

Xiaomi Expansion

Introducing Power Bank to Indonesia



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Executive Summary

The following report explores an opportunity for profit by introducing Xiaomi 20000mAh Power chargers to Indonesia by analyzing the following aspects, including the country overall analysis, consumer lifestyle and business environment.

Country Analysis

Indonesia is a suitable place for business investment of technology industry. With the Infrastructure development and foreign direct investment policy establishment of local government, Indonesia's technology product industry is expanding at a fast speed. Indonesia government has already implemented sophisticated technology projects and facilitated the progress in high-technology sector by providing undersea cable with a fast internet connection (Economic Intelligence Unit, 2021). Besides, the president's policy continuity for prioritizing infrastructure development and securing greater foreign direct investment expand aspects related to electricity retailing products for mobile phone, and determine to persuade foreign companies to provide capital and technology (Indonesia Country Monitor, 2022). The combination of two factors above enable Xiaomi Inc. expansion to the country's technology sector with high return and payoff.

Technology

[Data management]

undersea 1.
infrastructure 2.

Consumer Analysis

The majority of Indonesia's population live in an active life. The attitudes of people in Indonesia accept the adoption of the technology-driven world, creating a strong demand for promoting technology products including portable power banks accordingly. Indonesian customer develops a strong reliance on mobile phone device for the most important two functions of e-payment and online communications. They use internet-connected devices especially cellphones to connect digital content, and 84% of all customers are believing the technology and digital living style has helped improve the life standard in daily life (Euromonitor International, 2021a). This consumer lifestyle strongly reflects that to Xiaomi's target customer group, who follow a strong reliance to technology related products to support the cellphone usage.

Implementation Strategy

In order to expand Xiaomi 20000mAh Power chargers, direct exportation method together with the strategy of social media promotion should be taken. To maximize the efficiency of delivery, sales center should be built in cities Jakarta, Surabaya where either has the largest consumer market or lead in per capita consumer expenditure to help make a distribution channel more convenient and boost the total sales revenue (Euromonitor International, 2021e). Also, the company should ship directly to local retailers to distribute to customers by combining both online and offline strategies with Indonesian convenience stores chain such as Alfamart and Indomaret near the major shopping center (Euromonitor International, 2022a). With both the appropriate location to catch large customer bases and taking the strategy of online promotion and offline selling, the product will finally reach a success operation in Indonesia.

Launching Xiaomi In Indonesia

The context of country

Indonesia is a country where there is a large amount of support from the Indonesia government within the technology industry. Indonesia has built sophisticated technology projects and the government is facilitating progress in high-technology sectors. The Palapa Ring project, completed at the end of 2019, resulted in 13,000km of undersea cable being laid to provide all of the country's provinces with a fast internet connection to support the overall technology sector's development (Economic Intelligence Unit, 2021). Moreover, the government has built a solid foundation to boost the growth in both e-payment and digital media platform. The Indonesian government is making a shift to a cashless society that increases the demand for digital payment (Frost & Sullivan, 2020). For the digital media platform construction, as a country with an improving technological landscape in progress supported by the government, the social media platform is building customer bases in process. The above two aspects increase the need for portable chargers to stay connected with surroundings, get access to their phones to receive information and digital payment online at most of the time (MarketLine, 2021c).

Besides, the digital living style is the core lifestyle within Indonesian with cellphone usage as the one of the most popular ones for multipurpose activities. It will continue to remain for a long time in the future that promotes technology related products' development (Euromonitor, 2021a).

Product overview

Xiaomi 20000mAh Power chargers, priced around US\$25, can provide high capacity of 20,000 mAh support to fully charge four common cellphones. With its dual input and output ports and reliable high-density lithium ion polymer battery, it allows a two-way 18-W fast charge that offers more efficient charging at any places for a short period of time (Xiaomi, 2022). With such characteristics, it can well satisfy a variety of needs for online communication and e-payment through Indonesian customer.

