

## Crafting Effective Marketing Strategies for Xiaomi in Indonesia Through SWOT Insights

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### Abstract

*This study aims to determine the marketing strategy undertaken by Xiaomi Indonesia and to describe effective suggestions based on the SWOT analysis conducted. The analysis was carried out using the IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) methods which describe the internal and external factors of a company which will then be followed up with an analysis diagram to determine the company's position. Xiaomi Indonesia occupies the WT quadrant position with scores (-0.9) and (-0.8) which indicate that an effective strategy that can be implemented is a defensive-aggressive strategy.*

*Keywords : SWOT Analysis, Marketing Strategy, Xiaomi Indonesia.*

### INTRODUCTION

The development of technology, especially in the field of communication, has been rapidly advancing in recent years. This technological advancement is supported by the human need for smartphones. The period after the COVID-19 pandemic did not diminish the role of smartphones in daily human activities; in fact, smartphone usage became even more ingrained after this period. Adjustments in the world of work and education have made the role of smartphones and the internet even more massive, with hybrid learning (a combination of online and offline learning) becoming more normalized, as well as the public's need for social media as a place to share and connect with the surrounding world.

The dependency on smartphones cannot be denied. According to data from the Central Statistics Agency (BPS), 67.88% of Indonesia's population aged five and above owned a mobile phone in 2022. This figure is quite alarming because children at such a young age are exposed to technology that causes them to stare at screens for hours. This data also serves as a reference for smartphone manufacturers in their competition in the Indonesian market. The intense competition forces smartphone producers to prepare strong marketing strategies in the process of competing.

Kusumadmo (2013) in "Strategic Management-Knowledge" states that the word strategy etymologically comes from the Greek word "Strategos," which is derived from "stratos" (army) and "ego" meaning leader. Marrus (2002) defines strategy as the process of determining plans by top leaders that focus on the long-term goals of an organization. These long-term plans are accompanied by systematic planning efforts to ensure that the goals are achieved.

According to Daryanto (2011:1), marketing is defined as "A social and managerial process by which individuals and groups obtain their needs and desires by creating, offering, and exchanging something valuable to each other." Marketing is an activity that covers the entire business system, such as planning prices, conducting promotions, and distributing goods and services to satisfy the needs of existing and potential consumers. Kotler (2010) defines marketing as a system aimed at producing value for consumers and capturing value from consumers, or obtaining feedback from them.

From the above definitions, the relationship between strategy and marketing is that strategy serves as a foundation for planning long-term goals, while marketing is the objective to be achieved. Marketing strategy deals with how a company formulates a system to achieve competitive advantage, which is done in a sustainable and continuous manner in the production process of goods or services. Marketing strategy can be considered as one of the most basic plans for a company, as in this plan, a company can evaluate its strengths and weaknesses and its position in the market. A marketing strategy also involves how to determine prices, distribution, and how to market goods or services to consumers in accordance with the company's target.

Xiaomi Corporation (“Xiaomi”) was founded in April 2010 and went public on the Hong Kong Stock Exchange on July 9, 2018. Xiaomi is a manufacturing company that focuses on smartphone products and other smart hardware that can be connected via the Internet of Things (IoT) system. Xiaomi has a vision “To be users' best friend and the most loved company in the hearts of users.” Through this vision, Xiaomi strives to position itself as a smartphone company that prioritizes customer service and satisfaction, aiming to be a brand beloved by its users. According to Canalys, Xiaomi ranked 3rd as a global smartphone supplier in the second quarter of 2022 (mi.co.id, 2023).

Xiaomi entered Indonesia in 2014 as a new player who shook up the smartphone market at that time. While other manufacturers were selling their products at high prices, Xiaomi seized the opportunity as a new entrant by offering competitive prices. This consistent low pricing strategy is what made Xiaomi well-known to this day.

