

Analysis of Xiaomi's Oversea Expansion Strategy: The Case of Indian Market

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Abstract: This paper analyzes the opportunities and challenges faced by Xiaomi mobile phones in the Indian market and explores its market strategies. It is pointed out that the Indian market offers Xiaomi opportunities such as policy advantages, huge market potential, and technological resource strengths. However, it also faces intense market competition and uncertainties in the political environment. Xiaomi has adopted market strategies in the Indian market such as cost leadership, product differentiation, and business ecosystem expansion, as well as an operational strategy that combines online and offline channels. The paper concludes with recommendations to enhance brand building, strengthen localization strategies, and reinforce risk management and government relations maintenance to improve Xiaomi's competitiveness and brand influence in the Indian market.

Keywords: Overseas marketing; Corporate strategy; Localization; Xiaomi.

1. Introduction

Under the background of global economic integration, international trade has become a crucial driving force for the economic development of countries. The economic ties between nations are becoming increasingly close, with a shared pursuit of mutually beneficial cooperation. For countries, the international expansion of enterprises not only conforms to the trend of the times and enhances economic benefits but also helps to export Chinese culture and values, thereby strengthening cultural soft power. For enterprises, going global is conducive to exploring new markets, optimizing resource allocation, promoting technological innovation and product upgrades, and enhancing brand international visibility. Therefore, the export trade of Chinese enterprises is imperative. Among various products, smartphones, as a necessity of modern life, have become a focal point in the export market.

Due to the maturity of the domestic mobile phone market and the characteristics of capital-intensive industries, many mobile phone companies have begun to seek overseas markets to reduce costs and expand into new business areas in order to enhance their international brand influence. Among numerous brands, Xiaomi's overseas expansion is highly representative. Xiaomi launched its globalization strategy in 2014, targeting India as its primary market. India, one of the global focal points, boasts a vast mobile phone market with strong purchasing power and huge potential for development. According to the latest research by Counterpoint Market Monitoring Service, in the first half of 2024, the global 5G smartphone sales reached approximately 590 million units, among which the Indian market accounted for 69 million units, ranking second in the world.

Since entering the Indian market, Xiaomi has quickly captured market share with its high - cost - performance products and localized marketing strategies, and has become the best - selling mobile phone brand in the country in a short period of time, making it a standout among overseas mobile phone companies. Xiaomi entered India in 2014 and rapidly rose to become the number - one mobile phone brand in India in the third quarter of 2018. Despite competition from other

manufacturers such as Samsung and Vivo, Xiaomi has managed to stand out in the unique business environment of the Indian market. Its successful experience in India can provide valuable lessons and insights for other brands.

In summary, Xiaomi's journey in the Indian market is one of advancing amidst challenges and opportunities, which holds significant discussion and research value. This article aims to analyze the opportunities and challenges faced by Xiaomi in the Indian market, explore the strategies adopted by Xiaomi in response to these opportunities and challenges, and offer suggestions that can serve as a reference for other enterprises planning to go global.

2. Current Market Analysis of Xiaomi Mobile Phones in India

2.1. The Current Opportunities Faced by Xiaomi Mobile Phones in the Indian Market

2.1.1. Local Policy Support

In recent years, the Indian government has been actively promoting the development of the local digital economy and has introduced a series of policies to attract foreign investment and boost technological innovation. For Xiaomi, by strengthening its cooperation with the Indian government, it can benefit from tax exemptions and land-use preferences, which help to reduce production costs and enhance market competitiveness.

Moreover, in an effort to make India a digitally advanced nation, Prime Minister Modi announced the implementation of the "Digital India" initiative in May 2023. This plan aims to popularize information technology, strengthen digital services and information security, and advance the digital economy. The goal is to increase the digitalization level of all towns and villages across the country to over 80%. This has driven the widespread adoption of smartphones and the improvement of network infrastructure, creating a favorable external environment for the expansion of Xiaomi's smartphone business in the Indian market.