Business environment

Indonesia is a suitable country for promoting Xiaomi 20000mAh Power chargers due to the fast growth pace of electronic retailing industry in Indonesia, and boosting of foreign direct investment together with healthy economic condition.

Electronic retailing industry is developing at a fast pace in Indonesia. The Indonesian consumer electronics retail market compound annual growth rate between 2016 to 2020 is 4.3% and reach 8113.7 million by the end of 2020 (Euromonitor International, 2021d). Among electronic retailing, increasing sale of mobile phones is the main driving factor of portable power banks (BCC Research, 2018).

Additionally, the boosting of foreign direct investment makes investment related technology products more available. Attracting foreign direct investment into Indonesia has been the administration's priority, and the new domestic net investment regulations permit much greater investment than previously, as well as the non-tariff trade barrier policy that makes Xiaomi inc. starting business in Indonesia easier and have more chances to expand potential Indonesia's market (Economic Intelligence Unit, 2021). Besides, Indonesia has grown to be a significant player in Asia pacific market. Its healthy economy environment displayed by stable growth of GDP and individual disposable income level demonstrates a strong likelihood of the product's success promotion (Economic Intelligence Unit, 2021)

Power Bank Market With Growth Opportunity

Strong reliance on mobile e-payment

A great potential demand in e-commerce payment on mobile devices surges the needs of mobile chargers' usage like power banks further.

Indonesia's e-commerce market has already reached 13.32 billion sales volume in 2019 when referring to figure 1, and the growth rate is forecasted to maintain around an average of 15% increasing level in the next following years (Insider Intelligence, 2020a).

According to figure 2, with a booming e-commerce market, Mobile payment method used behind also known as e-payment is one of three representative payment methods that forecasted to rank the first compound annual growth rate of 29.2% between the period of 2019 to 2025 and expected to reach over \$38.28 billion by 2025 (Frost & Sullivan, 2020). At the same time, from figure 3, the active customers that used the mobile payment method has continued to growth at a stable rate of around 7.7%, and has already reached around half of the population in 2019, and by 2025 it will be forecasted to reach 195 million (Frost & Sullivan, 2020).

The increasing trend of adopting mobile e-payment and its active customer usage displays a strong reliance and sustainable growth of cellphones served as the main payment method, and thus increases the chances and demand of supporting its battery.

Also, Indonesia as one of fast-growing mobile commerce markets, 58.9% of its e-commerce has fallen into travelling spending sector and \$5.3 billion mobile payment are completed in software application, suggesting the trend of a flexible and convenient requirement of payment method with smartphones at any time (JP morgan,2022). With the development of e-commerce for mobile payment as the major payment method that have the most potential development in Indonesia, and its growing active customers with frequency and portable utilization, it is clear to see the maturity of e-payment and the ease of use within e-wallets that create the increasing needs of power portable charger to support mobile phone usage. The major advantage

of Xiaomi power banks is that they can be used with almost any USB-charged device and adapt to any portable charging function for e-payment in most purpose.

Online communication as the necessity

Online communication on a cellphone is another necessity of Indonesian that increases the frequency of using portable chargers for stable power support. For Indonesian, they can charge their phones using USB-C charger line. However, due to the limitation of electricity capacity of existing phone battery Indonesian will likely to sought help from additional support supplementary tools like power banks for charging their devices for their media purpose.

In Indonesia, the smartphone has been universal and at H1 2021, 98.1% of surveyed internet users has owned one as the main digital device for online media usage (Insider Intelligence, 2021). From another aspect, according to figure 4, between 2019 and 2020 Indonesia is ranked the second user with mobile messaging app countries with 11% growth rate, and the total user reaches 90.4 million (Insider Intelligence, 2020b).

