

The Application of Consumer Psychology in Xiaomi's Marketing Strategy: A 4C Analysis

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Abstract. Xiaomi Technology Co., LTD. (referred to as Xiaomi from now on) is a Fortune Global 500 company in the electronic information industry. Studying Xiaomi's marketing strategy can help researchers understand how enterprises win consumers through innovative thinking and marketing means in the digital and internet market, and how to create competitive advantages in the market where products are almost the same. The author investigated Xiaomi's marketing strategy from the perspective of consumer psychology, and used 4C theory to analyze. The result shows that Xiaomi's success is closely related to the application of consumer psychology in its marketing strategy. Using scarcity, relative advantage and simplicity, Xiaomi meets customers' needs nicely. And for lower prices, better products and promotions to meet bargain hunting psychology, Xiaomi greatly reduces customers' costs to boost sales volume. By providing a better buying experience as well as better after-sale service, Xiaomi emphasized the importance of its customer convenience. Lastly, Xiaomi is good at word-of-mouth marketing and creates a brand personality of sincerity in communicating with customers. With a good application of consumer psychology, Xiaomi has developed an effective marketing strategy to meet the needs of consumers and improve their purchase willingness and satisfaction.

Keywords: Xiaomi; marketing; consumer psychology; consumer behavior; 4C Theory.

1. Introduction

With smartphones, smart hardware, and IOT platforms at its core, Xiaomi is a consumer electronics and intelligent manufacturing enterprise. Xiaomi's industry is the electronic information industry, which is moving fast and competition is fierce. With its unique business model and marketing strategy, Xiaomi has gained great market share in a short period, becoming an important participant in China and the global market.

As a Fortune Global 500 company, Xiaomi's marketing strategy is worth studying, especially for the application of consumer psychology. Studying Xiaomi's marketing strategy can help researchers understand how enterprises win consumers through innovative thinking and marketing means in the digital and internet market, and how to create competitive advantages in the market where products are almost the same. Moreover, Xiaomi's deep understanding of consumer psychology helps Xiaomi position its products, satisfy the real needs of consumers, design product features, and make promotions accordingly.

The majority of consumer psychology studies look at how consumers process information, how they make decisions, and how their memory and judgment work. The concepts and methods of cognitive and social psychology are widely used in studies on information processing and decision-making [1]. In this study, the author analyzed how Xiaomi applied consumer psychology in its marketing strategy. The study aimed to find out the method of consumer psychology application in Xiaomi's marketing strategy. It used the 4C marketing theory to investigate Xiaomi's marketing strategy via four aspects: Customer, Cost, Convenience and Communication. The 4C marketing theory was put forward by American scholar R.F Lauterborn in 1990. And is compared with the traditional 4P theory: 4P theory is guided by the product, while 4C theory is guided by the consumer's demand [2]. According to the theory, meeting consumer's demand and increasing consumer's satisfaction should come first. Then, cutting costs related to consumer's purchases, and making purchases as convenient as possible. And lastly, putting consumers at the center of effective marketing communication [3].

2. About Xiaomi and Its Main Products

Xiaomi was founded by Lei Jun in April 2010 in Beijing, and became a listing company in July 2018 at Hong Kong Stock Exchange. It is the third-biggest producer of smartphones, the fifth-biggest producer of TVs, the fifth-biggest producer of tablets, and the biggest producer of consumer smart IOT platforms worldwide. It is China's and the world's fastest-growing smartphone brand.

"Make friends with users and be the coolest company in their hearts." is the mission statement of Xiaomi. Xiaomi is dedicated to allowing everyone in the globe to enjoy outstanding scientific and technology products from China, and has developed items using the Internet development model.

2.1. About Xiaomi Smartphone

Since the debut of the first Xiaomi Smartphone in 2011, it has evolved into a smartphone brand with multiple models and configurations. Xiaomi smartphones are popular with consumers for their cost-effective, excellent performance and stylish design.

Xiaomi smartphone series includes many models, such as Xiaomi series, Redmi series, MIX series and so on. Each series provides different levels of products and services for different consumer groups. Xiaomi Series: The Xiaomi Series is a high-end model of Xiaomi smartphones, focusing on performance and quality.

Redmi series: Redmi series is the entry and mid-range model of Xiaomi smartphones, focusing on cost performance and popularity.

MIX Series: The MIX series is a full-screen model of Xiaomi mobile phones, focusing on design and innovation.

2.2. About Xiaomi Smart Home

The term "Smart Home" refers to the combination of lighting, security, audio-visual, appliances for the home, and other household equipment with a local area network to allow automatic management of how they work. Young people nowadays like this form of intelligent management since it makes living environments for people comfortable, practical, efficient, and safe. By 2024, the market for Smart Homes is predicted to grow from its current size of over \$100 billion to over \$150 billion [4]. The three main products of Xiaomi: the mobile phone, TV, and router, center the entire closed-loop experience known as Xiaomi Smart Home, which is made up of intelligent devices from businesses along the Xiaomi eco-chain. Furthermore, the Xiaomi Smart Home will become the "first affordable Smart Home" for the general public because of its highly competitive price.