2.1.2. Market Potential

Firstly, with a population base of over 1.3 billion and a youthful demographic structure, India is poised to become the world's most populous country. The population aged between 15 and 64 accounts for over 68%, with an average age of just 28.

According to data released by the International Monetary Fund, India's GDP in the fourth quarter of 2021 surpassed that of the UK, making it the world's fifth-largest economy. These demographic and economic characteristics not only mean that India has a large and vibrant potential market for smartphones, but also that the youthful consumer group's pursuit of fashion and novel products aligns well with Xiaomi's product positioning, offering significant market opportunities for Xiaomi in India.

Secondly, there is still considerable room for the growth of smartphone penetration in India. In the feature phone market, the shipment of 4G feature phones in India increased from 9% in 2022 to 25% in 2023. However, according to Counterpoint, 2G feature phones still dominate the Indian market, holding a 75% share. Given these conditions, as Indian consumers' income levels rise and the economy develops, an increasing number of consumers are beginning to seek high-quality, high-cost-performance smartphones. This trend provides abundant market opportunities for Xiaomi smartphones.

2.1.3. Technological Resource Advantages

From the perspective of technological resources, India has intensified its efforts to promote the development of 4G since 2016, which has led to the popularization of smartphones and triggered a wave of replacements in the Indian market. However, local Indian enterprises have relatively weak technological accumulation in manufacturing and are unable to meet this demand, presenting significant development opportunities for foreign companies like Xiaomi.

In recent years, Xiaomi has built up core technological competitiveness. In terms of hardware, Xiaomi is a leader in the 4G and 5G sectors in India. On the software front, Xiaomi is at the forefront of customized systems, with the MIUI team having launched a customized version of the system for India. Xiaomi's Indian subsidiary demonstrates full cultural adaptability, which is reflected in its technology and services. It provides corresponding local content and services, integrates many local content providers, introduces Indian-style system themes, and supports the display of traditional Indian calendars. These experiences and improvements in the details have won the favor of more Indian users.

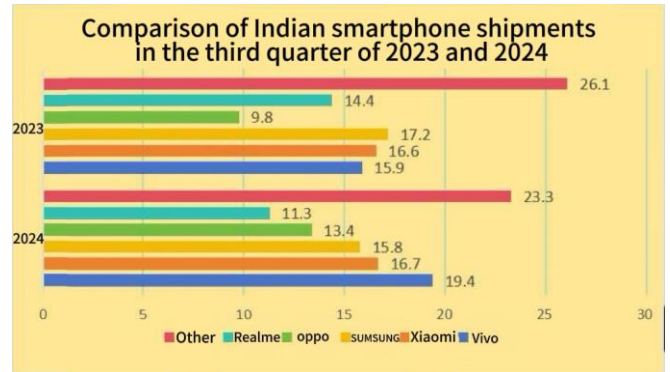
2.2. The Current Challenges Faced by Xiaomi Mobile Phones in the Indian Market

2.2.1. The Market is Fiercely Competitive.

The competition in India's smartphone market is extremely fierce. In addition to other Chinese brands such as Vivo and OPPO, there is also the rise of local Indian brands like Micromax. Moreover, South Korean brand Samsung is a strong competitor as well. These brands each have their own advantages in terms of price, performance, and brand recognition, posing significant competitive pressure on Xiaomi.

According to a report from the Economic Times of India on the 19th, the latest data released by market research firm Canalis shows that in the third quarter of 2024, the Indian smartphone market grew by 9%, with a total shipment volume of 47.1 million units. The Chinese brand Vivo topped the list for the first time, capturing 19% of the market share and

achieving a year-on-year shipment growth of 26%. Xiaomi ranked second with a shipment volume of 7.8 million units, a year-on-year increase of 3%. OPPO, which ranked fourth, saw the highest growth rate, with shipments reaching 6.3 million units and a year-on-year increase of 43%, accounting for 13% of the market. Samsung from South Korea ranked third with shipments of 7.5 million units, but it experienced a year-on-year decline of 4%.