Additionally, social networking and messaging are two main media activities in Indonesian internet users. According to the insider intelligence statistics, in 2021 H1 period the average time for Indonesian spent with social media and messaging was 3 hour and 22 minutes per day (Insider Intelligence, 2020b).

However, the Indonesian electricity retailing market that consists of the net consumption of electricity has reached 19.8 billion in 2020. As shown by figure 5, it only accounts for 1.5% of the Asian Pacific electricity retailing market value with 46.4% as residential, 29.5% as Industrial, 41.9% as the commercial and public purpose to total market volume (MarketLine, 2021b). It is clear to can see Indonesian can still have space of dealing with electricity supply problems in individual mobile phone users for satisfying flexible needs of sustainable their phone battery.

When more and more people are relying on cellphones and using cellphones as main electric devices for online communication usage, there is an increasing likelihood of portable power charger's introduction success and advantage compared with traditional USB cable line for sustaining their phone limited battery capacity and provide a backup for maintaining their online social communication by cellphones when there is limited place to charge electricity.

With the help of Xiaomi portable charger, its built-in smart USB charging controller helps supports most charging mechanisms on the market and guarantees compatibility with different portable smart devices that gives Indonesian more flexible choices of meeting their diversified needs especially for the fast drainage of the battery from cellphones is a major concern by people (Xiaomi,2022). By using Xiaomi power banks, it can sustain the battery life and help charge multiple devices at the same time with fast charging speed (Xiaomi,2022).

Shifting Consumer Habits

Digital living lifestyles of Indonesian

The attitudes of people in Indonesia accept the adoption of the technology-driven world by viewing the cellphone as one of the most representative ones, creating a strong demand for promoting technology products including portable power banks accordingly.

Indonesia citizens perceives technology products as the integral part of their daily life. After pandemic, within the weeks they utilized cellphones in multiple kind of activities, 94% use a messaging app, and 77% access social media via their smartphones, and 66% use a banking app at least weekly (Euromonitor International, 2021c). Also, around 94% of all Indonesian own a smartphone, and 84% of them believe that the current technology living style helps them improve their everyday life. With Such smart technology living lifestyles that continue to make life at more comfortable for Indonesians, 57% of respondents, including 65% of Millennials, say they would pay a premium for related smart appliances and products for the need of technology life (Euromonitor International, 2021a).

Through the above findings, The Xiaomi 20000mAh Power charger is an ideal product for Indonesian markets since it satisfies the flexible and a large variety of needs of using cellphones as part of their digital living lifestyle for online payment and communication in social media sites at anywhere and at any time (Xiaomi, 2021).

Indonesia's Business Climate

Increasing boom of electric retailing products in Indonesia

The promotion of Xiaomi Power Bank is a successful business with constantly increasing growth under both electronic retailing and mobile phone charger market.

Among one of three common types of mobile chargers Power bank approximately consists half of the market value in global market, and forecast to reach \$11.07 million dollars in 2022 with CAGR of 7.0% with the increasing capacity need of people for charging their phones in figure 6 illustration, where the individual consumer is considered to be a major end user in the battery charger market. As one of the major contributors to the market, Power banks itself in the Asia Pacific are forecasted to generate \$4564 million dollars with a compound annual growth rate of 7.6% between 2017 to 2022 and ranked the first compared with other regions in the world (BCC Research, 2018).

Furthermore, Indonesia, as major player of Asia pacific region, will continue to have an increased growth rate of sales of power banks. Especially in its electronic retailing market, there is a huge potential in the global scale of electronic related products. Until 2020, the overall electronic retailing market has reached \$9,263.1 millions with consumer electronics products proportions of 11.9%, and ranks as the top five

countries with the percentage of Asia pacific market by 1.6% (Euromonitor,2021d). Due to sustainable growth of Indonesia's potential retailing as one of consumer electronics products as well as the importance in mobile charger market, power bank is profitable to introduce in Indonesia market.