Table 1. Top Brand Index for Indonesia Smartphone category 2021-2023

2021		2022		2023	
Brand	Index	Brand	Index	Brand	Index
Samsung	37.10%	Samsung	33.00%	Samsung	32.90%
Oppo	19.30%	Oppo	20.60%	Oppo	23.40%
Xiaomi	12.40%	Xiaomi	11.20%	Xiaomi	10.60%
Vivo	7.90%	Vivo	9.70%	Vivo	9.70%
Apple	11.00%	Apple	12.00%	Apple	12.40%

Sumber : //topbrand-award.com/2023

Table 1 shows that the Xiaomi brand achieved an index of 12.40% in 2021 and ranked 4th as the best-selling manufacturer in Indonesia. Similarly, in 2022 and 2023, Xiaomi consistently maintained the 4th position. However, there was a decline in the index by 1.8% from 2021 to 2023. This decline indicates that Xiaomi Indonesia has gaps that led to this decrease in their index. The goal of this research is to identify and provide alternative marketing strategies for Xiaomi Indonesia to capture the smartphone market share in Indonesia.

This research is based on the journal (Annisa M., 2020) The findings of the study revealed that the Magelang 56100 Post Office occupies position 1 in quadrant 1, indicating that the situation is very favorable for implementing aggressive/growth strategies.

### Business Environment Analysis

Business environment analysis is divided into two categories: internal environment and external environment.

#### 1. Internal Environment

According to Wispandono (2010), the internal environment is the environment of an organization that exists within the organization. An internal environment analysis aims to understand the strengths and weaknesses of the organization relative to its competitors.

#### 2. External Environment

According to Djaslim Saladin and Herry A. Buchory (2010), the external environment refers to "all forces that emerge and exist outside the organization's scope and are generally not bound by the operational situation of the company."

### SWOT Analysis

SWOT Analysis is a common analytical technique used to determine the most effective marketing strategy. While this analysis may seem simple, its effectiveness cannot be doubted. By using the IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) matrices, SWOT analysis can be very powerful in determining a company's business strategy. This analysis is based on the assumption that a strong strategy or plan can minimize threats and failures while enhancing strengths and opportunities for success.

### IFE Matrix and EFE Matrix

The Internal Factor Evaluation Matrix (IFE) and External Factor Evaluation Matrix (EFE) were first introduced by Fred R. David in his book Strategic Management. They are tools for analyzing factors that influence a company's business processes. The IFE matrix analyzes the internal factors of the company, including its weaknesses and strengths, while the EFE matrix focuses on the external factors, such as opportunities and threats. The matrix identifies 10-20 SWOT factors and assigns weights to each factor ranging from 0 to 1. A weight of 0 means the factor has no influence, while a weight of 1 indicates that the factor is highly influential and important.

### METHOD

The research method used in this journal is descriptive and qualitative data using secondary data collection from various literature on the internet. (Noor, 2014) revealed that 'qualitative data is data based on words and contains a symbol or meaning in it'. Meanwhile, the choice of decision to use secondary data is due to its efficient and effective form. There is a lot of literature that discusses similar topics which makes it efficient in data collection and its effectiveness is also not in doubt because much of the literature is in the form of scientific papers.

### RESULTS AND DISCUSSION

#### IFE Table

IFE analyzes the company's internal factors, namely strengths (Opportunities) and weaknesses (Weakness) by giving each factor a weight and rating which will then produce a weight score (weight x rating).

Table 2.1 IFE Matrix (Internal Factor Evaluation)

**Internal Factors**

Factor	Weight	Rating	Weighted Score
<b>Strengths</b>			
1. Good quality with relatively lower prices compared to competitors	0.12	4	0.48
2. Product diversification according to target markets: premium class (Xiaomi), regular class (Redmi), and gaming class (Black Shark)	0.09	3	0.27
3. Customer loyalty that indirectly promotes through word of mouth	0.10	3	0.30
4. Widely spread official sales stores across Indonesia	0.08	2	0.18
5. Consistently maintaining low product prices after years of entering the Indonesian market	0.09	3	0.27
<b>Total</b>	0.48	15	1.50
<b>Weaknesses</b>			
1. Due to excessive enthusiasm, Xiaomi couldn't match the supply of its products, making them difficult to find, especially during the initial launch period	0.11	4	0.44
2. Public perception that Xiaomi's brand image is considered lower quality compared to its competitors	0.12	4	0.48
3. Limited distribution across Indonesia	0.09	4	0.36
4. To cover production costs, Xiaomi often sacrifices some aspects of the product, such as plastic materials and UI displaying ads	0.11	2	0.22
5. The premium class (Xiaomi series) still struggles to compete in the premium segment (priced above IDR 10 million)	0.09	1	0.09
<b>Total</b>	0.52	15	2.40
<b>Total IFE</b>	1.00	30	3.90