Data source: market research firm Counterpoint Research

Figure 1. Comparison of Indian smartphone shipments in the third quarter of 2023 and 2024

According to data from market research firm Counterpoint Research, in 2024, Xiaomi's smartphone shipments in India saw a slight increase compared to the same quarter in 2023. However, it was also overtaken by Vivo, highlighting the fierce competition in the market. In order to boost sales and maintain its market position, Xiaomi needs to continuously innovate and upgrade its products, as well as improve brand loyalty and customer satisfaction.

2.2.2. The Influence of The Political Environment

The international political environment is highly uncertain and subject to change at any time. Since 2013, there has been intense discussion in India regarding China's "Belt and Road Initiative." In 2016, India adopted a negative stance towards it, which significantly impacted Xiaomi's brand image and consequently affected the sales of Xiaomi smartphones. Data from the first quarter of 2022 showed that Xiaomi's shipments in India fell by 24% year-on-year, with its market share dropping to 21% (2022 Yu Xiaowen).

In June 2020, the Indian government banned hundreds of Chinese-related applications, including Xiaomi Community and Xiaomi Browser. It also frequently detained goods from Xiaomi at Indian ports. In June of this year, the Indian government further required that the positions of CEO, CFO, COO, and CTO in Chinese smartphone companies operating in India be held by Indian nationals. Moreover, it accused Xiaomi's Indian subsidiary of "illegally transferring funds to foreign entities" and froze 673 million US dollars (about 4.8 billion RMB) of its bank assets (2023 Cheng Shijie).

In summary, Xiaomi faces both significant opportunities and challenges in the Indian market. Although local policies and market potential provide Xiaomi with a favorable development environment, and Xiaomi smartphones themselves have strong technological advantages, intense market competition and the impact of the political environment pose challenges to its operations. Xiaomi needs to respond flexibly to these changes in order to maintain its competitiveness in the Indian market.

3. Xiaomi's Main Strategies in the Indian Market

Xiaomi's strategy in the Indian market is mainly composed of three parts: cost leadership strategy, product differentiation strategy, and business ecosystem expansion strategy. Here is a comprehensive analysis of Xiaomi's strategy in the Indian market.