Foreign direct policy and healthy economic condition

In February 2021, the government announced a major liberalization of its direct net investment, which sets sectoral investment terms on foreign investment, and current president Jokowi is keen to attract more foreign funding, and the new domestic net investment regulations permit much greater investment than previously, as well as the non-tariff trade barrier policy (Economic Intelligence Unit, 2021). The boosting of foreign direct investment together with low tariffs makes investment related technology products more available.

From another aspects, Indonesia consumer market as one of the largest in South-east Asia has displayed a good prospect with its overall forecasted increased trend in personal disposable and its GDP per head in longer term (Economic Intelligence Unit, 2021). Both growing GDP and increased disposable income level suggests a healthy economic conditions of operating a business and the willingness to purchase technology products.

Implementation Strategy

Expanding delivery channels by direct export

With a mature development of shipping channel, The Xiaomi portable charger can penetrate to the local market by convenient direct exportation in order to minimize the cost related to logistics.

With the adoption of direct exportation method, it is overall convenient and cost efficient with vast variety of mature transportation infrastructure including sea, and railway that helps facilitate the direct export of the product (Central Intelligence Agency, 2022). Indonesia's transport infrastructure is improved with major government investment. Over 2020-2024, Indonesia plans to invest over \$430 billion in infrastructure projects, including roads, ports and railway (Euromonitor, 2022b).

Building regional sales center in major cities

set center in major cities

The company should create a sale center in cities Jakarta, Surabaya where either one has the largest consumer market or lead in per capita consumer expenditure in order to help make a distribution channel more convenient (Euromonitor International, 2021f). As the most populous city in country, Jakarta remains the largest consumer market base currently in Indonesia over the period to 2025 and will have a steady growth of population until 34.5 million over the period between 2021 to 2025 due to

the contribution from people for working purposes, consisting of 17% of Indonesia's total consumer expenditure in 2025 (Euromonitor International, 2021e) ; Another potential city Surabaya is the second-largest market by leading per capita consumer spending and disposable income level, and it will be forecasted to have the fastest average real GDP growth over 2021-2025 (Euromonitor International, 2021e).

According to figure 8, these two cities Jakarta and Surabaya consists of an overall higher amount of percentage of total consumer expenditures compared with other cities and their sum has reached 22.9%, around one fourth of total expenditures (Euromonitor International, 2021e). When there is more overall expenditure spent the customers, there is more chances of starting a business with great payoff.

Taking advantage of both online and offline e-platform outlets

To ensure the success of the global operation, Xiaomi should prepare sales department for satisfying the need of customer from both offline convenience store and online sales (Euromonitor, 2021b).

The company should ship directly to local retailers to distribute to customers by combining both online and offline strategies with Indonesian convenience stores such as Alfamart and Indomaret near the shopping center in location with either large customer bases or leading per capita consumer spending and disposable income level like the two major cities' shopping mall mentioned above. For the offline strategy, these convenience stores are still the largest segment of the Indonesian retail industry and should provide digital payment method especially combining the popularity of digital e-wallet payment (Euromonitor International, 2022a). Within digital payment, Mobile phones have become integral to the in-store shopping experience. 49% of Indonesian customer compared to 36% global average make an in-store mobile payments at least weekly that also strengthen the needs of making a purchase of power banks because of their frequent usage of cellphones for digital payments during offline shopping (Euromonitor International, 2020).

For the online strategy, the representative is Informal retailing sale as an important strategy that company should let local convenience store adopt since the company will be benefited by the product's exposition to customers and thus improve their overall online and offline sales volume (Euromonitor, 2021b). Especially after the strong effect of Covid 19, it is important for many offline sellers has turned many offline outlets to turn online to promote their product through online social media and messaging apps' notification (Euromonitor, 2021b). This turns out to be effective since 57% of consumers say they are influenced by social media posts from a brand or company (Euromonitor, 2020).

