XIAOMI

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1. Xiaomi - Brief Intro
2. Smartphone Usage Trends – China and US
3. Research Questions and Survey
4. Results and Analysis
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Xiaomi

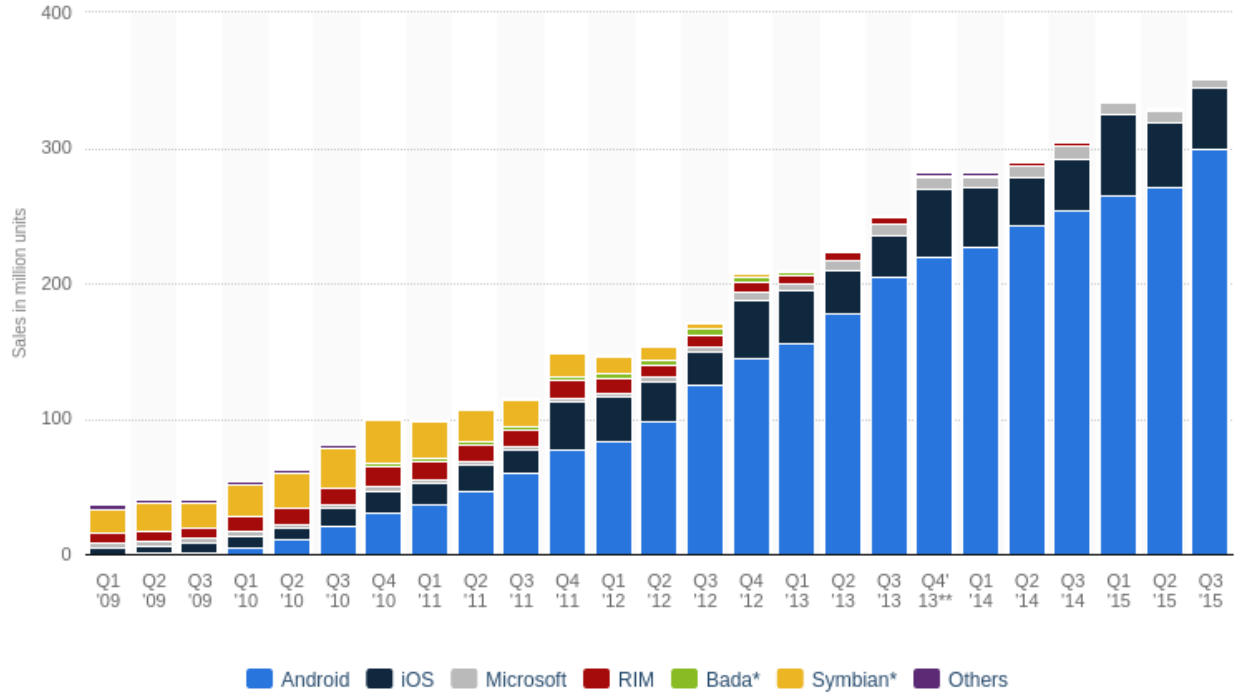
Chinese company that manufactures and distributes low cost smartphones

Founded by CEO Jun Lei in 2010

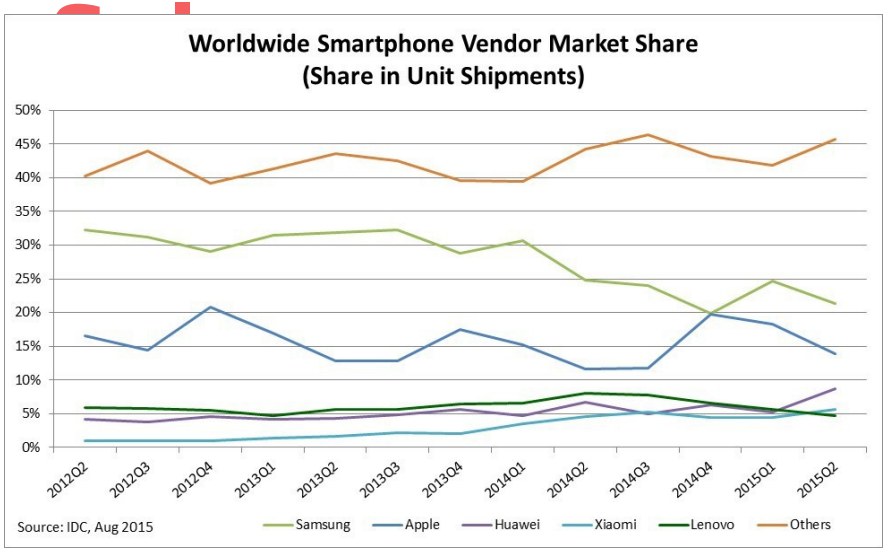
Acquired a dominant market-position by 2014, within just 4 years of it’s launch

Xiaomi has no physical stores, and is not (yet) available in the U.S.