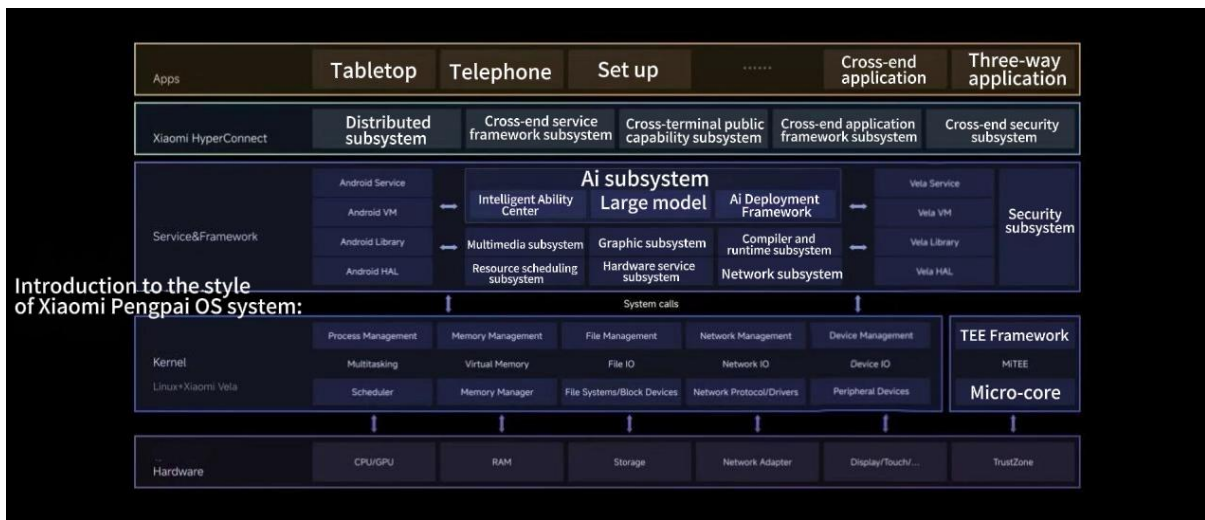
3.1. Cost Leadership Strategy

To drive economic growth, Xiaomi fully leverages India's demographic dividend, abundant labor resources, and favorable tax exemptions and land policy incentives for foreign enterprises. By localizing production in India, Xiaomi reduces costs and enhances market competitiveness. Xiaomi has partnered with Foxconn and other partners to establish production lines in multiple locations in India, achieving local manufacturing of products. Meanwhile, 95% of the components in Xiaomi's smartphones produced in India are sourced from China, Japan, South Korea, and other regions around the world, and assembled in local Indian factories.

This strategy not only reduces production costs and enables Xiaomi to flexibly implement a "produce more when possible" production model, but also shortens the transportation time of products and reduces time costs. In addition, local production has also increased the brand awareness of Xiaomi in India, enhanced its market competitiveness, and thus driven the growth of profits and sales.

3.2. Product Differentiation Strategy

To boost Xiaomi's shipment volume in the Indian market, Xiaomi has adopted several strategies. First, Xiaomi has launched new products, including new color versions of the Redmi Note 13 Pro series and Xiaomi 14 Civi, to meet the needs of different consumers. Second, Xiaomi's internal R&D team has leveraged its technological advantages to independently develop the Pengpai OS system (see Figure 2), which has significant improvements in performance, smoothness, and security, reducing dependence on the Android system and enhancing its competitiveness against domestic mobile phone brands such as Vivo and Realme.



Data source: Xiaomi HyperOS Official Weibo (October 23, 2023)

Figure 2. Introduction to the Style of Xiaomi's Pengpai OS System

Moreover, Xiaomi smartphones also offer interface themes that are in line with Indian cultural characteristics and have invited local Indian public figures to endorse their products (see Figure 3). This has not only attracted more Indian consumers but also helped Xiaomi effectively avoid potential boycotts of Chinese brands by the Indian public due to changes in the political environment, thereby effectively promoting sales growth. Through these measures, Xiaomi's competitiveness in the Indian market has been significantly enhanced.



Figure 3. Domestic and Indian Xiaomi Mobile Phone Endorsers

3.3. Business Ecosystem Expansion Strategy

Xiaomi's way of consolidating its market position is not limited to mobile phone sales but also includes expanding its business scope, enriching its product lines, entering new

markets, and developing innovative business models to achieve diversified development. These measures help Xiaomi continuously expand its market share and build a broad and in-depth business network and ecosystem, thereby enhancing its position and competitiveness in the market.

As early as 2014, Xiaomi replicated the domestic Internet marketing concept and worked with the Indian e-commerce platform Flipkart to carry out “flash sales” of “hunger marketing,” which greatly increased Xiaomi’s brand awareness in India (2020Cao Mengran). Subsequently, Xiaomi partnered with Optimus Electronics to produce wireless audio products and planned to increase the proportion of locally sourced components to 50% by 2025. Meanwhile, Xiaomi’s cooperation with Dixon Technologies in production and smartphone exports further expanded the brand’s industry chain. This cooperation was praised by Atul B. Lall, Deputy Chairman and Managing Director of Dixon Technologies, as an important milestone in the “Make in India” initiative, demonstrating Xiaomi’s important position in India’s business ecosystem.

In addition, Xiaomi has expanded its influence in the Indian market by launching the cost-effective smartwatch Redmi Watch 5 Lite. The product is priced affordably and features a full range of functions, including a popular square design, practical GPS functionality, and the HyperOS operating system, which can seamlessly connect with other smart devices such as Xiaomi smartphones. By capitalizing on the feature of India’s young population, the product attracts more consumers with its stylish and aesthetically pleasing appearance and intelligent and convenient performance, indirectly stimulating the sales growth of Xiaomi smartphones.