3. Marketing Strategy Analysis of Xiaomi in Theory 4C

3.1. Meet Customer Needs

3.1.1. Making products of relative advantage

Having a relative advantage is of vital importance for products to get well-sold. In the Diffusion of innovation that Rogers claimed in 1962, one of the five drivers of success for new products is relative advantage. Having relative advantage means meeting customer needs and satisfying consumer needs better than existing products [5]. The relative advantage of products are cheaper, easier, faster, more convenient, and better user experience.

Xiaomi has done well in providing consumer with a relative advantage. For instance, the Xiaomi Mi Home Printer is cost-effective, simple and easy to operate. It has a wireless connection, fast and convenient to print, has excellent printing colors, and supports document copying, printing, scanning, printing photos and also identification photos.

Only products have a relative advantage to customers, they can meet customer's needs (especially new needs), and boost its sales.

3.1.2. Hunger marketing

As the saying goes, "When a thing is scarce, it is precious." People are always concerned about scarce products. Research in psychology indicates that people's perceptions might be affected by the state of scarcity [6,7]. Business opportunities are created by this. A product provider can boost demand and inspire customer excitement for a limited time by deliberately or unconsciously creating a temporary scarcity of their products, which will enhance market performance overall [8].

Xiaomi's hunger marketing, limited quantity (only 100 sets in the country), limited time (payment within 24 hours), and limited number of people (one person can only buy one piece) are all taking advantage of consumers' scarcity psychology. Xiaomi deliberately reduced production, causing the phenomena of short supply, in order to maintain the brand's image and, to some extent, boost sales, prices, and profit margins.

The scarcity of products can influence consumers' purchasing decisions and improve the value and appeal for products.

3.1.3. Communicable benefits

Even products have relative advantages, the way how they show relative advantages to customers affects customers' decision. According to Rogers, relative advantage must be easy to communicate to customers in the design of products, which is called simplicity [5].

Xiaomi's product is mainly designed in pure white, black or other low saturation colors, which is simple and good-looking. For instance, Xiaomi hairdryer is in pure white or pink color, Xiaomi rice cooker is pure white, and Xiaomi scale is white and silver.

With simplicity, the benefits of products can be easy to communicate with customers, to influence customers' decision.

3.2. Reduce Customer Cost

3.2.1. Lower prices, better products

Xiaomi products are known for their cost-effective performance and provide consumers with high-quality products at reasonable prices through efficient supply chain management and cost control. These products make consumers feel their purchase meets their needs and is reasonably priced, thus increasing their purchase willingness. Meanwhile, many consumers are price-sensitive and want to buy cost-effective products at a limited price. The low price of Xiaomi products can attract these price-sensitive consumers.

Xiaomi's product positioning is "Xiaomi, for the passion of technology", that is, to provide products with excellent performance and relatively low prices, so that more consumers can afford high-performance smart devices.

3.2.2. Promotion to meet bargain hunting psychology

Promotional Activities: Xiaomi frequently offers coupons, flash sales, limited-time discounts, and other promotional campaign activities, especially in the big promotion on e-commerce platforms during Chinese Singles' Day and 618 Shopping Festival. These promotion activities can meet the price sensitivity needs of consumers, and satisfy consumer's need for a good deal using cheaper prices and a better shopping experience.

Presents and Accessories: When selling products, Xiaomi regularly offers presents and accessories, including earbuds, protective cases, and other items. By purchasing Xiaomi products, consumers can meet their bargain hunting psychology by receiving these presents and accessories.

3.3. Customer Convenience

3.3.1. Better buying experience

Different buying experiences can strongly influence consumer's buying decision. Xiaomi combined online and offline methods to give consumers a quick and easy online buying experience. Along with creating its own e-commerce platform and official flagship stores on well-

known e-commerce sites, Xiaomi has also established a number of offline stores and Xiaomi Home. By established numerous online and offline stores, Xiaomi has made consumer's buying experience very convenient, so as to satisfy consumer's convenience needs. Better buying experience will influence consumers to make buying decisions.

3.3.2. Better after-sale service

With convenient after-sale service, customers can get support after buying products to solve problems they may face, thus improving customer's satisfaction and the likelihood customers will buy again in the future. Xiaomi offers a wide range of afterward services, such as online chat support, offline service centers, to ensure consumers receive prompt help and support following their purchases, such as quick return and exchange, free maintenance and so on. These measures can provide security for consumers and meet consumers' sense of security and trust. Better after-sale service is a support measure to allow consumers to solve problems and improve their satisfaction in order to encourage them to buy again.

3.4. Good at Communicating with Customers

3.4.1. Word-of-mouth marketing

Besides product relative advantages and user experience, Xiaomi' word-of-mouth marketing mainly focuses on enhancing user engagement. Xiaomi places a high value on communication with consumers since it sees it as a way of building reputation and brand loyalty. It keeps in touch with customers via a number of platforms, including regular product debuts, conversations on social media, user forums, etc. Xiaomi not only posts updates and information about its products on these platforms, but it also actively answers questions and comments from consumers. Through this open and interactive communication method, Xiaomi can timely understand user s' needs and adjust its products according to users' feedback. Consumers can feel more satisfied and have a stronger feeling of belonging with Xiaomi products because of this sense of user engagement.