Worldwide Smartphone Sales



Xiaomi Year over Year Worldwide

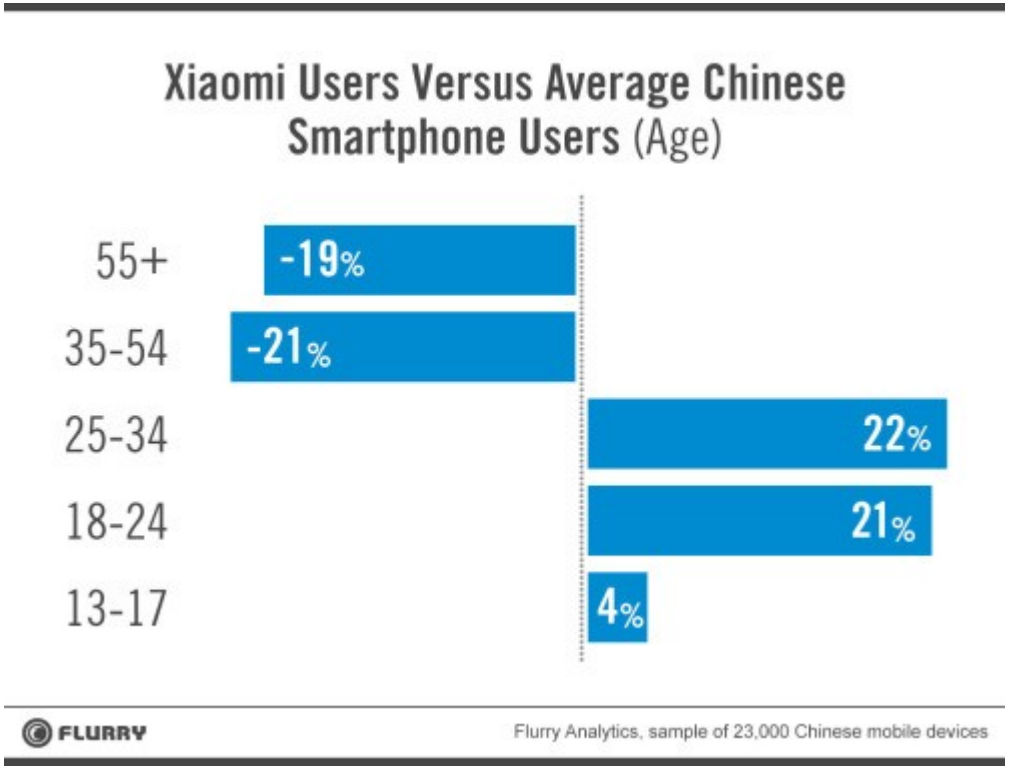


Period	Samsung	Apple	Huawei	Xiaomi	Lenovo*	Others
2015Q2	21.4%	13.9%	8.7%	5.6%	4.7%	45.7%
2014Q2	24.8%	11.6%	6.7%	4.6%	8.0%	44.3%
2013Q2	31.9%	12.9%	4.3%	1.7%	5.7%	43.6%
2012Q2	32.2%	16.6%	4.1%	1.0%	5.9%	40.2%

