

NEV Marketing Strategy – Take Xiaomi Automobile as An Example

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Abstract. The Xiaomi SU7 has emerged as one of the most renowned technological products over the past few months. Xiaomi's success is not only confined to the digital realm; it has also achieved significant market penetration. This is undoubtedly attributed to Xiaomi's strategic approach; however, there seems to be a dearth of analysis pertaining to these strategies and recommendations. Therefore, through the perusal of relevant documents, this paper aims to elucidate how Xiaomi has captured the market and summarize the potential lessons they could learn from companies such as Tesla. The research reveals that Xiaomi excels in leveraging its fan base while employing a scarcity marketing strategy. Another noteworthy aspect is Xiaomi's maintenance of a favorable reputation. These strategies have enabled Xiaomi to swiftly acquire market share. Nevertheless, the Xiaomi SU7 still exhibits certain shortcomings, particularly in terms of its technology. To mitigate this, Xiaomi needs to persist in investing in technological advancements and capitalize on its strengths.

Keywords: Low-carbon economy, Xiaomi, marketing, NEVs.

1. Introduction

China's way toward low-carbon economy started from 1997 with the sign of the Kyoto Protocol, committing to international efforts to reduce greenhouse gas emissions. In 2005, China brought out the Renewable Energy Law to promote the development and utilization of renewable energy. Until 2007, the Chinese government launched the National Climate Change Program, which is the first comprehensive policy document addressing climate change, focusing on energy efficiency and renewable energy. In 2007, China signed the Copenhagen Accord and committed to reduce the carbon intensity by about 45% of which in 2005 by 2020. In 2011, China's 12th Five-Year Plan set off. It set a goal to reduce the energy and carbon intensity and increase the proportion of non-fossil fuels in energy consumption. In 2013, China launched the test of carbon trading, catching up with European countries. In the National Plan on Climate Change in 2014, the government established the target of reducing carbon emissions and promote renewable energy. In 2016, the 13th Five-Year Plan started. This plan included aim to further reduce carbon intensity by 18% and increase the portion of non-fossil fuels to 15% of total energy consumption. In 2017 the country established the National Emissions Trading Scheme, which was popularized national wide [1]. From 2018 to 2020, China brought out several Plans in a roll, including the Three- Year Action Plan for Winning the Blue-Sky War, Made in China 2025, and the 14th Five-Year Plan. The main purpose of these plans is to improve the environment by encouraging sustainable industrial development. Also in 2020, President Xi announced that China will peak carbon emissions by 2030 and achieve carbon neutrality by 2060. From 2020 until now, China highlighted their goal of reduce carbon emission and invest in sustainable resources. From China's positive attitude toward low-carbon economy we can conclude it is a great chance for car companies to enter the NEV market.

As Chinese economy and people's standard of living grows, joining Chinese car market has become a profitable business. On March 28th, 2024, Xiaomi launched the much-awaited SU7 and reached great achievement after just a fuel month. Until May 15th, Xiaomi already delivered 10,000 new cars, and until May 23, the number of orders reached 88,063. The data from Xiaomi is astonishing; in comparison, Tesla only delivered just a little over 15,000 Model S cars. Despite Tesla faced a lot of challenges as the first to enter electric car market, Xiaomi also needs to deal with difficulties from different aspects. Xiaomi's competitors are not easy to deal with at all. Meanwhile

the environment of the market is much more competitive and complicated compared to the time Tesla entered. Some challenges include after sale service, supporting facilities, domestic competition, publicizing, and technology. Commonly, the biggest advantage of Chinese made automobiles is price; however, the price of Xiaomi SU7 is in fact not very competitive. The price of SU7 max is ¥299,900, which is even higher than some version of Tesla model 3 and over twice that of BYD Qin. Then why is Xiaomi so successful in a field that they almost know nothing about? What they did right and what they can do to make further progress? As the industry advances and market competition intensifies, knowing how to improve the product to satisfy customers' needs becomes necessary. Because of the time of entering the market, Xiaomi's success can be typical. Currently, there are still lots of firms trying to enter this market, so it is important to know Xiaomi's success mode which provides reference to other new firms; furthermore, stimulating the growth of the whole market. This article will analyze the market strategies that Xiaomi applied, and then combine them with the market status to find the challenges Xiaomi are facing. Finally, the article will present some advice according to the experience of some leading companies in the industry.