This is the English translation of the Internal Factor Evaluation (IFE) matrix for Xiaomi, including the strengths and weaknesses with their corresponding weights, ratings, and weighted scores.

**EFE Table**

EFE analyzes the company's external factors, namely Opportunities and Threats by giving each factor a weight and rating which will then produce a weight score (weight x rating).

**Tabel 2.2 Matriks EFE (Evaluasi Faktor Eksternal)**

**External Factors**

Factor	Weight	Rating	Weighted Score
<b>Opportunities</b>			
1. Ranking 4th in the smartphone market in Indonesia in 2023 presents an opportunity for Xiaomi to continue growing	0.10	3	0.30
2. New technology in premium and gaming product lines can be applied to regular product lines to increase their value	0.10	3	0.30
3. Continuous economic growth can generate new user segments	0.11	4	0.44
4. Technological advancements can benefit Xiaomi in various aspects	0.10	2	0.20
5. Establishing local partnerships can enhance Xiaomi's brand awareness among Indonesian consumers	0.11	2	0.22
<b>Total</b>	<b>0.52</b>	<b>14</b>	<b>1.46</b>
<b>Threats</b>			
1. The emergence of brands similar to Xiaomi, offering low prices with good quality	0.11	4	0.44
2. Intense competition in the Indonesian smartphone market	0.08	4	0.32
3. Changing consumer preferences	0.10	3	0.30
4. Data and privacy threats	0.09	1	0.09
5. Uncertain demand and market conditions can threaten Xiaomi's supply chain	0.10	3	0.30
<b>Total</b>	<b>0.48</b>	<b>15</b>	<b>2.26</b>
<b>Total EFE</b>	<b>1.00</b>	<b>29</b>	<b>3.66</b>

This is the English translation of the External Factor Evaluation (EFE) matrix for Xiaomi, including the opportunities and threats with their corresponding weights, ratings, and weighted scores.

In Table 2.1, there are two factors: strengths and weaknesses. The first strength of Xiaomi Indonesia is its low price with high quality, which received a score of 0.48. The second strength is product diversification in the Xiaomi Indonesia smartphone line, with a

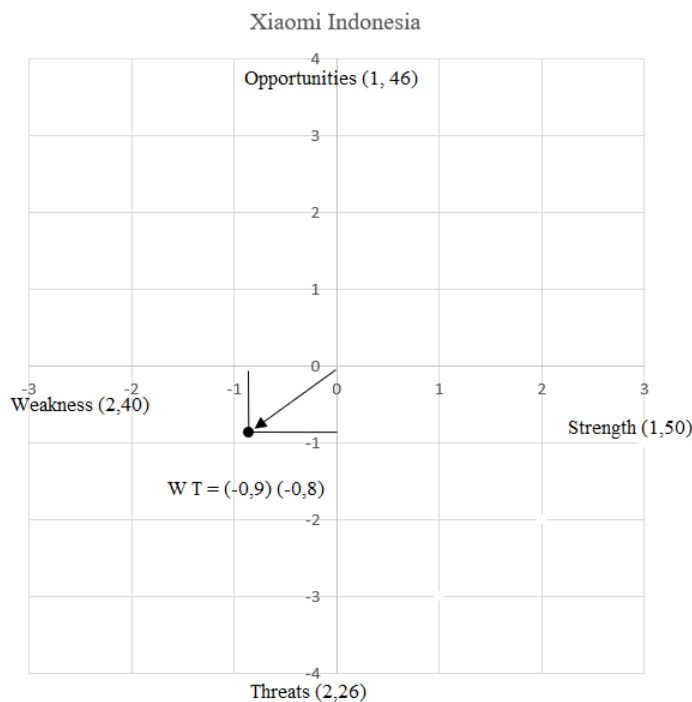
score of 0.27. The third strength is word-of-mouth promotion by Xiaomi Indonesia’s consumers, which received a score of 0.30. The fourth strength is the widespread presence of official stores across Indonesia. The final strength is the consistency of maintaining prices for many years, which received a score of 0.27.