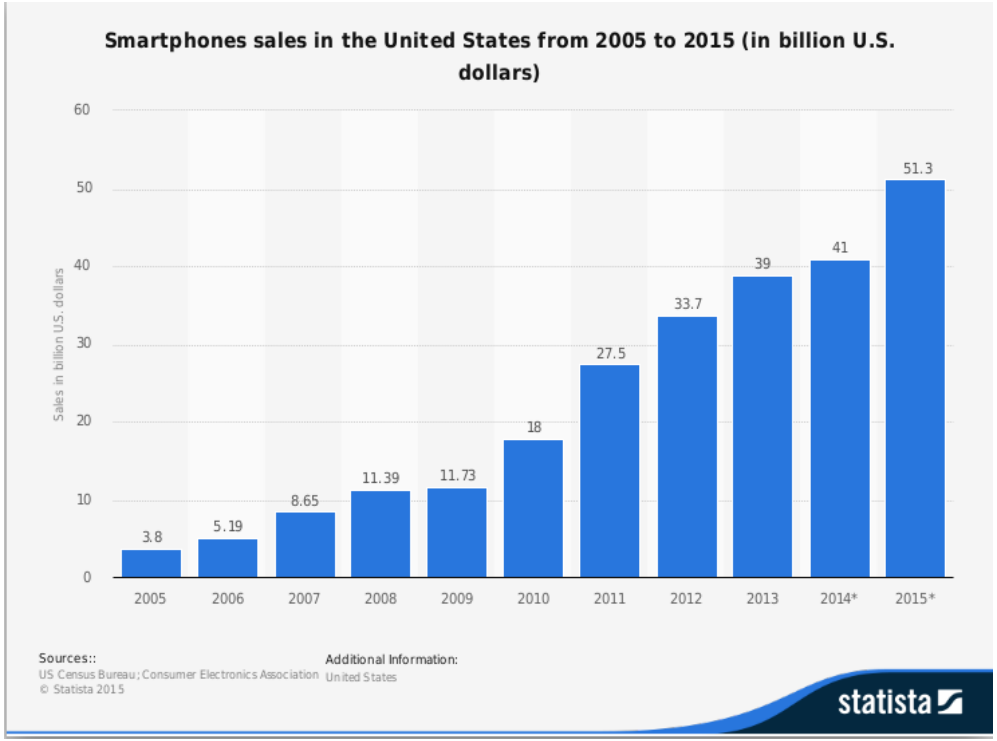
Source: IDC, Aug 2015

** Motorola figures have been captured under Lenovo.*

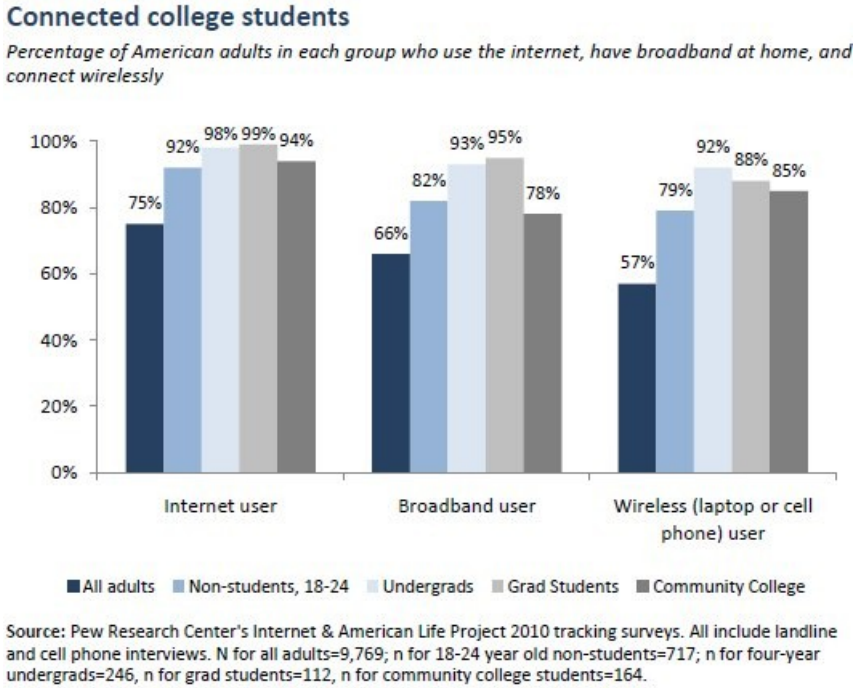
Xiaomi and the Chinese Youth Market



U.S. Smartphone Sales



U.S. College Students and Technology



Source: Pew Research Center's Internet & American Life Project 2010 tracking surveys. All include landline and cell phone interviews. N for all adults=9,769; n for 18-24 year old non-students=717; n for four-year undergrads=246, n for grad students=112, n for community college students=164.

Research Questions

Should Xiaomi launch in the US market? Can Xiaomi replicate its success in China in the U.S. market?

Assess smartphone features that appeal to US college students and the price they are willing to pay via:

