

Supply Chain and Competitive Strategy - Taking Xiaomi 13 Series Mobile Phones as an Example

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Abstract: The price of Xiaomi 13 series mobile phones is relatively stable, with a high price remaining rate rate, so that Xiaomi Company profits from it. Taking it as an example, by analyzing Xiaomi's strategic layout in the production and consumption ends of the supply chain, this study explores how Xiaomi can balance costs in selecting suppliers and parts to achieve the goal of minimizing costs. At the same time, researching the pricing strategy of Xiaomi 13 series mobile phones from release to discontinuation, this study analyzes the Xiaomi 13 series and explores how Xiaomi company can achieve maximum revenue through dynamic pricing strategies. This study has certain reference value for other mobile phone companies and research in the field of supply chain management. Through in-depth research on Xiaomi's supply chain competition strategy, it can provide reference for other enterprises to improve efficiency, reduce costs, and achieve the goal of maximizing profits in supply chain management.

Keywords: Xiaomi Company; Supply chain competitive strategy; Mobile phone profit; Supply chain management; Dynamic pricing.

1. Introduction

In the past decade or so, the global mobile phone industry has undergone tremendous changes, and in China, the mobile phone industry has sprung up like mushrooms after a rain. The progress of this industry has not only changed people's communication methods, but also had a profound impact on a global scale. Xiaomi Company, as an emerging enterprise, has been established for only thirteen years, but it is already a Fortune 500 company and a listed company with a profound impact on mobile phones and even smart devices. The development of non-traditional physical phone companies that emerged alongside Xiaomi, such as Xiaolajiao, LeTV, Oneplus, and other manufacturers, is far inferior to Xiaomi. It can be seen that Xiaomi has a very high level of marketing and supply chain management. [1]

At the end of 2022, Qualcomm released the new generation flagship smartphone chip Snapdragon 8Gen2, which was adopted by a large number of Android phone manufacturers. Xiaomi applied it to its flagship smartphone, the Xiaomi 13 series, and achieved good sales. On August 29, 2023, Xiaomi disclosed its second quarter and semi annual reports, which are probably the most inspiring financial reports of Xiaomi. In the second quarter, Xiaomi's adjusted net profit was 5.1 billion yuan, the highest quarterly profit in the past seven quarters, with a year-on-year increase of 147%. In the first half of the year, Xiaomi's adjusted net profit was close to the same caliber data for the entire year of 2022, which is inseparable from the success of the Xiaomi 13 series. The research on supply chain and competitive strategy has received widespread attention both domestically and internationally. Previous studies have explored how supply chain management affects corporate performance and market competition, as well as the relationship between supply chain strategies and corporate competitive advantages. [2]

In the field of mobile phone industry, research on supply chain management covers multiple aspects, such as supplier selection and management, production and logistics

optimization, inventory management, etc. These studies mainly explore how enterprises can reduce costs, improve response speed, and meet market demand through supply chain management.

In addition, some studies have also focused on issues such as supply chain risk management and sustainable development, which are also very important in supply chain competitive strategies.

As is well known, Apple is the most successful company in the mobile phone industry, and its control over the supply chain is unparalleled by other companies. Foxconn, TSMC, and others have grown and become benchmarks due to collaboration to Apple; Luxshare ICT, Ge Er Shares, and Lan Si Technology have increased by up to five times in two years, becoming the three leading A-share companies; Today, becoming a supplier to Apple with a market value of \$2 trillion must be one of the dreams of any factory in the world with precision manufacturing capabilities. It seems that there will be profit to earn with Apple. Other mobile phone manufacturers, like Xiaomi, are also putting in a lot of effort on the supply chain, hoping to help their product profits.

Xiaomi Mobile is far ahead in the Chinese smartphone industry, with suppliers covering the country, and according to statistics, there are more than 100 top national suppliers. For example, purchasing screens from Samsung, cameras from Sony, processor chips from Qualcomm, and key components from other manufacturers. There are many listed companies that have formed alliances with Xiaomi, providing high-quality and top-notch components for Xiaomi. Currently, its overall supply chain centers are mainly in Taiwan and mainland China, and Xiaomi is building new smartphones.

