

Customer Engagement in Value Co-creation of Xiaomi: A Case Study

Jin-mei TIAN*

School of Economics and Management Shanghai Polytechnic University, Shanghai, China

*Corresponding author

Keywords: Customer engagement, Customer community, Value co-creation.

Abstract. The author conducts a case study on a famous mobile internet firm—Xiaomi Technology, which is dedicated to connect all smart devices by smartphone letting everyone enjoy the fun of technology (a new lifestyle). Xiaomi, born for geeks, relentlessly pursues perfection and wins customers' identity and value co-creation. Xiaomi's successful customer engagement management reflects in its three strategies (perfect product, fans management, and we-media communication) and three tactics (open participation, interaction mode design, and word-of-mouth event marketing). The author also finds that Xiaomi sponsors hierarchical levels of customer communities each with certain level of customer engagement. Finally, the author proposes further research direction related to the case practices.

Introduction

Since 2000, customer management research has evolved and has had a significant impact on the marketing discipline. In an increasingly networked society where customers can interact easily with other customers and firms, customer engagement (CE) promises to be a fruitful new research area within customer management domain. S-D logic (Vargo and Lusch 2008; Vargo and Lusch 2004) [1] [2] and the existence of transcending service relationships provides the broader conceptual domain within which customer engagement is embedded (Brodie et al. 2011) [3]. The Marketing Science Institute (MSI 2008) declares CE a key research priority for the period 2010-2012. The third Thought Leadership Conference in 2009 is titled with "Managing the Interface between Firms and Customers" and the Journal of Service Research seized the initiative with a special issue (2010) and special issue with responses (2011).

Although an increasing number of articles on customer engagement are published in major marketing journals, a few Chinese researches were found. This study summarized the customer engagement strategies and tactics of a typical internet-based value co-creative Chinese firm named Xiaomi, then analyzed its online O2O customer community management tactics, finally proposed further research directions related to the case practices.

Introduction of Xiaomi

"Born for geeks", Xiaomi was founded in 2010 by serial entrepreneur Lei Jun, who has a dream to let everyone enjoy using high-tech products without costing a fortune. Lei Jun summarized that Xiaomi's success is based on three factors: Entrepreneurial mindset team, innovation and fans economy.

Follow the standard of expertise (industry experience and professional skills) with start-up mentality (extremely love for what Xiaomi does), Leijun brought together 7 co-founders who are all smart people once employed by Google, Kingsoft, Microsoft, Motorola, Yahoo, and other worldwide internet and technology companies. Thus Xiaomi established its passionate team with the same attitude: Endless pursue perfection, always believe that something wonderful is about to happen.

Xiaomi creates remarkable hardware, software, and internet services for Mi-fans with their help. Xiaomi incorporates their feedback into its product range which currently includes three kinds of core products: Mi phone and Mi pad, Mi TV and Mi box, Mi route and other accessories. Xiaomi's high-end features, low price, geek culture and dream won customers' high engagement and WOM,

which brings doubled revenues in recent years (RMB 114.6 billion in 2017). Xiaomi's success is based on its business model which include three elements: excellent business community ecological chain [4] management (Fujitsu, Sharp, Toshiba, Qualcomm, Samsung, LG, Inventec, Wistron are main producers among Xiaomi's 500 supply partners), fan-centric philosophy and social media marketing[5]. According to report of IDC and Strategy Analytics, Xiaomi becomes the 3rd largest mobile and pad firm in 2014 following Apple and Samsung. In February 2014 Xiaomi is named the world's top 50 most innovative companies by Fast Company Magazine.

For future development, Xiaomi is dedicated to connect all smart devices by Mi phone, and create a mobile internet-based Mi lifestyle. Xiaomi's investment indicates its three layers ecological chain strategy: intelligent hardware, content industry and cloud service. Xiaomi has invested more than 100 hardware venture companies, among which Youku and Iqiyi for content strategy, Kingsoft and Century Interconnection for cloud service.

Xiaomi's each step of the development is led by their hardcore fans. Among 7000 staffs, many of them were initially a fan of Xiaomi products before they decided to join Xiaomi. Xiaomi treats users (currently 60 million in total) as friends, engages them in the whole value co-creation process including new product development, marketing (esp. WOM), even service and branding.

Customer Engagement Management of Xiaomi

Engagement Principles

Vice president of Xiaomi, Li Wanqiang summarizes three strategies and three tactics for Xiaomi's engagement management [6]. Three strategies are "perfect product, fans management, and we-media communication". "*Perfect product*" strategy means that Xiaomi focuses on one product category ensuring to be No. 1 in the market, which is the premise for engagement management. Xiaomi believes that excellent product is positive word of mouth itself and proves it. E. g. Xiaomi's MIUI software system is upgraded each Friday which is customized and playable, and Xiaomi's smartphones are top equipped but are sold with lowest price in the market; "*Fans management*" is the user strategy. Engagement is driven by trust, so essence of fans management is to turn weak relationships to strong relationships with high degree of trust. Xiaomi takes users as friends and encourages them to become "superstar" of product improvement and brand spreading; "*We-media*" is the content strategy. We-media can eliminate information asymmetry, fasten information flow. Xiaomi guides users to generate useful and affectionate content to increase their dissemination speed and depth.