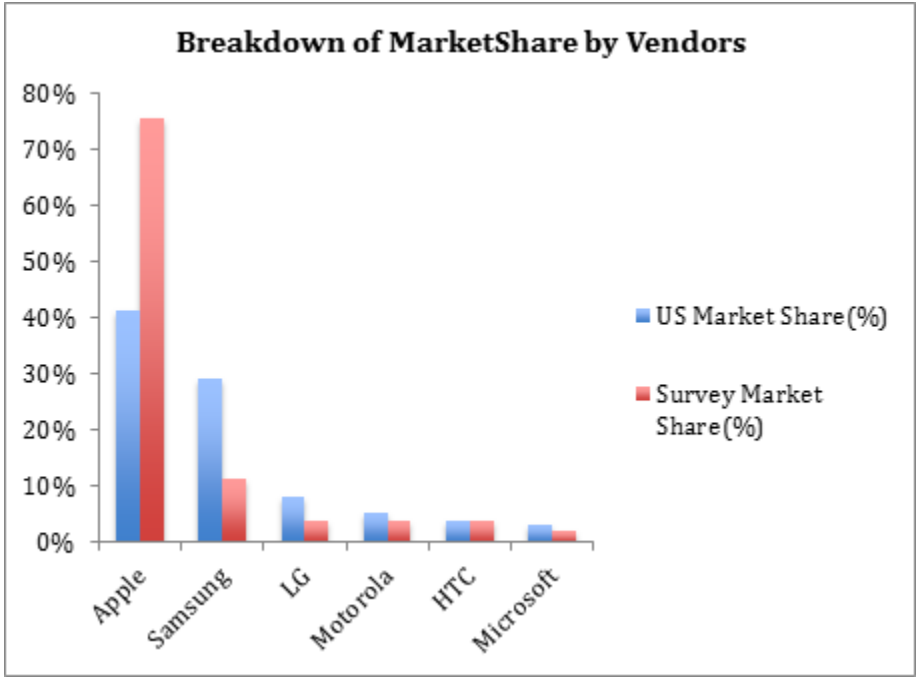
1. Who are Xiaomi's competitors in the US for the college student target market?
2. What price do college students pay for their smartphones?
3. What product features are important for college students to have in their smartphones?
4. Who/What influences college students' smartphone purchase decision?
5. What purchase methods do college students prefer?

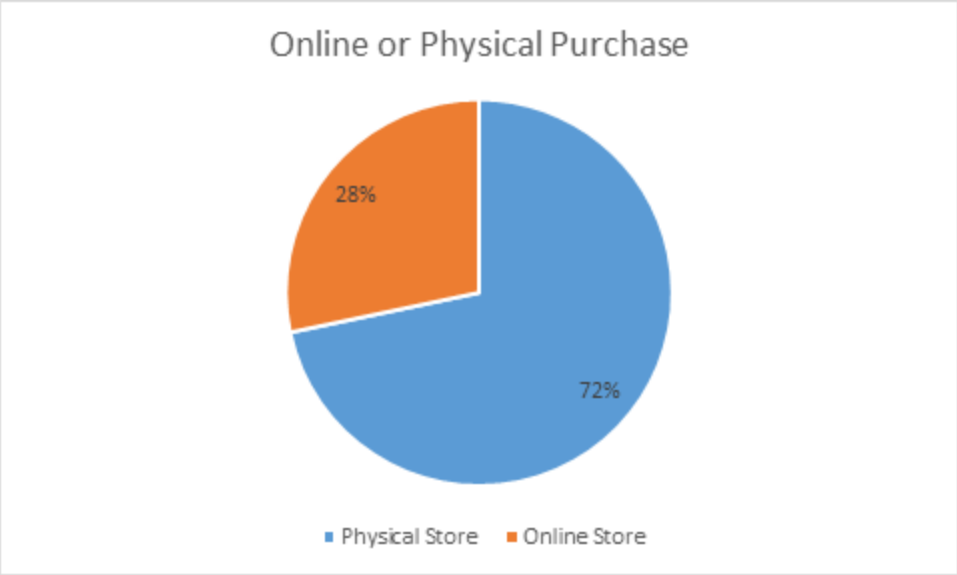
Survey

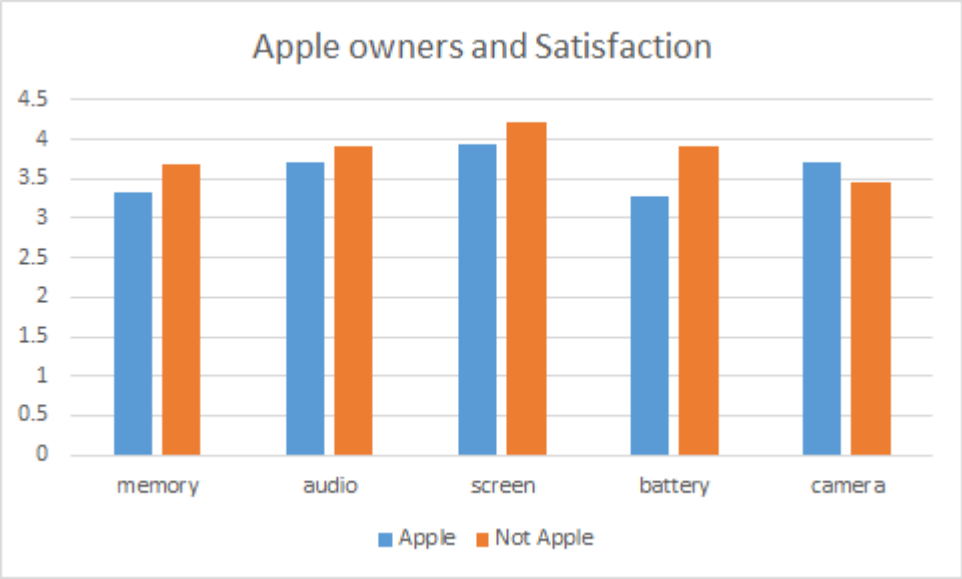
26 questions including:

