiness to buy things (mobile phones) online. To understand the awareness of today’s young generation and for the same we conducted a study of around 500 college students of Delhi/NCR pursuing graduation.

5.2) RESEARCH METHODOLOGY

The Research Methodology of our paper requires gathering relevant data from the specified audience and studying the business model and strategies adopted by Xiaomi. For data collection we conducted surveys of around 500 college students pursuing graduation in Delhi region.

5.3) DEMOGRAPHICS

- **Age :** 17-20 years
- **Gender:** 31% of the respondents were female and 69% male
- **Occupation/Education:** Pursuing graduation.

- **Sample Size:** 500
- **Area:** Delhi/NCR
- **Time Horizon:** January-March’2015

5.4) STUDY

- 1) Out of 500 students 95.56% of them owned a Smart Phone.
- 2) 57% Samsung, 13% Apple, 2.7% HTC, Rest: Other brands such as Sony, Lenovo etc.
- 3) 49% of the respondents change their mobiles once in 18 months, 35% change once in 24 months, rest change in less than 6 months.
- 4) 87% students said that they compare **the features of different phones on the internet before making the final purchase?**
- 5) 76% students said that they **do a research on internet before making final purchase**
- 6) 54% students said that they **follow offers on ecommerce website for exclusive offers on exclusive Mobile Phone brands like Xiami Redmi or MototrolaMotog**
- 7) 11% students **had applied for any such exclusive offers on any ecommerce website**
 - a) 10% students found **find such offers lucrative**
 - b) 72% agreed that **agree that the options of buying the Mobile phone should be available across all major ecommerce websites and should not be limited to one particular website only**
 - c) 19% had already purchased a **Mobile phone though online shopping Website**
- 8) 17% were **interested to buy a mobile from any online shopping Website**
- 9) 11% **will trust a unknown or lesser known brand if its promoted by a well-known online shopping website.**

5.5) INTERPRETATION

- a) Biggest users of Smartphone and the multimedia apps are youngster within the age group of 15 to 25 Years of age. Yet the irony is that this age group has less resources on their disposal as most of them are students and are dependent on their guardians to finance their smart phones.
- b) This generate aspire for the best of the Brands and best features in their phone but due to budget constrain they settle for a cheaper scaled down version. By providing these youngster a good power packed phone, at cheap cost these brands not just create immediate sales but also earn the brand loyalty of this age group.
- c) The networking of this particular age group is very high and a reasonable product gains immediate hype across target audience.

6) LIMITATIONS OF THE STUDY

- 1) Due to time and other constraints only Delhi/NCR region could be covered. In the coming future we are planning to conduct an online survey through network of friends connected through various social networks such as Facebook, Twitter to get a more holistic picture.

6. CONCLUSION

With our research paper we wish to conclude that:

- 1) This new model adopted by Xiaomi is proving to be extremely successful both for its young target audience as well as the online portals. Seeing the success story of Xiaomi, we can say that many brands/products will walk in its shoes by an exclusive online launch.
- 2) In less than 1.5 year the kind of growth Xiaomi has shown and the kind of thrust it has given to the online sales is commendable.
- 3) Xiaomi has worked very effectively towards understanding the needs of its target audience-who is young, energetic and wants a good social presence. By providing these youngster a good power packed phone, at cheap cost these brands not just create immediate sales but also earn the brand loyalty of this age group.
- 4) For the Online Portals like Flipkart, Snapdeal and Amazon they have earned a good margin for themselves on each unit sold, besides creating a positioning of special shopping e-commerce site which provides exclusive products to their customers on reasonable price range. And with Exclusive preview sale they get more and regular visitors onto their website.

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