Expansion In Summary

In the context of an overall trend to use more flexible portable charger to satisfy the additional charging of smart digital devices like cellphones and digital living environment by Indonesia people, the market for mobile chargers is prospective and Xiaomi Inc. should introduce its Xiaomi 20000mAh Redmi Fast Charge Power Bank to maximize its business payoff. The effective strategy will be direct export and cooperate with local large convenience stores chains. By adopting the strategy of online social media promotion and choose two big cities as the representative locations that maximize the potential mainstream customer groups, Xiaomi Power Bank will get the highest return.

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Appendix A: Personal Usage Of Technology By Ages

The following shows personal use by age of technology devices in the figure from Euromonitor consumer overview in Indonesia. Shown on the figure 9, Indonesian has an overall high reliance and frequency of using smartphone in all ages level.

Technology: personal use by age

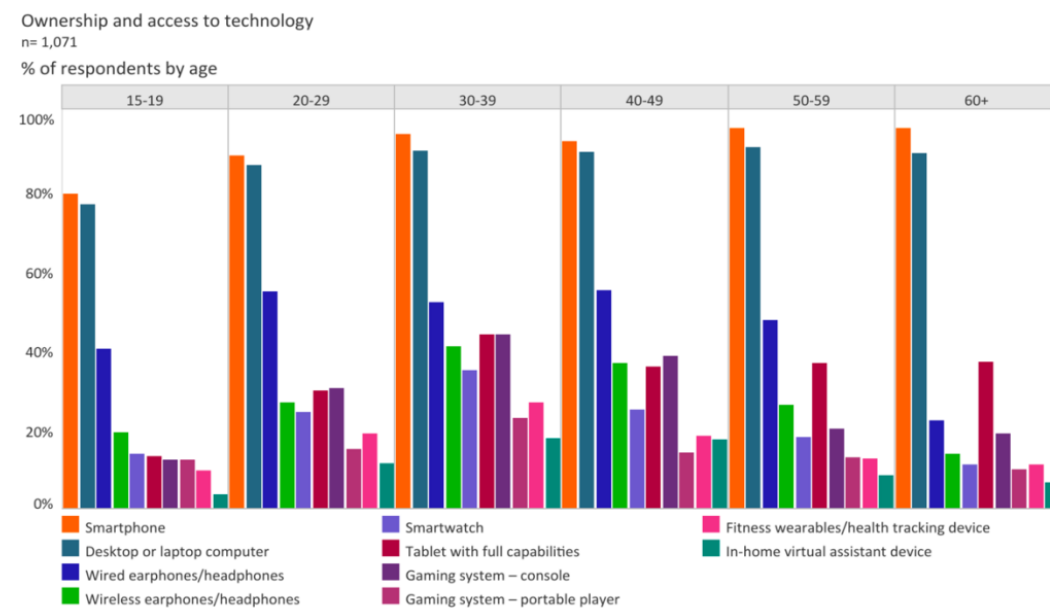


Figure 9: Personal Usage Of Technology By Ages

Sources:

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Appendix B: Online Engagement With Companies Over Previous 6 Months

The following shows online engagement with companies over previous 6 months in the figure from Euromonitor Megatrends in Indonesia. Shown on the figure 10, half of Indonesian shopper will follow company's social media post when shopping, it is crucial for local retailers to adopt a both online and offline strategy.