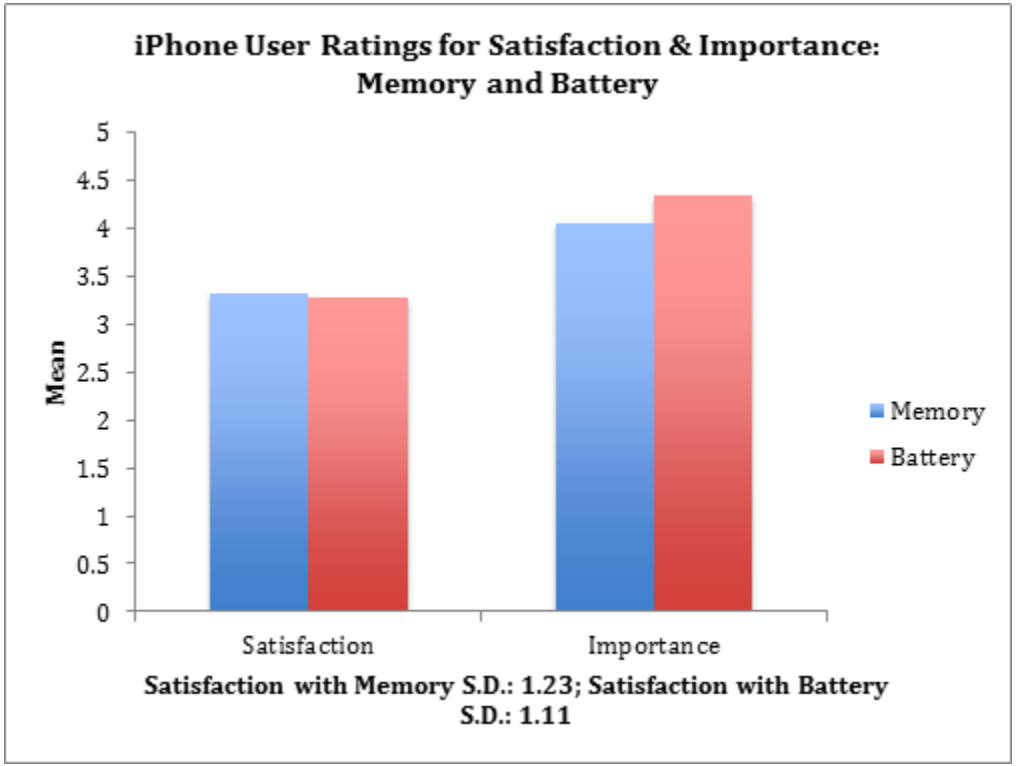
1. Current smartphone brand, price, where it was purchased, how and by who
2. Satisfaction with current smartphone
3. Conjoint questions with purchase intent for 9 different bundles of 4 attributes (memory, durability, screen size and price) with 3 levels each
4. Importance of utilities and features in smartphones generally
5. Segmentation questions