As for weaknesses, the first one is the imbalance between supply and demand, with a score of 0.44. The second weakness is the brand image of Xiaomi Indonesia in the eyes of the public, which is perceived as lower quality compared to its competitors, receiving a score of 0.48. The third weakness is limited distribution across Indonesia, which received a score of 0.36. Next, Xiaomi Indonesia sacrifices some aspects of production to reduce costs, earning a score of 0.22. The final weakness is their premium product line, which struggles to compete in the premium segment, earning a score of 0.90.

In Table 2.2, there are opportunity and threat factors. The first opportunity is Xiaomi Indonesia’s position as the 4th most popular brand in 2023, which presents a good opportunity for expansion in the following years, with a score of 0.30. The second opportunity is that Xiaomi Indonesia’s regular product line could be targeted to downgrade premium features to increase its market value, with a score of 0.30. The third opportunity is the continuous economic growth, which received a score of 0.44. The fourth opportunity is technological advancements that could benefit Xiaomi Indonesia, with a score of 0.20. The fifth opportunity is establishing local partnerships, with a score of 0.22.

The first threat is the rise of competitors with similar characteristics to Xiaomi Indonesia in the market, which received a score of 0.44. The second threat is the highly competitive smartphone market in Indonesia, with a score of 0.32. The third threat is the changing consumer preferences, which received a score of 0.30. The fourth threat is data and privacy concerns, which received a score of 0.90. The final threat is the uncertainty of demand for Xiaomi Indonesia products, which could disrupt the supply chain, with a score of 0.30.

Figure 1. Xiaomi Indonesia SWOT Analysis Quadrant Table



The quadrant diagram in Figure 1 shows that the results of the SWOT analysis using the IFE and EFE methods produce coordinate points that are in the region between Weakness and Threats or weaknesses and threats. This means that Xiaomi Indonesia's position in the SWOT analysis is in an area that requires them to be defensive and reactive. That is, Xiaomi Indonesia must reduce the deficiencies that occur internally while being reactive to threats that may occur in the future.

**Table 3. SWOT matrix strategies for WT Strategy**

<p><b>Internal</b></p>	<p><b>Weakness (Kelemahan)</b></p>
<p><b>Eksternal</b></p>	<p><b>Strategi WT</b></p>
<p><b>Threats (Ancaman)</b></p>	<p><b>Strategi WT</b></p>
<ol style="list-style-type: none"> <li>1. The emergence of brands with characteristics similar to Xiaomi, offering low prices with good quality.</li> <li>2. Highly competitive smartphone market in Indonesia.</li> <li>3. Continuously changing consumer preferences.</li> <li>4. Data and privacy threats.</li> <li>5. Uncertain demand and market conditions could threaten Xiaomi's supply chain.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve the negative brand image built among consumers and potential customers.</li> <li>2. Develop strategies in production and distribution processes to address product shortages.</li> <li>3. Implement effective promotions to build brand awareness among consumers and potential customers.</li> </ol>

### **Matrix Analysis for WT Strategy**

An effective strategy for Xiaomi Indonesia based on the SWOT matrix that has been created is to carry out defensive-reactive tactics, by fixing weaknesses and preparing to face upcoming challenges. The strategies include: improving the bad image that is built on consumers and potential consumers, organizing strategies in the production process to distribution to overcome product scarcity, and conducting effective promotions in the process of building brand awareness to consumers and potential consumers.