2. Market Status

Along with different kinds of subsidies and discounts and the construction of supporting facilities; such as chargers, the domestic NEV market in China is quickly developing. The government bring out these policies to decrease the cost of buying NEVs and make it more convenient for the use of NEVs; ultimately aim to further expand the NEV market. Beside the support from the policies, the improvement of technologies such as the battery and the communication system also made NEVs more appealing to consumers. Stimulated by the development of the industry the market got more multi-faced. Every firm are improving their competitiveness by perfecting the industry chain, providing more capable parts and better operation. The market scale of NEV is generally keeping increasing since 2017, the sales of NEVs increased from approximately 770,000 to over 6.88 million. Larger market scale often means more profit; however, it is also accompanied with more intense competition. For example, in 2022, BYD sold about 1.8 million cars; Tesla sold about 440,000 cars, Geely sold about 300,000 cars, the two Volkswagen companies together sold about 200,000 NEVs. All together that's over one third of the whole market. Besides these companies, there are also companies like NIO that also take huge share of the market. So, after all, Xiaomi is facing quite a challenging market situation [2].

3. Strategies

Xiaomi's strategies can be concluded into 3 aspects. The first aspect is their accurate market positioning and targeting. Xiaomi is most famous for the incredible price efficiency of its products, as a result Xiaomi attracted huge amount of young people. Though young people can't afford high prices, they can provide consistent and large purchase of Xiaomi's products. Xiaomi knows that the buyers of their electronic devices are also the potential buyers of their cars because lots of users become Mi fans, so they continue to target the SU7 on these young buyers. To attract young consumers, Xiaomi put a lot of efforts on the design of SU7, making the car fashion and stylish. To make SU7 more appealing to the potential consumers, Xiaomi emphasize the ecology a lot. The AI on the car can perfectly connected to Xiaomi's phone, making it more convenient for Xiaomi phone users to control the car. In the car, Xiaomi's highly developed AI can assist drivers to complete several operations at a time. The most valuable thing on the car is that it can connect to any Xiaomi products. For example, SU7 owners can control Xiaomi television, lights, and even curtains with one command. All the things that can be displayed on Xiaomi phone can also be displayed on SU7, while the phone can still be use to open other interface. If not using the AI, Xiaomi phone can also be used to control the car because every action on the phone can be synchronized to the car. So, it is very clear that all these functions serve for Xiaomi product users, and this strategy earned them good grace of Mi fans

and high-tech fans. The second aspect is Xiaomi's sales model. Like Tesla, Xiaomi opens offline stores but does not use them to sell cars. Unlike traditional companies, Xiaomi provided more chance to experience their products without the worrying about dealing the sales person. This strategy may leave a better impression and make the experience process more relaxing, giving people more time to consider. After consumers fully considered and decided to buy SU7, they can order online in Xiaomi Car app, just like buying other Xiaomi products. The last aspect is brand image. Brand image is very important for any company because it decide who the company attracts and directly affect the sales and profit of the company. Xiaomi is absolutely the one the most successful company in establishing their brand image. In Xiaomi's early days, its low price established an image that is close to people, making electronic devices not that far from normal people's life. After steadily developed for several years, Xiaomi decided to reach the high-end market. On their way to succeed, Xiaomi encountered lots of challenges but the challenges didn't stop them. When Xiaomi launched the Xiaomi 11 series, the phones suffer from the chip problem because of its poor heat dissipation performance, and lose quite some trust from the consumers. However, everyone like to see the story of fearless challengers and Xiaomi is no exception. In the following years, Xiaomi launched the new version of their phones with more professional progressions, earning the acknowledge of consumers. While putting a lot effort on the phone, Xiaomi didn't forget to upgrade their other products. Compared to themselves, their watches, AI, televisions, and computers improved all-sided; compared to the competitors, Xiaomi is catching up and even surpassing the dominant companies step by step [3]. Aside from the company itself, Xiaomi's charm also comes from its CEO Lei Jun. Xiaomi's fans can be categorized into Mi fans and Lei fans; a lot of people pay for the products because of Lei Jun's personal charm. Lei Jun's charm comes from the way he treats things happen around him. When people send funny videos of Lei Jun that might have negative effects on his reputation; however, Lei Jun didn't ask the uploader to delete the video, instead he forwarded it, showing his magnanimous. In daily life, Lei Jun is always passionate but modest. He is always energetic on the conferences, but when he is not facing the public, he rarely makes any news. Sometimes, Lei Jun's actions can be surprising but making people comfortable. During the Beijing Auto Show in last months, the CEO of LiXiang locked Lei Jun in his car and asked him to buy one. Since LiXiang is one of Xiaomi's competitors, this situation is usually embarrassing. However, Lei Jun bought one and uploaded his experience of driving the car. After Lei Jun's action, this situation became not even embarrassing but enhanced the relationship of the two CEOs and the two companies. Lei Jun contributed a lot for Xiaomi to build the fanbase and the brand image [4].