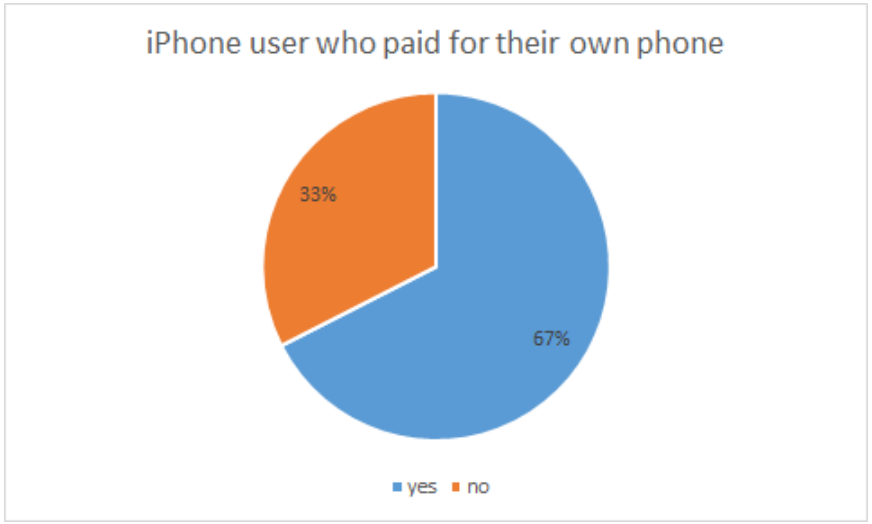
Results

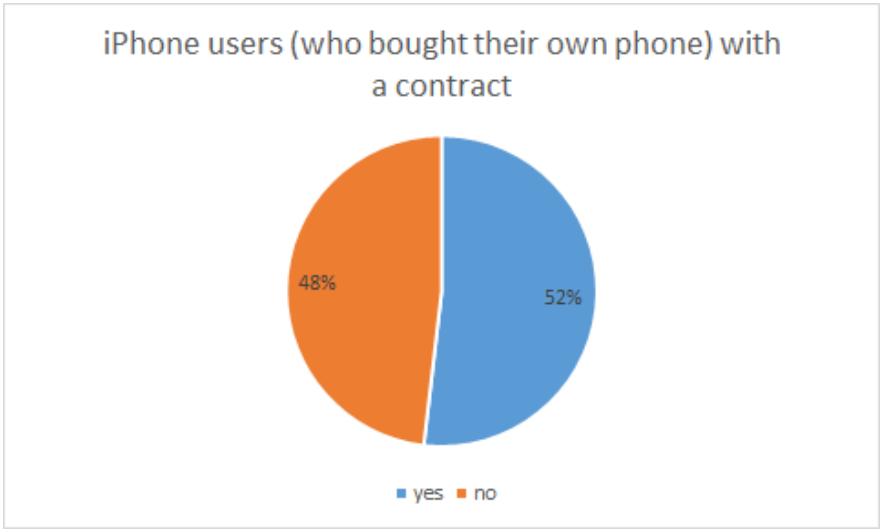

Breakdown of MarketShare by Vendors
80%
70%
60%
50%
40%
30%
20%
10%
0%
Apple
Samsung
LG
Motorola
HTC
Microsoft
US Market Share (%)
Survey Market Share (%)