Three tactics are "open participation, interaction mode design, and word-of-mouth". "*Open participation node*", that is trying to open all required node of value chain (Idea generation, R&D, production, distribution, service, branding) for mutual sustainable benefit. Xiaomi offers high end features, information, honor, financial benefits for Mi fans. Take MIUI system as an example, except engineering coding part, other parts like needs survey, testing and launching are all open for users' engagement; "*Design interaction mode*", that is, to improve the breadth and depth of interaction, design a simple, interesting, real, mutual beneficial interactive way; "*Spread word-of-mouth event*", that is, Xiaomi proactively create and spread WOM events. e. g. reward MIUI engineer team with popcorn (because it is nickname for Mi fans) for users voted good features design. A Micro film created for the first 100 users named "100 dream sponsors" is an "amplifier" of Mifans' engagement.

Fans Management

As consumers purchase Xiaomi's products, they will follow a step of fan evolution, firstly they become a certified user (like initiation), then they obtain information and resources from online forum, further they show, share, and help others (obtain amusement, achievement experience), participate in community activities (they will have flow and aesthetic experience), occasionally when they have a surprising function discovery or development, they can obtain the transcendent experience. Xiaomi established online and offline communities to motivate customer engagement.

“At first I think Xiaomi impressed me by its price, perfect product, but later I find out that I love Xiaomi for its spirit, culture and climate. “Young, energetic, full of passion, have a dream, dedicated to achieve their dream, do what you want to do”, these are all what I agree, and I also want.” A super fan said.

Online Communities

(1) Honorary Consultants. Act as “product manager”, 1000 “geeks” selected among millions of users constitute an “Honorary Consultants”, participate in product development and testing, to help Xiaomi constantly optimize product features and user experience.

Take MIUI as an example. MIUI is a deeply customized Android ROM upgraded regularly with Mi fans’ engagement in improvement. Its innovation starts from function and interface, to content and ecology, then to internet-based service. The latest version MIUI 10 introduces a range of powerful features: full screen; natural joyful sound system; powerful and useful voice AI exploring the full voice driving mode: voice transceiver, WeChat, dial phone, navigation and song; more convenient and more open IoT interconnection gradually accessing to its eco chain brand smart appliances.

There are three MIUI versions: (a) *MIUI internal beta version*, which is upgraded daily, open to engineers and 1000 geeks for the newest function testing and bug modification. Geeks can communicate deeply and frequently with first-line engineers. For them, participation in testing are exciting and also an honor. “I posted a camera setting suggestion in the MIUI forum, received a reply ‘make sense, will modify as soon as possible’. Actually, Lots of my suggestions were adopted by R&D engineers of MIUI system. Some engineers have become my friends” a times I will come to Xiaomi’s office to talk with them face to face for products improvement.” A geek named Han Yu said; (b) *MIUI development beta version*, which is updated each Friday afternoon, and users submit experience report the next Tuesday. 100,000 users participate and identify the most preferred, not so good, and widely expected functions. Lots of MIUI features are determined by users’ discussions and votes, up to one third of ideas and suggestions came from Mi fans; (c) *MIUI stable version*, which is usually upgraded 1-2 months, and open to all the users (more than 60,000,000 users now).

(2) Cool Play Bang. Cool Play Bang is Xiaomi’s testing platform for the upcoming beta product. Xiaomi offers Mi users opportunities to experience new product at lowest cost (e.g. RMB 1 Yuan). Act as “Internet Product Managers”, Cool Play Bang members help engineers to find improvement chance through using, evaluating, and providing feedback to beta product. Any new product of Xiaomi must be tested here before massive offering. Participators must meet certain selection standards such as registration before certain time, account score over a certain score, VIP authentication et al. Cool Play Bang is also a public testing platform for good hardware products from worldwide entrepreneurial team.

O2O Communities

Since 2013, Xiaomi started to establish O2O customer communities and currently Xiaomi has two kinds of O2O communities and more than 300 offline service centers named “Mi Home”.

(1) Mi Campus Club. Each Campus Club is managed by one minister and two vice ministers recruited on Xiaomi forum. They are in charge of organizing students to participate in online and offline activities. Mi Campus Clubs offer a platform for students to communicate, participate and share to enhance their understanding of Xiaomi culture, most importantly offer them an opportunity to make more friends, enjoy a rich and colorful life.

(2) Mi City Club. City Clubs are responsible for organizing Xiaomi fans’ offline gathering activities helping them to find true friends. Each Mi City Club registers a micro-blog for Mi fans’ convenient online interaction. Mi City Club organizes activities monthly, with themes transferring from usage experience sharing, problem solving, to pure entertainment activities such as social gathering or Cara OK, even public activities. Xiaomi hosts the national wide completion activities periodically either for personal participation (like “Story about Xiaomi and me”) or for City Club organization participation (like public welfare event).