2. Question

How to achieve significant profits in the mobile phone market through supply chain management?

3. Meaning and Purpose

3.1. Meaning

In the red sea market of smartphones, it is difficult for mobile phone manufacturers to break out of the tight encirclement, break their original positioning, and enter a more high-end market. For Xiaomi, the Xiaomi 13 series can be said to be an effective impact on the high-end market. Analyzing supply chain and product pricing strategies can help enterprises improve efficiency, reduce costs, and achieve the goal of maximizing profits in supply chain management. Supply chain and competitive strategy are crucial for the success of enterprises. Studying this topic will contribute to a deeper understanding of the practices of Chinese enterprises in supply chain management and competitive strategy. Supply chain management plays a crucial role in enterprise competition. Exploring the application of supply chain competition strategies in the mobile phone industry helps us understand how enterprises can improve competitiveness and profits by optimizing the supply chain. Taking Xiaomi Company as an example, we can gain a deeper understanding of its supply chain management strategy and draw lessons from it, providing reference and inspiration for other mobile phone manufacturers and related industries.

3.2. Purpose

By studying how Xiaomi Company can achieve maximum revenue through dynamic pricing strategies and analyzing its strategic layout in the production and consumption ends of the supply chain, we aim to understand how to achieve maximum revenue through supply chain management.

4. Research Methods

Each figure should have a brief caption describing it and, if necessary, a key to interpret the various lines and symbols on the figure.

4.1. Literature research

Understand the basic theory, practical cases and methods of supply chain management and competitive strategy by summarizing the literature in relevant fields.

4.2. Data analysis

Collect and analyze Xiaomi's supply chain and sales data to identify key competitive factors and profit drivers. It mainly analyzes the survey results of the mobile phone market from the annual report of Xiaomi, the official website and the third-party authority.

4.3. Research

Xiaomi's business model in the supply chain is very forward-looking. At the beginning of its founding, Xiaomi cooperated with Qualcomm to use Qualcomm's chips in its own high-end mobile phones. At that time, there were many chip manufacturers comparable to Qualcomm. Xiaomi only selected Qualcomm and grew with it, which also paved the way for Xiaomi's subsequent models to launch Qualcomm's chips. For a long time, the relationship between Qualcomm and Xiaomi can be described as being like glue. Xiaomi worked with good upstream suppliers to promote its steady growth. [3]

At the end of 2022, Qualcomm released its flagship chip Snapdragon 8gen2, which was first used in Xiaomi 13 series

mobile phones. The chip has strong performance. The success of Xiaomi 13 series can not be separated from this strong chip. Xiaomi has become the leader in the field of smart phones, which is inseparable from its business model. A good upstream supply chain is the guarantee for the development and growth of a company.

On the other hand, Xiaomi 13 and Xiaomi 13pro use screens from different suppliers. Xiaomi 13 and 13ultra use screens from domestic manufacturer TCL, while Xiaomi 13pro uses Samsung's E6 screen, which is not only a subdivision of its own mobile phone, but also an advanced strategy to improve its anti risk ability by using multiple suppliers. As we all know, the relationship between Xiaomi and TCL is very good. The two sides established a joint laboratory a few years ago to jointly launch the industry-leading top-quality screens. After years of technology accumulation, it has now achieved a comprehensive breakthrough in core technology. Xiaomi 13ultra is the world's first ever 2K screen made of TCL C7 luminous material, which has achieved industry leadership. It can be seen that in the supply chain of mobile phone parts, Xiaomi has adopted a similar model, cooperating with other companies in R&D or mutual support, rather than just purchasing ready-made goods, which enables it to have more say and avoid the supply chain interruption caused by various reasons. Even in case of supply interruption, the supply chain industry will give priority to supply to ensure the interests of partners due to the cooperation with Xiaomi.