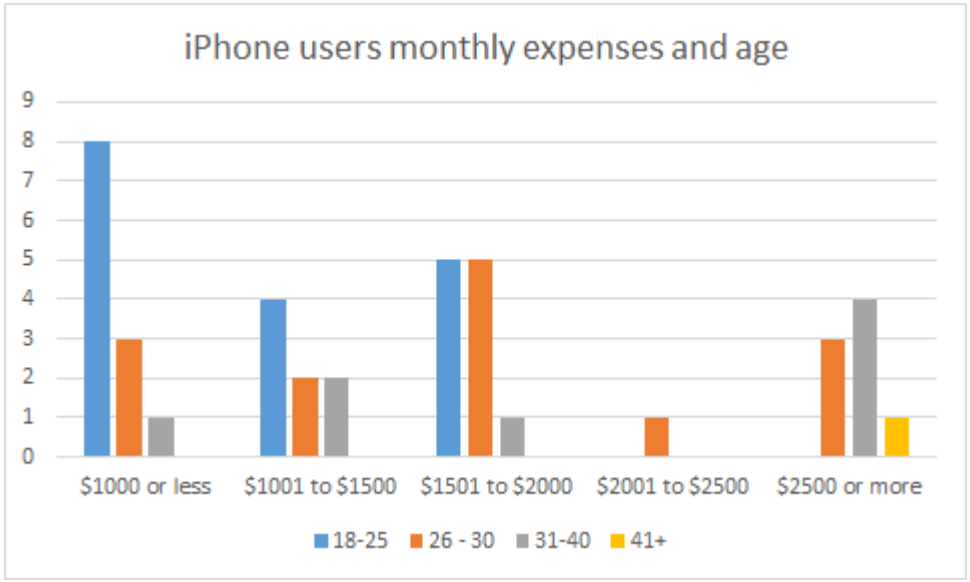

Online or Physical Purchase
28%
72%
Physical Store
Online Store

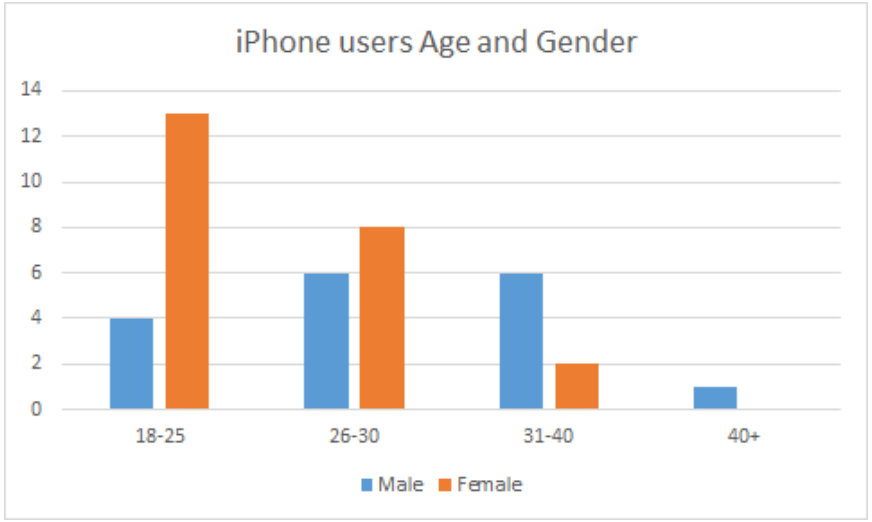

Apple owners and Satisfaction
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
memory
audio
screen
battery
camera
Apple
Not Apple

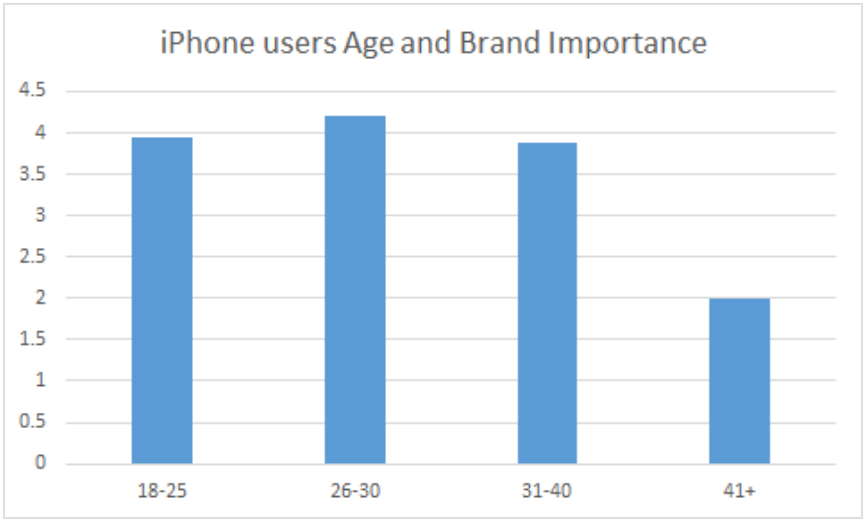

iPhone User Ratings for Satisfaction & Importance: Memory and Battery
Mean
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Satisfaction
Importance
Memory
Battery
Satisfaction with Memory S.D.: 1.23; Satisfaction with Battery S.D.: 1.11


iPhone user who paid for their own phone
33%
67%
yes
no


iPhone users (who bought their own phone) with a contract
48%
52%
yes
no


iPhone users monthly expenses and age
9
8
7
6
5
4
3
2
1
0
$1000 or less
$1001 to $1500
$1501 to $2000
$2001 to $2500
$2500 or more
18-25
26 - 30
31-40
41+


iPhone users Age and Gender
14
12
10
8
6
4
2
0
18-25
26-30
31-40
40+
Male
Female


iPhone users Age and Brand Importance
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
18-25
26-30
31-40
41+

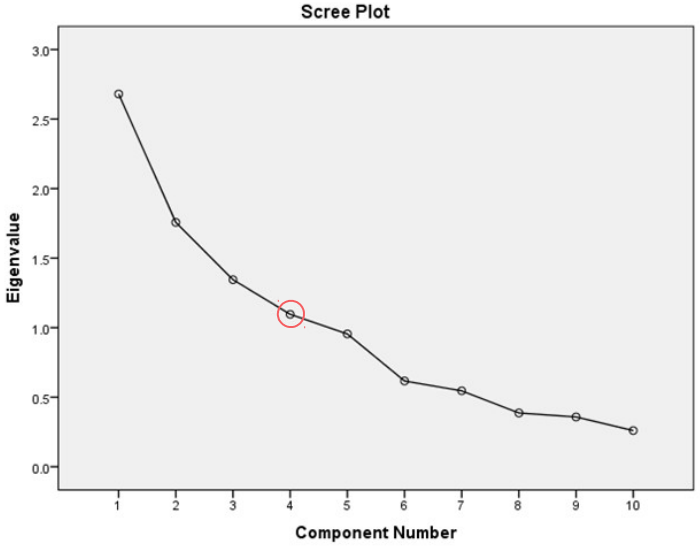
Factor/Cluster Segmentation and Conjoint

Factors

How important are the following features to you in a smartphone?