### **Discussion on Xiaomi Indonesia's Strategic Position**

Xiaomi Indonesia is currently positioned in the Weakness-Threat (WT) quadrant in its SWOT analysis, based on its Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE). The weighted scores from both matrices highlight the need for Xiaomi to address its internal weaknesses and external threats in order to enhance its competitive position in the Indonesian market.

### **Internal Weaknesses**

Xiaomi's internal weaknesses primarily stem from issues related to supply chain management, brand perception, and product quality. As noted in the IFE table, the company struggles with product shortages, especially during the initial launch periods due to excessive enthusiasm among consumers (Maheswari, 2021). This failure to meet demand during high-sales periods can damage customer satisfaction and loyalty, which is critical in a competitive market (Chiu et al., 2016).

Additionally, Xiaomi faces challenges in terms of brand image. Despite offering affordable prices, its brand is perceived as lower in quality compared to premium brands like Apple and Samsung, a perception that has persisted in the Indonesian market (Nielsen, 2018). This issue is compounded by Xiaomi's limited distribution network across Indonesia, which restricts its market reach, especially in more remote areas. The reliance on cost-cutting strategies, such as using plastic materials and integrating advertisements into the user interface, has also led to consumer dissatisfaction, further reinforcing the notion of poor quality (Wang et al., 2020).

### **External Threats**

On the external front, Xiaomi faces significant threats, particularly from competition and shifting consumer preferences. The rise of other affordable smartphone brands that offer similar features has intensified price-based competition, which places pressure on Xiaomi's pricing strategy. Furthermore, the competitive nature of the Indonesian smartphone market, characterized by high brand loyalty and frequent new entrants, complicates Xiaomi's efforts to retain market share (Prasetyo & Suryani, 2022).

The rapidly evolving consumer preferences and the shift towards premium devices pose additional risks. While Xiaomi's low-cost smartphones appeal to budget-conscious consumers, the increasing consumer demand for high-end features in budget devices could threaten Xiaomi's position in the mid-range market (Lee et al., 2021). Moreover, concerns around data privacy and the uncertain economic environment in Indonesia could further hinder Xiaomi's supply chain and market stability (Huang, 2023).

### Strategic Recommendations

In order to address the weaknesses and threats identified in the SWOT analysis, Xiaomi needs to adopt a defensive-reactive strategy. Key recommendations include:

1. **Brand Image Improvement:** Xiaomi should invest in improving its brand perception by highlighting the quality and reliability of its products through targeted marketing campaigns. Leveraging customer testimonials and focusing on quality aspects can help shift public perception (Chen et al., 2020).
2. **Enhanced Supply Chain Management:** To address the frequent product shortages, Xiaomi needs to optimize its production and distribution processes. Implementing better forecasting models, improving relationships with suppliers, and expanding logistics networks will ensure product availability during peak demand periods (Zhang & Liu, 2021).
3. **Promotional Activities:** Xiaomi should focus on building brand awareness, particularly in regions with limited exposure to its products. Effective digital marketing strategies, including influencer partnerships and localized content, could enhance consumer engagement and loyalty (Purnama & Setiawan, 2022).

### CONCLUSION

Based on the SWOT analysis conducted in the diagram, the scores obtained by Xiaomi Indonesia from the summation of the IFE and EFE factors indicate that Xiaomi Indonesia is positioned in the WT quadrant (-0.9 and -0.8), which suggests that they must urgently address their weaknesses and the upcoming threats. Xiaomi Indonesia has one very strong advantage, which is the low price they set for their products with high quality compared to their competitors. However, this is a double-edged sword, as on the other hand, the brand image built among consumers and potential customers has become less favorable due to the very low prices and frequent product shortages. This is a factor that needs to be addressed by Xiaomi Indonesia by implementing effective promotions to improve their image and strategizing production and distribution to address product shortages. Although the analysis has been conducted, the author feels that there are still many errors and shortcomings in this journal. The author hopes to correct these shortcomings in future works.

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