4. Analysis

4.1. Policies

Though Xiaomi SU7 can be currently described as successful, it is still facing a lot of challenges. The first challenge is the government policy. Since the first NEV is launched, the Chinese government started to bring out policies to stimulate the market growth. The problem of the policies is their uncertainty. The policies consistent exists but they are active adjusted by the government, so it brings unstable sales to all NEV companies. For example, a subsidy can affect the actual price of the car, affecting people's decision. This situation might be especially obvious for SU7 because compared to other domestically manifested NEVs, the price of SU7 is relatively high. To products with relatively high price elasticity such as cars, people are always more sensitive. To maintain its competitiveness, Xiaomi needs to continue adapting the new regulations and make sure their products fit the newest policies. Another thing Xiaomi needs to do is with the operation. Not only the products have to be competitive, but the leaders also need to respond quickly to the changes to make sure the advantages of the products can be seen [5].

4.2. Competitions

In recent years, domestic NEV companies develop quickly. As a result, new companies now enter the market need to not only face the renowned international companies such as Tesla and Volkswagen, but also the competition from the domestic leading companies such as BYD. The current NEV market size is about 7 million cars a year, so it is very difficult to be outstanding. As a domestic brand, a lot of Xiaomi's possible advantages cannot be counted because other domestic companies have the same advantage. For example, Xiaomi knows more about the habits of Chinese consumers compared to Tesla, but BYD or Geely also know what Chinese wants. This problem become more severe in the condition that domestic companies occupy over 2/3 of the market. To be unique, lots of companies decided to improve their products from aspects such as the battery, the auto drive, the performance, and price. Then the situation becomes harder for Xiaomi to deal with because there are not many aspects left for Xiaomi to improve. To survive in the competition, Xiaomi needs to constantly upgrade what they are already doing well and outstanding, which is the ecology. Xiaomi should keep working on this way because it is almost impossible for its competitors to catch up in a short time. But it is also hard for Xiaomi to catch up the leading NEV companies in a short time. So, they should seek for cooperation, if possible, to join the existing car ecology to provide better experience.

4.3. Technologies

As a new company, the biggest difference between Xiaomi and other NEV companies is the technology. For other companies, they have already spent years to accumulate experience and refine their production and technology. However, Xiaomi almost knows nothing about car making which limits their use of technology. For example, the BYD Han's battery is over 120kwh but SU7's largest battery is only 101kwh. This technology difference does not only exist on the car itself but also during the process of production. There is a report when the first batch of SU7 was delivered saying that the front fender was knocked off by the water one the road, showing the problem of assembling technology. It is true that Xiaomi applied lots of high-tech products on the car, for example the glass that can reflect sun light and the high voltage charging platform. But these advantages can't cover the deficiencies, they can only be the extra advantage when other conditions are the same. To solve the problems, the key is still cooperation. For example, the company can establish stronger cooperative relationship with the battery suppliers. The technology problem of the producing process can be solved along time by adjusting steps and upgrading machinery.

4.4. Supporting Facilities

The last challenge is the supporting facilities. Currently, Tesla has their own charging stations called supercharger and BYD also has their own chargers. However, because SU7 was just launched, Xiaomi currently only have chargers but no charging stations. Xiaomi sells two kinds of chargers; one costs ¥3,999 and another one costs ¥4,999. The price of the Xiaomi charge is quite high but the charging ability has almost no difference compared to the mainstream. So, Xiaomi's competitiveness is not obvious in the aspect of supporting facilities. Even in the future when Xiaomi is ready to build charging stations, the supporting facility is still a challenge because without technological advancements the charging time will continue to trouble car owners, making it hard to extend more charging stations to smaller cities. Now the first thing Xiaomi should do to is to make the charger more competitive, no matter by lowering the price or improve the necessary functions. After the charger becomes more competitive the number of chargers will naturally increase. Secondly, Xiaomi should keep working with the battery suppliers to improve the charging speed.

5. Conclusion

In conclusion, Xiaomi's unique sales model combining with its productivity is a kind of hungry marketing, establishing a good brand image is making good use of its fan base, and word of mouth marketing is based on Xiaomi's accurate market positioning. Overall, the strategies are successful;

however, there are some risks in the future. For example, hungry marketing may cause dissatisfaction of consumers and the word of mouth cannot be promised. Xiaomi already succeeded in scaling through various strategies and established its brand image. The accurate customer targeting and the sales model it learned from Tesla also contributed a lot to its success. Now Xiaomi needs to improve the competitiveness of their product, not only selling its products by publicizing. The key is to match the product with the strategies, to make potential consumers feel the product is worth trying. To compete with leading companies like BYD and Tesla, having a good product is not enough. The company needs to have lots of good products to cover to target customer of its competing company. So, after the productivity of Xiaomi factory rises, it is important for Xiaomi to expand its product line. After sale service is another aspect that customers assess the firm. So, it is important to make sure the service the company provides can match its product; however, Xiaomi is little bit disappointing in this aspect and this is where it needs to improve.

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