These measures not only increased the brand awareness and influence of Xiaomi smartphones in the Indian market but also enhanced Indian consumers’ trust and loyalty to the Xiaomi brand by offering a variety of smart products, thereby indirectly boosting the sales of Xiaomi smartphones and significantly strengthening their competitiveness in the Indian market.

4. Strategies to Enhance Xiaomi’s Competitiveness in the Indian Market

Following an in-depth analysis of Xiaomi’s operational dynamics in the Indian market, this study proposes the following strategic recommendations to enhance its market competitiveness and brand influence.

4.1. Strengthening Brand Building

While Xiaomi has attracted a substantial consumer base through its core brand and ecosystem products, its coverage of diverse consumer segments remains incomplete. Furthermore, although Xiaomi’s collaborations with local Indian enterprises have yielded measurable progress, the full potential of brand partnerships has not yet been realized. To address these limitations, the following recommendations are proposed:

First, in terms of brand collaboration, Xiaomi could emulate Transsion’s successful partnership models with companies such as NetEase and Tencent to maximize the potential of synergistic alliances. Xiaomi may collaborate with local Indian internet firms to co-develop market-specific applications and services, thereby enhancing user retention

and loyalty. Second, to refine market segmentation and precisely target heterogeneous consumer groups, Xiaomi should draw insights from Transsion’s multi-brand strategy deployed in the African market. Transsion achieved comprehensive market coverage by launching three distinct brands spanning premium to budget tiers: TECNO, itel, and Infinix. By adopting analogous strategies, Xiaomi can holistically address diverse consumer needs, thereby amplifying brand influence and market competitiveness.

4.2. Enhancing Localization Strategies

Despite implementing multiple localization initiatives in the Indian market, including product features tailored to local preferences, customized marketing campaigns, leveraging “Mi Fans” for brand advocacy, and partnerships with domestic firms to deploy SA 5G-enabled devices, Xiaomi’s localized R&D in product functionality and design requires further refinement.

Xiaomi could derive valuable lessons from Transsion’s localized R&D practices in the African market. Transsion garnered African consumers’ favor by developing demand-driven technologies, such as multi-SIM support, deep skin-tone imaging algorithms, and UV spray-coated anti-corrosion techniques (2022Zhou Yujie). For the Indian market, Xiaomi could adopt analogous R&D strategies, such as designing high-efficiency batteries resilient to extreme heat and humidity, as well as improving device durability against corrosion and particulate contamination to accommodate India’s challenging sanitary conditions.

Additionally, for users still reliant on 2G feature phones, Xiaomi should devise phased transition plans to facilitate their migration to 4G or 5G devices. Such an approach would not only expand market penetration but also reinforce brand loyalty. Through these measures, Xiaomi can more effectively align with Indian market demands, elevate localized R&D capabilities, and secure a competitive advantage in this intensely contested landscape.

4.3. Strengthening Risk Management and Government Relations

Xiaomi’s recent challenges in India, including frozen assets and patent infringement liability, highlight systemic deficiencies in addressing policy risks and legal complexities, particularly its reactive approach to risk mitigation and government engagement.

To resolve these issues, Xiaomi may benchmark Huawei’s global success in fostering government relations through proactive engagement in international standard-setting and technical support initiatives, thereby cultivating governmental trust and support. First, Xiaomi could strengthen ties with the Indian government by contributing to the development of national communication infrastructure and delivering technology solutions compliant with Indian regulatory standards. Second, sponsoring government-led initiatives could further solidify mutual trust. Concurrently, Xiaomi must continuously monitor shifts in Indian governmental policies and adapt risk response mechanisms promptly to ensure operational stability.

Acknowledgement

This study is supported by 2024 Teaching Reform Project of Lingnan Normal University

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