On the charging IC chip, Xiaomi adopted the self-developed charging IC chip. Xiaomi 13pro is the Pengpai P2 chip, and Xiaomi 13 is the Pengpai P1 chip. The self-developed chip gives the company the control of independent intellectual property rights and core technologies, and no longer relies on external suppliers. Instead, it becomes a part of the supply chain. In this way, the company can strengthen its foothold in the market competition and reduce the cost of technology licensing to others. Mastering the core technology also helps to improve the technological innovation ability and lay the foundation for the future development of the company. At the same time, the self-developed chip can be customized according to the specific needs of the company to meet the requirements of specific application scenarios. This customization capability enables the product to better adapt to market demand, improve performance, power efficiency and integration, and bring more excellent experience to users. Through self-developed chips, the company can create a unique competitive advantage. This is also the reason why Apple, Huawei and other companies are more successful than other mobile phone manufacturers.

At the consumer end of the supply chain, at the beginning of the establishment of Xiaomi mobile phone, in order to save costs, minimize intermediate links and shorten the supply chain, it has been using online sales channels to reduce costs, which has brought economic benefits and expanded the scale. Later, Xiaomi also realized the shortcomings of this pure Internet model, and widened the way in terms of sales channels. It increased its layout offline, and built many Xiaomi homes for customers to experience. It is not only an advertisement, but also an increase in offline exposure and sales.

At the same time, the skimming pricing strategy is adopted, and the price reduction and activity promotion strategy are carried out in time according to the market situation, so as to obtain the maximum profit through pricing. After charging as

high a price as possible for new products to recover the cost in the early stage, then gradually amortize the cost of the supply chain and reduce the price over time to attract new consumer groups and achieve sustainable profits. [4] Technology companies often adopt this strategy on smart phones, computers and other products. Its goal is to get more income under the condition of high demand and less competition. The typical brands are apple, Xiaomi and other high-tech brands with a considerable number of fans communities. When launching new innovative products, skimming pricing can bring higher short-term profits. The brand image has a good reputation. Skimming also helps to maintain the image and attract loyal customers who are willing to be the first to obtain/have an exclusive experience. In the case of product scarcity, this strategy is equally effective. For example, products with high demand and less supply can be priced higher, and as the supply keeps up, the price will fall. Xiaomi 13 series uses this strategy to sell at a reduced price to maximize profits due to the decline of supply chain costs and the competition of competitive products in the later stage.

5. Conclusion

5.1. Stable suppliers and in-depth cooperation with suppliers in R&D [3]

The demand of enterprises is to obtain the maximum benefit at the minimum cost and improve the influence of their own brands. The same is true of suppliers who are in partnership. They hope to cooperate with large enterprises to improve the value of their own brands. Mobile phone manufacturers should try to learn from Xiaomi, strengthen their control over the supply chain, and strive to reach the heights of apple and Huawei. At present, Xiaomi still has defects in the control of the supply chain, such as processor chips. If the chips launched by Qualcomm are not satisfactory, it can have its own alternative. There are not enough cooperation in storage chips, which are all areas that need to be improved.

To get rid of the shackles of suppliers, we must improve the over reliance on one supplier and establish partnership with

other suppliers of mobile phone parts to reduce risks. [5]

5.2. Optimize inventory [3]

In the early stage of mobile phone release, the price is high and the cost is also high. Too much inventory will lead to capital pressure. The product supply chain should be analyzed to ensure that shipment can be ensured and too much inventory will not be overstocked. However, it is impossible to predict the market, so we should ensure a certain amount of redundancy and maintain a certain amount of buffer Inventory (safety stock) to deal with the uncertainty of demand or supply. Under the condition of relative balance between supply and demand, if we can get through the supply and demand sides, we can realize the real "on-demand customization". [5]

Integrating and optimizing the supply chain, from the cooperation at the production end and entering the supply chain to the pricing strategy at the time of sales, is the key to success. At present, Xiaomi still has some shortcomings, but it does not affect other companies to learn from and follow its key success strategies.

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