3.4.2. Create a brand personality of sincerity

Having an extinguished brand personality is essential for enterprises to build a successful brand. Aaker first proposed the concept of brand personality, which holds consumers to view companies as having human personalities and traits [9]. Brand personality is a powerful tool for setting a company apart from its rivals and developing relationships with consumers [10]. Consumers are likely to choose brands and other objects that match the way they want to see themselves.

When it comes to Xiaomi, it has created a brand personality of sincerity, which obsesses the following features: down-to-earth, honest, wholesome and cheerful. Because of this, Xiaomi has been able to attract consumers who share similar traits.

4. Suggestions of Xiaomi Applied Consumer Psychology in Marketing Strategy

4.1. Design Persuasive Advertisements

Designing persuasive advertisements will give good impressions on consumers, to push consumers to buy products. Xiaomi can advertise more to increase consumers' motivation to buy.

It has been discovered that emotional appeals in advertisements have a particularly strong effect on attracting in viewers, evoking strong feelings in them, and inspiring them to make purchases.

First and foremost, marketers ought to concentrate on creating compelling ad campaigns that convey the special qualities and advantages of their goods or brands. Secondly, the use of captivating storytelling tactics and emotional appeals in advertisements can improve their ability to grab consumer's attention and encourage favorable attitudes. Thirdly, advertisers should take into account the multiple channels characteristic of advertising, which uses traditional and digital media in order to reach and impact a variety of consumer categories. Finally, cultivating brand loyalty and

maintaining customer engagement over time requires frequent exposure and consistent reinforcement of company messages [11].

In terms of advertising methods, firstly, advertisers can use creative stimuli in advertising, such as unusual shooting techniques, sudden silence or unexpected movement. Secondly, they can use significant stimuli in advertising, such as loud music or rapid movements to attract attention. Thirdly, they can ask celebrities to participate in the advertisement. Fourthly, they can provide value that consumers appreciate. Fifthly, they can use new media platforms to capture consumer's attention. Sixthly, they can encourage consumers to imagine what it would be like to use the product. And lastly, they can create habits or performances that make advertising a form of entertainment in itself [12].

4.2. Apply Conformity Psychology in Online Marketing

Xiaomi has a good grasp of customer's conformity psychology. Some of its products have high sales on the online shopping platform such as Taobao, attracting more customers to participate in the purchase. However, celebrity endorsements may be one of the most important factors in Xiaomi's future marketing strategy, and should be taken into account.

Conformity is also called the effect of the sheep flock. In many purchasing decisions, consumers will show a tendency to follow the herd. For example: prefer to go to crowded stores for shopping, prefer to buy those brands with high market share, and prefer to choose hot cities and hot routes for travel, etc.

The classic examples of conformity contain hungry marketing, celebrity endorsement and product reviews. Previous studies have shown that, when it comes to stimulating consumers' interest in making purchases, celebrity endorsements may be the most widely acknowledged method as compared to hunger marketing and reading product reviews. Also, conformity psychology is one of the key elements affecting purchasing during the Singles' Day shopping festival [13].

Thus, from the conformity of consumer psychology, Xiaomi should invite more celebrity endorsements that are popular with young groups to attract the attention of young consumers, and also bring good reputation and brand image to Xiaomi. It can invite actors, athletes, singers to show the strength and taste of the users of Xiaomi products.

5. Conclusion

Overall, it can be concluded that Xiaomi's success is closely related to the application of consumer psychology in its marketing strategy. Using scarcity, relative advantage and simplicity, Xiaomi meets customers' needs nicely. And for lower prices, better products and promotions to meet bargain-hunting psychology, Xiaomi greatly reduces customers' costs so as to boost sales volume. By providing a better buying experience as well as better after-sale service, Xiaomi emphasized the importance of its customer convenience. Last but not the least, Xiaomi is also good at word-of-mouth marketing and creating a brand personality of sincerity to communicating with customers.

The significance of consumer psychology applied in Xiaomi's marketing is to understand the needs of consumers, to develop a more effective marketing strategy to meet the needs of consumers and improve their purchase willingness and satisfaction. Then achieve business growth and market share improvement.

Xiaomi's successful application of consumer psychology in marketing strategy provides useful implications for other enterprises. Enterprises should deeply understand consumers' needs, create high-quality purchasing and after-sales experiences, apply word-of-mouth marketing, apply promotion, and design products with brand personality, to develop effective marketing strategies to improve brand awareness and sales.

In terms of future study, it can be focused on the application of artificial intelligence "Xiao Ai Classmate" in Xiaomi products. From the perspective of consumer psychology, Xiao Ai's design and application fully consider the user's interactive experience and emotional needs, reflecting Xiaomi's deep understanding of consumer behavior and psychology. However, Xiao Ai still faces challenges in its future development: how to deeply understand the needs of consumers, how to provide more

accurate services without violating users' privacy, and how to integrate more emotional elements into Xiao Ai are all issues that need further research.

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