	Not at all Important	Very Unimportant	Neither Important nor Unimportant	Very Important	Extremely Important
Internal Memory	○	○	○	○	○
Expandable Memory with SD Card	○	○	○	○	○
Dual Phone Numbers with 2 SIMs	○	○	○	○	○
Audio Quality	○	○	○	○	○
Larger Screen Size	○	○	○	○	○
Brand Reputation	○	○	○	○	○
Battery Life	○	○	○	○	○
Weight	○	○	○	○	○
Camera Quality	○	○	○	○	○
Durability	○	○	○	○	○

Factors



Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.680	26.803	26.803	2.680	26.803	26.803
2	1.757	17.571	44.375	1.757	17.571	44.375
3	1.345	13.447	57.821	1.345	13.447	57.821
4	1.096	10.959	68.780	1.096	10.959	68.780
5	.955	9.549	78.329			
6	.617	6.166	84.495			
7	.546	5.459	89.954			
8	.387	3.865	93.820			
9	.358	3.580	97.399			
10	.260	2.601	100.000			

Extraction Method: Principal Component Analysis.

Factors

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Q22_7_important_feat_battery	.818	.013	.123	-.222
Q22_6_important_feat_brand	.735	-.129	-.034	.208
Q22_4_important_feat_audio	.663	.296	-.290	.184
Q22_1_important_feat_memory	.564	.459	.155	.350
Q22_10_important_feat_durability	.531	-.385	.352	.023
Q22_2_important_feat_sd_card	.198	.783	.415	-.038
Q22_3_important_feat_2_sims	-.130	.769	-.139	-.146
Q22_5_important_feat_screen	-.074	.106	.822	-.123
Q22_8_important_feat_weight	-.005	-.080	-.194	.848
Q22_9_important_feat_camera	.265	-.129	.532	.594

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

1)Battery, Brand and Beats
2)Extra Memory International
3)Visuals Matter
4)Weight Matters

Clusters

Number of Cases in each Cluster

Cluster	1	1.000
	2	12.000
	3	5.000
	4	35.000
Valid		53.000
Missing		.000

Final Cluster Centers

	Cluster			
	1	2	3	4
Battery, Brand and Beats	-4.79135	.56690	-.88919	.06956
Extra Memory International	-.72403	-.07311	1.75800	-.20539
Visuals Matter	1.04047	-1.18549	-.15179	.39841
Weight Matters	1.96410	.78271	-.15450	-.30240

Four Segments

1)Lightweight Shutterbugs (1)

2)3B Lightweights (12)

3)Globe-trotters (5)

4)Visual Heavyweights (35)

Conjoint of Segment 4

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.430[a]	.185	.164	1.617

a. Predictors: (Constant), price_500, screen_7in, durability_shatter_water, memory_64+, price_350, screen_6in, durability_shatter, memory_32+

b. Dependent Variable: IntentRating

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.886	.273		17.872	.000
	memory_32+	.152	.223	.041	.683	.495
	memory_64+	.400	.223	.107	1.792	.074
	durability_shatter	.238	.223	.064	1.067	.287
	durability_shatter_water	.514	.223	.137	2.304	.022
	screen_6in	.200	.223	.053	.896	.371
	screen_7in	-.305	.223	-.081	-1.365	.173
	price_350	-.781	.223	-.208	-3.499	.001
	price_500	-1.667	.223	-.445	-7.467	.000

a. Dependent Variable: IntentRating

Utility and Willingness to Pay

Calculating partworth/utility

price_500 - price_200 = $300

$300/1.667 = utility = $179.96

Calculating Willingness to Pay

179.96 * .4 = willingness to pay for memory_64+ = $71.98

179.96 * .514 = willingness to pay for shatterproof_waterproof = $92.50

Apple iPhone 6s 16GB is $649.
$649 + $71.98 (64 GB + memory) + $92.50 (shatterproof and waterproof) = $813.48.

Recommendations

Make Foray into US Market with:

- **A phone superior to iPhone in all technical facets but lower price**
- **Launch product should wow with outstanding battery, storage capacity and camera**
- **Physical and Online Distributors**
- **Establish brand as fun but technically accomplished at reasonable price**

Research Limitations

1. Xiaomi is an unknown brand in the U.S.

- Responses might have been different had they know about Xiaomi
- Risk in extrapolating data based on conjoint of a company like Xiaomi

2. Constraints on the Survey Length and Thoroughness

- Would’ve liked to include important features like battery life in conjoint analysis