Shoppers are eager to engage with companies via social media

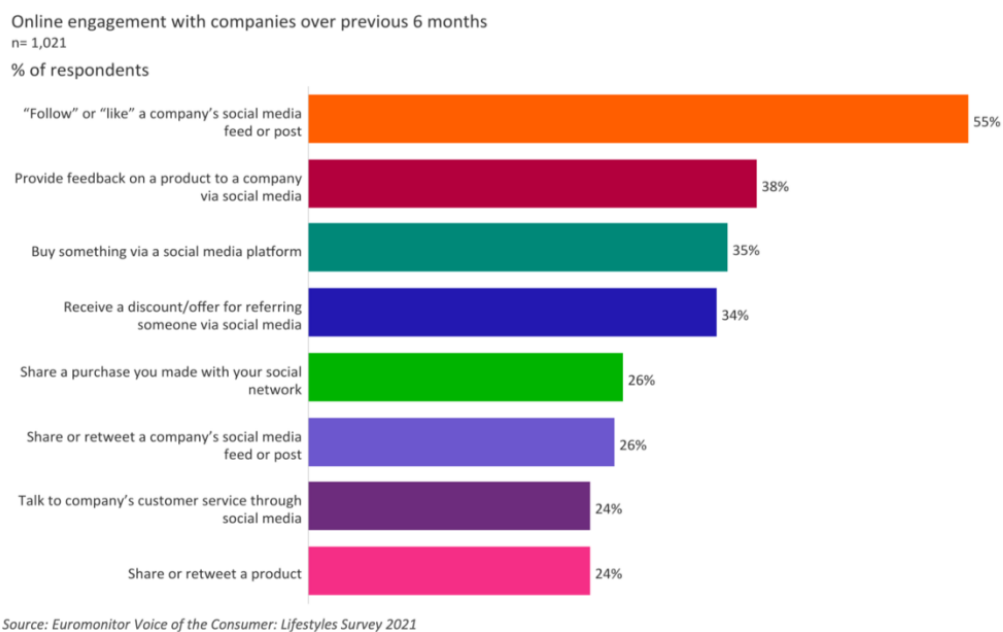


Figure 10: Online Engagement With Companies Over Previous 6 Months

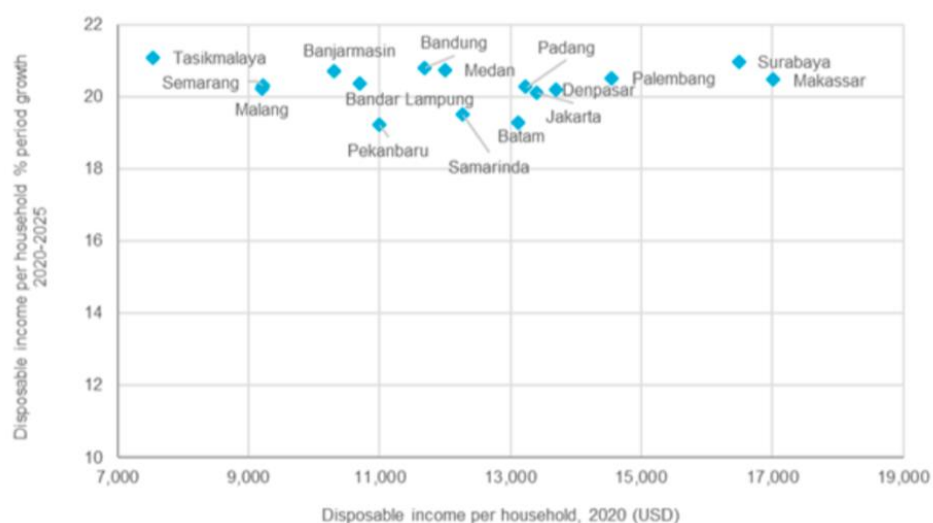
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Appendix C: Disposable Income Per Household And Period Growth 2020-2025

The following shows online engagement with companies over previous 6 months in the figure from Euromonitor Indonesia Cities Review. Shown on the figure 11, Major cities Jakarta and Surabaya will have a high disposable income level per household and at the same time with stable growth that indicates the selling in the major cities will bring us a more likelihood of achieving high return of the product.



Source: Euromonitor International from national statistics, UN

Figure 11. Disposable Income Per Household And Period Growth 2020-2025

Sources:

Euromonitor International. (2021e, December). Indonesia Cities Review.

Passport. <http://www.lib.uci.edu/online/euromonitor>