(3) Mi Home. Learn from Apple’s “Genius Bar”, Xiaomi establishes many customer service

centers called “Mi Home”. The position of “Mi Home” is for service and experience, creating a comfort “home” for users’ gatherings and having fun. Xiaomi currently has established more than 300 “Mi Homes” with local Mi fans’ help. Users can experience and learn about new products here, solve the product problem, ask staff to help upgrade or update system. Some Mi fans even come around for shelter or for an umbrella when it rains, and they also come to surf the net, to host a birthday party, or even print graduation thesis.....

O2O Activities

Xiaomi strengthens fans’ sense of engagement through offline activities. Xiaomi regularly elects “popcorn talent star” (e. g. photography star, resources star, Xiaomi maven et al.), and elects MI-BOY and MI-GIRL monthly. All these stars are elected by forum members and all of them have the opportunity to participate in “the annual popcorn festival”.

Xiaomi holds offline activities such as popcorn activities, product launching, Mi Fans Festival regularly. Popcorn activities are Xiaomi’s official organized large scale fans (300-500 Mi fans) gatherings. Xiaomi provides Mi fans the opportunities to interact with co-founders and R&D team, to take part in faddish, funny activities like sweepstakes, games, talent shows et al. Since 2012, Xiaomi has hosted lots of popcorn activities in mainland China.

Product launching is a major activity of Xiaomi and also a grand ceremony for Mi fans. Xiaomi holds Mi fans festival every year since the first one was held in April 6th, 2011. The first ceremony attracted 600 fans, later up to more than 2000 users. Those who can’t attend the conference can watch live broadcast, play games, and send virtual gifts to friends in the online community.

“Exist for Mi fans” is not just a slogan, Xiaomi regards Mi fans as dream sponsors and offers them lots of rewards (sale at cost, lots of coupons and discount) for every offline activities. Xiaomi made a particular micro film “100 dream sponsors” showing sincere thanks for Mi fans’ 3 years supports. Mi fans offer Xiaomi flowers, handmade gifts, photos, full month celebrations for each “Mi Home”. Some even made specific music and lyrics for Xiaomi smartphone. Foreign Mi fans help transforming MIUI to different language versions.

“I think Mi fans love Xiaomi is a form of idolatry for success. I tried some other smartphone, but I still think Xiaomi is more attractive to me, because I met too many friends here, and we accompanied Xiaomi’s growth.” a Board Moderator Said.

Future Research Direction

This study is only a case study and there are further empirical research directions worthy to note: (1) what is the drivers for geeks’ engagement for co-creation? They engage for social benefits from titles, for other forms of recognition—increased status, social esteem, good citizenship, and strengthening of ties with relevant others (Nambisan and Baron 2009), for psychological reasons—enhance intrinsic motivation, sense of self-expression and pride (Csikszentmihalyi 1996; Etgar 2008), positive affect (Burroughs and Mick 2004), enjoyment of contributing (Evans and Wolf 2005; Nambisan and Baron 2009), or purely out of a sense of altruism? Are there any Chinese collective culture style factors in function for customers’ engagement for value co-creation? (2) What kinds of interactive experiences lead to favorable CE states? Under what conditions are specific marketing programs designed to stimulate CE (e.g., social rewards programs, dream/vision or spirit motivation) effective in co-creating value and enhancing relationships? (3) What ultimate value can C2C interaction bring to Chinese product fans? What’s the relationship between C2C interaction and consumer wellbeing? (4) How firms intervene and guide customer group engagement in value co-creation?

Acknowledgement

This research was financially supported by the Tourism Management Discipline Research Program funded by Shanghai Polytechnic University, P. R. China (Grant NO. XXKPY1607).

References

- [1] Vargo, Stephen L. and Robert F. Lusch, Service-Dominant Logic: Continuing the Evolution, *Journal of the Academy of Marketing Science*, 36 (1) (2008), 1-10.
- [2] Vargo, Stephen L. and Robert F. Lusch, Evolving to a New Dominant Logic for Marketing, *Journal of Marketing*, 68 (1) (2004), 1-17.
- [3] Brodie, Roderick J., Linda D. Hollebeek, Biljana Juric and Ana Ilic, "Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research", *Journal of Service Research*, 14(3) (2011), 252-271.
- [4] Hsien-Chih Kuo, Pin Luarn, I-Jen Chen. Value Co-creation of Xiaomi in China. *International Journal of Business and Economic Sciences Applied Research*, 11(1) (2018) 26-33.
- [5] Shih, C. C., Lin, T. M. Y., and Luarn, P., Fan-Centric Social Media: The Xiaomi Phenomenon in China: The Xiaomi Phenomenon in China, *Business Horizons*, 57(3) (2014) 349-358.
- [6] Li, Wanqiang, Engagement: Internal Manual of Xiaomi WOM Marketing. Beijing: CITIC Publishing House (2018).